



Walden Asset Management

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Investors call on Emerson to provide transparency on sustainability performance, political spending, and lobbying

Shareholders express concern about ties to American Legislative Exchange Council and other groups

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In three shareholder proposals at Emerson Electric's (Emerson) annual shareholder meeting in Saint Louis, Missouri, investors including the Sustainability Group at Loring, Wolcott & Coolidge, Trillium Asset Management, the Midwest Coalition for Responsible Investment, and Walden Asset Management are calling on the company to improve its reporting on lobbying and political expenditures and develop a comprehensive sustainability report. As part of their push they are challenging the company's ties to the American Legislative Exchange Council (ALEC). Currently, Emerson fails to provide shareholders with sufficient transparency in any of the above areas to ensure shareholder value is being protected.

Emerson is both producing products for clean energy industries and adopting clean energy for its own energy consumption. However, the company's disclosure of its direct activities and overall goals lags other major companies. This lag comes as investors increasingly express concerns about the environmental, social, and governance (ESG) performance of companies and as Emerson's peers focus on improving their ESG performance.

A majority of Fortune 100 companies have a renewable energy goal, greenhouse gas goal, or both. Additionally, a 2013 KPMG study found that out of 4,100 global companies surveyed, approximately 71% have comprehensive ESG reports.

"We believe that companies that proactively track, manage and report on emissions to air, land and water, as well as other environmental, social, and governance related factors, are better positioned to proactively address risks and opportunities related to their business," said Tim Smith, Senior Vice President at Walden Asset Management. "Our resolution urges Emerson Electric to improve transparency in its business practices, which is in investors' interest since these issues may affect long term shareowner value."

At the same time, investors are increasingly concerned about how companies are lobbying at the federal, state and local levels, including indirect lobbying through trade associations and involvement with tax-exempt organizations. Emerson contributes to the tax-exempt American Legislative Exchange Council (ALEC) which has come under scrutiny due to controversial model legislation it provides and promotes. For example, in 2013 ALEC engaged in a high priority campaign to repeal renewable energy standards in states across the country.

“We believe Emerson’s affiliation with ALEC is not only misaligned with the company’s sustainability and business objectives, but also that its membership in this controversial group could pose significant reputational risks,” said Larisa Ruoff who directs shareholder advocacy and corporate engagement for the Sustainability Group.

Last year the Missouri legislature considered rolling back its renewable energy standard, which was created through a ballot initiative in 2008 and requires utilities in the state to procure 21% of their energy from renewable energy sources by 2021. ALEC had promoted model legislation in Missouri and twelve other states aimed at rolling back or eliminating the standards; all of these bills failed. While supporting ALEC, Emerson publicly opposed one of these bills (Senate Bill 58 in Ohio) as a threat to its business.

“It doesn’t make sense for a company to fund a group that in turn supports legislation undercutting the company’s own business,” said Sister Barbara Jennings, the coordinator for the Midwest Coalition for Responsible Investment. “My colleagues and I publicly opposed the effort to roll back House Bill 44 and we generally support efforts to expand clean energy we generally support efforts to expand clean energy to reduce carbon pollution and water pollution. Clean energy is not only important to meeting principals of our faith, it can be a source of returns for our pension investments.”

Despite the failures last year, ALEC is championing two model bills this year aimed at weakening renewable energy standards, another at net-metering policies for solar, and yet another aimed at the Environmental Protection Agency’s development of power plant regulations for greenhouse gases.

The resolutions filed by the investors are all expected to garner significant support among shareholders. In January, the proxy advisory service, Institutional Shareholder Services, recommended that Emerson shareholders vote “yes” on all three resolutions related to sustainability, political contributions, and lobbying.

About Walden Asset Management

Walden is the sustainability investment practice of Boston Trust & Investment Management Company, an employee-owned investment management company. Walden has been a leader since 1975 in integrating ESG research and engagement into the investment process. Working with and on behalf of clients, Walden actively encourages portfolio companies to improve their ESG performance and transparency through shareholder engagement strategies. For more information, please visit www.waldenassetgmt.com.