

EMERSON ELECTRIC CO  
Form DEF 14A  
December 07, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

(Amendment No. \_\_)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Materials Pursuant to § 240.14a-12

# EMERSON ELECTRIC CO.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box)

No Fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



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**NOTICE OF ANNUAL MEETING  
OF STOCKHOLDERS**

St. Louis, Missouri

December 7, 2012

TO THE STOCKHOLDERS OF

EMERSON ELECTRIC CO.:

The Annual Meeting of the Stockholders of Emerson Electric Co. will be held at the office of the Company, 8000 West Florissant Avenue, St. Louis, Missouri 63136 on Tuesday, February 5, 2013, commencing at 10:00 a.m. Central Standard Time, at which meeting only holders of the common stock of record at the close of business on November 27, 2012 will be entitled to vote, for the following purposes:

1. To elect as directors the five Directors named in the attached proxy statement;
2. To hold an advisory vote to approve our executive compensation;
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm;
4. To approve an amendment to the Company's Restated Articles of Incorporation to declassify the Company's Board of Directors;
5. To vote upon the stockholder proposal described in the accompanying proxy statement if properly presented at the meeting; and
6. To transact such other and further business, if any, as lawfully may be brought before the meeting.

EMERSON ELECTRIC CO.

By  
Chairman of the Board and  
Chief Executive Officer

Secretary

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Even though you may plan to attend the meeting in person, please vote by telephone or the Internet, or execute the enclosed proxy card and mail it promptly. A return envelope (which requires no postage if mailed in the United States) is enclosed for your convenience. Telephone and Internet voting information is provided on your proxy card. Should you attend the meeting in person, you may revoke your proxy and vote in person.

*IMPORTANT*

Please note that a ticket is required for admission to the meeting. If you plan to attend in person and are a stockholder of record, please check the box on your proxy card and bring the tear-off admission ticket with you to the meeting. If your shares are held by someone else (such as a broker) please bring with you a letter from that firm or an account statement showing you were a beneficial holder on November 27, 2012.

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**EMERSON ELECTRIC CO.**

**8000 WEST FLORISSANT AVENUE, ST. LOUIS, MISSOURI 63136**

**PROXY STATEMENT**

**FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD FEBRUARY 5, 2013**

This proxy statement is furnished to the stockholders of Emerson Electric Co. in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders to be held at 10:00 a.m. Central Standard Time on February 5, 2013 at the office of the Company, 8000 West Florissant Avenue, St. Louis, Missouri 63136 and at all adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This proxy statement and the enclosed form of proxy are first being sent to stockholders on or about December 7, 2012. A copy of the Company's Annual Report to Stockholders for the fiscal year ended September 30, 2012 accompanies this proxy statement.

If you plan to attend and have a disability which requires accommodation at the meeting, please call 314-553-2197. Requests must be received by January 15, 2013. If you have questions regarding admission or directions to the Annual Meeting of Stockholders, please call 314-553-2197.

**Stockholders can simplify their voting and save Emerson expense by voting by telephone or by Internet. If you vote by telephone or Internet, you need not mail back your proxy card.** Telephone and Internet voting information is provided on your proxy card. A Control Number, located on the proxy card, is designed to verify your identity and allow you to vote your shares and confirm that your voting instructions have been properly recorded.

If your shares are held in the name of a bank or broker, follow the voting instructions on the form you receive from that firm. The availability of telephone or Internet voting will depend on that firm's voting processes. If you choose not to vote by telephone or Internet, please return your proxy card, properly signed, and the shares represented will be voted in accordance with your directions. You can specify your choices by marking the appropriate boxes on the proxy card. If your proxy card is signed and returned without specifying choices, the shares will be voted FOR the nominees for Director in Proposal 1, FOR the approval of the Company's executive compensation in Proposal 2, FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm in Proposal 3, FOR an amendment to the Company's Restated Articles of Incorporation to declassify the Company's Board of Directors in Proposal 4, and AGAINST the stockholder proposal in Proposal 5, and will otherwise be voted in the discretion of the proxies. The Company knows of no reason why any of the nominees for Director named herein would be unable to serve. In the event, however, that any nominee named should, prior to the election, become unable to serve as a Director, your proxy (unless designated to the contrary) will be voted for such other person or persons as the Board of Directors of the Company may recommend.

You may revoke your proxy at any time before it is voted (in the case of proxy cards) by giving notice to the Secretary of the Company or by executing and mailing a later-dated proxy. To revoke a proxy given, or change your vote cast, by telephone or Internet, you must do so by telephone or Internet, respectively (following the directions on your proxy card), by 11:59 p.m. Eastern Standard Time on February 4, 2013.

The close of business on November 27, 2012 was fixed by the Board of Directors as the record date for the determination of stockholders entitled to vote at the Annual Meeting of Stockholders. As of the record date, there were outstanding and entitled to be voted at such meeting 723,578,060 shares of our common stock, par value \$0.50 per share. The holders of the common stock will be entitled on each matter to one vote for each share of common stock held of record on the record date. There is no cumulative voting with respect to the election of Directors.

This proxy is solicited by the Board of Directors of the Company. The solicitation will be by mail and the expense thereof will be paid by the Company. The Company has retained Morrow & Co., LLC to assist in the solicitation of proxies at an estimated cost of \$12,500 plus expenses. In addition, solicitation of proxies may be made by additional mailings, electronic mail, telephone or in person by Directors, officers or regular employees of the Company.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on February 5, 2013. This proxy statement, form of proxy and our Annual Report to Stockholders are available at [www.proxyvote.com](http://www.proxyvote.com). You will need to input the Control Number, located on the proxy card, when accessing these documents.**



**Table of Contents****I. ELECTION OF DIRECTORS****Nominees and Continuing Directors**

The Board of Directors is divided into three classes, with the terms of office of each class ending in successive years. Five Directors of the Company are to be elected for terms ending at the Annual Meetings specified below, or until their respective successors have been elected and have qualified. Certain information with respect to the nominees for election as Directors proposed by the Company, as well as the other Directors whose terms of office as Directors will continue after the Annual Meeting, is set forth below, including directorships held by each nominee at other public companies in the last five years and additional information regarding each nominee's specific experience, qualifications, attributes and skills that led the Board to conclude that he or she should serve as a Director. All of the nominees meet the Board membership criteria described on page 11 under "Nomination Process." **The Board of Directors unanimously recommends a vote FOR each nominee indicated below.**

Name, Age, Principal Occupation or Position, Other Directorships	Served as Director Since
<b>NOMINEES FOR TERMS ENDING IN 2016</b>	
<p>C. A. H. Boersig, 64 Retired Chairman of the Supervisory Board of Deutsche Bank AG, a global investment bank</p> <p>He is also a Member of the Supervisory Board of Daimler AG, Linde AG, and Bayer AG, and a former Member of the Supervisory Boards of Lufthansa AG and Heidelberger Druckmaschinen AG.</p> <p>Dr. Boersig's qualifications to serve on the Board include his service as Chairman of the Supervisory Board of Deutsche Bank AG and his leadership, financial and international experience as a member of the Supervisory Boards and various Board committees of Bayer AG, Daimler AG and Linde AG; former member of the Management Boards of Deutsche Bank and RWE AG; former Chief Financial Officer and Chief Risk Officer of Deutsche Bank; and former Chief Financial Officer of RWE.</p>	2009
<p>J. B. Bolten, 58 Co-Founder and Managing Director of Rock Creek Global Advisors, LLC, an international advisory firm</p> <p>He is also a Member of the International Advisory Board of BP plc.</p> <p>Mr. Bolten's qualifications to serve on the Board also include his financial, leadership, and governmental experience as former White House Chief of Staff to President George W. Bush; former Director of the Office of Management and Budget; former White House Deputy Chief of Staff; former General Counsel to the U.S. Trade Representative; and former Chief Trade Counsel to the U.S. Senate Finance Committee, and experience on the Boards of the U.S. Holocaust Memorial Museum, the ONE Campaign and the Clinton Bush Haiti Fund.</p>	2012
<p>M. S. Levatich, 47 President and Chief Operating Officer of Harley-Davidson Motor Company, Inc., a manufacturer of motorcycles and related products</p> <p>Mr. Levatich's qualifications to serve on the Board also include his extensive manufacturing, global marketing and management experience as a Harley-Davidson executive, including his service as former President and Managing Director of MV Augusta Motor S.p.A., a subsidiary of Harley-Davidson, Inc.; and as former Vice President and General Manager, Parts &amp; Accessories and Custom Vehicle Operations of Harley-Davidson, Inc.</p>	2012
<p>R. L. Stephenson, 52 Chairman, Chief Executive Officer and President of AT&amp;T Inc., telecommunications provider</p>	2006

Mr. Stephenson's qualifications to serve on the Board also include his leadership, technology, operating and financial experience as former Chief Operating Officer and Chief Financial Officer of AT&T Inc.; and former Chief Operating Officer of SBC Communications Inc.

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Name, Age, Principal Occupation or Position, Other Directorships	Served as Director Since
<b>NOMINEE FOR TERM ENDING IN 2014(1)</b>	
<p>A. A. Busch III, 75 Retired Chairman of the Board of Anheuser-Busch Companies, Inc., brewery, container manufacturer and theme park operator</p> <p>He is also a former Director of AT&amp;T Inc.</p> <p>Mr. Busch's qualifications to serve on the Board also include his leadership and international experience as former Chief Executive Officer and President of Anheuser-Busch Companies and broad experience as a director of large public companies.</p>	1985
<b>TO CONTINUE IN OFFICE UNTIL 2015</b>	
<p>C. Fernandez G., 46 Chairman and Chief Executive Officer of Grupo Modelo, S.A.B. de C.V., a brewery holding company</p> <p>He is also a Director of Grupo Televisa, S.A.B. and Grupo Financiero Santander México S.A.B. de C.V., and a former Director of Anheuser-Busch Companies, Inc.</p> <p>Mr. Fernandez's qualifications to serve on the Board also include his international, operating and marketing experience as former Chief Operating Officer of Grupo Modelo.</p>	2001
<p>A. F. Golden, 66 Partner of Davis Polk &amp; Wardwell, lawyers</p> <p>Mr. Golden's qualifications to serve on the Board include his leadership, international and industry experience heading Davis Polk teams in private and governmental litigation; representing large multinational companies in corporate governance matters and acquisition-related transactions; counseling multinational companies on antitrust matters; and as a former member of his firm's Management Committee.</p>	2000
<p>W. R. Johnson, 63 Chairman, President and Chief Executive Officer of H. J. Heinz Company, a global packaged food manufacturer</p> <p>He is also a Director of United Parcel Service, Inc.</p> <p>Mr. Johnson's qualifications to serve on the Board also include his leadership, international, operating and marketing experience as former Senior Vice President of H. J. Heinz responsible for Heinz operations in the Asia-Pacific area; former Chief Operating Officer of H. J. Heinz; and former Vice President of Marketing for Heinz ketchup, foodservice and sauces.</p>	2008
<b>TO CONTINUE IN OFFICE UNTIL 2014</b>	
<p>D. N. Farr, 57 Chairman of the Board and Chief Executive Officer of Emerson</p> <p>He is also a Director of International Business Machines Corporation and a former Director of Delphi Corp.</p> <p>Mr. Farr's qualifications to serve on the Board also include his leadership, international and planning experience as former Chief Operating Officer of Emerson; former Executive Vice President and Business Leader, Emerson Process Management; former CEO of Astec International, a Hong Kong based Emerson subsidiary; former President, Ridge Tool Company subsidiary of Emerson; and former Vice President, Emerson Corporate Planning and Development.</p>	2000



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Name, Age, Principal Occupation or Position, Other Directorships	Served as Director Since 2008
H. Green, 51 Group Chief Executive Officer of Thomas Cook Group plc, a leisure travel company	

She is also a Non-Executive Director of BAE Systems PLC.

Ms. Green's qualifications to serve on the Board also include her strategic business turnaround leadership experience, which includes harnessing the power of technology and the web to drive the profitable transformation of Premier Farnell plc, a leading high service technology distributor where she served as Chief Executive Officer until June 2012. This experience is further complemented by her Non-Executive Directorship of BAE Systems plc and the global leadership experience gained on four continents for Arrow Electronics where she formerly held a number of executive positions, including President of Asia-Pacific, Head of Worldwide Marketing and Head of Global Strategy. She is also a former Managing Director of The Macro Group, a United Kingdom semiconductor distributor.

C. A. Peters, 57 Senior Executive Vice President of Emerson	2000
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Mr. Peters' qualifications to serve on the Board also include his leadership, technology and planning experience as former Senior Vice President-Growth Programs of Emerson; former Vice President-Development and Technology of Emerson; former Vice President-Strategic Planning of Emerson; former President, Harris Calorific business unit of Emerson; and former Director of Strategic Planning of Emerson's Skil Corporation subsidiary.

J. W. Prueher, 70 Admiral, U.S. Navy (Retired), and Former U.S. Ambassador to the People's Republic of China	2001
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He is also a Director of The New York Life Insurance Company, Amerigroup Corporation and Fluor Corporation. He is a former Director of Bank of America Corporation, Merrill Lynch & Co., Inc. and Dyncorp International, Inc.

Admiral Prueher's qualifications to serve on the Board also include extensive experience with strategic planning and leading large, complex organizations, his knowledge of and experience with the People's Republic of China, and his leadership, government and international experience as former Commander-in-Chief of the U.S. Pacific Command; former Commandant of the U.S. Naval Academy; and former professor and Schlesinger Chair at the University of Virginia, Miller Center.

- (1) Pursuant to the Company's Bylaws, a person may not stand for election or re-election as a Director after attaining the age of 72, provided that the Bylaws permit Mr. Busch to serve as a member of the Board for an additional one-year term ending at the Company's Annual Meeting on February 4, 2014.

Each of the nominees and continuing Directors has had the same position or other executive positions with the same employer during the past five years, except as follows:

Mr. Farr served as President of Emerson from 2005 to 2010.

Dr. Boersig retired as Chairman of the Supervisory Board of Deutsche Bank AG in May 2012.

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Mr. Bolten was a Visiting Professor at Princeton University's Woodrow School of Public and International Affairs from 2009 to 2011. Mr. Bolten also served as President George W. Bush's Chief of Staff from 2006 to 2009.

Prior to becoming Group Chief Executive Officer of Thomas Cook Group plc, Ms. Green was President, Chief Executive Officer and a Director of Premier Farnell plc from April 2006 to June 2012.

Mr. Levatich served as President and Managing Director of MV Agusta Motor S.p.A., a subsidiary of Harley-Davidson, Inc., from 2008 to 2009.

**Table of Contents****Stock Ownership of Directors, Executive Officers and 5% Beneficial Owners**

The following table shows the number of shares of the Company's common stock that are beneficially owned by the Directors, by each of the named executive officers in the Summary Compensation Table, and by all Directors and executive officers as a group as of September 30, 2012. No person reflected in the table owns more than 0.5% of the outstanding shares of Emerson common stock. To the Company's knowledge, no person or group beneficially owns more than 5% of the Company's common stock.

Name	Total Shares of Emerson Common Stock Beneficially Owned (1)(2)
C. W. Ashmore(3)	337,406
C. A. H. Boersig	10,377
J. B. Bolten	2,409
A. A. Busch III(4)	246,387
F. J. Dellaquila(5)	298,625
D. N. Farr(6)	2,364,085
C. Fernandez G.	67,427
W. J. Galvin(7)(11)	1,139,790
A. F. Golden	40,955
H. Green	11,424
W. R. Johnson	13,917
M. S. Levatich	1,240
J. B. Menzer(12)	26,159
E. L. Monser	609,720
C. A. Peters(8)	927,809
J. W. Prueher	26,943
R. L. Ridgway(11)	35,647
F. L. Steeves	302,295
R. L. Stephenson	17,818
All Directors and Executive Officers as a group (20 persons)	6,572,706(9)(10)

- (1) Under rules of the Securities and Exchange Commission (SEC), persons who have power to vote or dispose of securities, either alone or jointly with others, are deemed to be the beneficial owners of such securities. Each person reflected in the table has both sole voting power and sole investment power with respect to the shares included in the table, except as described in the footnotes below and except for the following shares of restricted stock over which the person named has no investment power: Mr. Farr-440,000; Mr. Ashmore, Executive Vice President-Planning and Development-45,000; Mr. Dellaquila, Executive Vice President and Chief Financial Officer-45,000; Mr. Galvin, Vice Chairman and former Chief Financial Officer, who is not standing for re-election-160,000; Mr. Monser, President and Chief Operating Officer-65,000; Mr. Peters-65,000; Mr. Steeves, Executive Vice President, Secretary and General Counsel-25,000; Dr. Boersig-3,450; Mr. Bolten-2,409; Mr. Busch-2,409; Mr. Fernandez-25,527; Mr. Golden-25,915; Ms. Green-4,497; Mr. Johnson-11,732; Mr. Levatich-1,240; Adm. Prueher-24,727; Ms. Ridgway-2,409; Mr. Stephenson-16,025; and all Directors and executive officers as a group-985,340 shares. Also includes 6,927 restricted stock units held by each of Dr. Boersig and Ms. Green, over which they have no voting or investment power.
- (2) As required by SEC rules, includes the following shares which such persons have, or will have within 60 days after September 30, 2012, the right to acquire upon the exercise of employee stock options: Mr. Farr-592,953; Mr. Ashmore-196,666; Mr. Dellaquila-103,333; Mr. Galvin-483,333, including 160,520 held by The Galvin Family Trust (see footnote (7)); Mr. Monser-366,666; Mr. Peters-260,000; and Mr. Steeves-216,667. Also includes 6,927 restricted stock units held by each of Dr. Boersig and Ms. Green.





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- (3) Includes 98 shares held in the Emerson Directors and Officers Charitable Trust over which Mr. Ashmore exercises investment power but has no financial interest.
- (4) Includes 1,200 shares held by Mr. Busch as co-trustee of two trusts, as to which Mr. Busch shares voting and investment power and disclaims beneficial ownership.
- (5) Includes 16,912 shares held by the spouse and/or the child of Mr. Dellaquila. Includes 500 shares held in the Emerson Directors and Officers Charitable Trust over which Mr. Dellaquila exercises investment power but has no financial interest.
- (6) Includes 275,214 shares held by the spouse and/or children of Mr. Farr. Includes 7,401 shares held in the Emerson Directors and Officers Charitable Trust over which Mr. Farr exercises investment power but has no financial interest.
- (7) Includes 19,204 shares held by or in trust for the spouse and/or children of Mr. Galvin, of which Mr. Galvin disclaims beneficial ownership as to 19,204 shares. Includes 154,000 shares held by JGM Investors, LP, a limited partnership of which The Galvin Family Trust and Mr. Galvin's spouse are the general partners. The Galvin Family Trust is the controlling general partner of JGM Investors, LP. Mr. Galvin's children are the trustees of The Galvin Family Trust and Mr. Galvin's spouse and children are the beneficiaries. The Galvin Family Trust has a 99.9% limited partnership interest in JGM Investors, LP. Also includes 56,660 shares held by The Galvin Family Trust. Also includes 185,127 shares held by JGM Investors II, LP, a limited partnership, of which The Galvin Family Trust II has a 99.7% limited partnership interest and Mr. Galvin's children each have a 0.10% general partner interest. Mr. Galvin is the trustee of the Galvin Family Trust II and Mr. Galvin and his children are the beneficiaries. Mr. Galvin disclaims beneficial ownership in the shares held by JGM Investors, LP, The Galvin Family Trust, JGM Investors II, LP and The Galvin Family Trust II that are beneficially owned by his children.
- (8) Includes 446,150 shares pledged as security to a commercial bank. For a further discussion of Mr. Peters' pledged shares and Company policies with respect to pledging, see Alignment with Stockholder Interests on page 28.
- (9) Includes 2,254,284 shares of common stock which executive officers have, or will have within 60 days after September 30, 2012, the right to acquire upon exercise of employee stock options. Also includes 6,927 restricted stock units held by each of Dr. Boersig and Ms. Green. Shares owned as a group represent 0.90% of the outstanding common stock of the Company.
- (10) Includes 92,273 shares beneficially owned by one other executive officer of the Company, of which 20,000 shares are shares of common stock over which the other executive officer has no investment power and 34,666 are shares of common stock which the other executive officer has, or will have within 60 days after September 30, 2012, the right to acquire upon exercise of employee stock options.
- (11) Mr. Galvin is not standing for re-election in connection with his retirement from the Company effective February 5, 2013. Ms. Ridgway is not standing for re-election pursuant to the requirements in the Company's Bylaws that a person not stand for election or re-election after the age of 72.
- (12) Mr. Menzer resigned from the Board of Directors effective September 30, 2012 for health reasons.

**Corporate Governance**

The Company's Corporate Governance Principles and Practices and the charters of all Board committees are available on the Company's website at [www.Emerson.com](http://www.Emerson.com), Investor Relations, Corporate Governance. The foregoing documents are available in print to stockholders upon written request delivered to Emerson Electric Co., 8000 West Florissant Avenue, St. Louis, Missouri 63136, Attn: Secretary.

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There were eleven meetings of the Board of Directors during fiscal 2012. All of the Directors attended at least 75% of the meetings of the Board and committees on which they served. Directors are strongly encouraged to attend the Annual Meeting of Stockholders unless extenuating circumstances prevent them from attending, although the Company has no formal, written policy requiring such attendance. In 2012, all of the Directors attended the Annual Meeting of Stockholders.

The Board of Directors has appointed a Discussion Leader who chairs regularly scheduled meetings of non-management Directors, as provided in the Company's Corporate Governance Principles and Practices. The Discussion Leader position rotates annually among the Chairs of each of the independent Board committees.

Stockholders and other interested persons may contact the Discussion Leader in writing c/o Emerson Electric Co., 8000 West Florissant Avenue, St. Louis, Missouri 63136, Attn: Secretary. All such letters will be forwarded promptly to the Discussion Leader.

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Stockholders may communicate with any of our Directors by sending a letter to the Director, c/o Emerson Electric Co., 8000 West Florissant Avenue, St. Louis, Missouri 63136, Attn: Secretary. All such letters will be forwarded promptly to the relevant Director.

## **Board Leadership Structure and Role in Risk Oversight**

The Board believes that it should have the flexibility to make the determination of whether the same person should serve as both the Chief Executive Officer and Chairman of the Board at any given point in time, or if the roles should be separate. The Company has in the past combined the functions of Chairman of the Board with those of the Chief Executive Officer and has also separated those positions. The Board bases this determination on the way that it believes is best to provide appropriate leadership for the Company at the time. The Board believes that its current leadership structure, with Mr. Farr serving as both Chief Executive Officer and as Chairman of the Board, as well as Chair of our Executive Committee, is appropriate given Mr. Farr's past success and extensive experience serving in these roles, the efficiencies of having the Chief Executive Officer also serve in the role of Chairman, the Company's strong corporate governance structure and the Company's financial success under Mr. Farr's leadership. As a result, our Bylaws currently require that our Chairman shall also be our Chief Executive Officer. The Board has not found it necessary to designate a Lead Director from among the non-management Directors. However, as discussed above, the Board does have an annual rotation of independent Directors who serve as Discussion Leaders to preside at meetings of non-management Directors. The Chairman and Chief Executive Officer consults periodically with the Discussion Leader and the Chairs of our other Board committees, all of whom are independent, on Board matters and on issues facing the Company. In addition, the Discussion Leader presides at an executive session of non-management Directors at each regularly scheduled Board meeting.

The Board as a whole has responsibility for the oversight of the Company's risk management process. This process is designed to provide to the Board timely visibility about the identification, assessment and management of critical risks. The Audit Committee assists the Board by annually reviewing and discussing with management this process and its functionality. The areas of critical risk include strategic, operational, compliance, environmental and financial risks. The full Board, or the appropriate committee, receives this information through updates from the appropriate members of management to enable it to understand and monitor the Company's risk management process. Information brought to the attention of the committees can then be shared with the full Board, as appropriate.

## **Director Independence**

The Board of Directors has determined that the following of its members are independent, as that term is defined under the general independence standards in the listing standards of the New York Stock Exchange: C. A. H. Boersig, J. B. Bolten, A. A. Busch III, C. Fernandez G., A. F. Golden, H. Green, W. R. Johnson, M. S. Levatich, J. W. Prueher, R. L. Ridgway and R. L. Stephenson. J. B. Menzer resigned from the Board of Directors effective September 30, 2012. During his term on the Board he was determined to be an independent Director. R. L. Ridgway will not be standing for re-election. All Directors identified as independent in this proxy statement meet the categorical standards adopted by the Board to assist it in making determinations of Director independence. A copy of these standards appears under the caption "Emerson Director Independence Standards" in Appendix A attached to this proxy statement and is available on the Company's website at [www.Emerson.com](http://www.Emerson.com), Investor Relations, Corporate Governance.

In the course of the Board's determination regarding independence of each non-management Director, it considered any transactions, relationships and arrangements as required by the Company's independence standards. In particular, with respect to each of the three most recently completed fiscal years, the Board considered for:

Each of Messrs. Fernandez, Johnson, Levatich and Stephenson and Ms. Green, the annual amount of sales to Emerson by the company which the Director serves or served as an executive officer, and purchases by that company from Emerson, and determined that in each case the amounts of such sales and purchases were less than 0.1% of such other company's annual revenues (except in the case of Premier Farnell for Ms. Green for which the sales to Premier Farnell were less than 0.7% of annual revenues) and therefore were well below the threshold set in the Emerson Director Independence Standards.

Dr. Boersig, the annual amount of compensation earned by the bank of which he was a director from business with Emerson, and sales by Emerson to such bank, and determined that the amounts of such compensation and sales were less than 0.002% of such bank's annual revenues and therefore were well below the threshold set in the Emerson Director Independence Standards.

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Mr. Stephenson, the immediate family member who was employed by our independent registered public accounting firm was not a partner of such firm and did not participate in the audit of Emerson or provide any other services to Emerson.

Mr. Prueher, the annual amount of sales to Emerson by the company which one of his immediate family members serves or served as an executive officer, and purchases by that company from Emerson, and determined that the amounts of such sales and purchases were less than 0.1% of such company's annual revenues and therefore were well below the threshold set in the Emerson Director Independence Standards.

Mr. Golden, the annual amount paid by Emerson to the law firm of which he is a partner, and determined that the amount of such payments was less than 0.2% of such firm's annual revenues and therefore was well below the threshold set in the Emerson Director Independence Standards.

Each of Messrs. Boersig, Bolten, Fernandez, Golden, Levatich, Prueher and Stephenson and Ms. Green and Ms. Ridgway, the annual amount of contributions by Emerson, if any, to charitable organizations for which the Director served as a director, officer or trustee, and determined that such contributions, if any, were immaterial (except in the case of a contribution to a charity affiliated with Mr. Stephenson which was less than \$500,000 and represented only approximately 0.3% of the charity's annual revenues) and therefore were well below the threshold set in the Emerson Director Independence Standards.

### **Review, Approval or Ratification of Transactions with Related Persons**

We review all transactions and relationships in which the Company and any of our Directors, nominees for Director or executive officers, or any of their immediate family members, are participants, so as to determine whether any of these individuals have a direct or indirect material interest in any such transaction. We have developed and implemented processes and controls to obtain information from the Directors and executive officers about related person transactions, and for then determining, based on the facts and circumstances, whether a related person has a direct or indirect material interest in any such transaction. Transactions that are determined to be directly or indirectly material to a related person are disclosed as required.

Pursuant to these processes, all Directors and executive officers annually complete, sign and submit a Director and Executive Officer Questionnaire and a Conflict of Interest Questionnaire that are designed to identify related person transactions and both actual and potential conflicts of interest. We also make appropriate inquiries as to the nature and extent of business that the Company conducts with other companies for whom any of our Directors or executive officers also serve as directors or executive officers. Under the Company's Code of Business Ethics, if an actual or potential conflict of interest affects an executive officer, he or she is required to immediately disclose all the relevant facts and circumstances to the Company's Ethics Committee. If the Ethics Committee determines that there is a conflict, it will refer the matter to the Board of Directors, which will review the matter to make a final determination as to whether a conflict exists, and, if so, how the conflict should be resolved. If an actual or potential conflict of interest affects a Director, he or she is required to immediately disclose all the relevant facts and circumstances to the Board of Directors, which likewise will review the matter to make a final determination as to whether a conflict exists, and, if so, how it should be resolved.

The Company has a written Code of Business Ethics applicable to all Directors and executive officers of the Company that prohibits Directors and executive officers from entering into transactions, or having any relationships, that would result in a conflict of interest with the interests of the Company. Waivers of the Code of Business Ethics for Directors and executive officers may only be granted by the Board of Directors. The Code of Business Ethics can be found on the Company's website at [www.Emerson.com](http://www.Emerson.com), Investor Relations, Corporate Governance.

### **Certain Business Relationships and Related Party Transactions**

Based on the review described above, there were no transactions from October 1, 2011 through the date of this proxy statement, and there are no currently proposed transactions, in which the Company was or is to be a participant, in which the amount involved exceeded \$120,000 and in which any of the Company's Directors or executive officers or any of their immediate family members, or any beneficial holder of more than 5% of our common stock, either had or will have a direct or indirect material interest.

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### **Board of Directors and Committees**

The members of the Board are elected to various committees. The standing committees of the Board (and the respective Chairs) are: Executive Committee (Farr), Audit Committee (Busch), Compensation Committee (Stephenson), Corporate Governance and Nominating Committee (Ridgway) and Finance Committee (Boersig).

#### **Audit Committee**

The Audit Committee met four times in fiscal 2012. The members of the Audit Committee are A. A. Busch III, Chair, J. B. Bolten, H. Green and R. L. Ridgway, all of whom are independent. The functions of the Audit Committee are described under [Report of the Audit Committee](#) at page 14 below. The Board has determined that all of the Audit Committee members are independent, as that term is defined under the enhanced independence standards for audit committee members in the Securities Exchange Act of 1934 (the [Exchange Act](#)) and rules thereunder, as incorporated into the listing standards of the New York Stock Exchange. The Board has also determined that H. Green is an Audit Committee Financial Expert as that term is defined in the rules issued pursuant to the Sarbanes-Oxley Act of 2002. See the [Report of the Audit Committee](#) at page 14 below.

#### **Compensation Committee**

The Compensation Committee met five times in fiscal 2012. The Compensation Committee Charter requires that the Committee be comprised of at least three Directors. The current Compensation Committee members are R. L. Stephenson, Chair, C. A. H. Boersig, W. R. Johnson, M. S. Levatic and J. W. Prueher. The Board has determined that, as required by the Committee Charter, each of the members of the Compensation Committee meets applicable independence requirements, including those of the New York Stock Exchange, and qualifies as an [outside director](#) under Section 162(m) of the Internal Revenue Code and as a [non-employee director](#) under Rule 16b-3 of the Exchange Act.

The Compensation Committee discharges the Board's responsibilities relating to compensation of the Company's executives and produces the Committee's report on executive compensation included in the Company's annual proxy statement. Among other things, the Committee (1) approves corporate goals and objectives relevant to Chief Executive Officer compensation, evaluates CEO performance and reviews and sets his compensation; (2) approves elements of compensation and oversees the evaluation process for all officers; (3) oversees the Company's equity incentive plans and the adoption, amendment or termination of benefit plans; and (4) monitors and keeps current the Senior Management Succession Plan.

The Compensation Committee operates under a written charter that details the scope of authority, composition and procedures of the Committee. The Committee may, when appropriate in its discretion, delegate authority with respect to specific matters to one or more members, provided that all decisions of any such members are presented to the full Committee at its next scheduled meeting. For a discussion of delegations of authority the Committee has made to the Chief Executive Officer, see [Equity Compensation Grant Practices](#) at page 30 below. The Committee reports to the Board of Directors regularly, reviews and reassesses the adequacy of its Charter at least annually and conducts an annual evaluation of its performance.

For fiscal 2012, the Compensation Committee reviewed management's process for assessing risk in the Company's compensation programs for its employees, including the Company's executive compensation program and practices. The Committee also reviewed management's longstanding internal process and controls for compensation programs for employees who do not participate in the executive compensation program. The Committee accepted the result of these reviews that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on our business. Please see [Alignment with Stockholder Interests](#) on page 28 for additional information.

### **Role of Executive Officers and the Compensation Consultant**

#### *Executive Officers*

As described in [Compensation Discussion and Analysis - Setting Total Compensation](#) on page 20, our Chief Executive Officer reviews recommendations of management and makes recommendations to the Committee regarding total compensation to be paid to the Company's executive officers other than himself. Management also develops and presents to the Committee recommendations for the design of compensation programs.

The Committee has unrestricted access to management. It may also request the participation of management or the Committee's independent consultant at any meeting or executive session. Committee meetings are regularly attended by the



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Chief Executive Officer, except for executive sessions and discussions of his own compensation, by the Vice President-Executive Compensation, who leads some of the discussions regarding the Company's compensation programs, and the Committee's independent consultant. The Committee regularly reports to the Board on compensation matters and annually reviews the Chief Executive Officer's compensation with the Board in executive session of non-management Directors only.

### *Compensation Consultant*

The Committee has sole discretion, at Company expense, to retain and terminate independent advisors, including sole authority to approve the fees and retention terms for such advisors, if it shall determine the services of such advisors to be necessary or appropriate. Any Committee member may request the participation of independent advisors at any meeting. Management engages Frederic W. Cook & Co., Inc. to assist the Company in its executive compensation program design and competitive pay analysis. The Committee reviews this information in determining compensation for the named executive officers. Since fiscal 2011, the Committee has engaged Exequity LLP (Exequity) as its independent consultant. Exequity reports directly to the Committee and performs services as directed by the Committee. In 2012, Exequity reviewed our comparator group companies, the market competitiveness of the compensation of our Chief Executive Officer and the other named executive officers, and the 2013 performance shares program design and award levels. Exequity does not provide any other services to the Company. See also Competitive Market Pay Information and Philosophy on page 19.

### **Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee met six times in fiscal 2012. The members of the Committee are R. L. Ridgway, Chair, J. B. Bolten, C. Fernandez G., H. Green and R. L. Stephenson, all of whom are independent. The Corporate Governance and Nominating Committee reviews the Company's corporate governance matters and principles and independence standards; oversees the annual self-evaluation by the Board and its committees; discharges the Board's responsibilities related to compensation of Directors; identifies and evaluates individuals for Board and committee membership and Chairs; makes recommendations to the Board concerning the selection of Director nominees; makes recommendations as to the size and composition of the Board and its committees; and approves and/or reviews the Company's conflict of interest policies, codes of ethics, political activities and compliance with laws and regulations, and oversees management's implementation thereof. For a description of the process used by the Committee in evaluating and recommending Director nominees, see Nomination Process below.

### **Nomination Process**

The Corporate Governance and Nominating Committee regularly reviews the appropriate size and composition of the Board and anticipates future vacancies and needs of the Board. In the event the Committee recommends an increase in the size of the Board or a vacancy occurs, the Committee may consider nominees submitted by several sources, including current Board members, management of the Company, director search firms, stockholders or other persons.

In evaluating possible Director nominees, the Committee considers the knowledge, experience, integrity and judgment of possible candidates, their potential contribution to the diversity of backgrounds, experience and skills of the Board, and their ability to devote sufficient time and effort to their duties as Directors. The Company's Statement of Corporate Governance Principles and Practices sets forth the minimum qualifications for Director nominees which include, among other criteria determined by the Board, senior management experience in business, government and/or other relevant organizations. Important experience includes the field of manufacturing, international exposure and Board membership with major organizations. Pursuant to the Company's Bylaws, a Director may not stand for election or re-election as a Director after attaining the age of 72, provided that the Bylaws permit Mr. Busch to serve as a member of the Board for an additional one-year term ending at the Company's Annual Meeting on February 4, 2014.

It is the policy of the Company to seek the most qualified candidates for Board membership without regard to race, gender, national origin, religion, disability, age or sexual orientation. The Company does seek a diversity of viewpoints to better understand the technical, economic, political and social environments in which it operates. This policy is implemented by using existing Board members and outside agencies to actively seek qualified candidates. The Company's success in seeking a diversity of viewpoints is measured by the range of viewpoints represented on the Company's Board.

The Committee evaluates Director nominees at regular or special Committee meetings pursuant to the criteria described above and reviews qualified Director nominees with the Board. The Committee evaluates candidates that meet the Director criteria,

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and the Committee selects nominees that best suit the Board's current needs and recommends one or more of such individuals for election to the Board. Messrs. Bolten and Levatich, who are standing for election to the Board for the first time, were recommended to the Committee by, in the case of Mr. Bolten, the then Chair of the Corporate Governance and Nominating Committee and the Chairman and Chief Executive Officer and, in the case of Mr. Levatich, by an outside search firm and the Chairman and Chief Executive Officer. From time to time, the Company retains an independent search firm to assist the Committee in identifying potential candidates for Board membership and in evaluating their qualifications and availability.

The Committee will consider candidates recommended by stockholders, provided the names of such persons, accompanied by relevant biographical information, are properly submitted in writing to the Secretary of the Company in accordance with the manner described for stockholder nominations in VIII. Stockholders' Proposals at page 49 below. The Secretary will send properly submitted stockholder recommendations to the Committee. Individuals recommended by stockholders in accordance with these procedures will receive the same consideration received by individuals identified to the Committee through other means. The Committee also may, in its discretion, consider candidates otherwise recommended by stockholders without accompanying biographical information, if submitted in writing to the Secretary.

In addition, the Company's Bylaws permit stockholders to nominate Directors at an annual meeting of stockholders or at a special meeting at which Directors are to be elected in accordance with the notice of meeting. The procedures for making such nominations are discussed in VIII. Stockholders' Proposals at page 49 below.

### **Processes and Procedures for Determination of Director Compensation**

The Corporate Governance and Nominating Committee annually reviews compensation of the Company's Directors, as well as the Company's compensation practices for Directors, and makes recommendations to the Board regarding these matters. The Board makes the final determinations as to Director compensation and compensation practices.

To assist the Committee in performing these duties, Company management periodically engages an outside consultant to prepare a study of outside director compensation trends and best practices in the competitive market, and to make recommendations as to the compensation of the Company's non-management Directors. Management presents these recommendations to the Committee for its consideration. Frederic W. Cook & Co. was engaged to prepare this study for fiscal 2012.

### **Director Compensation**

Directors who are employees of the Company do not receive any compensation for service as Directors. Each non-management Director is currently paid an annual retainer, a portion of which is paid in cash and a portion of which is paid in restricted stock and/or restricted stock units, and fees of \$1,500 plus expenses for attendance at each Board meeting. In fiscal 2012, the cash portion of the annual retainer, which is paid on a monthly basis, was \$80,000. The amount of the annual retainer paid in restricted stock and/or restricted stock units each year is determined by or upon the recommendation of the Corporate Governance and Nominating Committee. For fiscal 2012, non-management Directors received \$125,000 in restricted stock or restricted stock units. See footnote (2) to the Director Compensation table below.

The restricted stock and restricted stock unit awards generally do not vest and the stock cannot be sold until the last day of a Director's term after the age of 72 or earlier death, disability or a change of control of the Company. If a Director's tenure on the Board ends for any other reason, the vesting of the award is in the discretion of the Committee. If the restrictions on the awards do not lapse, such awards will be forfeited to the Company. As a result of these restrictions, the amount of restricted stock held by a Director generally reflects the length of time that a Director has served on the Board. Non-management Directors receive dividends with respect to restricted stock and dividend equivalents with respect to restricted stock units. Dividend equivalents may be paid out regularly or deferred until final settlement, with interest compounding quarterly at a rate determined by the Committee, but in any event no greater than 120% of the applicable federal long-term rate. Restricted stock awards are entitled to voting rights; restricted stock units are not.

In fiscal 2012, each committee Chair was paid an annual retainer of \$15,000, except for the Chair of the Audit Committee who was paid an annual retainer of \$20,000, and each committee member was paid \$1,500 plus expenses for attendance at each committee meeting.

Directors may elect to defer all or a part of their cash compensation under the Company's Deferred Compensation Plan for Non-Employee Directors. Under the plan, which has existed since 1982, such deferred amounts are credited with interest quarterly at the prime rate charged by Bank of America, N.A. Under the rules of the SEC, interest on deferred compensation is considered above-market only if the rate of interest exceeds 120% of the applicable federal long-term rate. During fiscal





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2012, the Bank of America prime rate was 3.25%, while 120% of the applicable federal long-term rate ranged from 3.11% to 4.12%. A. A. Busch III, A. F. Golden and R. L. Stephenson currently participate in this deferral program. The amount of earnings on deferred compensation for each of these Directors that is considered above-market is set forth in footnote (4) to the Director Compensation table. All deferred amounts are payable only in cash.

Directors who assumed office prior to June 4, 2002 were eligible for the Company's Continuing Compensation Plan for Non-Management Directors. Because each eligible Director has served at least ten years, he or she will, after the later of termination of service as a Director or age 72, receive for life an amount equal to the annual \$30,000 cash retainer for non-management Directors in effect on June 4, 2002. In the event that service as a covered Director terminates because of death, the benefit will be paid to the surviving spouse for five years. Amounts relating to the aggregate change in the actuarial present value of the accumulated benefit for fiscal year 2012 pursuant to the Company's Continuing Compensation Plan for Non-Management Directors are set forth in the Director Compensation table.

As part of the Company's overall charitable contributions practice, the Company may, in the sole and absolute discretion of the Board and its committees, make a charitable contribution in the names of Emerson and a Director upon his or her retirement from the Board (as determined by the Board and its committees), taking into account such Director's tenure on the Board, his or her accomplishments and service on the Board, and other relevant factors.

The table below sets forth amounts for non-management Director compensation for fiscal 2012.

**Director Compensation**

Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards \$(2)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	Total (\$)
C. A. H. Boersig	125,000	124,967			249,967
J. B. Bolten	69,833	124,967			194,800
A. A. Busch III	128,500	124,967	14,512		267,979
C. Fernandez G.	99,500	124,967	29,000	10,000	263,467
A. F. Golden	106,500	124,967	39,178	10,000	280,645
H. Green	111,500	124,967			236,467
W. R. Johnson	104,000	124,967			228,967
M. S. Levatich	13,333	62,496		10,000	85,829
J. B. Menzer(6)	96,500	124,967			221,467
J. W. Prueher	110,000	124,967	36,000		270,967
R. L. Ridgway(7)	124,000	124,967	6,000	9,620	264,587
R. L. Stephenson	125,000	124,967	1,082		251,049

(1) Messrs. D. N. Farr, W. J. Galvin and C. A. Peters are named executive officers who are also Directors and their compensation is set forth in the Summary Compensation Table and related tables. They did not receive any additional compensation for their service as Directors.

(2) In fiscal 2012, the Directors in office on February 7, 2012 were awarded 2,409 shares of restricted stock, or restricted stock units in the cases of Dr. Boersig and Ms. Green, with a total value of \$124,967 (\$125,000 divided by the grant date fair market value of Emerson stock, rounded down to the nearest whole share). Each amount constitutes the aggregate grant date fair value of restricted stock and restricted stock unit awards for fiscal 2012 calculated in accordance with FASB ASC Topic 718, which is also the dollar amount recognized for financial statement reporting purposes for fiscal 2012. Mr. Levatich was elected to the Board of Directors on August 7, 2012 and was awarded 1,240 shares of restricted stock upon his election representing a pro-rata amount of the annual award (\$62,500 divided by the grant date fair market value of Emerson stock, rounded down to the nearest whole share), with a total value of \$62,496.



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- (3) The total number of shares of restricted stock held by each of the non-management Directors at September 30, 2012 (the end of fiscal 2012) is as follows: C. A. H. Boersig-3,450; J. B. Bolten-2,409; A. A. Busch III-2,409; C. Fernandez G.-25,527; A. F. Golden-25,915; H. Green-4,497; W. R. Johnson-11,732; M. S. Levatich-1,240; J. W. Prueher-24,727; R. L. Ridgway-2,409; and R. L. Stephenson-16,025. In addition, C. A. H. Boersig and H. Green each hold 6,927 restricted stock units, which they received instead of restricted stock in fiscal 2010, 2011, and 2012 as provided in the Company's Restricted Stock Plan for Non-Management Directors. Mr. Menzer's 22,159 shares of restricted stock vested in connection with his resignation for health reasons.
- (4) Includes above-market earnings for fiscal 2012 on cash fees that a Director elected to defer as follows: A.A. Busch III-\$6,512; A. F. Golden-\$2,178; and R. L. Stephenson-\$1,082. Also includes amounts attributable to the aggregate change in the actuarial present value of the accumulated pension benefit for fiscal year 2012 pursuant to the Company's Continuing Compensation Plan for Non-Management Directors who assumed office prior to June 4, 2002 as follows: A. A. Busch III-\$8,000; C. Fernandez G.-\$29,000; A. F. Golden-\$37,000; J. W. Prueher-\$36,000; and R. L. Ridgway-\$6,000. The Company has eliminated its Continuing Compensation Plan for Non-Management Directors who assumed office on or after June 4, 2002. Non-management Directors continuing in office on that date who are not fully vested continue to vest in the plan. Please see the narrative above for more information.
- (5) Represents Company matching contributions under the Company's charitable matching gifts program which matches charitable gifts of up to \$10,000 for all employees and Directors of the Company.
- (6) Mr. Menzer resigned from Emerson's Board of Directors effective September 30, 2012 for health reasons after ten years of service to the Company.
- (7) Ms. Ridgway will not be standing for re-election.

**Code of Ethics**

The Company has adopted a Code of Ethics that applies to the Company's chief executive officer, chief financial officer, chief accounting officer, and controller; has posted such Code of Ethics on its website; and intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting such information on its website at [www.Emerson.com](http://www.Emerson.com), Investor Relations, Corporate Governance. The Company has adopted a Code of Business Ethics for Directors, officers and employees, which is available at the same location on the Company's website. Printed copies of the foregoing documents are available to stockholders upon written request delivered to Emerson Electric Co., 8000 West Florissant Avenue, St. Louis, Missouri 63136, Attn: Secretary.

**Compensation Committee Interlocks and Insider Participation**

The functions and members of the Compensation Committee are set forth above under Board of Directors and Committees Compensation Committee. All Committee members are independent and none of the Committee members has served as an officer or employee of the Company or a subsidiary of the Company. During fiscal 2012, no member of the Committee and no other Director was an executive officer of another company on whose compensation committee or board any of our executive officers served.

**Section 16(a) Beneficial Ownership Reporting Compliance**

The Company's Directors and executive officers are required, pursuant to Section 16(a) of the Exchange Act, to file statements of beneficial ownership and changes in beneficial ownership of common stock of the Company with the SEC and the New York Stock Exchange, and to furnish copies of such statements to the Company. Based solely on a review of the copies of such statements furnished to the Company and written representations that no other such statements were required, the Company believes that during fiscal year 2012 its Directors and executive officers complied with all such requirements.

**Report of the Audit Committee**

The Audit Committee assists the Board in providing oversight of the systems and procedures relating to the integrity of the Company's financial statements, the Company's financial reporting process, its systems of internal accounting and financial controls, the internal audit process, risk

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management, the annual independent audit process of the Company's annual financial statements, the Company's compliance with legal and regulatory requirements and the qualification, independence and performance of the Company's independent registered public accounting firm. The Audit Committee reviews with management the Company's major financial risk exposures and the steps management has taken to monitor, mitigate and control such

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exposures. Management has the responsibility for the implementation of these activities. In fulfilling its oversight responsibilities, the Committee reviewed and discussed with management the audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012, including a discussion of the quality and the acceptability of the Company's financial reporting and controls.

The Company's independent registered public accounting firm is responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles and on the effectiveness of the Company's internal control over financial reporting. The Committee reviewed with the independent registered public accounting firm the firm's judgments as to the quality and the acceptability of the Company's financial reporting and such other matters as are required to be discussed with the Committee under auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB), including the matters required to be discussed by PCAOB Interim Auditing Standard AU Section 380, *Communication with Audit Committees*. In addition, the Committee has discussed with the independent registered public accounting firm the firm's independence from management and the Company, including the impact of non-audit-related services provided to the Company and the matters in the independent registered public accounting firm's written disclosures required by Rule 3526 of the PCAOB, as may be modified or supplemented.

The Committee also discussed with the Company's internal auditors and the independent registered public accounting firm in advance the overall scope and plans for their respective audits. The Committee meets regularly with the internal auditor and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 for filing with the Securities and Exchange Commission. The Committee also reappointed KPMG LLP as the Company's independent registered public accounting firm for fiscal 2013.

*Audit Committee*

A. A. Busch III, Chair

J. B. Bolten

H. Green

R. L. Ridgway

**Fees Paid to KPMG LLP**

The following are the fees of KPMG LLP, the Company's independent registered public accounting firm, for services rendered in 2011 and 2012 (\$ in millions):

	2011	2012
Audit Fees	\$ 27.6	\$ 29.0
Audit-Related Fees	1.3	1.9
Tax Fees	1.5	0.6
All Other Fees	0	0
<b>Total KPMG LLP Fees</b>	<b>\$ 30.4</b>	<b>\$ 31.5</b>

Audit Fees primarily represent the cost for the audit of the Company's annual financial statements, reviews of SEC Forms 10-Q and 10-K and statutory audit requirements at certain non-U.S. locations.

Audit-Related Fees are primarily related to acquisition and divestiture due diligence, audits of employee benefit plans and statutory filings.

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Tax Fees are primarily related to tax compliance services, which represented \$0.6 million and \$1.2 million in 2012 and 2011, respectively. The remaining tax fees related to tax consulting services and represented \$0.0 million and \$0.3 million in 2012 and 2011, respectively.

The Audit Committee approved in advance all services provided by KPMG LLP. The Audit Committee's pre-approval policies and procedures are included within the Audit Committee Charter, which can be found on the Company's website at [www.Emerson.com](http://www.Emerson.com), Investor Relations, Corporate Governance.

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**II. ADVISORY VOTE ON EXECUTIVE COMPENSATION**

At both the 2011 and 2012 Annual Meetings of Stockholders, more than 90% of the shares voted were cast in support of the Company's executive compensation program. Pursuant to Section 14A of the Exchange Act, our Board of Directors is again submitting a non-binding stockholder vote on our executive compensation as described in this proxy statement (commonly referred to as "say-on-pay"). We plan to hold this vote annually.

We encourage stockholders to review the Compensation Discussion and Analysis on pages 17 to 30. Emerson's long and consistent value creation over time is attributable to a proven, rigorously-applied management process implemented over the years by successive teams of talented and committed executives. The Company's executive compensation program, the core of which is substantially unchanged since 1977, underpins and reinforces this process and the performance it generates, including 56 consecutive years of increased dividends.

We believe the program strikes the appropriate balance between utilizing responsible, measured pay practices and effectively incentivizing our executives to dedicate themselves fully to value creation for our stockholders. This balance is evidenced by the following:

We provide a significant part of executive compensation in performance based incentives, including primarily performance shares. Payouts of performance shares are based on achievement of financial objectives over four years.

We have three-year (not annual) award cycles for performance shares, three-year award and vesting cycles for stock options, and no set cycle for restricted stock awards (selectively granted), which cliff vest after three to ten years (no pro rata vesting).

Our program allows us to respond to adverse economic conditions. For example, in 2009 we reduced both base salaries and bonuses of the named executive officers.

We do not provide tax gross-ups to our named executive officers.

We have no employment, severance or golden parachute agreements with any of our named executive officers and therefore, no excise tax gross-ups.

We require executives to enter into non-competition, non-solicitation and confidentiality agreements in all equity awards. We also have stock ownership guidelines and clawback and anti-hedging policies.

We regularly evaluate the individual elements of our compensation program in light of market conditions and governance requirements and make changes as appropriate for Emerson's business. For example, our Board and stockholders approved our 2011 Stock Option Plan during fiscal 2011, which added a provision for a "double trigger" for vesting following a change of control. We believe that the Company's executive compensation program continues to drive superior financial performance for the Company and its stockholders over the long term in a variety of business conditions.

The Company's solid financial results for fiscal 2012 (excluding the goodwill charge noted on page 17) in the face of significant challenges and the compensation decisions made by the Compensation Committee are described in the Compensation Discussion and Analysis on pages 17 to 30 and demonstrate the balance of our compensation program. We carefully consider any changes to the program so that we do not jeopardize its long record of success.

The Board strongly endorses the Company's executive compensation program and recommends that the stockholders vote in favor of the following resolution:

RESOLVED, that the stockholders approve the compensation of the Company's named executive officers as described in this proxy statement under "Executive Compensation", including the Compensation Discussion and Analysis and the tabular and narrative disclosure contained in this



proxy statement.

Because the vote is advisory, it will not be binding upon the Board or the Compensation Committee and neither the Board nor the Compensation Committee will be required to take any action as a result of the outcome of the vote on this proposal. The Compensation Committee will carefully evaluate the outcome of the vote when considering future executive compensation arrangements. After our Annual Meeting on February 5, 2013, the next say-on-pay vote will occur at our next Annual Meeting scheduled to be held on February 4, 2014.

**Board Recommendation.** THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION.

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### **III. EXECUTIVE COMPENSATION**

#### **Compensation Discussion and Analysis**

##### **Executive Summary of Fiscal Year 2012**

Emerson is a performance-driven, financially focused company with a long track record of consistently delivering increased value to our stockholders. Our pay-for-performance executive compensation program is an integral part of our consistent and rigorous management process. We believe it has effectively motivated and rewarded Emerson executives to meet the challenges of recessions, inflationary periods, technological revolutions, and intense global competition, and continues to do so today.

Fiscal 2012 was a solid year for Emerson, despite the supply chain disruption and resulting impact on sales early in the year due to flooding in Thailand, the global economic slowdown and continued economic uncertainty:

Net sales were \$24.4 billion, an increase of one percent from fiscal 2011 net sales of \$24.2 billion, as the Company aggressively took the necessary actions to recover sales impacted by the Thailand flooding.

Record gross profit margin of 40.0 percent, with increasing margins over the course of the year.

Earnings per share of \$2.67, including a non-cash goodwill impairment charge of \$0.72 per share.

Operating cash flow remained strong at \$3.1 billion, down from \$3.2 billion in fiscal 2011.

Free cash flow (operating cash flow less capital expenditures) was \$2.4 billion (with capital expenditures of \$0.7 billion).

The Company increased its annual dividend to stockholders to \$1.60 per share from \$1.38 per share in the prior year its 56 consecutive year of increased dividends.

The Company returned 64 percent of operating cash flow to stockholders through \$1.2 billion in dividends and \$0.8 billion in share repurchases.

The Compensation Committee made no significant changes to the compensation program and believes that our compensation program continues to provide a competitive pay-for-performance package that effectively incentivizes executives and retains them for the long term. The Committee also noted that stockholders expressed strong support for the Company's executive compensation program at our 2012 Annual Meeting of Stockholders.

The Committee's key executive compensation decisions for fiscal 2012 were as follows:

The named executive officers were paid competitive base salaries, and their annual bonuses reflected the Company's financial results and their individual performance. As a result, annual cash bonuses for the named executive officers were down in the aggregate, in spite of the Company's solid performance described above and the contributions by each individual named executive officer, reflecting the impact of the challenges faced during the year on the Company's results.

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Fiscal 2012 was not an award year under our normal three-year award cycles for performance shares and stock options, and no such awards were made. Messrs. Farr, Monser, Dellaquila, Peters, Ashmore and Steeves were granted restricted stock during fiscal 2012.

Consistent with our historical practice of making triennial awards, the Committee granted performance share awards in October 2012 (the beginning of fiscal 2013) under the 2013 performance shares program, which are subject to the achievement of the financial targets for the performance period ending September 30, 2016. In addition, in October 2012 (fiscal 2013), Messrs. Ashmore and Peters were granted restricted stock.

The Committee strongly believes that the three-year award cycles for performance shares and stock options discourage an entitlement mentality among participants in these programs. The Committee notes, however, that the overlapping of these two award cycles, coupled with the payout of performance shares in two installments (as illustrated in the chart on page 24), can result in significant yearly variations in the value of stock and option awards in the Summary Compensation Table, making meaningful year-over-year comparisons more difficult.

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### **Compensation Objectives and Elements**

Emerson's executive compensation program is designed to support the interests of stockholders by rewarding executives for achievement of the Company's specific business objectives, such as consistent, sustained growth in earnings per share and cash flow. The fundamental principles underlying the program are:

Rewarding for superior performance rather than creating a sense of entitlement.

Maximizing stockholder value by allocating a significant percentage of compensation to performance based pay that is dependent on achievement of the Company's performance goals, without encouraging excessive or unnecessary risk taking.

Aligning executives' interests with stockholder interests by providing significant stock-based compensation and expecting executives to hold the stock they earn.

Attracting and retaining talented executives by providing competitive compensation opportunities.

Rewarding overall corporate results while recognizing individual contributions.

Our executive compensation program includes incentive plans that communicate to participants the Company's critical business values, strategies and performance objectives, and are clear and simple to understand. This understanding focuses their efforts on the performance objectives that drive Emerson's success and encourages them to make career commitments to the Company.

The program offers a balanced approach to compensation and consists of the primary components illustrated below. Taken together, we refer to these components as total compensation. Individual compensation packages and the mix of base salary, annual cash bonus opportunity and long-term stock compensation for each named executive officer vary depending upon the executive's level of responsibilities, potential, performance and tenure with the Company. Each of the elements shown below is designed for a specific purpose, with the overall goal of achieving a high and sustainable level of Company and individual performance. The performance based portion of total compensation generally increases as an executive's level of responsibilities increases. The chart below is not to scale for any particular named executive officer.

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The percentage ranges in the chart above are based on annualized total compensation values and do not necessarily correspond to, and are not a substitute for, the values disclosed in the Summary Compensation Table and supplemental tables. Annualized values for long-term stock compensation are based on the fair value at grant of awards annualized over the three-year award cycle for performance shares and options and over the vesting terms for restricted stock, based on data provided by our compensation consultant. We use these annualized values because competitive data is calculated in the same manner.

### **Competitive Market Pay Information and Philosophy**

In determining total compensation levels and mix for our Chief Executive Officer ( CEO ) and our other named executive officers, the Compensation Committee reviews market trends in executive compensation and a competitive analysis prepared by Frederic W. Cook & Co. and reviewed by the Committee's independent consultant. The analysis is derived from the most recent proxy data of the companies in the comparator group described below. The analysis compares the total compensation (cash and long-term stock compensation) of each of our named executive officers with the median range of total compensation for comparable positions at the comparator group companies. The Company's compensation philosophy is to target total compensation in the median range of this competitive data, with actual pay delivered dependent on Company and individual performance. Equity awards are valued at grant and annualized over their award frequency. This approach is consistent with long-standing Company practices.

The Committee annually reviews the comparator group of 25 companies that it had used in the prior three fiscal years to assist it in making its compensation decisions. The Committee made no changes in fiscal 2012 to the comparator group. The Committee confirmed that such companies continued to satisfy the same numeric screening criteria (industry classifications, size and scope, and financial metrics) that had been used in a special study prepared by Frederic W. Cook & Co. in fiscal 2009 of potential comparator group companies. The Committee chose the comparator group from these companies based

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upon one or more of the following criteria: (1) companies in the primary industry segments in which the Company operates; (2) companies with annual revenues greater than \$5 billion; (3) companies with profiles similar to the Company's based on business complexity, industries or markets served, innovation and technology, customers targeted, investor profiles and global strategy; and (4) companies with which we compete for executive talent. The comparator group companies are as follows:

Alcoa	DuPont	General Electric	Johnson Controls	Tyco
Caterpillar	Eaton	Goodyear Tire	Lockheed Martin	Union Pacific
Cisco Systems	Fluor	Honeywell	Northrop Grumman	US Steel
Danaher	Freeport McMoRan Copper	Illinois Tool Works	Raytheon	United Technologies
Deere	General Dynamics	International Paper	Schlumberger	3M

In fiscal 2012, Frederic W. Cook & Co. provided analysis of competitive pay (cash and long-term stock compensation) at the median for the proxy reported officer positions of the companies in the Company's comparator group. The Committee's compensation consultant, Exequity, reviewed the comparator group and the results of the competitive pay analysis provided by Frederic W. Cook and concurred with Frederic W. Cook's assessment that the comparator group was appropriate and that, on average, the named executive officers' compensation is consistent with competitive market practice.

The Committee considers this comparator group competitive pay analysis as a frame of reference in making its pay decisions. The pay decisions are not formulaic and the Committee exercises judgment in making them. This analysis is not used to establish performance goals in the Company's compensation programs.

**Setting Total Compensation**

Each year, management meets with business unit and corporate executives to evaluate the individual performance and leadership potential of our key executives. Our CEO uses these performance and leadership evaluations to develop the individual pay recommendations made to the Committee for senior executives, including the named executive officers (other than himself). The Committee reviews the CEO's performance evaluations and pay recommendations for the named executive officers and sets their compensation. The Committee separately meets in executive session without the CEO present to review the CEO's performance and set his compensation.

The Committee does not set specific financial targets related to cash compensation. The Committee does set performance objectives used to establish maximum bonus amounts for compliance with Section 162(m) of the Internal Revenue Code (see Regulatory Considerations at page 30 below).

**CEO Compensation.** In setting the CEO's compensation, the Committee first considered the Company's financial results (including the fiscal 2012 results summarized on page 17). When comparing current and prior year results, the Committee looks at the Company's financial performance in totality, without mechanically weighting individual factors. The Committee noted the Company's record performance in operating profit margin, solid performance in sales and cash flow, and the 56<sup>th</sup> consecutive year of increased dividends to stockholders, all in the face of significant challenges. The Committee also took into account earnings per share results, including the impact of the non-cash goodwill charge.

In addition to financial performance, the Committee evaluates the CEO's day-to-day performance and leadership. In setting the CEO's compensation, the Committee noted that in his twelfth year as CEO, Mr. Farr continued to provide strong, consistent leadership for the Company's long-term success. In addition to executing the financial performance described above, Mr. Farr, leading his executive team:

Strengthened and grew Emerson's mix of businesses, adding to the Company's market leadership and innovative technologies through new product development, expanded solutions offerings, and acquisitions.

Extended strategic investment into key emerging markets with strong growth opportunities while continuing to rebalance assets in other world areas, resulting in international sales as 59% of total revenue.

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Improved relations, drove opportunities, and protected the Company's interests by meeting with key global customers and governmental officials worldwide.

Recruited and developed high-impact personnel to provide the Company with long-term leadership development and management strength.

Led the Company's business platforms in winning significant global power and energy projects through solutions and systems that integrate multiple Emerson technologies.

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Strengthened the Company's reputation as a global industry leader by showcasing innovative, high-stakes solutions to complex and demanding customer issues.

The Committee uses the competitive pay analysis for the comparator group (detailed on page 20) to compare Mr. Farr's total compensation to the median range for total compensation of CEOs in the comparator group. The Committee also reviews the relative internal compensation relationships between the CEO and the other named executive officers, as compared to the pay relationships in the Frederic W. Cook & Co. survey data. While the Committee monitors these pay relationships, it does not target any specific pay ratios.

The Committee also receives and reviews a summary for the CEO showing all elements of his compensation, including base salary, annual cash bonus, long-term stock compensation, retirement and other benefits and perquisites. The summary shows compensation that may be paid upon voluntary or involuntary termination of employment, retirement, death or disability, or upon a change of control. This CEO compensation summary, along with competitive market and other data, is also annually reviewed and discussed by the non-management Directors in executive session.

Mr. Farr does not have an employment, severance or golden parachute agreement with the Company.

The Committee reviewed alternatives for delivering the appropriate level of total compensation for Mr. Farr based on the Company's and his performance, as described above. These alternatives took into account current cash compensation and the value of long-term awards allocable to the current year, based on annualization of the fair value at grant over the three-year award cycle or vesting period of the awards. These alternatives reflected that fiscal 2012 was not an award year for performance shares or stock options.

Other Named Executive Officer Compensation. In setting compensation for the other named executive officers, the Committee follows a similar process. The Committee first considered the financial performance of the Company, including fiscal 2012 results. The Committee reviewed the competitive pay analysis at the median range for each named executive officer as compared to the comparable positions at the companies in the comparator group as a frame of reference in exercising its judgment regarding pay decisions. The Committee then reviewed the CEO's evaluations of the individual performance of each named executive officer, which in each case he determined to be outstanding. The Committee also took into account its own evaluations of the named executive officers based on their frequent interactions with, and presentations to, the members of the Board of Directors. The Committee considered the following accomplishments with respect to the named executive officers other than Mr. Farr:

Mr. Galvin completed the transfer of responsibility to Mr. Dellaquila of the Company's Financial Analysis and Internal Audit functions, and continued to support Mr. Dellaquila in his duties as Chief Financial Officer; provided strategic financial management guidance for Emerson acquisition projects; and actively managed the Company's governmental relations in a changing political environment.

Mr. Monser led the Company's successful efforts to achieve record levels of operating profit margin; managed the Company's recovery from the severe supply chain disruption caused by the flooding in Thailand, resulting in record performance in the second half of the fiscal year; drove efficiencies and cash flow programs across the Company's operations; led the Company to derive 59% of its sales from international operations; and expanded across all business groups the demand driven supply chain initiative.

Mr. Dellaquila maintained the financial integrity of the Company throughout the year; assumed responsibility for Financial Analysis and Internal Audit functions; restructured global investments to improve the Company's risk profile in the face of adverse global financial market conditions; increased the Company's capacity to repatriate cash to the United States; and streamlined administration and reduced complexity and risk associated with global intercompany financings.

Mr. Peters managed China mid-tier product initiatives for 25 business units to serve emerging-market customers; refined critical information asset inventory, and created processes and tools to enhance its security and protect the Company's core technology assets; built collaborative information tools to enable internal productivity gains across the Company's supply chain and customer facing functions; and developed e-commerce and social media platforms to improve Emerson customers' experiences via access to knowledge and simpler transactional processes.



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Mr. Ashmore successfully completed the divestiture of the Company's job site and truck accessory business, furthering the Company's repositioning into faster growth and more profitable industry segments; developed a detailed Emerson acquisition roadmap by incorporating the individual needs of the business segments while

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optimizing the Company's corporate strategy; evaluated strategic potential transactions by the Company; and prepared and initiated implementation of a program targeting new product and emerging market investments to accelerate future growth.

Mr. Steeves managed significant increases in global intellectual property protection activity, producing successful results in world-wide litigation, patent drafting training programs, technology audits, and internet domain name protections; completed a process for centralizing business unit procurement contract reviews, with greatly increased efficiencies; developed programs for management of legal risks associated with Company-wide use of social media platforms; and continued his success in litigation worldwide, protecting the Company's total assets and value.

None of the named executive officers has an employment, severance or golden parachute agreement with the Company. Mr. Galvin will be retiring as Vice Chairman of the Company effective February 5, 2013.

For all the named executive officers, the Committee made its annual pay decisions for each of the compensation components as outlined below.

**Annual Cash Compensation**

The Committee targets total annual cash compensation in the median range of market total cash compensation, while placing more emphasis on performance based annual cash bonus than on base salary.

**Base salary:** For all the named executive officers, the Committee awards base salary increases (if any) after reviewing the Company's performance, individual performance, and competitive market compensation. The Committee determined that the base salary increases for fiscal 2012 and fiscal 2013 set forth below were in recognition of the Company's performance (described on page 17) and the individual responsibilities, performance and potential of each named executive officer described above. The Committee also considered survey data that indicated that the predicted merit increase, without promotions, averaged approximately 3.0%, which was consistent with the Committee's determination.

Name	FY 2011 (Rate)	FY2012 (Rate)	2011-2012	FY2013 (Rate)	2012-2013
			Percentage Increase		Percentage Increase
D. N. Farr	\$1,225,000	\$1,250,000	2.0%	\$1,300,000	4.0%
W. J. Galvin	\$755,000	\$775,000	2.6%	\$ 775,000	0%
E. L. Monser	\$642,000	\$657,000	2.3%	\$ 675,000	2.7%
F. J. Dellaquila(1)	\$500,000	\$550,000	10.0%	\$ 575,000	4.5%
C. A. Peters	\$580,000	\$595,000	2.6%	\$ 610,000	2.5%
C. W. Ashmore	\$525,000	\$550,000	4.8%	\$ 575,000	4.5%
F. L. Steeves	\$595,000	\$615,000	3.4%	\$ 635,000	3.3%

(1) Mr. Dellaquila became Chief Financial Officer on February 2, 2010 and was promoted to Executive Vice President effective October 1, 2012. The increases for 2012 and 2013 reflect increased responsibilities, including those described on page 21.

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**Annual bonus:** The determination of individual bonus amounts for the named executive officers is discretionary, subject to the Section 162(m) limitation established by the Committee (see Regulatory Considerations on page 30), but is based on the Company's financial performance (see page 17) and the individual performance factors (see pages 20 to 22) referred to above. While the Committee did not assign individual weightings to any of these factors, but rather used them collectively to determine the bonus amounts for fiscal 2012, the Committee did take into account the impact of the non-cash goodwill charge.

Name	FY2011	2010-2011	FY2012	2011-2012
		Percentage Change		Percentage Change
D. N. Farr	\$2,400,000	9.1%	\$1,900,000	(20.8)%
W. J. Galvin(1)	\$1,175,000	14.6%	\$950,000	(19.1)%
E. L. Monser	\$900,000	15.4%	\$850,000	(5.6)%
F. J. Dellaquila(2)	\$800,000	35.6%	\$800,000	0%
C. A. Peters	\$850,000	13.3%	\$800,000	(5.9)%
C. W. Ashmore	\$725,000	20.8%	\$700,000	(3.4)%
F. L. Steeves	\$725,000	13.3%	\$700,000	(3.4)%

(1) Mr. Galvin's fiscal 2012 bonus also reflected the transfer of certain of his responsibilities to Mr. Dellaquila as described on page 21.

(2) Mr. Dellaquila became Chief Financial Officer on February 2, 2010 and was promoted to Executive Vice President effective October 1, 2012. Bonuses for both fiscal 2011 and 2012 reflect, in part, his increased responsibilities in each year.

**Total Cash Compensation:** As a result of the base salary and bonus determinations, the total cash compensation for the named executive officers was lower in the aggregate compared to fiscal 2011.

**Long-Term Stock Compensation**

The Committee may make long-term stock compensation awards to the Company's executives, including the named executive officers. Executives participate in these programs based on their: (1) ability to make a significant contribution to the Company's financial results, (2) level of responsibility, (3) performance and (4) leadership potential. No executive is entitled to participate automatically based on title, position or salary level. We require participants to accept confidentiality, non-competition and non-solicitation obligations. In general, we target long-term stock compensation in the median range of market long-term compensation, with more emphasis on performance based equity compensation.

Our long-term stock compensation consists of three programs: performance shares, stock options and restricted stock. In addition to providing market compensation, these programs allow us to recognize individuals who most directly drive our performance, to promote outstanding Company and individual performance, and to align the interests of Company executives with our stockholders. We allocate the largest portion to performance shares, which are the primary incentive for delivery of superior longer-term financial performance, with a small portion allocated to stock options and the remainder through the selective use of restricted stock. We make awards of stock options and performance shares periodically, generally every three years, instead of annually, and restricted stock awards have no set award cycle, as illustrated below.

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For purposes of its analysis, the Committee considers values of these awards based on the fair value at grant annualized over the three-year award cycle for performance shares and options and over the vesting terms for restricted stock, because the values are consistent with competitive data considered by the Committee. These estimates do not necessarily correspond to and are not a substitute for, the values described for the awards in the Summary Compensation Table or in the tables that follow it.

Performance Shares Program. Our performance shares program is the primary element of long-term stock compensation for our named executive officers. This plan is the linchpin of the Company's pay-for-performance philosophy and is used to align the interests of participants and stockholders and for retention and succession purposes. For 35 years, the program has reinforced the Company's long-term financial objective, enhancing stockholder value. Awards of performance shares are made to those individuals who can most directly influence our long-term success. The long-term stock compensation opportunities for our senior executives are heavily weighted towards performance shares, which on an annualized basis generally represent approximately 35-50% of total compensation and 60-70% of long-term stock compensation.

Unlike many companies, Emerson awards performance shares every three years rather than annually, and the payout is based on a four-year performance period. This means that participants have the opportunity to earn a payout every three years, not annually. Awards of performance shares are made in share units.

As a result of the three-year award cycle for performance share awards, certain years involve an "overlap" in which two sets of awards are in effect as illustrated below. For example, fiscal 2013 will be an "overlap" year, both the final year of the 2010 program performance period, which ends on September 30, 2013, and the first year of the 2013 program performance period, which began on October 1, 2012 and ends on September 30, 2016. During fiscal 2012, one performance shares program was in effect as illustrated below.

Payout is made as soon as practicable after measuring actual financial performance against the performance target(s) at the end of the four-year performance period. The Committee may establish additional vesting conditions for retention purposes. For the 2010 and 2013 performance shares programs, the Committee specified that 60% of any earned performance share units would be paid at the end of the four-year performance period, and the remaining 40% would be paid one year later subject to continued service. The 40% holdback periods for both the 2010 and 2013 performance share programs are shown above. The payout is made primarily in common stock, with a portion paid in cash to cover tax obligations of participants.

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Cash dividend equivalents are paid on 40% of the award during the four-year performance period and on the 40% portion of the earned award during the one-year holdback period. Far from contradicting our pay-for-performance philosophy, this feature reinforces and furthers it by incentivizing our executives to deliver superior financial results in every quarter of the four-year performance period. Long-term performance is not consistently achieved by a few dramatic accomplishments, but by rigorous, focused and dedicated effort to execute the business plan throughout every phase of the performance period. The Committee strongly believes that payment of dividend equivalents helps foster this effort more meaningfully than other forms of compensation that might be used.

The Committee has authority to determine the performance targets for each performance shares program from the various performance measures set forth in the Company's Incentive Shares Plan. These measures include sales, earnings, earnings per share, net earnings, pre-tax earnings, earnings before interest and taxes, return on equity, return on total capital and asset management (which includes cash flow). Performance targets and actual results may include or exclude specified items of an unusual, non-recurring or extraordinary nature including, without limitation, changes in accounting methods, changes in inventory methods, changes in corporate taxation, unusual accounting gains and losses, changes in financial accounting standards, or other extraordinary events causing dilution of or diminution in the Company's earnings, all as the Committee may deem necessary or desirable to accomplish the purposes of the performance program.

### *2010 Performance Share Program*

Participants can earn from 0-100% of the awarded units depending upon the Company's financial results at the end of the performance period measured against the pre-established target. Participants cannot earn greater than 100%, regardless of the extent to which actual Company performance exceeds the target. For performance in excess of the target, participants benefit only to the extent that performance results in increases in the price of the Emerson stock received upon payout of the performance shares.

In order to earn a 100% payout under the 2010 program, the Company's actual earnings per share for the last year of the four-year performance period (fiscal 2013) must equal or exceed earnings per share for the year prior to the start of the program (fiscal 2009) compounded over the four-year performance period using the compound average annual growth rate in the U.S. Gross National Product (GNP) over the performance period plus three percentage points. We believe this focus on above-market growth over the long-term performance period drives participants in the program to produce superior financial returns for our stockholders.

Awards under the 2010 performance share program remain outstanding and are set forth in the Outstanding Equity Awards at Fiscal Year-End table on page 35.

### *2013 Performance Shares Program*

For the 2013 performance shares program, the Committee retained the earnings per share performance measure and added a new free cash flow (operating cash flow less capital expenditures) performance measure. This new measure emphasizes the importance of free cash flow to the Company's ability to deliver shareholder returns via capital investments, dividends and share repurchases. For both measures, the Committee determined to use an international benchmark—nominal G7 gross domestic product (G7 GDP)—as the basis for evaluating performance. This international benchmark reflects the Company's global reach and focus.

Payout of the awarded performance share units will be weighted 60% to the earnings per share target and 40% to the free cash flow target. Participants can earn up to 125% of the earnings per share component and 100% of the free cash flow component. Accordingly, on a weighted basis, participants can earn up to a maximum of 115% of the awarded performance share units, regardless of the extent to which actual Company performance exceeds the targets.

The earnings per share target will be based on fiscal 2012 earnings per share, but after adding back the impact of the noncash goodwill charge. The earnings per share target and payout are calculated in the same manner as under the 2010 program, but using G7 GDP, rather than U.S. GNP, over the performance period (fiscal 2013 through fiscal 2016).

Achievement of the free cash flow target is determined by measuring the Company's cumulative total free cash flow over the performance period (fiscal 2013 through fiscal 2016) as a percentage of the target, not to exceed 100% as noted above. The target is the sum of the free cash flow target amounts for each year of the performance period. The free cash flow target for each year is determined by multiplying that year's annual growth rate in G7 GDP plus three percentage points by the prior year target amount, beginning with the Company's actual 2012 free cash flow.

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In October 2012, the beginning of fiscal 2013, as part of the three-year award cycle for performance share awards, the Committee made performance awards under the 2013 performance shares program as follows: D. N. Farr-475,000 units; E. L. Monser-170,000; F. J. Dellaquila-130,000; C. A. Peters-130,000; C. W. Ashmore-130,000; and F. L. Steeves-115,000. These awards reflected the Committee's judgment that these named executive officers' leadership, performance and their potential to enhance long-term stockholder value would continue to be significant factors in the Company's future success. The Committee also determined that these awards were consistent with targeting 35-50% of total compensation and 60-70% of long-term stock compensation in the form of performance shares.

**Stock Options Program.** Our stock option awards provide long-term focus and are the primary form of long-term stock compensation for a broader group of key employees. Our stock option awards are issued at no less than fair market value on the date of the award and generally vest over a period of three years. We do not pay dividend equivalents on stock options and do not reprice awards. No awards were made to named executive officers in 2012.

**Restricted Stock Program.** Our restricted stock program is designed to retain key executives and future leaders of the Company and participation in the program is highly selective. The Committee views this program as an important management succession planning and retention tool. The objective is to lock in top executives and their potential replacements identified through the succession planning process. Restricted stock, along with stock options, supplement performance shares to achieve the target of long-term compensation in the median range of market compensation, and in some cases may provide compensation above the median range. Restricted stock generally represents 5-20% of the named executive officers' total compensation. Restricted stock provides participants with dividends and voting rights beginning on the award date. There is no set frequency of restricted stock awards, and they are granted with long-term cliff vesting periods of up to ten years and no less than three years.

As reported in last year's proxy statement, in fiscal 2012 the Committee granted shares of restricted stock as follows: D. N. Farr-80,000; E. L. Monser-5,000; F. J. Dellaquila-15,000; C. A. Peters-5,000; C. W. Ashmore-5,000; and F. L. Steeves-5,000. In fiscal 2013, no restricted stock awards were made to D. N. Farr, W. J. Galvin, E. L. Monser, F. J. Dellaquila or F. L. Steeves, and in recognition of individual contributions to the Company, the Committee granted shares of restricted stock as follows: C. A. Peters-15,000 and C. W. Ashmore-10,000. Succession planning and retention continue to be key considerations of the Committee in its review of the total compensation of the named executive officers. The Committee believes these awards help meet the Company's retention and succession planning needs. In making these awards, the Committee took into account the continued financial success of the Company under these key leaders, their valuable and seasoned experience and the challenges the Company faces in its efforts to continue its financial success in the future.

## **Total Compensation**

In the Committee's judgment, Mr. Farr's total compensation reflects the Company's performance under his leadership as well as his individual performance, and his total compensation is in the median range of competitive market pay. The combination of the performance share awards, stock option awards and annual cash bonus represents performance based compensation of approximately 68% of Mr. Farr's total compensation. For the other named executive officers, except for Mr. Galvin, the combination of the performance shares, stock option awards and annual cash bonus awarded by the Committee represents performance based compensation for the named executive officers of approximately 70-80% of their total compensation. These performance based incentives, and the way we allocate them, reward the named executive officers for the achievement of outstanding long-term Company performance, which builds stockholder value.

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The table below illustrates how total compensation for our named executive officers for fiscal 2012 is allocated between performance based and fixed components, how performance based compensation is allocated between annual and long-term components, and how total compensation is allocated between cash and equity components. These percentages are based on annualized total compensation values and do not necessarily correspond to, and are not a substitute for, the values disclosed in the Summary Compensation Table and supplemental tables.

<b>Fiscal 2012 Total Compensation Mix*</b>						
<b>Percentage of</b>						
<b>Percentage of Total</b>		<b>Performance Based</b>			<b>Percent of Total</b>	
<b>Compensation that is:</b>		<b>Total that is:</b>			<b>Compensation that is:</b>	
<b>Performance</b>		<b>Long-</b>				
<b>Name</b>	<b>Based</b>	<b>Fixed</b>	<b>Annual</b>	<b>Term</b>	<b>Cash</b>	<b>Equity</b>
D. N. Farr	68%	32%	23%	77%	26%	74%
W. J. Galvin	35%	65%	63%	37%	40%	60%
E. L. Monser	78%	22%	25%	75%	34%	66%
F. J. Dellaquila	75%	25%	33%	67%	42%	58%
C. A. Peters	77%	23%	28%	72%	37%	63%
C. W. Ashmore	72%	28%	30%	70%	39%	61%
F. L. Steeves	76%	24%	28%	72%	41%	59%

\* The percentage ranges in the table above are based on amounts for annualized base salary, annual bonus and long-term compensation (performance shares, stock options and restricted stock). Other forms of compensation that are shown in the Summary Compensation Table were not included. Annualized values for long-term stock compensation as determined by our compensation consultant are based on the fair value at grant of awards annualized over the triennial award cycle for performance shares and stock options and over the vesting terms for restricted stock. The competitive data we use is calculated in the same manner. For purposes of this table, (i) annual bonus, performance shares and stock options are performance based compensation, (ii) performance shares and stock options are long-term, performance based compensation, (iii) base salary and annual bonus are the only forms of cash compensation, and (iv) performance shares, stock options and restricted stock are equity compensation.

**Summary Compensation Table Analysis**

Please see the Summary Compensation Table on page 32 and the supplemental compensation tables for a quantitative summary of the compensation of our named executive officers. As a result of our multi-year award cycles, the numbers in our Stock Awards and Option Awards columns, and therefore the Total column, in the Summary Compensation Table will fluctuate from year to year. The 2010 Stock Awards column reflects the full grant date value of triennial awards made in fiscal 2010 under the 2010 performance shares program and which cover the four-year performance period beginning on October 1, 2009 and ending on September 30, 2013. Performance share awards were not made in fiscal 2012 or 2011. SEC rules require that the entire grant date fair value be included in the table in the year of grant even though payout of these awards is contingent upon the Company's financial performance over a four-year performance period and a portion is contingent upon completing an additional year of service. Those amounts do not correspond to the actual value that will be realized by the named executive officers. In addition, the 2011 Option Awards column reflects the full grant date value of triennial options awards made in 2011; no such awards were made in 2012 or 2010.

The amounts shown in the Change in Pension Value and Non-Qualified Deferred Compensation column of the Summary Compensation Table in part reflect the change in the discount rate from year to year with the reported amounts reflecting higher values than would otherwise be reported, due to decreases in the applicable discount rate in each year. The applicable rates were 5.00%, 4.75% and 4.00% in each of fiscal 2010, 2011 and 2012, respectively. The Compensation Committee has no control over these rates, no changes were made in the method of calculating benefits under the plans, and no additional benefits were awarded. See footnote (4) to the Summary Compensation Table on page 33 for additional detail.

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Total compensation shown for 2012 is lower than 2011 and 2010. The totals in the Summary Compensation Table for 2011 and 2010 include larger amounts primarily as a result of the 2011 stock option awards and the 2010 performance share awards as discussed above and the other changes described herein. The three-year average column reflects the average of reported compensation for our named executive officers over our triennial award cycle.



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### **Alignment with Stockholder Interests**

We believe our balanced executive compensation program, coupled with our stock ownership guidelines and clawback policy, aligns the interests of our executives with stockholders by encouraging long-term superior performance, without encouraging excessive or unnecessary risk taking.

Our long-standing compensation philosophy is a key component of our history of sustainable growth, which demonstrates an alignment of the interests of participants and stockholders and rewards each with increased value over the long term. As shown in the Fiscal 2012 Total Compensation Mix table above, our compensation for our senior management is primarily based on performance over a long-term period. Under the performance shares program, earnings per share performance over the four-year performance period is required to earn compensation, which drives long-term decision making, discourages adverse risk taking that may occur due to year-over-year performance measurements, and rewards for growth over the long term. Our restricted stock and option awards have long vesting terms that reward participants for increased value over the vesting terms. Annual cash amounts are limited and subject to Committee discretion, which discourages short-term risk taking.

The significant stock ownership of our named executive officers reflects their commitment to the Company for the long term. Our executive stock ownership guidelines provide that our Chief Executive Officer should generally hold Emerson stock, including share equivalents and shares in retirement accounts and restricted stock, equal to at least five times base salary. For our Chief Financial Officer the amount is three times, and for other named executive officers the amount is one time. Named executive officers generally have five years from the date of becoming named executive officers to meet the guidelines. The Committee has discretion to adjust the guidelines for executives who are age 60 or over. The Compensation Committee monitors the stock ownership of the named executive officers, which substantially exceeds the guidelines. Based on beneficial ownership of Emerson stock, as shown on page 6, and the closing stock price at fiscal year end, the named executive officers' holdings of Emerson stock are valued at multiples of more than 20 times their respective base salaries. While we do not have a specific policy regarding a holding period for equity awards, our stock trading policy requires elected Company officers to obtain written permission from the Chief Executive Officer and one other senior executive before engaging in transactions in Emerson stock. This has resulted in significant long-term stock ownership by our executives.

Our clawback and anti-hedging policies further align the interests of our executives with stockholders. Under our clawback policy, our Board may in certain cases reduce or cancel, or require recovery of, any executive officer's annual bonus or long-term incentive compensation award, or portions thereof, if the Board determines that such award should be adjusted because that executive officer has engaged in intentional misconduct that has led to a material restatement of the Company's financial statements. Under our anti-hedging policy, our executives (as well as our Directors) are prohibited from engaging in the following transactions (which could hedge or offset decreases in the market value of our common stock): short selling, put or call options, forward sale or purchase contracts, equity swaps and exchange funds.

A policy that would prohibit future pledging of Company shares as collateral for a loan is under consideration by the Company and is expected to be adopted. No executive officer or Director has pledged any shares, other than Mr. Peters. The aggregate shares pledged by Mr. Peters represent a tiny fraction (0.0006) of outstanding Company stock. Mr. Peters is planning to reduce the amount of his pledged shares over time. Mr. Peters continues to meet the Company's stock ownership guidelines with his unpledged shares.

### **Severance, Executive Termination and Retirement**

Emerson does not provide employment agreements, severance agreements, or golden parachute agreements for the named executive officers. The terms of all executive terminations and retirements are determined individually based on specific facts and circumstances at the time of such events, and not on formulaic rules. In general, we follow these principles:

We do not pay lump sum, non-forfeitable cash severance payments.

Departing executives sign extended non-competition, non-solicitation and confidentiality agreements, or reaffirm existing agreements on these matters.

As permitted under stockholder-approved plans, departing plan participants, including named executive officers, may have additional time to exercise stock options. However, the additional time cannot exceed the time permitted in the original grants.



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The Committee may also allow continuation (without accelerated vesting) of previously granted long-term performance shares or restricted stock awards, which would be paid if and when the Company achieves specified performance targets or time vesting requirements are met.

Executives forfeit these awards if they breach their non-competition, non-solicitation or confidentiality agreements.

In 2006, the Committee adopted an Executive Officer Severance Policy, reflecting these principles. In addition to the foregoing principles, the Executive Officer Severance Policy provides that the Company shall not implement individual severance or change of control agreements providing certain benefits (as described in the Policy) to any of the named executive officers in excess of 2.99 times the sum of the officer's then current base salary and most recently earned cash bonus without stockholder ratification. The Executive Officer Severance Policy can be found on the Company's website at [www.Emerson.com](http://www.Emerson.com), Investor Relations, Corporate Governance.

## **Change of Control**

Emerson has no employment agreements, severance agreements or golden parachute agreements with the named executive officers. If a change of control occurs, we protect all employees who participate in long-term stock plans, the Savings Investment Restoration Plan and the Pension Restoration Plan as described under Potential Payments Upon Termination or Change of Control at page 40 below. To provide this protection, we generally accelerate vesting of stock awards and pay accrued benefits under the Savings Investment Restoration Plan and the Emerson Pension Restoration Plan. We do not credit additional years of service under any plans, or continue medical or other benefits. We do not make additional cash payments related to stock compensation plans, although stock awards vest upon a change of control. We do not increase payouts to cover payment of taxes and do not provide tax gross-ups.

As previously disclosed, our Board and stockholders approved our 2011 Stock Option Plan in 2011, which added a double trigger for vesting following a change of control.

## **Security and Perquisites**

We provide security services to help ensure the safety of all employees while they are on Company business. Due to increased security risks that are inherent in senior executive positions, we provide the named executive officers with residential security monitoring and personal security as needed. The Company's security policy and the Board of Directors require that the Chairman and Chief Executive Officer use the Company aircraft for all business and personal travel. The Company also provides limited personal use of Company aircraft outside of the security program requirements to the named executive officers, who reimburse the Company at first class rates. The Company also provides leased cars, club memberships and financial planning for executives. These are long-standing perquisites which assist in retaining and attracting executives and which we believe are similar to those often provided to executives at other similarly-sized companies. Named executive officers and other employees may receive Company tickets for sporting or other events. The Committee reviews these perquisites annually. Total perquisite costs and related information appear in the Summary Compensation Table at page 32 below. The Company does not provide any reimbursement for taxes on perquisites provided to its named executive officers.

## **Other Benefits**

The named executive officers are eligible for medical, life and disability insurance, and other Company-provided benefits that are generally available to all other employees, including the Company's charitable matching gifts program. Retirement plans for U.S. employees may be qualified defined-benefit pension plans, 401(k) plans and/or profit-sharing plans as determined by each business unit's competitive market. The Company continues to maintain a defined-benefit pension plan for a majority of U.S. employees. These other benefits are available to the named executive officers, as follows:

A qualified 401(k) savings plan and a non-qualified savings plan which allows participating executives to defer up to 20 percent of their cash compensation and continue to receive the Company match after they reach the Internal Revenue Service ( IRS ) qualified plan limits.

A qualified defined-benefit pension plan and a non-qualified defined-benefit pension plan (the Pension Restoration Plan ) which provides benefits based on the qualified plan without regard to IRS limits and does not provide additional credited years of service.

Participation in the Pension Restoration Plan is by award and based on the executive's individual contributions and long-term service to the Company.

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Term life insurance coverage.

A voluntary annual physical paid for by the Company.

### **Regulatory Considerations**

Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to the Company's CEO or any of the Company's other named executive officers, other than the Chief Financial Officer, who are employed as of the end of the fiscal year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for qualifying performance based compensation (i.e., compensation paid only if the individual's performance meets pre-established objective goals based on performance criteria approved by stockholders). The Company's incentive compensation plans are designed to qualify under Internal Revenue Code Section 162(m) to ensure tax deductibility. However, restricted stock awards do not qualify under Section 162(m) and the Committee retains the flexibility to design and administer compensation programs that are in the best interests of Emerson and its stockholders.

Annual bonuses for our named executive officers are discretionary, subject to maximum bonus amounts based on the achievement of the Section 162(m) performance objectives established by the Committee annually. These objectives are selected by the Committee from among the performance objectives in the annual incentive plan but are not communicated to participants as individual performance targets. For fiscal 2012, the performance objective was earnings per share. Based on fiscal 2012 performance, the maximum amount of bonus that could be paid to each covered named executive officer was as follows: D. N. Farr-\$2.4 million; Messrs. W. J. Galvin and E. L. Monser-\$1.2 million each; and C.A. Peters-\$800,000. The Committee may exercise negative discretion to reduce the award based on an assessment of Company and individual performance. We have also adopted amendments to our compensation plans to comply with the requirements of Internal Revenue Code Section 409A, which requires that nonqualified deferred compensation arrangements must meet specific requirements.

In accordance with FASB ASC Topic 718, for financial statement purposes, we expense all equity-based awards over the period earned based upon their estimated grant date fair value, or subsequently, depending on the terms of the award. FASB ASC Topic 718 has not resulted in any significant changes in our compensation program design.

### **Equity Compensation Grant Practices**

The Committee approves all grants of equity compensation, including performance shares, stock options and restricted stock, to executive officers of the Company, as defined in Section 16 of the Exchange Act. All elements of executive officer compensation are reviewed by the Committee annually at its October meeting. Generally, the Company's awards of performance shares, stock options and restricted stock are made at that meeting, but may be made at other meetings of the Committee. The Committee meeting date, or the next business day if the meeting falls on a non-business day, is the grant date for stock option, performance share and restricted stock awards. The Company may also make awards of stock options in connection with acquisitions or promotions, or for retention purposes. Under the Company's stock option plans, the Committee may delegate to the Company's CEO the authority to grant stock options to any employees of the Company other than executive officers of the Company as that term is defined in Section 16 of the Exchange Act. The Committee has exercised this authority and delegated to the CEO the ability to make stock option grants (1) to employees other than corporate officers and business unit Presidents, subject to the Committee's prior approval of the aggregate number of options awarded, and (2) in connection with retention, promotion and acquisitions, which he uses on an infrequent basis. This delegation of authority does not extend to executive officers or other officers who are subject to the Company's trading blackout policy.

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**Compensation Committee Report**

The Compensation Committee of the Board of Directors acts on behalf of the Board to establish and oversee the Company's executive compensation program in a manner that serves the interests of the Company and its stockholders. For a discussion of the Compensation Committee's policies and procedures, see "Compensation Committee" at page 10 above.

Management of the Company has prepared the Compensation Discussion and Analysis describing the Company's compensation program for senior executives, including the named executive officers. See "Compensation Discussion and Analysis" beginning on page 17 above. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis for fiscal year 2012 (included in this proxy statement) with the Company's management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors of the Company that the Compensation Discussion and Analysis be included in the Company's proxy statement for the fiscal year ended September 30, 2012, for filing with the Securities and Exchange Commission.

*Compensation Committee*

R. L. Stephenson, Chair

C. A. H. Boersig

W. R. Johnson

M. S. Levatich

J. W. Prueher

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**Summary Compensation Table**

The following information relates to compensation received or earned by our Chief Executive Officer, our Chief Financial Officer and each of our other five most highly compensated executive officers for the last fiscal year (the "named executive officers").

Name and Principal Position	Fiscal Year
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