EMERSON ELECTRIC CO
Form DEF 14A
December 09, 2011

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 þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o 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)

þ No Fee required.

o 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):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING
OF STOCKHOLDERS

St. Louis, Missouri
December 9, 2011

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 7, 2012, 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 29, 2011 will be entitled to vote, for the following purposes:

1. To elect as directors the six Directors named in the attached proxy statement;

2. To hold an advisory vote on executive compensation;

3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm;

4. To vote upon the stockholder proposals described in the accompanying proxy statement if properly presented at the meeting; and

5. 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

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 29, 2011.

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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 7, 2012

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 7, 2012 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 mailed to stockholders on or about December 9, 2011. A copy of the Company s Annual Report to Stockholders for the fiscal year ended September 30, 2011 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 17, 2012. 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, and AGAINST the stockholder proposals in Proposals 4 and 5. Otherwise, signed proxy cards without specified choices will 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 6, 2012.

The close of business on November 29, 2011 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 735,275,605 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 7, 2012. 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.

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. Six 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 2015	
C. Fernandez G., 45 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 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, 65 Partner of Davis Polk & Wardwell, lawyers	2000
Mr. Golden s qualifications to serve on the Board include his leadership, international and industry experience in heading Davis Polk teams in private and governmental litigation; in 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, 62 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.

J. B. Menzer, 60 2002
Chief Executive Officer of Michaels Stores, Inc., retailer

He is also a former Director of Wal-Mart de Mexico and The Seiyu, Ltd.

Mr. Menzer s qualifications to serve on the Board also include his leadership, international and financial experience as retired Vice Chairman and Chief Administrative Officer of Wal-Mart Stores, Inc.; former President and CEO of Wal-Mart International, with operating responsibilities for all Wal-Mart international operations; former Chief Financial Officer of Wal-Mart Stores, Inc.; former President of Ben Franklin Retail Stores, Inc.; and Certified Public Accountant.

Name, Age, Principal Occupation or Position, Other Directorships	Served as Director Since
NOMINEES FOR TERMS ENDING IN 2013(1)	
A. A. Busch III, 74 Retired Chairman of the Board of Anheuser-Busch Companies, Inc., brewery, container manufacturer and theme park operator 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.	1985
R. L. Ridgway, 76 Chairman of CNA (formerly the Center for Naval Analyses), a non-profit research organization She is the Chairman Emeritus of the Baltic-American Enterprise Fund and a former Director of The Boeing Company, Manpower, Inc., 3M Company, Sara Lee Corporation and three funds of the American Funds complex of mutual funds. Ms. Ridgway s qualifications to serve on the Board also include her leadership, government and international experience as former Assistant Secretary of State for Europe and Canada; former Ambassador to the German Democratic Republic and to Finland; former Chief Executive Officer of The Atlantic Council of the United States; and broad experience as a director, as committee chair and as an audit, compensation and corporate governance committee member for large public companies and non-profit entities.	1995
TO CONTINUE IN OFFICE UNTIL 2014	
D. N. Farr, 56 Chairman of the Board and Chief Executive Officer of Emerson He has also been elected as a Director of International Business Machines Corporation, effective January 1, 2012, and is 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.	2000
H. Green, 50 President, Chief Executive Officer and a Director of Premier Farnell plc, a global distribution company	2008

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

Ms. Green s qualifications to serve on the Board include her strategic leadership and profitable transformation of Premier Farnell plc, a leading high service technology distributor where she is currently Chief Executive Officer. 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.

Name, Age, Principal Occupation or Position, Other Directorships	Served as Director Since
C. A. Peters, 56 Senior Executive Vice President of Emerson	2000

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, 69 Admiral, U.S. Navy (Retired), and Former U.S. Ambassador to The People s Republic of China	2001

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 consulting professor and senior adviser for the Stanford Harvard Preventive Defense Project.

TO CONTINUE IN OFFICE UNTIL 2013

C. A. H. Boersig, 63 Chairman of the Supervisory Board of Deutsche Bank AG, a global investment bank	2009

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.

Mr. 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.

W. J. Galvin, 65 Vice Chairman of Emerson	2000

He is also a Director of Ameren Corporation.

Mr. Galvin s qualifications to serve on the Board also include his leadership and financial experience as former Senior Executive Vice President and Chief Financial Officer of Emerson; former Senior Vice President, Controller and Principal Financial Officer of Emerson; former Executive Vice President-Finance and Administration, U.S. Electrical Motors business unit of Emerson; and former Lieutenant (Operations Officer), U.S. Navy.

R. L. Stephenson, 51 2006
Chairman, Chief Executive Officer and President of AT&T Inc., telecommunications provider

He is also a former Director of Cingular Wireless.

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.

(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 and Ms. Ridgway to serve as a member of the Board for an additional one-year term ending at the Company s Annual Meeting on February 5, 2013.

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.

Mr. Galvin was appointed Vice Chairman of the Company in October 2009. He previously served as Senior Executive Vice President from October 2004 to October 2009. He was Chief Financial Officer of the Company from 1993 until February 2010.

Mr. Menzer served as Vice Chairman of Wal-Mart Stores, Inc., a retailer, from September 2005 until his retirement in March 2008, and as Chief Administrative Officer of Wal-Mart Stores, Inc. from March 2007 until his retirement in March 2008. Mr. Menzer became Chief Executive Officer of Michaels Stores, Inc. in April 2009.

Prior to becoming Chairman, Chief Executive Officer and President of AT&T Inc. in June 2007, Mr. Stephenson served as Chief Operating Officer of AT&T Inc. from November 2005 to June 2007.

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, 2011. 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)	282,343
C. A. H. Boersig	7,968
A. A. Busch III(4)	233,878
F. J. Dellaquila(5)	248,492
D. N. Farr(6)	2,374,759
C. Fernandez G.	65,018
W. J. Galvin(7)	1,105,040
A. F. Golden	37,615
H. Green	9,015
W. R. Johnson	11,438
J. B. Menzer	23,750
E. L. Monser	572,125
C. A. Peters(8)	855,731

J. W. Prueher	24,464
R. L. Ridgway	33,238
F. L. Steeves(9)	239,573
R. L. Stephenson	14,863
All Directors and Executive Officers as a group (18 persons)	6,225,354(10)(11)

(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-470,000; Mr. Ashmore, Executive Vice President-Planning and Development-50,000; Mr. Dellaquila, Senior Vice President and Chief Financial Officer-30,000; Mr. Galvin-240,000; Mr. Monser, President and Chief Operating Officer-60,000; Mr. Peters-60,000; Mr. Steeves, Executive Vice President, Secretary and General Counsel-20,000; Mr. Boersig-3,450; Mr. Busch-31,018; Mr. Fernandez-23,118; Mr. Golden-23,506; Ms. Green-4,497; Mr. Johnson-9,323; Mr. Menzer-19,750; Adm. Prueher-22,318; Ms. Ridgway-1,957; Mr. Stephenson-13,616; and all Directors and executive officers as a group-1,102,553 shares. Also includes 4,518 restricted stock units held by each of Mr. 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, 2011, the right to acquire upon the exercise of employee stock options: Mr. Farr-707,621; Mr. Ashmore-149,999; Mr. Dellaquila-70,000; Mr. Galvin-429,992, including 182,180 held by The Galvin Family Trust (see footnote (7)); Mr. Monser-336,666; Mr. Peters-193,333; and Mr. Steeves-158,333. Also includes 4,518 restricted stock units held by each of Mr. Boersig and Ms. Green.

(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 16,637 shares held by the spouse and/or the child of Mr. Dellaquila.

(6) Includes 143,214 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 25,656 shares held by or in trust for the spouse and/or children of Mr. Galvin, of which Mr. Galvin disclaims beneficial ownership as to 6,452 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 35,000 shares held by The Galvin Family Trust. Mr. Galvin disclaims beneficial ownership in the shares held by JGM Investors, LP and The Galvin Family Trust that are beneficially owned by his children.

(8) Includes 446,150 shares pledged as security to a commercial bank.

(9) Includes 800 shares held in the Emerson Directors and Officers Charitable Trust over which Mr. Steeves exercises investment power but has no financial interest.

(10) Includes 2,074,610 shares of common stock which executive officers have, or will have within 60 days after September 30, 2011, the right to acquire upon exercise of employee stock options. Also includes 4,518 restricted stock units held by each of Mr. Boersig and Ms. Green. Shares owned as a group represent 0.80% of the outstanding common stock of the Company.

(11) Includes 86,044 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 28,666 are shares of common stock over which the other executive officer has, or will have within 60 days after September 30, 2011, the right to acquire upon exercise of employee stock options.

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.

There were nine meetings of the Board of Directors during fiscal 2011. 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 2011, 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.

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, A. A. Busch III, C. Fernandez G., A. F. Golden, H. Green, W. R. Johnson, J. B. Menzer, J. W. Prueher, R. L. Ridgway and R. L. Stephenson. R. B. Horton and V. R. Loucks, Jr. retired from the Board of Directors at the 2011 Annual Meeting. During their terms on the Board each was determined to be an independent director. 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 and Stephenson and Ms. Green, the annual amount of sales to Emerson by the company which the Director serves as an executive officer, and purchases by that company from Emerson, and determined that the amounts of such sales and purchases were consistent with the Emerson Director Independence Standards.

Mr. Boersig, the amount of compensation earned by the bank of which he is a director from business with Emerson, and determined that the total amount of such compensation was consistent with the Emerson Director Independence Standards.

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.

Each of Messrs. Busch and 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 consistent with 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 total amount of such payments was consistent with the Emerson Director Independence Standards.

Each of Messrs. Boersig, Busch, Fernandez, Golden and Stephenson and Ms. Green and Ms. Ridgway, the annual amount of contributions by Emerson, if any, to charitable organizations for whom the Director served as a director, officer or trustee, and determined that such contributions, if any, were consistent with 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 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 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, 2010 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.

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 2011. The members of the Audit Committee are A. A. Busch III, Chair, H. Green, J. B. Menzer 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 15 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 J. B. Menzer and H. Green are Audit Committee Financial Experts 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 15 below.

Compensation Committee

The Compensation Committee met five times in fiscal 2011. 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, 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 2011, the Compensation Committee reviewed management s process for assessing risk in the Company s compensation programs for its employees, including an assessment by a third party in 2010 of 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 21, 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 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 its named executive officers. In fiscal 2011, the Committee engaged Exequity LLP (Exequity) as its independent consultant. Exequity reports directly to the Committee and performs services as directed by the Committee. In 2011, Exequity reviewed our comparator group companies and the market competitiveness of the compensation of our Chief Executive Officer and the other named executive officers. Exequity does not provide any other services to the Company. See also Competitive Market Pay Information and Philosophy on page 20.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee met five times in fiscal 2011. The members of the Committee are R. L. Ridgway, Chair, 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 and Ms. Ridgway to serve as a member of the Board for an additional one-year term ending at the Company s Annual Meeting on February 5, 2013.

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, 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. 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 50 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 50 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, including the Chief Executive Officer, presents these recommendations to the Committee for its consideration. Frederick W. Cook & Co. was engaged to prepare this study in fiscal 2011.

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 2011, the cash portion of the annual retainer, which is paid on a monthly basis, was $70,000. 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 2011, non-management Directors received $115,000 in restricted stock or restricted stock units. See footnote (2) to the Director Compensation table below. In fiscal 2012, the cash retainer was increased to $80,000 and the restricted stock/restricted stock unit portion of the annual retainer was increased to $125,000. Board meeting fees were not increased.

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 2011, each committee Chair was paid an annual retainer of $12,000, except for the Chair of the Audit Committee who was paid an annual retainer of $15,000, and each committee member was paid $1,500 plus expenses for attendance at each committee meeting. In fiscal 2012, each committee Chair retainer was increased to $15,000, except for the Audit Committee Chair retainer which was increased to $20,000. Committee meeting fees were not increased.

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 2011, the Bank of America prime rate was 3.25%, while 120% of the applicable federal long-term rate ranged from 3.92% to 5.05%. A. A. Busch III, A. F. Golden and R. L. Stephenson currently participate in this deferral program. There were no above-market earnings on deferred compensation for each of these Directors in fiscal 2011. In the alternative, Directors may elect to have deferred fees converted into units equivalent to shares of Emerson common stock and their accounts credited with additional units representing dividend equivalents. Regardless of the election, 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 2011 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 2011.

Director Compensation

Name(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)	Total ($)
C. A. H. Boersig	103,500	114,964			218,464
A. A. Busch III	109,000	114,964		10,000(5)	233,964
C. Fernandez G.	89,500	114,964	17,000		221,464
A. F. Golden	109,000	114,964	17,000	10,000(5)	250,964
H. Green	97,000	114,964			211,964
R. B. Horton	41,833		18,000	210,000(5)(6)	269,833
W. R. Johnson	91,000	114,964			205,964
V. R. Loucks, Jr.	65,333			210,000(5)(6)	275,333
J. B. Menzer	95,500	114,964			210,464
J. W. Prueher	97,000	114,964	39,000	9,000(5)	259,964
R. L. Ridgway	97,000	114,964		10,000(5)	221,964
R. L. Stephenson	102,000	114,964		10,000(5)	226,964

(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 2011, the Directors in office on February 1, 2011 were awarded 1,957 shares of restricted stock, or restricted stock units in the cases of Mr. Boersig and Ms. Green, with a total value of $114,964 ($115,000 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 2011 calculated in accordance with FASB ASC Topic 718, which is also the dollar amount recognized for financial statement reporting purposes for fiscal 2011.

(3) The total number of shares of restricted stock held by each of the non-management Directors at September 30, 2011 (the end of fiscal 2011) is as follows: C. A. H. Boersig-3,450; A. A. Busch III-31,018; C. Fernandez G.-23,118; A. F. Golden-23,506; H. Green-4,497; W. R. Johnson-9,323; J. B. Menzer-19,750; J. W. Prueher-22,318; R. L. Ridgway-1,957; and R. L. Stephenson-13,616. In addition, C. A. H. Boersig and H. Green each hold 4,518 restricted stock units, which they received instead of restricted stock in fiscal 2010 and 2011 as provided in the Company s Restricted Stock Plan for Non-Management Directors.

(4) Represents the aggregate change in the actuarial present value of the accumulated pension benefit for fiscal year 2011 pursuant to the Company s Continuing Compensation Plan for Non-Management Directors who assumed office prior to June 4, 2002. Pursuant to applicable regulations, does not include the following negative amounts

relating to the change in actuarial present value: A. A. Busch III-($7,000); V. R. Loucks, Jr.-($8,000); and R. L. Ridgway-($7,000). 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 are now fully vested in the plan. The actuarial present value changes reflect in part the remaining vesting of certain of these Directors during fiscal 2011. Please see the narrative above for more information.

(5) Includes 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) Messrs. Horton and Loucks retired from Emerson s Board of Directors on February 1, 2011 after more than 23 years and 33 years, respectively, of service to the Company. After retirement, as participants in the Company s Continuing

Compensation Plan for Non-Management Directors, Messrs. Horton and Loucks each began receiving his earned payments under the plan, as described above. These payments were included in the calculation of change in pension value during the fiscal year. In recognition of their long and distinguished service on the Board and numerous contributions to the Company s success, the Board of Directors, in its discretion, determined to make two charitable contributions, each in the amount of $1 million, in the names of Emerson and Mr. Horton and in the names of Emerson and Mr. Loucks, respectively. Each gift is payable in five annual installments beginning in 2012. For each of Messrs. Horton and Loucks, the amounts for All Other Compensation for 2011 include the first installment payment with respect to these charitable contributions, which were made in fiscal 2011.

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, 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 2011, 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 2011 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 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 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, 2011, 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 (PCAOB) (United States), 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 Public Company Accounting Oversight Board (United States), 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, 2011 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 2012.

Audit Committee

A. A. Busch III, Chair
H. Green
J. B. Menzer
R. L. Ridgway

<u>Fees Paid to KPMG LLP</u>

The following are the fees of KPMG LLP, the Company s independent registered public accounting firm, for services rendered in 2010 and 2011 ($ in millions):

	2010	**2011**
Audit Fees	$ 27.0	$ 27.6
Audit-Related Fees	2.7	1.3
Tax Fees	3.0	1.5
All Other Fees	0	0
Total KPMG LLP Fees	$ 32.7	$ 30.4

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.

Tax Fees are primarily related to tax compliance services, which represented $1.2 million and $2.0 million in 2011 and 2010, respectively. The remaining tax fees related to tax consulting services and represented $0.3 million and $1.0 million in 2011 and 2010, 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, Investor Relations, Corporate Governance.

II. ADVISORY VOTE ON EXECUTIVE COMPENSATION

At the 2011 Annual Meeting 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 shareholders to review the Compensation Discussion and Analysis on pages 18 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.

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 and are capped at 100 percent of the share awards.

- We have three-year (not annual) award and payout 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 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 outstanding financial results for fiscal 2011, as described in Compensation Discussion and Analysis on pages 18 to 30, most recently demonstrate this performance. 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 in February 2012, the next say-on-pay vote will occur at our next Annual Meeting scheduled to be held on February 5, 2013.

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

III. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

Emerson is a performance-driven, financially focused company that has a long track record of consistently delivering increased value to our stockholders. Continuity, stability, and rigorous execution of our business plans combined with a continuous drive to develop innovative solutions for our customers are hallmarks of our management team and management process. As a result, the Company has achieved the following:

An increase in earnings per share in the last five years, at a compound annual growth rate of 7.9 percent.

Increases in dividends per share for the last 55 consecutive years, at a compound annual growth rate of 10.7 percent.

Consistent generation of substantial cash flow, which the Company uses for strategic acquisitions, investment in new technology, and funding of dividend payments and share repurchases.

The Company has built this performance record in the face of various recessions, inflationary periods, technological revolutions, and intense global competition. 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 all these challenges, and continues to do so today.

Executive Summary of Fiscal Year 2011

Fiscal 2011 was a very strong year for Emerson:

Net sales were $24.2 billion, an increase of 15 percent from fiscal 2010 net sales of $21.0 billion.

Earnings per share increased 15 percent to a record $3.27 from the $2.84 achieved in fiscal 2010.

Operating cash flow remained strong at $3.2 billion.

Free cash flow (operating cash flow less capital expenditures) also remained strong at $2.6 billion, versus $2.8 billion in fiscal 2010 (with capital expenditures of $0.6 billion and $0.5 billion in fiscal 2011 and fiscal 2010, respectively).

Return on total capital was 19.6 percent, an increase of 0.7 percentage points.

The Company increased its dividend to stockholders to $1.38 per share from $1.34 per share in fiscal 2010 its 55th consecutive year of increased dividends.

The Compensation Committee believes this strong performance reflects effective implementation of the Emerson management process by our executives, with particular focus on the following initiatives:

Emerging Markets. Our management team continued to drive its successful decade-long strategy to grow the Company s presence in emerging international markets, such as China, India, Latin America, Eastern Europe and the Middle East. Their proactive measures planning, effective capital allocation, recruitment and retention of local talent, and execution have resulted in a substantial increase in sales in these growing and profitable markets, representing 35 percent of our fiscal 2011 sales, versus 15 percent in fiscal 2001.

Repositioning of Business Portfolio. Our senior executives have repositioned the Company s mix of businesses in favor of higher-growth, higher-margin opportunities. These actions include the acquisitions of Avocent Corporation and Chloride Group PLC, and the divestitures of lower-margin businesses in the motors and appliance components markets. Our efforts in this regard continue to position the Company s business portfolio for optimum growth and profitability.

Strategic Sourcing. Also contributing to our record fiscal 2011 earnings per share and operating profit margin is the continuing successful implementation of our strategic sourcing initiatives. Eighteen years ago, management committed the resources to establish a sophisticated and coordinated procurement function, which has markedly increased the Company s global access to high-quality, best-cost materials and components. We continue to enhance this capability to the benefit of all our operating units.

In light of the Company s superior financial performance and the continuing success of our compensation program, the Compensation Committee made no significant changes to the program during the year, concluding that it 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 2011 Annual Meeting of Stockholders.

Key features of the program, as reflected in the Committee s executive compensation decisions in fiscal 2011, are as follows:

- Executive officers were rewarded for their contributions to the Company s performance by a combination of competitive base salaries and annual cash bonuses.

- Under our normal three-year award cycle, eligible participants, including named executive officers, were granted stock options.

- No performance share awards were made to the named executive officers, with the next performance shares program scheduled in fiscal 2013.

- Participants in the 2007 performance shares program, which covered the four-year performance period ended September 30, 2010, were paid the remaining 40% portion of the earned performance-based awards after satisfying the additional one-year service requirement.

- Messrs. Farr, Ashmore and Steeves were granted restricted stock during fiscal 2011. In addition, in October 2011 (fiscal 2012), Messrs. Farr, Monser, Dellaquila, Peters, Ashmore and Steeves were granted restricted stock.

- During fiscal 2011, the Company s Board of Directors and shareholders approved the Company s 2011 Stock Option Plan, successor to the 2001 Stock Option Plan.

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 25), 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.

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.

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, as adjusted based on revenue, which we refer to as the median range , 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 used the same comparator group of 25 companies in fiscal 2011 that it had used in the prior two fiscal years to assist it in making its compensation decisions. In fiscal 2011, 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 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 2011, Frederic W. Cook & Co. provided analysis of competitive pay (cash and long term) 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 Frederick W. Cook s assessment that the comparator group was appropriate and that the CEO s 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 individual pay recommendations to the Committee for senior executives, including the named executive officers (other than himself). The Committee reviews the performance evaluations and pay recommendations. The Committee separately meets in executive session without the CEO present to review the CEO s performance and set his compensation.

<u>CEO Compensation</u>. In setting the CEO s compensation, the Committee first considered the Company s record fiscal 2011 financial results (summarized on page 18). When comparing current and prior year results, the Committee looks at the Company s financial performance in totality, without mechanically weighting individual factors. Particularly notable to the Committee was the Company s record performance in earnings per share and operating profit margin, as well as its 55th consecutive year of increased dividends to stockholders.

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).

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 eleventh year as CEO, Mr. Farr continued to provide exceptional, consistent leadership for the Company s long-term success. In addition to executing the financial performance described above, Mr. Farr, leading his executive team:

Drove to successful completion several important acquisitions and divestitures that strengthened business platform innovative offerings and market profile.

Managed and accelerated integration of the Avocent and Chloride acquisitions; and pushed development of the Company s new data center infrastructure management platform.

Increased Emerson s presence and position in emerging markets where sales growth is twice the pace of mature markets to 35 percent of total sales, with overall international sales now at 59 percent of total.

Continued effective leadership development and further strengthened the management team.

Strengthened the Company s reputation and global relationships by meeting with customers and government officials to promote and protect Emerson s interests, driving to win many significant customer projects and launching new joint facilities and relationships globally.

The Committee uses the competitive pay analysis for the comparator group 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 change in control 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.

<u>Other Named Executive Officer Compensation</u>. 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 for fiscal 2011. 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 improved international cash utilization; provided strategic financial/cash management guidance in Emerson s acquisitions and divestitures; actively managed the Company s governmental relations in a challenging political environment; and oversaw the Company s maintenance of its disciplined approach to evaluating and improving its systems of internal controls, financial reporting and governance.

Mr. Monser led the Company s successful efforts to achieve record operating profit margin; significantly improve return on total capital, even with the record level of acquisitions during the past two fiscal years; attain excellent emerging market growth in Asia, Latin America and Eastern Europe; and introduce a new demand-driven supply chain initiative needed to drive future trade working capital improvements.

Mr. Dellaquila assumed responsibility for global financial shared services and internal financial systems support; successfully analyzed and implemented tax and financial restructurings for two major acquisitions; implemented a $2.75 billion backup credit facility to ensure financial liquidity; improved international cash concentration and cash mobility capability; and provided decision support and financial analysis on operational finance issues and on acquisitions and divestitures.

Mr. Peters continued development of new, technology-driven business model platforms; fostered a multiphase innovation process, reaching across the Company s businesses and geographical presences to identify and refine major new opportunities; established standards for social media and collaborative enterprise-wide information tools; and strengthened the Company s information technology infrastructure and implementation resources.

Mr. Ashmore successfully completed the divestiture of the Company s heating products business, representing the completion of Emerson s five-year repositioning away from the appliance components industry; continued the strengthening and consolidation of the Company s business in India; performed a portfolio analysis of Emerson s business segments; and prepared and initiated implementation of a program targeting new product and emerging market investments to accelerate growth in fiscal 2012 and 2013.

Mr. Steeves instituted a restructured and enhanced Company-wide approach to commercial contract preparation and negotiation, to reflect current business realities and customer demands; directed the Company s continued success in litigation worldwide; continued to meet the demands of increasingly complex litigation, regulatory and political environments; and improved and expanded the Company s in-house legal resources, with emphasis on succession planning.

None of the named executive officers has an employment, severance or golden parachute agreement with the Company.

For 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 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 2011 and fiscal 2012 set forth below were in recognition of the Company s performance (described on page 18) and the individual responsibilities, performance and potential of each named executive officer (described on pages 21 to 23). The Committee also considered survey data that indicated that the predicted merit increase, without promotions, for the named executive officers averaged approximately 3%, which was consistent with the Committee s determination.

Name	FY 2010 April 1, 2010- Sept. 30, 2010 (Rate) (1)	FY2011 (Rate)	2010-2011 Percentage Increase	FY2012 (Rate)	2011-2012 Percentage Increase
D. N. Farr	$1,225,000	$1,225,000	0%	$1,250,000	2.0%
W. J. Galvin	$735,000	$755,000	2.7%	$775,000	2.6%
E. L. Monser	$625,000	$642,000	2.7%	$657,000	2.3%
F. J. Dellaquila(2)	$450,000	$500,000	11.1%	$550,000	10.0%
C. A. Peters	$565,000	$580,000	2.7%	$595,000	2.6%
F. L. Steeves	$580,000	$595,000	2.6%	$615,000	3.4%

(1) As described in last year s proxy statement, base salary rates were reduced effective January 1, 2009 in response to the economic downturn that began in late calendar year 2008. Mr. Farr s base salary rate was reduced to his fiscal 2007 rate, and the base salary rates for Messrs. Galvin, Monser, Peters and Steeves were reduced to their respective fiscal 2008 levels. Effective April 1, 2010 the Committee restored the previously approved base salary

rates, as business conditions improved. Due to rate changes within a given year, actual pay for a fiscal year may differ from these rates.

(2) Mr. Dellaquila became Chief Financial Officer on February 2, 2010. The increase for 2012 reflects increased responsibilities as described on page 22.

For 2011, Mr. Ashmore s base salary was increased from $500,000 to $525,000, an increase of 5.0%. For 2012, Mr. Ashmore s base salary was increased to $550,000, an increase of 4.8%.

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 and the individual performance factors referred to above. The Committee did not assign individual weightings to any of these factors but used them collectively to make its compensation determinations. The Committee noted that fiscal 2011 financial performance improved compared to fiscal 2010 financial results as summarized in the bullets on page 18. The Committee took these factors into account and exercised its discretion to determine the bonus amounts for fiscal 2011 as shown below:

Name	FY 2009	2008-2009 Percentage Change	FY2010	2009-2010 Percentage Change	FY2011	2010-2011 Percentage Change
D. N. Farr	$1,500,000	(50.0)%	$2,200,000	46.7%	$2,400,000	9.1%
W. J. Galvin	$800,000	(31.9)%	$1,025,000	28.1%	$1,175,000	14.6%
E. L. Monser	$600,000	(29.4)%	$780,000	30.0%	$900,000	15.4%
F. J. Dellaquila(1)	$440,000		$590,000	34.1%	$800,000	35.6%
C. A. Peters	$585,000	(29.9)%	$750,000	28.2%	$850,000	13.3%
F. L. Steeves	$500,000	(16.7)%	$640,000	28.0%	$725,000	13.3%

(1) The 2008-2009 percentage change is not comparable as Mr. Dellaquila became Chief Financial Officer on February 2, 2010. Increases for both fiscal 2010 and 2011 reflect, in part, increased responsibilities in each year.

For 2011, Mr. Ashmore s bonus was $725,000, an increase of 20.8%.

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.

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 over thirty 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 45-55% of total compensation and 70-80% of long-term stock compensation.

Unlike many companies, Emerson awards performance shares every three years rather than annually, and the payout is based on four-year performance. 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. 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 targets, 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.

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 2010 was an overlap year, both the final year of the 2007 program performance period, which ended on September 30, 2010, and the first year of the 2010 program performance period, which began on October 1, 2009 and ends on September 30, 2013. During fiscal 2011, two performance shares programs were in effect as illustrated below.

Payout is made as soon as practicable after the achievement of the performance target at the end of the four-year performance period, provided that the Committee may establish additional vesting conditions for retention purposes. For the 2007 and 2010 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 2007 and 2010 performance share programs are shown above.

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 2010 performance shares program began in fiscal 2010 and the Committee awarded performance share units as described in last year s proxy statement. In order to earn a 100% payout under the 2010 program, the Company s actual earnings per share in the last year of the four-year performance period must equal or exceed fiscal year 2009 earnings per share multiplied by the compounded average annual growth rate in the U.S. Gross National Product plus three percentage points over the four-year performance period. We target growth in earnings per share which exceeds the growth in the economy because 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. The payout is made primarily in common stock, with a portion paid in cash to cover tax obligations of participants.

No performance share awards were made to the named executive officers in fiscal 2011. Outstanding performance share units are set forth in the Outstanding Equity Awards at Fiscal Year-End table on page 35.

As described in last year s proxy statement, at the completion of fiscal 2010, the four-year performance period for the 2007 performance shares program ended, and the Committee determined that a 96% payout was achieved. The 60% portion of the earned 2007 plan award was paid at the end of fiscal 2010 and the remaining 40% portion was subject to an additional one year service requirement, which was met at the end of fiscal 2011. The payout of the 40% portion of the earned 2007 performance share awards to named executive officers is set forth in the Option Exercises and Stock Vested table on page 37.

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. Our Board and stockholders approved our 2011 Stock Option Plan during fiscal 2011, succeeding the 2001 Stock Option Plan.

Although an important incentive, stock options represent a smaller portion of long-term stock compensation for the named executive officers, and generally represent 5-15% of their total compensation. As part of our triennial award cycle, in early fiscal 2011, the Committee awarded stock options as follows: D. N. Farr-250,000; W. J. Galvin-125,000; E. L. Monser-130,000; F. J. Dellaquila-95,000; C. A. Peters-120,000; C. W. Ashmore-100,000; and F. L. Steeves-110,000. The Committee determined that these amounts are consistent with targeting 5-15% of total compensation in the form of stock options.

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 October 2010, the Committee awarded 80,000 shares of restricted stock to Mr. Farr, reflecting the outstanding performance of the Company in 2010. In addition, the Committee awarded Messrs. Ashmore and Steeves 15,000 and 10,000 shares of restricted stock, respectively, in recognition of their individual contributions and performance. 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.

Given the record performance in 2011 and each individual s contribution and performance, in October 2011, 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.

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 69% 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.

The table below illustrates how total compensation for our named executive officers for fiscal 2011 was 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.

Fiscal 2011 Total Compensation Mix*

	Percentage of Total Compensation that is:		Percentage of Performance Based Total that is:		Percent of Total Compensation that is:	
Name	**Performance Based**	**Fixed**	**Annual**	**Long-Term**	**Cash**	**Equity**
D. N. Farr	69%	31%	28%	72%	29%	71%
W. J. Galvin	36%	64%	59%	41%	35%	65%
E. L. Monser	80%	20%	24%	76%	33%	67%
F. J. Dellaquila	80%	20%	33%	67%	43%	57%
C. A. Peters	80%	20%	27%	73%	36%	64%
C. W. Ashmore	75%	25%	29%	71%	37%	63%
F. L. Steeves	79%	21%	27%	73%	39%	61%

* 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 2010 under the 2010 performance shares program and which cover the four-year performance period beginning on October 1, 2010 and ending on September 30, 2013. Performance share awards were not made in fiscal 2011 or 2009. 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. The supplemental tables reflect the payout of the 40% portion of earned awards subject to an additional year of service under the 2007 performance shares program. 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 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 a decrease in the applicable discount rate in each year. 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 32 for additional detail.

Total compensation shown for 2011 is lower than 2010 even though our financial performance improved. The totals in the Summary Compensation Table for 2010 include larger amounts primarily as a result of 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.

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 2011 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 later of the date of the policy or 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 between approximately 15 to 80 times their respective base salaries. Our stock trading policy also requires elected Company officers to obtain written permission from two other senior executives before engaging in transactions in Emerson stock.

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.

Severance, Executive Termination and Retirement