

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. You will need to input the Control Number, located on the proxy card, when accessing these documents.

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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
NOMINEES FOR TERMS ENDING IN 2016	
<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 Agusta Motor S.p.A., a subsidiary of Harley-Davidson, Inc.; and as former Vice President and General Manager, Parts & Accessories and Custom Vehicle Operations of Harley-Davidson, Inc.</p>	2012
<p>R. L. Stephenson, 52 Chairman, Chief Executive Officer and President of AT&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
NOMINEE FOR TERM ENDING IN 2014(1)	
A. A. Busch III, 75 Retired Chairman of the Board of Anheuser-Busch Companies, Inc., brewery, container manufacturer and theme park operator	1985
He is also a former Director of AT&T Inc.	
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.	
TO CONTINUE IN OFFICE UNTIL 2015	
C. Fernandez G., 46 Chairman and Chief Executive Officer of Grupo Modelo, S.A.B. de C.V., a brewery holding company	2001
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.	
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.	
A. F. Golden, 66 Partner of Davis Polk & Wardwell, lawyers	2000
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.	
W. R. Johnson, 63 Chairman, President and Chief Executive Officer of H. J. Heinz Company, a global packaged food manufacturer	2008
He is also a Director of United Parcel Service, Inc.	
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.	
TO CONTINUE IN OFFICE UNTIL 2014	
D. N. Farr, 57 Chairman of the Board and Chief Executive Officer of Emerson	2000
He is also a Director of International Business Machines Corporation and a former Director of Delphi Corp.	
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.	

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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.

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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, 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, 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, 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).