AS YOU SOW

2017 Shareholder Resolution
Emerson Electric
Request: Sustainability Report

RESOLVED:
Shareholders request Emerson Electric (Emerson) issue a sustainability report describing the company's policies, performance, and improvement targets related to key environmental, social and governance (ESG) risks and opportunities. The report should be available on the company website by December 31, 2017, prepared at reasonable cost and omitting proprietary information.

SUPPORTING STATEMENT:
We believe tracking and reporting ESG practices strengthens a company's ability to compete in today's global business environment, which is characterized by finite natural resources, changing legislation, and heightened public expectations for corporate accountability. Reporting also helps companies capture value from existing sustainability efforts, identify gaps and opportunities, develop company-wide communications, and recruit and retain employees.

Emerson's corporate repositioning offers an opportunity to establish ESG performance goals and develop a framework for reporting to shareholders, in alignment with Chairman Farr's statement that Emerson is "undertaking several initiatives that will strengthen our core business and drive both near- and long-term value for our customers and shareholders."[1] A 2014 study by Harvard Business School on corporate investment in ESG practices reports consistent outperformance among sustainability leaders and suggests a supporting factor is the "propensity to engage with stakeholders and disclose non-financial information to the market." The study concluded "a company can be rewarded for adopting [ESG] practices: higher profits and stock return, a lower cost of capital, and better corporate reputation scores are the key benefits enjoyed…"[2]

Currently, Emerson's corporate citizenship website includes short descriptions of programs and guiding principles related to ESG issues. However, these disclosures are mainly anecdotal and focus on the environmental benefits of the company's products rather than providing information about Emerson's operational ESG performance.

Sustainability reports commonly include data on indicators such as occupational safety and health, vendor and labor standards, waste, water usage, energy efficiency, workforce diversity, product-related environmental impacts, and goals by which to judge the company's performance and management of these issues. As shareholders, we believe management of the above indicators can reduce regulatory, legal, reputational and financial risk to the company and its shareholders. In last year's proxy statement, Emerson indicated partial management of these important issues; however, Emerson does not disclose quantitative, company-wide data, leaving investors unable to assess the company's competitive positioning.

In contrast, Schneider Electric, a peer in the electrical components and equipment industry, uses a materiality matrix to prioritize ESG issues and publishes quarterly updates on progress toward sixteen ESG goals. General Electric tracks multiple ESG goals (several of which are quantitative and time bound) and publishes multiyear progress reports.

Emerson is missing an opportunity to communicate with its shareholders about the company's strategy to manage these potentially material factors. Emerson may also be failing to recognize and act on ESG-related opportunities.

Last year 47% of shares (excluding abstentions) voted in favor of this resolution. Such strong support presents a clear opportunity for the company to demonstrate it is listening and responding to its shareholders.

---

[1] http://www.emerson.com/SiteCollectionDocuments/AnnualReport2015/letter.html
[2] https://corpgov.law.harvard.edu/2015/08/05/corporate-investment-in-esg-practices/