EMERSON ELECTRIC CO
Form DEF 14A
December 10, 2010

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 Rule 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)

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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 10, 2010

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 1, 2011, 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 23, 2010 will be entitled to vote, for the following purposes:

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

2. To re-approve the performance measures under the Emerson Electric Co. 2006 Incentive Shares Plan;

3. To approve the Emerson Electric Co. 2011 Stock Option Plan;

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

5. To hold an advisory vote on executive compensation;

6. To hold an advisory vote to determine the frequency of future advisory votes on executive compensation;

7. To vote upon the stockholder proposal described in the accompanying proxy statement, if properly presented at the meeting; and

8. 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 23, 2010.

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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 1, 2011

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 1, 2011 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 10, 2010. A copy of the Company s Annual Report to Stockholders for the fiscal year ended September 30, 2010 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, 2011. 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 re-approval of the performance measures under the Emerson Electric Co. 2006 Incentive Shares Plan in Proposal 2, FOR the approval of the Emerson Electric Co. 2011 Stock Option Plan in Proposal 3, FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm in Proposal 4, FOR the approval of the Company s executive compensation in Proposal 5, and AGAINST the stockholder proposal in Proposal 7. If your proxy card is signed and returned without specifying a choice on the vote regarding the frequency of advisory votes on executive compensation, the shares will be voted to hold such advisory votes EVERY THREE YEARS in Proposal 6. 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 January 31, 2011.

The close of business on November 23, 2010 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 754,284,594 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 1, 2011. 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. Five Directors of the Company are to be elected for terms ending at the Annual Meetings specified below, or until their respective successors have been elected and have qualified. Certain information with respect to the nominees for election as Directors proposed by the Company, as well as the other Directors whose terms of office as Directors will continue after the Annual Meeting, is set forth below, including directorships held by each nominee at other public companies in the last five years and additional information regarding each nominee s specific experience, qualifications, attributes and skills that led the Board to conclude that he or she should serve as a Director. All of the nominees meet the Board membership criteria described on page 12 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 2014

D. N. Farr, 55 — 2000

Chairman of the Board and Chief Executive Officer of Emerson

He is also 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.

H. Green, 49 — 2008

President, Chief Executive Officer and a Director of Premier Farnell plc, a global distribution company

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

Ms. Green s qualifications to serve on the Board also include her leadership, international and marketing experience in former regional management positions in Asia-Pacific, the United States, Northern Europe and Africa for Arrow Electronics; former Head of Worldwide Marketing and former Head of Global Strategy and New Business Development for Arrow Electronics; and as former Managing Director of The Macro Group, a United Kingdom semiconductor distributor.

C. A. Peters, 55 — 2000

Senior Executive Vice President of Emerson

Mr. Peters qualifications to serve on the Board also include his leadership, technology and planning experience as former Senior Vice President-Growth Programs for Emerson; former Vice President-Development and Technology of Emerson; former Vice President-Strategic Planning of Emerson; former President, Harris Calorific Division of Emerson; and former Director of Strategic Planning of Emerson s Skil Corporation subsidiary.

J. W. Prueher, 68	2001

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

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.

Name, Age, Principal Occupation or Position, Other Directorships	Served as Director Since
Admiral Prueher s qualifications to serve on the Board also include 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.	
NOMINEE FOR TERM ENDING IN 2012(1)	
R. L. Ridgway, 75 Former Assistant Secretary of State for Europe and Canada	1995
She is also a Director of three funds in the American Funds complex of mutual funds and Chairman (non-executive) of the Baltic-American Enterprise Fund, the Baltic-American Freedom Foundation and the Center for Naval Analyses. She is a former Director of The Boeing Company, Manpower, Inc., 3M Company and Sara Lee Corporation.	
Ms. Ridgway s qualifications to serve on the Board also include her leadership, government and international experience as a former senior officer of the U.S. Department of State; 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 and as committee chair of large public companies and non-profit entities.	
TO CONTINUE IN OFFICE UNTIL 2013	
C. A. H. Boersig, 62 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 also include his leadership, financial and international experience as a member of the Supervisory Boards 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.	
C. Fernandez G., 44 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.

W. J. Galvin, 64 2000
Vice Chairman of Emerson

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 Division of Emerson; and former Lieutenant (Operations Officer), U.S. Navy.

Name, Age, Principal Occupation or Position, Other Directorships	Served as Director Since
R. L. Stephenson, 50 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.	2006
TO CONTINUE IN OFFICE UNTIL 2012	
A. A. Busch III, 73 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
A. F. Golden, 64 Partner of Davis Polk & Wardwell, lawyers 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.	2000
W. R. Johnson, 61 Chairman, President and Chief Executive Officer of H. J. Heinz Company, a global packaged food manufacturer 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.	2008
J. B. Menzer, 59 Chief Executive Officer of Michaels Stores, Inc., retailer	2002

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.

(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 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 7, 2012.

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. Boersig served as a member of the Management Board of Deutsche Bank AG, Frankfurt am Main, from 2001 to 2006.

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.

Ms. Green served as the President of Arrow Asia-Pacific from 2004 to 2006.

Mr. Menzer served as Vice Chairman of Wal-Mart Stores, Inc. 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, 2010. No person reflected in the table owns more than 0.5% of the outstanding shares of Emerson common stock.

Name	Total Shares of Emerson Common Stock Beneficially Owned (1)(2)
C. A. H. Boersig	6,011
A. A. Busch III(3)	209,261
F. J. Dellaquila(4)	184,968
D. N. Farr(5)	2,036,793
C. Fernandez G	41,241
W. J. Galvin(6)	1,030,591
A. F. Golden	29,977
H. Green	7,058
R. B. Horton(7)	34,085
W. R. Johnson	8,444
V. R. Loucks, Jr.(8)	29,061
J. B. Menzer	21,793
E. L. Monser	424,403
C. A. Peters(9)	765,434

J. W. Prueher	22,451
R. L. Ridgway	31,281
F. L. Steeves	122,706
R. L. Stephenson	12,531
All Directors and Executive Officers as a group (20 persons)	5,268,849(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-510,000; Mr. Dellaquila, Senior Vice President and Chief Financial Officer-30,000; Mr. Galvin-260,000; Mr. Monser, President and Chief Operating Officer-80,000; Mr. Peters-120,000; Mr. Steeves, Senior Vice President, Secretary and General Counsel-10,000; Mr. Boersig-3,450;

Mr. Busch-29,061; Mr. Fernandez-21,161; Mr. Golden-21,549; Ms. Green-4,497; Sir Robert Horton-29,061; Mr. Johnson-7,366; Mr. Loucks-2,561; Mr. Menzer-17,793; Adm. Prueher-20,361; Ms. Ridgway-2,561; Mr. Stephenson-11,659; and all Directors and executive officers as a group-1,236,080 shares.

(2) As required by SEC rules, includes the following shares which such persons have, or will have within 60 days after September 30, 2010, the right to acquire upon the exercise of employee stock options: Mr. Farr-700,000; Mr. Dellaquila-40,000; Mr. Galvin-446,673, including 217,180 held by The Galvin Family Trust (see footnote (6)); Mr. Monser-266,666; Mr. Peters-226,666; and Mr. Steeves-100,000. Also includes 2,561 restricted stock units held by each of Mr. Boersig and Ms. Green.

(3) 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.

(4) Includes 16,407 shares held by the spouse and/or the son of Mr. Dellaquila. Includes 239 shares held in the Emerson Directors and Officers Charitable Trust over which Mr. Dellaquila exercises investment power but has no financial interest.

(5) Includes 143,214 shares held by the spouse and/or children of Mr. Farr. Includes 6,437 shares held in the Emerson Directors and Officers Charitable Trust over which Mr. Farr exercises investment power but has no financial interest.

(6) 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 214,000 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. Mr. Galvin disclaims beneficial ownership in the shares held by JGM Investors, LP that are beneficially owned by his children.

(7) Sir Robert Horton is not standing for re-election for personal reasons.

(8) Mr. Loucks is not standing for re-election pursuant to the requirement in the Company s Bylaws that a person may not stand for election or re-election after the age of 72. Amounts shown include 26,500 shares pledged as security.

(9) Includes 281,460 shares pledged as security to a commercial bank.

(10) Includes 1,896,004 shares of common stock which executive officers have, or will have within 60 days after September 30, 2010, the right to acquire upon exercise of employee stock options. Also includes 2,561 restricted stock units held by each of Mr. Boersig and Ms. Green. Shares owned as a group represent 0.70% of the outstanding common stock of the Company.

(11) Includes 250,760 shares beneficially owned by two other executive officers of the Company, of which 55,000 shares are shares of common stock over which the two other executive officers have no investment power, 115,999 are shares of common stock over which the two other executive officers have, or will have within 60 days after September 30, 2010, the right to acquire upon exercise of employee stock options, and 900 shares held by one of the other executive officers in the Emerson Directors and Officers Charitable Trust over which the executive officer exercises investment power but has no financial interest.

Capital World Investors, a division of Capital Research and Management Company, filed a Schedule 13G on February 11, 2010 with the SEC indicating that it has sole voting and dispositive power with respect to 43,095,000 shares of the Company s common stock, or 5.7% of the Company s outstanding stock as of September 30, 2010. Its address is 333 South Hope Street, Los Angeles, CA 90071. The Company is not aware of any other shareholders who beneficially own more than 5% of its outstanding common stock.

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 ten meetings of the Board of Directors during fiscal 2010. 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 2010, 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 Chairman 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 the periodic 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, R. B. Horton, W. R. Johnson, V. R. Loucks, Jr., J. B.

Menzer, J. W. Prueher, R. L. Ridgway and R. L. Stephenson. Messrs. Horton and Loucks will not be standing for re-election. All Directors identified as independent in this proxy statement meet the categorical standards adopted by the Board to assist it in making determinations of Director independence. A copy of these standards is set forth 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, Prueher 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 and Environmental Policy Committee. If the 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, 2009 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 Chairmen) are: Executive Committee (Farr), Audit Committee (Busch), Compensation Committee (Loucks), Corporate Governance and Nominating Committee (Golden) and Finance Committee (Horton).

Audit Committee

The Audit Committee met four times in fiscal 2010. The members of the Audit Committee are A. A. Busch III, Chairman, H. Green, R. B. Horton, 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 2010. The Compensation Committee Charter requires that the Committee be comprised of at least three Directors. The current Compensation Committee members are V. R. Loucks, Jr., Chairman, C. A. H. Boersig, W. R. Johnson, J. W. Prueher and R. L. Stephenson. 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. For purposes of its independence determination, the Board considered the enhanced independence standards for compensation committees which recently enacted federal legislation (Public Law 111-203) specified must be required by the SEC for the listing standards of national securities exchanges.

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:

Approves corporate goals and objectives relevant to Chief Executive Officer compensation, evaluates Chief Executive Officer performance, has sole authority to set Chief Executive Officer compensation, and annually reviews the compensation of the Chief Executive Officer with the Board in executive session of non-management Directors only.

Approves elements of compensation and oversees the evaluation process for all officers.

Administers the Company s equity incentive plans.

Approves Company contributions to benefit plans (other than qualified defined benefit plans), and the adoption, amendment or termination of benefit plans.

Approves all additional compensation designed to attract and retain key employees.

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 29 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.

The Compensation Committee reviewed management s process for assessing risk in the Company s compensation programs for its employees, including an assessment by Ernst & Young 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 26 for additional information.

Role of Executive Officers and the Compensation Consultant

Executive Officers

The Chief Executive Officer makes recommendations to the Committee regarding total compensation to be paid to the Company s executive officers other than himself, including salary, annual bonus, stock awards and benefits, as appropriate. Management makes recommendations to the Committee regarding salaries, at or above a level established by the Committee, to be paid to non-executive officer employees of the Company, its divisions and subsidiaries, including the officers of divisions and subsidiaries of the Company who are not officers of the Company, and salaries of all Division Presidents.

Management develops and presents to the Committee recommendations for the design of compensation programs, including stock or other incentive-based programs and other programs designed to attract and retain key employees.

The Committee has unrestricted access to management and may also request the participation of management in any discussion of a particular subject at any meeting. Committee meetings are regularly attended by the Chief Executive Officer, who generally attends all meetings except meetings in executive session and except discussions of Chief Executive Officer compensation, and by the Vice President-Executive Compensation, who is responsible for leading some of the discussions regarding the Company s compensation programs and is responsible for recording the minutes of the meetings.

The Compensation Committee also meets in executive session without any members of management. The Committee may request the participation of management or outside consultants as it deems necessary or appropriate. 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 in any discussion of a particular subject at any meeting. The Company 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 2010, the Committee did not engage a compensation consultant.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee met four times in fiscal 2010. The members of the Committee are A. F. Golden, Chairman, C. Fernandez G., H. Green, V. R. Loucks, Jr., R. L. Ridgway 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 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 7, 2012.

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 in order 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 IX. Stockholders Proposals at page 53 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 IX. Stockholders Proposals at page 53 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. No consultant was engaged for fiscal 2010.

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. The cash portion of the annual retainer, which is paid on a monthly basis, was $70,000 in fiscal year 2010. 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 2010, non-management Directors received $115,000 in restricted stock or restricted stock units. See footnote (2) to the Director Compensation table below.

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 reflects the length of time that a Director has served on the Board. Non-management Directors receive dividends with respect to restricted stock or, in the case of restricted stock units, dividend equivalents which may be paid out regularly or deferred until final settlement, with interest compounded quarterly as 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.

Each committee Chairman is currently paid an annual retainer of $12,000, except for the Chairman of the Audit Committee who is paid an annual retainer of $15,000, and each committee member is paid $1,500 plus expenses for attendance at each committee meeting.

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, which is the rate applying to debt instruments with a term of more than 9 years published monthly by the Internal Revenue Service. During fiscal 2010, the Bank of America prime rate was 3.25%, while 120% of the applicable federal long-term rate ranged from 4.32% to 5.24%. A. A. Busch, 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 2010. 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.

For Directors who assumed office on or after June 4, 2002, the Company has eliminated its Continuing Compensation Plan for Non-Management Directors. Non-management Directors continuing in office on that date who are not fully vested continue to vest in the plan. A non-management Director who assumed office prior to June 4, 2002 and who served as a Director for at least five years will, after the later of termination of service as a Director or age 72, receive for life a percentage of the annual $30,000 cash retainer for non-management Directors in effect on June 4, 2002. This percentage is 50% for five years service and an additional 10% for each year of service to 100% for ten or more years of service. 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 2010 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 2010.

Director Compensation

Name(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
C. A. H. Boersig	97,000	114,989			211,989
A. A. Busch III	112,000	114,989	23,000	10,000	259,989
C. Fernandez G.	91,000	114,989	18,000		223,989
A. F. Golden	109,000	114,989	38,000	10,000	271,989
H. Green	97,000	114,989			211,989
R. B. Horton(6)	107,500	114,989	23,000	10,000	255,489
W. R. Johnson	92,500	114,989			207,489
V. R. Loucks, Jr.(6)	115,000	114,989		10,000	239,989
J. B. Menzer	95,500	114,989			210,489
J. W. Prueher	98,500	114,989	39,000	10,000	262,489
R. L. Ridgway	95,500	114,989		10,000	220,489
R. L. Stephenson	98,500	114,989		10,000	223,489

(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 2010, the Directors in office on February 2, 2010 were awarded 2,561 shares of restricted stock, or restricted stock units in the cases of Mr. Boersig and Ms. Green, with a total value of $114,989 ($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 2010 calculated in accordance with FASB ASC Topic 718, which is also the dollar amount recognized for financial statement reporting purposes for fiscal 2010.

(3) The total number of shares of restricted stock held by each of the non-management Directors at September 30, 2010 (the end of fiscal 2010) is as follows: C. A. H. Boersig-3,450; A. A. Busch III-29,061; C. Fernandez G.-21,161; A. F. Golden-21,549; H. Green-4,497; R. B. Horton-29,061; W. R. Johnson-7,366; V. R. Loucks, Jr.-2,561; J. B. Menzer-17,793; J. W. Prueher-20,361; R. L. Ridgway-2,561; and R. L. Stephenson-11,659. In addition, C. A. H. Boersig and H. Green each hold 2,561 restricted stock units, which they received instead of restricted stock in fiscal 2010 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 2010 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: V. R. Loucks. Jr.-$3,000; and R. L. Ridgway-$3,000. 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 who are not fully vested continue to vest in the plan. The actuarial present value changes reflect in part the continued vesting of these Directors. Please see the narrative above for more information.

(5) Represents 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 are not standing for re-election.

Code of Ethics

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.

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 2010 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 and independence 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, 2010, 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, 2010 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 2011.

Audit Committee

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

Fees Paid to KPMG LLP

The following are the fees of KPMG LLP, the Company s independent registered public accounting firm, for services rendered in 2009 and 2010 ($ in millions):

	2009	2010
Audit Fees	$ 25.6	$ 27.0
Audit-Related Fees	3.0	2.7
Tax Fees	1.6	3.0
All Other Fees	0	0
Total KPMG LLP Fees	$ 30.2	$ 32.7

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 $2.0 million and $1.5 million in 2010 and 2009, respectively. The remaining tax fees related to tax consulting services and represented $1.0 million and $0.1 million in 2010 and 2009, 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.

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 10.8%.
- Increases in dividends per share for the last 54 consecutive years, at a compound annual growth rate of 10.9%.
- 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 good and bad economic times in the face of various recessions, inflationary periods, technological revolutions, and intense global competition. Our executive compensation program, with its pay for performance philosophy, is a 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.

We continually evaluate the individual elements of our compensation program in light of market conditions and governance requirements and make changes where appropriate for Emerson s business. However, we believe that the core of our compensation program, which is substantially unchanged since 1977, continues to result in outstanding financial performance for the Company and its stockholders over the long term in a variety of business conditions. We carefully consider any changes to the program so that we do not imperil its long record of success.

Executive Summary

In the past two fiscal years, Emerson s senior executives reacted quickly and decisively to changing economic circumstances to protect the Company and to deliver value to its stockholders. In fiscal 2009, management responded to the challenge of the severe global recession by taking aggressive restructuring actions without sacrificing the Company s continued investment in acquisitions, technology innovation and global positioning. In fiscal 2010, they realigned and strengthened the Company s overall long-term growth profile through a number of key acquisitions and divestitures.

In fiscal 2010, these actions bore fruit, as the Company achieved markedly improved results over fiscal 2009 while operating in an uncertain global economy. Our management s persistent commitment to invest during a downturn while generating substantial cash flow has positioned the Company well to address future challenges and opportunities. The Company s fiscal 2010 financial results and the individual performance of our named executive officers (the senior executives included in the Summary Compensation Table on page 30 below) are discussed under Setting Total Compensation beginning on page 19.

In this Compensation Discussion and Analysis, you will see the following for fiscal 2010:

Base salaries that were reduced early in fiscal 2009 were restored during fiscal 2010 to prior levels.

Bonus payouts reflect significantly improved financial performance in fiscal 2010.

Participants in the 2007 performance shares program, which covered the four-year performance period ended September 30, 2010, earned a 96% payout.

Consistent with our historical practice of making triennial awards, in October 2009 performance share awards were made under the 2010 performance shares program, which covers the four-year performance period from the beginning of fiscal 2010 through the end of fiscal 2013.

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 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 grant date value 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. which 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 2010 that it had used in fiscal 2009 to assist it in making its compensation decisions. 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. In fiscal 2009, 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 2010, Frederic W. Cook & Co. provided analysis of competitive pay (cash and long term) at the median for the proxy reported positions of the companies in the Company s comparator group.

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 as part of the Company s continuing, disciplined management development and succession planning process, management meets with division 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 for the named executive officers and the other senior executives. The Committee separately meets in executive session without the CEO present to review the CEO s performance and set his compensation.

CEO Compensation. In setting the CEO s compensation, the Committee first considered the Company s financial results, which they believed were extraordinary under the circumstances. The Committee compared the Company s financial performance in fiscal 2010 with fiscal 2009 results, with particular focus on the following:

The Company s net sales in fiscal 2010 were $21.0 billion, compared to fiscal 2009 net sales of $20.1 billion.

Earnings per share increased 25.1 percent to $2.84 from the $2.27 achieved in fiscal 2009, as the Company undertook significant global restructuring for a stronger global best cost position.

Operating cash flow remained strong at $3.3 billion in fiscal 2010, versus $3.1 billion in fiscal 2009.

Free cash flow (operating cash flow less capital expenditures) was $2.8 billion in fiscal 2010, a record level, versus $2.6 billion in fiscal 2009 (with capital expenditures of $0.5 billion in both fiscal 2010 and fiscal 2009).

Return on total capital was 18.9 percent, an increase of 2.7 percentage points.

The Company increased its dividend to stockholders to $1.34 per share from $1.32 per share in fiscal 2009 its 54th consecutive year of increased dividends.

When comparing current and prior year results, the Committee looks at the Company s financial performance in totality, without mechanically weighting individual factors. Sales, earnings and cash flow are key factors considered, but the other factors shown above are considered as well. 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 28 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 tenth 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:

Aggressively repositioned and strengthened the Company s overall long-term growth profile through a number of key acquisitions and divestitures, notably:

- Acquisitions in the Emerson Network Power segment of Chloride Group PLC and Avocent Corporation, providing a broader and deeper capability and footprint in global uninterruptible power supply (UPS) and data center infrastructure management.
- Divestiture of the Company s appliance motors and U.S. commercial and industrial motors businesses.

Increased investment in technology, innovation and the Company s global position to address changing and emerging customer needs and global trends, including:

- Expansion of Emerson Climate Technologies presence and capabilities in China and other Asian countries through energy-efficient technology development and strengthened customer relationships.
- Enhancement of offshore software and automation technology and Smart Wireless capabilities in the Emerson Process Management business.
- Creation of a stronger, more focused organization to address global opportunities in wind and solar power.

Continued to build stronger, shared internal and customer service capabilities through engineering, technology and shared service facilities in key regions of the world.

Maintained strong emphasis on global development of the Company s leadership and management capabilities.

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 notes that Mr. Farr s responsibilities as CEO are greater than those of the other named executive officers.

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 a private 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 grant date fair value over the three-year award cycle or vesting period of the awards. These alternatives reflected that fiscal 2011 is a triennial award year for stock options.

Other Named Executive Officer Compensation. 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 2010. 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:

Mr. Galvin successfully transitioned the Chief Financial Officer role to Mr. Dellaquila; improved international cash utilization; provided financial input to Emerson s acquisition and divestiture strategy; and actively managed governmental relations in a changing political environment.

Mr. Monser managed the recovery of Emerson operating profit from the downturn to near record high levels; effectively reduced inventory levels; improved cash flow with trade working capital at record low levels; oversaw excellent growth in emerging markets with sales in Asia-Pacific reaching $5 billion; and was involved in both the Chloride and Avocent acquisition teams.

Mr. Peters furthered new solutions business models; built and applied price optimization tools; initiated a social media program targeting key customer communities; migrated key applications into the new data center infrastructure; completed a directory of and worked with the Company s internal legal counsel to review Emerson s principal business information; and was involved in both the Chloride and Avocent acquisition teams.

Mr. Dellaquila effectively transitioned into the role of Chief Financial Officer; implemented financing and currency strategies to fund acquisitions totaling nearly $3 billion; issued long-term debt to enhance Company liquidity; provided assistance with financial aspects of acquisitions and divestitures; and implemented actions to improve international cash utilization.

Mr. Steeves met the demands of increasingly complex litigation, regulatory and political environments; continued his success in Emerson litigation worldwide; introduced programs and controls necessary to meet the demands of changing trade regulations; initiated employee legal and regulatory education programs; managed the Company s intellectual property; and successfully provided legal support for the Company s acquisition activities in fiscal 2010.

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. As described in last year s proxy statement, in October 2008 each of the then named executive officers received a normal merit increase for fiscal 2009 based on fiscal 2008 financial performance and individual responsibilities, performance and potential. However, in response to the economic downturn that began in late calendar year 2008, the base salary rate for each of those executive officers was reduced effective January 1, 2009. 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. No merit increases were made in fiscal 2010; however, effective April 1, 2010 the Committee restored the previously approved and reported fiscal 2009 base salary rates, as business conditions were determined to have improved consistent with fiscal year 2010 expectations. For fiscal 2011, the Committee reviewed predicted base salary merit increases, which averaged approximately 3%, and, in October 2010, approved the following base salaries for 2011:

Name	FY2010 Oct. 1, 2009- Mar. 31, 2010 (Rate)	FY2010 April 1, 2010- Sept. 30, 2010 (Rate)	FY2011 (Rate)	Percentage Increase
D. N. Farr	$1,150,000	$1,225,000	$1,225,000	0%
W. J. Galvin	$710,000	$735,000	$755,000	2.7%
E. L. Monser	$600,000	$625,000	$642,000	2.7%
C. A. Peters	$540,000	$565,000	$580,000	2.7%
F. L. Steeves	$560,000	$580,000	$595,000	2.6%

In connection with his promotion to Chief Financial Officer on February 2, 2010, Mr. Dellaquila s base salary was increased from $385,000 to $450,000. For fiscal 2011, his base salary is $500,000, an increase of 11.1%.

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 28), but is based on the Company s financial performance and the individual performance factors referred to above. The Committee did not assign individual weights to any of these factors but used them collectively to make its compensation determinations. The Committee noted that fiscal 2010 financial performance improved significantly compared to fiscal 2009 financial results as summarized in the bullets on pages 19 and 20. The Committee took these factors into account and exercised its discretion to determine the bonus amounts for fiscal 2010 as shown below:

Name	FY2009	2008-2009 Percentage Change	FY2010	2009-2010 Percentage Change
D. N. Farr	$1,500,000	(50.0)%	$2,200,000	46.7%
W. J. Galvin	$800,000	(31.9)%	$1,025,000	28.1%
E. L. Monser	$600,000	(29.4)%	$780,000	30.0%
C. A. Peters	$585,000	(29.9)%	$750,000	28.2%
F. L. Steeves	$500,000	(16.7)%	$640,000	28.0%

Mr. Dellaquila s bonus for fiscal 2010 was $590,000 (34.1% increase from 2009).

Total cash compensation: As a result of these base salary and bonus determinations, the aggregate cash compensation for the named executive officers increased for 2010, but remained less than in 2008.

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. 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 grant date value 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. We limit participation in the programs to 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.

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. Payment of the cash dividend equivalents during the performance period is a key feature of this program, as it promotes executive behavior that inures to the long-term benefit of our stockholders, and reinforces our pay-for-performance philosophy. Program participants interests are aligned with the interests of our stockholders: the achievement of the plan s performance objective historically has rewarded both with higher stock value and increased dividends. During the four-year performance period and three-year award/payout cycles described above, this feature encourages continued participant engagement and focus on the plan s long-term performance objectives. In fiscal 2009, the Committee considered eliminating this feature, but concluded that doing so would dilute the effectiveness of the Company s primary long-term stock program that has served our stockholders well for more than 30 years. Payment of these dividends is authorized pursuant to the Company s 2006 Incentive Shares Plan approved by our shareholders. We expect to again reconsider this feature when we propose our next incentive shares compensation plan.

In order to earn a 100% payout under the 2007 and 2010 programs, the Company s actual earnings per share in the last year of the four-year performance period must equal or exceed fiscal year 2006 and 2009 earnings per share, respectively, 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.

At the end of fiscal 2010, the four-year performance period for the 2007 performance shares program ended. The compounded average annual growth rate in the U.S. Gross National Product plus three percentage points over the four-year performance period for the 2007 performance shares program was 5.4%. The Committee determined that the Company s earnings per share from continuing operations in fiscal year 2010, compared with the target at the end of the performance period, resulted in a 96% payout, with the units earned set forth in the table below.

Name	**60% Payout (units)**	**40% One-Year Holdback (units)**
D. N. Farr	264,960	176,640
W. J. Galvin	115,200	76,800
E. L. Monser	92,160	61,440
C. A. Peters	69,120	46,080
F. J. Dellaquila	31,104	20,736
F. L. Steeves	51,840	34,560

The payout of the 60% portion is shown in the Option Exercises and Stock Vested table on page 35 and the remaining 40% hold-back is shown in the Outstanding Equity Awards at Fiscal Year-End table on page 33.

As reported in last year s proxy statement, in October 2009, the beginning of fiscal 2010, as part of the triennial award cycle for performance share awards, the Committee made performance awards under the 2010 performance shares program as follows: D. N. Farr-450,000 units; E. L. Monser-175,000; C. A. Peters-135,000; F. J. Dellaquila-80,000; and F. L. Steeves-110,000. Mr. Dellaquila received in February 2010 an additional award of 20,000 units upon his promotion to Chief Financial Officer. These performance share units are subject to the achievement of the performance target over the four-year performance period. These awards reflected the Committee s judgment that these named executive officers leadership, performance and their potential to enhance long-term stockholder value would continue to be significant factors in the Company s future success. The Committee also determined that these awards were consistent with targeting, on an annualized basis, 45-55% of total compensation and 70-80% of long-term stock compensation in the form of performance shares.

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. 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. We made no stock option awards to the named executive officers in fiscal 2010. 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; C. A. Peters-120,000; F. J. Dellaquila-95,000; 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, retention and recognition 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 2009 Mr. Farr was awarded 80,000 shares of restricted stock in recognition of his outstanding leadership and Mr. Galvin was awarded 150,000 shares of restricted stock in recognition of his promotion to Vice Chairman and continued commitment to the Company. In addition, in October 2009 Mr. Dellaquila was awarded 20,000 shares of restricted stock in recognition of his additional duties. In October 2010, the Committee awarded 80,000 shares of restricted stock to Mr. Farr, reflecting the outstanding performance of the Company in 2010, and 10,000 shares of restricted stock to Mr. Steeves in recognition of his 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.

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 71% 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 2010 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 2010 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	71%	29%	27%	73%	29%	71%
W. J. Galvin	35%	65%	55%	45%	33%	67%
E. L. Monser	78%	22%	23%	77%	32%	68%
C. A. Peters	75%	25%	25%	75%	33%	67%
F. J. Dellaquila	78%	22%	32%	68%	42%	58%
F. L. Steeves	80%	20%	26%	74%	40%	60%

* 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 are based on the grant date fair value of awards annualized over the triennial award cycle for performance shares and stock options and over the vesting terms for restricted stock, based on data provided by our compensation consultants. 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 30 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 2009 or 2008. 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 earned awards for the four-year performance period ended September 30, 2010 under the 2007 performance shares program.

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. For fiscal 2009, the applicable discount rate used to value pension plan liabilities was reduced from 6.5% to 5.5%. This change in the discount rate caused pension values to increase significantly compared to other years, resulting in the amounts reported in 2009 being approximately 70% higher than they would have been if the discount rate had not changed. 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 30 for additional detail.

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 2010 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 10 and 85 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

Emerson does not provide employment agreements, severance agreements, or golden parachute agreements for the named executive officers. The terms of all executive terminations and retirements are determined individually based on specific facts and circumstances at the time of such events, and not on formulaic rules. In general, we follow these principles:

- We do not pay lump sum, non-forfeitable cash severance payments.

- Departing executives sign extended non-competition, non-solicitation and confidentiality agreements, or reaffirm existing agreements on these matters.

- As permitted under stockholder-approved plans, departing plan participants, including named executive officers, may have additional time to exercise previously granted stock options, with accelerated vesting for retirees. However, the additional time cannot exceed the time permitted in the original grants.

The Committee may also allow continuation (without accelerated vesting) of previously granted long-term performance shares or restricted stock awards, which would be paid if and when the Company achieves specified performance targets or time vesting requirements are met.

Executives forfeit these awards if they breach their non-competition, non-solicitation or confidentiality agreements.

In 2006, the Committee adopted an Executive Officer Severance Policy, reflecting these principles. In addition to the foregoing principles, the Executive Officer Severance Policy provides that the Company shall not implement individual severance or change of control agreements providing certain benefits (as described in the Policy) to any of the named executive officers in excess of 2.99 times the sum of the officer s then current base salary and most recently earned cash bonus without stockholder ratification. The Executive Officer Severance Policy can be found on the Company s website at www.Emerson.com, Investor Relations, Corporate Governance.

Change of Control

Emerson has no employment agreements, severance agreements or golden parachute agreements with the named executive officers. If a change of control occurs, we protect all employees who participate in long-term stock plans, the Savings Investment Restoration Plan and the Pension Restoration Plan as described under Potential Payments Upon Termination or Change of Control at page 38 below. To provide this protection, we accelerate vesting of stock awards and pay accrued benefits under the Savings Investment Restoration Plan and the Emerson Pension Restoration Plan. We do not credit additional years of service under any plans, or continue medical or other benefits. We do not make additional cash payments related to stock compensation plans, although stock awards vest upon a change of control. We do not increase payouts to cover payment of taxes and do not provide tax gross-ups.

Security and Perquisites

We provide security services to help ensure the safety of all employees while they are on Company business. Due to increased security risks that are inherent in senior executive positions, we provide the named executive officers with residential security monitoring and personal security as needed. The Company s security policy and the Committee require that the CEO use the Company aircraft for all business and personal travel. On a very limited basis, other named executive officers have access to Company aircraft for personal use subject to reimbursement at first class rates. The Company also provides leased cars, club memberships and financial planning for executives. These are long-standing perquisites which assist in retaining and attracting executives and which we believe are similar to those generally provided to executives at other similarly-sized companies. Named executive officers and other employees may receive Company tickets for sporting or other local events. The Committee reviews these perquisites annually. Total perquisite costs and related information appear in the Summary Compensation Table at page 30 below. The Company does not provide any reimbursement for taxes on perquisites provided to its named executive officers.

Other Benefits

The named executive officers are eligible for medical, life and disability insurance, and other Company-provided benefits that are generally available to all other employees, including the Company s charitable matching gifts program. Retirement plans for U.S. employees may be qualified defined-benefit pension plans, 401(k) plans and/or profit-sharing plans as determined by each business unit s competitive market. The Company continues to maintain a defined-benefit pension plan for a majority of U.S. employees. These other benefits are available to the named executive officers, as follows:

A qualified 401(k) savings plan and a non-qualified savings plan which allows participating executives to defer up to 20 percent of their cash compensation and continue to receive the Company match after they reach the Internal Revenue Service (IRS) qualified plan limits.

A qualified defined-benefit pension plan and a non-qualified defined-benefit pension plan (the Pension Restoration Plan) which provides benefits based on the qualified plan without regard to IRS limits and does not provide additional credited years of service. Participation in the Pension Restoration Plan is by award and based on the executive s individual contributions and long-term service to the Company.

A group term life insurance policy under the same terms as other employees and a term life insurance policy which was converted from the former split dollar program.

A voluntary annual physical paid for by the Company.

Regulatory Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a $1 million limit on the amount that a public company may deduct for compensation paid to the Company s CEO or any of the Company s other named executive officers, other than the Chief Financial Officer, who are employed as of the end of the fiscal year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for qualifying performance based compensation (i.e., compensation paid only if the individual s performance meets pre-established objective goals based on performance criteria approved by stockholders). The Company s incentive compensation plans are designed to qualify under Internal Revenue Code Section 162(m) to ensure tax deductibility. However, restricted stock awards do not qualify under Section 162(m) and the Committee retains the flexibility to design and administer compensation programs that are in the best interests of Emerson and its stockholders.

Annual bonuses for our named executive officers are discretionary, subject to maximum bonus amounts based on the achievement of the Section 162(m) performance objectives established by the Committee annually. These objectives are selected by the Committee from among the performance objectives in the annual incentive plan but are not communicated to participants as individual performance targets. For fiscal 2010, the performance objective was earnings per share and the maximum amount of bonus that could be paid to each covered named executive officer was $6 million. The Committee may exercise negative discretion to reduce the award based on an assessment of Company and individual performance. For 2010 the Committee awarded less than the maximum amount. We have also adopted amendments to our compensation plans to comply with the requirements of Internal Revenue Code Section 409A, which requires that nonqualified deferred compensation arrangements must meet specific requirements.

In accordance with FASB ASC Topic 718, for financial statement purposes, we expense all equity-based awards over the period earned based upon their estimated fair value at grant date, or subsequently, depending on the terms of the award. FASB ASC Topic 718 has not resulted in any significant changes in our compensation program design.

Equity Compensation Grant Practices

The Committee approves all grants of equity compensation, including performance shares, stock options and restricted stock, to executive officers of the Company, as defined in Section 16 of the Exchange Act. All elements of executive officer compensation are reviewed by the Committee annually at its October meeting. Generally, the Company s awards of performance shares, stock options and restricted stock are made at that meeting, but may be made at other meetings of the Committee. The Committee meeting date, or the next business day if the meeting falls on a non-business day, is the grant date for stock option, performance share and restricted stock awards. The Company may also make awards of stock options in connection with acquisitions or promotions, or for retention purposes. Under the Company s stock option plans, the Committee may delegate to the Company s CEO the authority to grant stock options to any employees of the Company other than executive officers of the Company as that term is defined in Section 16 of the Exchange Act. The Committee has exercised this authority and delegated to the CEO the ability to make stock option grants in connection with retention and acquisitions, which he uses on an infrequent basis. This delegation of authority does not extend to executive officers or other officers who are subject to the Company s trading blackout policy.

Compensation Committee Report

The Compensation Committee of the Board of Directors acts on behalf of the Board to establish and oversee the Company s executive compensation program in a manner that serves the interests of the Company and its stockholders. For a discussion of the Compensation Committee s policies and procedures, see Compensation Committee at page 10 above.

Management of the Company has prepared the Compensation Discussion and Analysis describi