



Walden Asset Management

Advancing sustainable business practices since 1975

Shareholder Proposal to Emerson Electric Calls for Setting Greenhouse Gas (GHG) Emissions Reduction Goals

January 2016 — Walden Asset Management seeks to alert shareholders of Emerson Electric to Shareholder Proposal # 7 on page 52 of the proxy requesting the company adopt time-bound, company-wide goals for reducing total GHG emissions—taking into consideration the most recent guidance from the Intergovernmental Panel on Climate Change. Emerson Electric’s shareholder meeting will be held on Tuesday, February 2nd at the company’s offices in St. Louis.

During the COP 21 meetings, 195 nations agreed on a goal to keep global temperature rise “well below” 2 degrees Celsius above pre-industrial levels by 2100, with a reach goal to limit global temperature rise to 1.5 degrees Celsius. This agreement further catalyzes a transition to a low-carbon economy and necessitates actions from businesses to manage their own emissions to a level that ensures they will continue to operate competitively in a low-carbon future.

In the proxy statement, Emerson Electric argues that setting a goal may unduly limit the company’s ability to compete. However, the company’s claims do not match reality. According to a 2014 report entitled “Unlocking ambition and driving innovation” authored by the CDP, “the data that companies, cities, states and regions disclosed to CDP shows clearly that setting ambitious targets is not hurting business, nor is it hindering economic growth. In fact, it’s driving innovation, reducing costs, [and] enhancing profitability.”

As of 2014, more than 80% of the world’s largest 500 companies had committed to reduce their emissions by setting some sort of target (absolute, intensity-based, or energy-specific). Emerson Electric, on the other hand, has not set any goals. While the company reports its GHG emissions to CDP, it received the third lowest CDP disclosure score in the industrials sector peer group. It is also notable that several companies in the industrials sector peer group with lower overall Scope 1 and Scope 2 emissions than Emerson Electric (and thereby arguably less climate change impacts) have managed to set time-bound, company-wide goals. These companies include Dover Corporation, Eaton Corporation, Northrop Grumman, and several others.

Emerson Electric’s underperformance relative to peers represents a missed opportunity to both increase operational efficiency and drive growth. Furthermore, Emerson Electric stands to experience reputational benefits by setting a strong GHG reduction goal. Currently, climate change mitigation solutions are a key area of business for Emerson Electric. Setting a goal is an opportunity for the company to strengthen connections to its customers, demonstrate its climate leadership, and exhibit the value of its product in its own operations.

To its credit, Emerson Electric indicates in its proxy that it has reduced emissions 45% over the past 10 years. However, a goal sets a long term strategy. While the company has achieved great success, there is no guarantee that the company will continue to pursue additional achievements going forward. As

Emerson Electric undergoes a reorganization setting long term goals will help the company define for investors and its customers what sort of company it intends to be moving forward.

Thereby, Walden believes this resolution merits investor support, given:

- a changing global context;
- Emerson Electric is lagging sector peers; and,
- our belief that setting goals can be good for business, by promoting innovation, reducing costs, ensuring climate resiliency, and in the particular case of Emerson Electric, burnishing brand reputation.

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Since 1975, Walden Asset Management has specialized in managing portfolios for institutional and individual clients with a dual investment mandate: competitive financial returns and positive social and environmental impact. Walden is an industry leader in integrating ESG analysis into investment decision-making and company engagement to strengthen ESG performance, transparency and accountability. Walden is a division of Boston Trust & Investment Management Company, a PRI signatory.