Walden Asset Management

Advancing sustainable business practices since 1975

2014 Shareholder Proposal to Emerson Electric Calls for Sustainability Reporting, Including Greenhouse Gas (GHG) Emissions Reduction Goals

January 6, 2014 – Walden Asset Management (Walden), a division of Boston Trust & Investment Management Company, is an investment manager with approximately $2.5 billion in assets under management. Walden is a long-term shareholder of Emerson Electric stock (ticker: EMR), and filed a sustainability disclosure resolution with our holding of over 335,000 shares of Emerson Electric stock (see enclosed resolution).

As a signatory to the Principles for Responsible Investment (PRI), Walden and other PRI members believe strongly that corporate reporting on ESG performance is important to investors looking to independently assess a company's progress, challenges and positioning. PRI Signatories collectively represent over $34 trillion of assets and use ESG factor information to analyze fully the risks and opportunities associated with existing and potential investments. Members of PRI include mainstream investment firms such as Alliance Bernstein, BlackRock, T. Rowe Price, and Goldman Sachs, along with numerous public pension funds.

Emerson Electric has made little progress in disclosing ESG performance. Thus Walden, along with other sponsors, filed a shareholder proposal for the fifth year calling for greater sustainability transparency. Last year, the vote in favor of this proposal increased to approximately 38% from 35% and 34% the two years prior (all calculations excluding abstentions). Over the last three years vote outcomes in support of Walden's proposal garnered a full third of shareholder votes cast. Despite this constant support for sustainability disclosure the board has not moved forward to begin the process of meaningful sustainability reporting and disclosure.

Business Description and Rationale

Emerson Electric is a diversified global technology company. It is engaged in the design, manufacture and supply of product technology and delivering engineering services in a range of industrial, commercial and consumer markets globally. Although Emerson Electric provides products and services to help its customers reduce environmental impacts such as their carbon emissions, the company does not provide evidence of how it tracks the environmental impacts of its own operations. We believe that companies that proactively track, manage and report on emissions to air, land and water, as well as other ESG related factors, are better positioned to proactively address risks and opportunities related to their business.

This resolution presses Emerson Electric to improve transparency in its business practices, which is in investors' interest since these issues may affect shareowner value.

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Points we believe demonstrate Emerson Electric's lack of leadership and transparency on sustainability:

- In 2013, Emerson Electric submitted its CDP Climate Change survey late, and was therefore the only company amongst the S&P 500 Industrials Sector CDP responders to not be scored for its disclosure quality. In the previous year, Emerson Electric's disclosure score of 9 was one of the lowest scores among Industrials Sector respondents. Comparatively, Emerson's competitors' 2013 scores were as follows: General Electric - 72 (↓1.4%) Hitachi Ltd. - 95 (↑10.5%) and ABB Ltd. - 82 (↑7.9%).
- The company has not outlined targets and goals on greenhouse gas emissions reductions, which put it in a minority position of industrials sector peer responders – in 2013, 75% of CDP responders made their GHG targets and goals publicly available.
- The company also declined to participate in the CDP Water survey.
- Emerson Electric's many competitors, including ABB and General Electric, are already addressing material ESG risks and opportunities and report on them in a sustainability report.
- Emerson Electric currently has a "Corporate Citizenship" section of its website. However content in this section can be described as anecdotal at best and does not enable shareholders to evaluate the company's management of ESG related risks and opportunities. For example, Emerson has stated on its website and the proxy that it operates its facilities in a manner that "protects the environment, meets or exceeds government requirements, and continually reduces energy consumption and waste." However, investors have no access to evaluative information such as GHG emissions or waste metrics to assess this claim.
- Emerson Electric also states that it views its supply base as an extension of the company but does not provide any specific information about sustainability issues in its supply chain, especially in relation to GHG emissions.

The resolution is led by Walden Asset Management and co-filed by a number of proponents: Tides Foundation, Max and Anna Levinson Foundation, The Oneida Tribe of Indians Trust Fund for the Elderly, Manhattan Country School, Sisters of Notre Dame de Namur-Boston, Mercy Investment Services, Portico (Evangelical Lutheran Church in America), Sisters of the Holy Family, CA, Maryknoll Fathers and Brothers, Haymarket People's Fund, Glenmary Home Missioners, The Russell Family Foundation, Community Church of New York, Congregation of the Sisters of St. Joseph of Brighton, First Affirmative Financial Network, Walden Equity Fund and Zevin Asset Management.

Annual Meeting Information

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 4, 2014, commencing at 10:00 a.m. Central Standard Time.

Link to Emerson Electric's 2014 proxy containing the company's statement of opposition on pages 46-47:
http://phx.corporate-ir.net/phoenix.zhtml?c=107575&p=irol-SECText&TEXT=aHR0cDovL2FwaS50ZW5rd2l6YXJkLmNvbS9maWxpbmcueG1sP2lwYWdlPTkyNzU1NjYmRFNFUT0wJlNFUT0wJlNRREVTQz1TRUNUSU9OX0VOVElSRSZzdWJzaWQ9NTc%3d

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About Walden Asset Management

Walden manages portfolios for clients who seek to integrate environmental, social and governance (ESG) analysis into investment decision-making. On behalf of our clients, we also strive to strengthen corporate ESG policies, performance, transparency and accountability through shareholder engagement.

Sustainability Reporting Resolution

RESOLVED
Shareholders request that Emerson Electric issue a sustainability report describing the company's environmental, social and governance (ESG) performance, including greenhouse gas (GHG) reduction targets and goals. The report should be available on the company website by September 1, 2014, prepared at reasonable cost, omitting proprietary information.

SUPPORTING STATEMENT
We believe tracking and reporting on ESG business practices makes a company more responsive to a global business environment which is characterized by finite natural resources, changing legislation, and heightened public expectations for corporate accountability. Reporting also helps companies better integrate and gain strategic value from existing sustainability efforts, identify gaps and opportunities in products and processes, develop company-wide communications, publicize innovative practices, and receive feedback.

Signatories to the Principles for Responsible Investment (PRI) represent over 1100 investors and asset owners who collectively hold over $34 trillion of assets under management. They seek the integration of ESG factors in investment decision making and require information on ESG policies and performance to analyze fully the risks and opportunities associated with existing and potential investments. Major firms such as BlackRock, State Street, Goldman Sachs and T. Rowe Price are PRI signatories.

Carbon Disclosure Project (CDP), representing 722 institutional investors globally with $87 trillion in assets, has for years requested greater disclosure from companies on their climate change management programs. Over two thirds of the S&P 500 now report to CDP. Climate change is one of the most financially significant environmental issues, yet Emerson Electric's (Emerson) low CDP disclosure score of 9/100 (a 62% decrease from last year) reflects its lack of GHG emissions abatement targets and goals.

Corporate reporting on sustainability is on the rise globally. In 2011, there was a 46% increase in the number of organizations worldwide using the Global Reporting Initiative's (GRI) Guidelines (G3) for their ESG reporting. (http://www.ga-institute.com/) Over 80% of Fortune 250 companies produce sustainability reports. (http://www.kpmg.com)

In contrast, Emerson does not report on its sustainability efforts or GHG management plans. Although Emerson describes its general commitment to corporate citizenship on its website, investors increasingly look for more detailed ESG performance metrics. Data on occupational safety and health, vendor and labor standards, waste and water reduction targets and product-related environmental impacts are important business considerations. Not managing these properly could pose significant regulatory, legal, reputational and financial risks. General Electric, a main competitor, publishes a comprehensive sustainability report annually.

While Emerson delivers products that reduce energy use, information on how Emerson meets goals to manage and reduce its own environmental impact is currently not disclosed.

Last year 37% of shares (excluding abstentions) voted in favor of this resolution, a substantial level of support that management should not ignore.

We recommend that the report include a company-wide review of policies, practices and metrics related to ESG performance using the GRI guidelines as a reference. The GRI Guidelines are a globally accepted "gold standard" reporting framework that enables companies to expand reporting over time.