

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-278

EMERSON ELECTRIC CO.

(Exact name of registrant as specified in its charter)

Missouri

(State or other jurisdiction of
incorporation or organization)

8000 W. Florissant Ave.

P.O. Box 4100

St. Louis, Missouri

(Address of principal executive offices)

43-0259330

(I.R.S. Employer
Identification No.)



63136

(Zip Code)

Registrant's telephone number, including area code: (314) 553-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock of \$0.50 par value per share	EMR	New York Stock Exchange NYSE Chicago
0.375% Notes due 2024	EMR 24	New York Stock Exchange
1.250% Notes due 2025	EMR 25A	New York Stock Exchange
2.000% Notes due 2029	EMR 29	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issues its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the voting stock held by nonaffiliates of the registrant as of close of business on March 31, 2020: \$28.3 billion.

Common stock outstanding at October 31, 2020: 598,039,467 shares.

Documents Incorporated by Reference

1. Portions of Emerson Electric Co. Notice of 2021 Annual Meeting of Shareholders and Proxy Statement incorporated by reference into Part III hereof.
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PART I

ITEM 1 - BUSINESS

Emerson (“the Company”) is a global leader that designs and manufactures products and delivers services that bring technology and engineering together to provide innovative solutions for customers in a wide range of industrial, commercial and consumer markets around the world. Our purpose is to drive innovation that makes the world healthier, safer, smarter and more sustainable. Sales by geographic destination in 2020 were: the Americas, 53 percent; Europe, 18 percent; and Asia, Middle East & Africa, 29 percent (China, 11 percent).

The Company reports three segments: **Automation Solutions**; and **Climate Technologies** and **Tools & Home Products**, which together comprise the **Commercial & Residential Solutions** business. A summary of the Company's businesses is described below.

- **Automation Solutions** - enables process, hybrid and discrete manufacturers to maximize production, protect personnel and the environment, and optimize their energy efficiency and operating costs through a broad offering of products and integrated solutions, including measurement and analytical instrumentation, industrial valves and equipment, and process control software and systems.
- **Commercial & Residential Solutions** - provides products and solutions that promote energy efficiency, enhance household and commercial comfort, and protect food quality and sustainability through heating, air conditioning and refrigeration technology, as well as a broad range of tools and appliance solutions.

The Company sells products and solutions that support customers in a variety of different end markets. Overall, sales by end market were as follows: oil and gas, 19 percent (upstream, 12 percent; midstream, 7 percent); residential, 15 percent; chemical, 11 percent; power, 10 percent; commercial, 9 percent; discrete and industrial, 9 percent; cold chain/refrigeration, 8 percent; refining, 6 percent; life sciences and medical, 3 percent; other, 10 percent.

Emerson was incorporated in Missouri in 1890 and has evolved through internal growth and strategic acquisitions. Management has a well-established set of operating mechanisms to manage its business performance and set strategy. The Company also has processes undertaken by management with oversight from the Board of Directors to specifically focus on risks in areas such as cybersecurity, compliance, environmental, financial and reputational, among others. The Company periodically updates, assesses, and monitors its risk exposures, provides timely updates to the Board, and takes actions to mitigate these risks.

Acquisitions are an integral component of Emerson's growth and value creation strategy. In 2018, the Company expanded its product offerings within its two businesses. This included the acquisitions of Paradigm, a provider of software solutions for the oil and gas industry, and Aventics, a global provider of smart pneumatics technologies, which are reported in Automation Solutions. The Company also made strategic acquisitions to strengthen its Commercial & Residential Solutions business, which included Textron's tools and test equipment business, a manufacturer of electrical and utility tools, diagnostics, and test and measurement instruments. In the first quarter of 2018 the Company also completed the sale of its residential storage business. In 2019, the Company acquired several smaller businesses to expand its Automation Solutions product portfolio, which included the acquisition of Machine Automation Solutions (General Electric's former Intelligent Platforms business). In 2020, the Company agreed to acquire Open Systems International, Inc. (closed in early fiscal 2021), a leading operations technology software provider, which will broaden and complement Automation Solutions' software portfolio and ability to help customers in the global power industry, and other end markets, transform and digitize operations to more seamlessly incorporate renewable energy sources and improve energy efficiency and reliability. Information with respect to acquisition and divestiture activity is set forth in Note 4. These references and all other Note references in this document refer to Notes to Consolidated Financial Statements set forth in Item 8 of this Annual Report on Form 10-K, which notes are hereby incorporated by reference. See also Item 1A - “Risk Factors” and Item 7 - “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

AUTOMATION SOLUTIONS

The Automation Solutions segment offers a broad array of products, integrated solutions, software and services which enable process, hybrid and discrete manufacturers to maximize production, protect personnel and the environment, reduce project costs, and optimize their energy efficiency and operating costs. Markets served include

oil and gas, refining, chemicals, power generation, life sciences, food and beverage, automotive, pulp and paper, metals and mining, and municipal water supplies. The segment's major product offerings are Measurement & Analytical Instrumentation, Valves, Actuators & Regulators, Industrial Solutions and Process Control Systems & Solutions, which are further described below.

Across these product offerings, Automation Solutions offers the Plantweb™ Digital Ecosystem, a comprehensive Industrial Internet of Things (IIoT) architecture that provides remote monitoring by combining intelligent field sensors, communication gateways and controllers, software, and complementary partner technologies. This IIoT architecture delivers measurable business performance improvements to customers by providing insights into production performance, energy consumption, reliability of specific equipment or process units, and safety. Together with the broad offering of products and integrated solutions, Automation Solutions also provides a portfolio of services and lifecycle service centers which offer consulting, engineering, systems development, project management, training, maintenance, and troubleshooting expertise to aid in process optimization. Sales by geographic destination in 2020 for Automation Solutions were: the Americas, 45 percent; Europe, 21 percent; and Asia, Middle East & Africa, 34 percent (China, 12 percent).

Measurement & Analytical Instrumentation

Measurement instrumentation measures the physical properties of liquids or gases in a process stream, such as pressure, temperature, level, rate and amount of flow, and communicates this information to a process control system or other software applications. Measurement technologies provided by the Company include Coriolis direct mass flow, magnetic flow, vortex flow, ultrasonic flow, differential pressure, ultra-low flow fluid measurement, corrosion measurement, acoustic measurement, temperature sensors, radar-based tank gauging and magnetic level gauging. The Company's measurement products are often used in custody transfer applications, such as the transfer of gasoline from a storage tank to a tanker truck, where precise metering of the amount of fluid transferred helps ensure accurate asset management. Complementary products include onshore and subsea multi-phase meters, wet gas meters, downhole gauges and corrosion/erosion measuring instruments.

Analytical instrumentation analyzes the chemical composition of process fluids and emissions to enhance quality and efficiency, as well as environmental compliance. The Company's analytical technologies include process gas chromatographs, in-situ oxygen analyzers, infrared gas and process fluid analyzers, combustion analyzers and systems, and analyzers that measure pH, conductivity and water quality. The Company provides sensors to detect combustible and toxic gases, and flames. These devices support the safety of both people and process plant assets.

Measurement and analytical instrumentation technologies are also available with highly secure and reliable wireless communication capability, allowing customers to monitor processes or equipment that were previously not measurable (remote, moving/rotating) or not economical to measure due to the high cost and difficulty of running wires in industrial process plants.

On December 1, 2017, the Company acquired Paradigm, enhancing its software solutions offerings in the oil and gas industry. This technology helped create a more comprehensive digital portfolio from exploration to production, enabling Emerson to help oil and gas operators increase efficiency and reduce costs. See Note 4.

Valves, Actuators & Regulators

The primary role of an industrial valve is to control, isolate, or regulate the flow of liquids or gases to achieve safe operation along with reliability and optimized performance.

Control, isolation and pressure relief valves respond to commands from a control system to continuously and precisely modulate the flow of process fluids. Engineered on/off valves are typically used to achieve tight shutoff, even in high-pressure and high-temperature processes. The Company designs, engineers and manufactures ball, gate, globe, check, sliding stem, rotary, high performance butterfly, triple offset, and severe services valves for critical applications. The Company also designs and manufactures sophisticated smart actuation and control technologies that continuously monitor valve health and remotely control valve positions to foster proactive and predictive maintenance as well as decrease the risk of unplanned shutdowns.

The Company provides pressure management products, including pressure relief, vacuum relief, and gauge valves designed to control fugitive emissions. The Company also supplies a line of industrial and residential regulators,

whose function is to reduce the pressure of fluids moving from high-pressure supply lines into lower pressure systems, and also manufactures tank and terminal safety equipment, including hatches, vent pressure and vacuum relief valves, and flame arrestors for storage tanks in the oil and gas, petrochemical, refining and other process industries.

Industrial Solutions

Industrial Solutions include fluid control and pneumatic mechanisms, electrical distribution equipment, materials joining solutions and precision cleaning products which are used in a variety of manufacturing operations to provide integrated solutions to customers. Pneumatic products transform air or gas into energy and power for use in manufacturing operations such as food processing and packaging, life sciences and petrochemical processing. Products include solenoid and pneumatic valves, valve position indicators, pneumatic cylinders and actuators, air preparation equipment, and pressure, vacuum, temperature switches and automobile assembly. Electrical distribution consists of a broad line of components for current- and noncurrent-carrying electrical distribution devices, including conduit and cable fittings, plugs and other receptacles, industrial lighting, enclosures and controls. Electrical distribution products are used in hazardous, industrial and commercial environments, such as oil and gas drilling and production sites, petrochemical plants and commercial buildings. Plastic and metal joining technologies and equipment are supplied to a diversified manufacturing customer base, including automotive, medical devices, business and consumer electronics, and textile manufacturing. The Company also provides precision cleaning and liquid processing solutions to industrial and commercial manufacturers. Products include ultrasonic joining and cleaning equipment; linear and orbital vibration welding equipment; systems for hot plate, spin and laser welding; and aqueous, semi-aqueous and vapor cleaning systems.

On July 17, 2018, the Company completed the acquisition of Aventics, a global provider of smart pneumatics technologies that power machine and factory automation applications. This acquisition significantly expanded Emerson's fluid automation technologies for process and industrial applications. See Note 4.

Process Control Systems & Solutions

The Company provides process control systems and software that control plant processes by collecting and analyzing information from measurement devices in the plant, and then use that information to adjust valves, pumps, motors, drives and other control hardware for maximum product quality and process efficiency and safety. Software capabilities also include life sciences operations management, upstream oil and gas reservoir simulation and production optimization modeling, pipeline and terminal management, operations management simulation, and training systems. The Company's process control systems can be extended wirelessly to support a mobile workforce with handheld tools/communicators, provide site-wide location tracking of people and assets, and enable video monitoring and communication with wireless field devices, thereby increasing the information available to operators.

On January 31, 2019, the Company completed the acquisition of Machine Automation Solutions (General Electric's former Intelligent Platforms business). This business offers programmable logic controller technologies that expand the Company's capabilities in machine control and discrete applications, as well as for process and hybrid markets. The Company also completed several acquisitions of software providers, including Zedi, which offers a cloud-based supervisory control and data acquisition platform that helps oil and gas producers optimize and manage their operations. See Note 4.

Distribution

The principal worldwide distribution channel for Automation Solutions is a direct sales force, while a network of independent sales representatives, and to a lesser extent independent distributors purchasing products for resale, are also utilized. Approximately half of the sales in the United States are made through a direct sales force with the remainder primarily through independent sales representatives and distributors. In Europe and Asia, sales are primarily made through a direct sales force with the remainder split evenly between independent sales representatives and distributors.

Brands

Service/trademarks and trade names within (but not exclusive to) Automation Solutions include Emerson Automation Solutions, Appleton, ASCO, Aventics, Bettis, Branson, DeltaV, Fisher, Keystone, KTM, Micro Motion, Ovation, Plantweb, Rosemount and Vanessa.

COMMERCIAL & RESIDENTIAL SOLUTIONS

The Commercial & Residential Solutions business consists of the Climate Technologies and Tools & Home Products segments. The Climate Technologies segment provides products and solutions that promote energy efficiency, enhance household and commercial comfort, and protect food quality and sustainability through heating, air conditioning and refrigeration technology. The Tools & Home Products segment offers a broad range of mechanical, electrical, utility and do-it-yourself tools for professionals and consumers, and appliance solutions. Sales by geographic destination in 2020 for Commercial & Residential Solutions were: the Americas, 69 percent; Europe, 12 percent; and Asia, Middle East & Africa, 19 percent (China, 9 percent).

CLIMATE TECHNOLOGIES

The Climate Technologies segment provides products and services for many areas of the climate control industry, including residential heating and cooling, commercial air conditioning, commercial and industrial refrigeration, and cold chain management. The Company's technologies enable homeowners and businesses to better manage their heating, air conditioning and refrigeration systems for improved control and comfort, and lower energy costs. Climate Technologies also provides services that digitally control and remotely monitor refrigeration units in grocery stores and other food distribution outlets to enhance food freshness and safety, as well as cargo and transportation monitoring solutions. Sales by geographic destination in 2020 for Climate Technologies were: the Americas, 65 percent; Europe, 11 percent; and Asia, Middle East & Africa, 24 percent (China, 11 percent).

Residential and Commercial Heating and Air Conditioning

The Company provides a full range of heating and air conditioning products that help reduce operational and energy costs and create comfortable environments in all types of buildings. These products include reciprocating and scroll compressors, including ultra-efficient residential scroll compressors with two stages of cooling capacity, as well as variable speed scroll compressors; system protector and flow control devices; standard, programmable and Wi-Fi thermostats; monitoring equipment and electronic controls for gas and electric heating systems; gas valves for furnaces and water heaters; ignition systems for furnaces; sensors and thermistors for home appliances; and temperature sensors and controls.

Commercial and Industrial Refrigeration

Commercial and industrial refrigeration technologies are incorporated into equipment to refrigerate food and beverages in supermarkets, convenience stores, food service operations, refrigerated trucks and refrigerated marine transport containers. Climate Technologies refrigeration products are also used in a wide variety of industrial applications, including medical applications, food processing and cold storage. Products include reciprocating, scroll and screw compressors; precision flow controls; system diagnostics and controls that provide precise temperature management; and environmental control systems. Transport and cargo monitoring solutions are also offered, which extend throughout the cold chain to ensure quality and safety as food travels from growers to processing and distribution facilities, and finally to retail points of sale.

Services and Solutions

Services and solutions provides air conditioning, refrigeration and lighting control technologies that enable global customers to optimize the performance of facilities, including large-scale retailers, supermarkets, convenience stores and food service operations. The Company's expertise allows customers to reduce energy and maintenance costs, thereby improving overall facility efficiency and uptime. In addition to industry-leading controls, services include facility design and product management, site commissioning, facility monitoring and energy modeling.

In 2018, the Company completed an acquisition to expand its cold chain portfolio of products and services to include temperature management and monitoring products for foodservice markets.

Distribution

Climate Technologies' sales, primarily to original equipment manufacturers and end users, are made predominantly through worldwide direct sales forces. Remaining sales are primarily through independent distributor networks throughout the world. Approximately one-third of this segment's sales are made to a small number of original equipment manufacturers.

Brands

Service/trademarks and trade names within (but not exclusive to) the Climate Technologies segment include Emerson Commercial & Residential Solutions, Emerson Climate Technologies, Copeland, CoreSense, Dixell, Fusite, ProAct, Sensi, Therm-O-Disc, Vilter and White-Rodgers.

TOOLS & HOME PRODUCTS

The Company's Tools & Home Products segment offers tools for professionals and homeowners and appliance solutions. Sales by geographic destination in 2020 for this segment were: the Americas, 79 percent; Europe, 15 percent; and Asia, Middle East & Africa, 6 percent.

Professional Tools

Pipe-working tools are used by plumbing and mechanical professionals to install and repair piping systems. Products include pipe wrenches, pipe cutters, pipe threading and roll grooving equipment, mechanical crimping tube joining systems, drain cleaners, tubing tools, and diagnostic systems, including closed-circuit television pipe inspection and locating equipment. Electrical tools are used by industry professionals for numerous tasks related to the installation of wire and cable, including bending, termination and hole-making. Other professional tools include water jetters, wet-dry vacuums, commercial vacuums and bolt cutters. The Company also offers do-it-yourself tools, available at retail home improvement outlets, which include drain cleaning equipment, pipe and tube working tools, and wet-dry vacuums.

On July 2, 2018, the Company completed the acquisition of Textron's tools and test equipment business, which manufactures electrical and utility tools, diagnostics, and test and measurement instruments. These products expand Emerson's professional tools business, creating a broad offering for mechanical, electrical and plumbing contractors. See Note 4.

Appliance Solutions

The Company provides a number of appliance solutions, including residential and commercial food waste disposers, instant hot water dispensers and compact electric water heaters.

Distribution

The principal worldwide distribution channels for Tools & Home Products are distributors and direct sales forces. Professional tools are sold worldwide almost exclusively through distributors. Appliance solutions are sold through direct sales force networks, distributors and online retailers. Approximately one-fourth of this segment's sales are made to a small number of big-box retail outlets.

Brands

Service/trademarks and trade names within (but not exclusive to) the Tools & Home Products segment include Emerson, Emerson Professional Tools, Badger, Greenlee, Grind2Energy, InSinkErator, Klauke, ProTeam and RIDGID.

On October 2, 2017, the Company sold its residential storage business. See Note 4.

RAW MATERIALS

The Company's major requirements for basic raw materials include steel, copper, cast iron, electronics, rare earth metals, aluminum and brass; and to a lesser extent, plastics and petroleum-based chemicals. The Company seeks to have many sources of supply for each of its major requirements in order to avoid significant dependence on any one or a few suppliers. However, the supply of materials or other items could be disrupted by natural disasters or other events. Despite market price volatility for certain materials and pricing pressures at some of our businesses, the raw materials and various purchased components needed for the Company's products have generally been available in sufficient quantities.

PATENTS, TRADEMARKS AND LICENSES

The Company maintains an intellectual property portfolio it has developed or acquired over a number of years, including patents, trademarks and licenses. The Company also continues to develop or acquire new intellectual property. New patent applications are continuously filed to protect the Company's ongoing research and development activities. The Company's trademark registrations may be renewed and their duration is dependent upon national laws and trademark use. While this proprietary intellectual property portfolio is important to the Company in the aggregate, management does not regard any of its segments as being dependent on any single patent, trademark registration or license.

BACKLOG

The Company's estimated consolidated order backlog was \$5.3 billion and \$5.1 billion at September 30, 2020 and 2019, respectively. Approximately 85 percent of the Company's consolidated backlog is expected to be recognized as revenue over the next 12 months, with the remainder substantially over the subsequent two years thereafter. Backlog by business at September 30, 2020 and 2019 follows (dollars in millions):

	2019	2020
Automation Solutions	\$ 4,594	4,689
Commercial & Residential Solutions	467	624
Total Backlog	<u>\$ 5,061</u>	<u>5,313</u>

COMPETITION

The Company's businesses operate in highly competitive markets. The Company competes based on product performance, quality, branding, service and/or price across the industries and markets served. A significant element of the Company's competitive strategy is to deliver solutions to our customers by manufacturing high-quality products at the best relevant global cost. Although no single company competes directly with Emerson in all of the Company's product lines, various companies compete in one or more product lines with the number of competitors varying by product line. Some competitors have substantially greater sales, assets and financial resources than Emerson and the Company also competes with many smaller companies. Management believes Emerson has a market leadership position in many of its product lines.

REGULATIONS

The Company's operations, products and services are subject to various government regulations, including environmental regulations. Our manufacturing locations generate waste, of which treatment, storage, transportation and disposal are subject to U.S. federal, state, foreign and/or local laws and regulations relating to protection of the environment. The Company continually works to minimize the environmental impact of its operations through safe technologies, facility design and operating procedures. Compliance with government regulations, including environmental regulations, has not had, and based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on the Company's capital expenditures (including expenditures for environmental control facilities), earnings or competitive position. However, laws and regulations may be changed, accelerated or adopted that impose significant operational restrictions and compliance requirements upon the Company and which could negatively impact our operating results. See Item 1A - "Risk Factors."

HUMAN CAPITAL RESOURCES

Supporting our people is a foundational value for Emerson. We believe the Company's success depends on its ability to attract, develop and retain key personnel. The skills, experience and industry knowledge of key employees significantly benefit our operations and performance. The Company's Board of Directors and management oversee various employee initiatives.

The Company supports and develops its employees through global training and development programs that build and strengthen employees' leadership and professional skills. Leadership development programs include intensive learning programs for new leaders as well as more established leaders. The Company also partners with educational institutions and nonprofit organizations to help prepare current and future workers with the knowledge

and skills they need to succeed. To assess and improve employee retention and engagement, the Company surveys employees with the assistance of third-party consultants, and takes actions to address areas of employee concern. Approximately 60,000 employees were surveyed during the three years ended September 30, 2020.

Employee health and safety in the workplace is one of the Company's core values. Safety efforts are led by the Corporate Safety Council and supported by health and safety committees that operate at the local site level. Hazards in the workplace are actively identified and management tracks incidents so remedial actions can be taken to improve workplace safety. The COVID-19 pandemic has underscored for us the importance of keeping our employees safe and healthy. In response to the pandemic, the Company has taken actions aligned with the World Health Organization and the Centers for Disease Control and Prevention to protect its workforce so they can more safely and effectively perform their work.

We have identified other human capital priorities, including, among other things, providing competitive wages and benefits and promoting an inclusive work environment. The Company is committed to efforts to increase diversity and foster an inclusive work environment that supports our large global workforce and helps us innovate for our customers. We also have taken actions to enhance diversity, including recruiting at venues representing women, minorities and U.S. military veterans. Our efforts are guided by our Chief Executive Officer and Diversity Council, which is comprised of 14 senior-level executives.

Employee levels are managed to align with the pace of business and management believes it has sufficient human capital to operate its business successfully. The Company and its subsidiaries had approximately 83,500 employees at September 30, 2020. Management believes that the Company's employee relations are favorable.

A small portion of the Company's U.S. employees are unionized, while outside the U.S., we have employees in certain countries, particularly in Europe, that are represented by an employee representative organization, such as a union, works council or employee association.

INTERNET ACCESS

Emerson's reports on Forms 10-K, 10-Q, 8-K and all amendments to those reports, as well as proxy statements, are available without charge through the Company's website on the internet as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC). They may be accessed as follows: www.Emerson.com, Investors, SEC Filings. Information on the Company's website does not constitute part of this Form 10-K.

The information set forth under Item 1A - "Risk Factors" is hereby incorporated by reference.

ITEM 1A - RISK FACTORS

Investing in our securities involves risks. You should carefully consider, among other matters, the factors set forth below and the other information in this report. The Company's risk factors set forth below are not the only risks facing the Company. Additional risks and uncertainties not currently known to management or that management currently deems immaterial also may materially, adversely affect the Company's business, financial condition or operating results. We may amend or supplement the risk factors set forth below from time to time by other reports we file with the SEC.

Business and Operational Risks

We Operate in Businesses That Are Subject to Competitive Pressures That Could Affect Prices or Demand for Our Products

Our businesses operate in markets that are highly competitive and potentially volatile, and we compete on the basis of product performance, quality, service and/or price across the industries and markets served. Our businesses are largely dependent on the current and future business environment, including capital and consumer spending. A significant element of our competitive strategy is to deliver solutions to our customers by manufacturing high-quality products at the best relevant global cost. Various companies compete with us in one or more product lines and the number of competitors varies by product line. Some of our competitors have substantially greater sales, assets and financial resources than our Company and we also compete with many smaller companies. Competitive pressures

could adversely affect prices or customer demand for our products, impacting our sales or profit margins, and/or resulting in a loss of market share.

Our Operating Results Depend in Part on Continued Successful Research, Development and Marketing of New and/or Improved Products and Services, and There Can Be No Assurance That We Will Continue to Successfully Introduce New Products and Services

The success of new and improved products and services depends on their initial and continued acceptance by our customers. Our businesses are affected by varying degrees of technological change and corresponding shifts in customer demand, which result in unpredictable product transitions, shortened life cycles and increased importance of being first to market with new products and services. We may experience difficulties or delays in the research, development, production and/or marketing of new products and services which may negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to continue to bring new products and services to market.

If We Are Unable to Defend or Protect Our Intellectual Property Rights, the Company's Competitive Position Could Be Adversely Affected

The Company's intellectual property rights are important to its business and include numerous patents, trademarks, copyrights, trade secrets and other confidential information. This intellectual property may be subject to challenge, infringement, invalidation or circumvention by third parties. Despite extensive security measures, our intellectual property may be subject to misappropriation through unauthorized access of our information technology systems, employee theft, or other acts of industrial espionage. Should the Company be unable to adequately defend or protect its intellectual property, it may suffer competitive harm.

We Engage in Acquisitions and Divestitures, Which Are Subject to Domestic and Foreign Regulatory Requirements, and May Encounter Difficulties in Integrating and Separating These Businesses and Therefore We May Not Realize the Anticipated Benefits

We regularly seek growth through strategic acquisitions as well as evaluate our portfolio for potential divestitures. These activities require favorable environments to execute these transactions, and we may encounter difficulties in obtaining the necessary regulatory approvals in both domestic and foreign jurisdictions. In 2020 and in past years, we have made various acquisitions and entered into joint venture arrangements intended to complement or expand our business, and may continue to do so in the future. The success of these transactions will depend on our ability to integrate assets and personnel acquired in these transactions and to cooperate with our strategic partners. We may encounter difficulties in integrating acquisitions with our operations as well as separating divested businesses, and in managing strategic investments. Furthermore, we may not realize the degree, or timing, of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations.

We Use a Variety of Raw Materials and Components in Our Businesses, and Significant Shortages or Price Increases Could Increase Our Operating Costs and Adversely Impact the Competitive Positions of Our Products

Our major requirements for raw materials include steel, copper, cast iron, electronics, rare earth metals, aluminum, brass and, to a lesser extent, plastics and petroleum-based chemicals. The Company seeks multiple sources of supply for each of its major requirements in order to avoid significant dependence on any one or a few suppliers. However, the supply of materials or other items could be disrupted by natural disasters, a health epidemic or pandemic, or other events. Significant shortages or price increases could impact the prices our affected businesses charge, their operating costs and the competitive position of their products and services, which could adversely affect our results of operations. While we monitor market prices of the commodities we require and attempt to mitigate price exposure through hedging activities, this risk could adversely affect our operating results.

Our Operations Depend on Production Facilities Throughout the World, a Majority of Which Are Located Outside the United States and Subject to Increased Risks of Disrupted Production, Causing Delays in Shipments and Loss of Customers and Revenue

We manage businesses with manufacturing facilities worldwide, a majority of which are located outside the United States, and also source certain materials internationally. Emerging market sales represent over one-third of total sales and serving a global customer base requires that we place more materials sourcing and production in

emerging markets to capitalize on market opportunities and maintain our best-cost position. Our and our suppliers' international production facilities and operations could be disrupted by a natural disaster, labor strife, war, political unrest, terrorist activity or public health concerns such as an epidemic or pandemic, particularly in emerging countries that are not well-equipped to handle such occurrences.

Our manufacturing facilities abroad are dependent on the stability of governments and business conditions and may be more susceptible to changes in laws, policies and regulations in host countries, as well as economic and political upheaval, than our domestic facilities. These facilities face increased risks of nationalization as well as operational disruptions which could cause delays in shipments of products and the loss of sales and customers, and insurance proceeds may not adequately compensate us.

Access to Funding Through the Capital Markets is Essential to the Execution of Our Business Plan, and if We Are Unable to Maintain Such Access We Could Experience a Material Adverse Effect on Our Business and Financial Results

Our ability to invest in our businesses, make strategic acquisitions and refinance maturing debt obligations requires access to the capital markets and sufficient bank credit lines to support short-term borrowings. Volatility in the capital markets may increase costs associated with issuing commercial paper or other debt instruments, or affect the Company's ability to access those markets. If we are unable to continue to access the capital markets, we could experience a material adverse effect on our business and financial results. Additionally, if our customers, suppliers or financial institutions are unable to access the capital markets to meet their commitments to the Company, our business could be adversely impacted.

Our Business Success Depends on the Ability to Attract, Develop and Retain Key Personnel

Our success depends in part on the efforts and abilities of our management and key employees. Their skills, experience and industry knowledge significantly benefit our operations and performance. The failure to attract, develop and retain highly qualified personnel could adversely affect our business and operating results.

Security and/or Data Privacy Breaches, or Disruptions of Our Information Technology Systems Could Adversely Affect Our Business

The Company relies on information technology networks and systems, including the internet, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. These technology networks and systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components; power outages; telecommunications or system failures; terrorist attacks; natural disasters; employee error or malfeasance; server or cloud provider breaches; and computer viruses or cyberattacks. Cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to information technology networks and systems to more sophisticated and targeted measures, known as advanced persistent threats, directed at the Company, its products, its customers and/or its third-party service providers. Despite the implementation of cybersecurity measures (including access controls, data encryption, vulnerability assessments, continuous monitoring, and maintenance of backup and protective systems), the Company's information technology systems may still be vulnerable to cybersecurity threats and other electronic security breaches. It is possible for such vulnerabilities to remain undetected for an extended period. In addition, it is possible a security breach could result in theft of trade secrets or other intellectual property or disclosure of confidential customer, supplier or employee information. Should the Company be unable to prevent security breaches or other damage to our information technology systems, disruptions could have an adverse effect on our operations, as well as expose the Company to litigation, liability or penalties under privacy laws, increased cybersecurity protection costs, reputational damage and product failure. In addition, we must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. Compliance with privacy and localization laws and regulations increases operational complexity. Failure to comply with these regulatory standards could subject us to fines and penalties, as well as legal and reputational risks, including proceedings against the Company by governmental entities or others.

Our Products and Services are Highly Sophisticated and Specialized, and a Major Product Failure or Similar Event Caused by Defects, Cybersecurity Incidents or Other Failures, Could Adversely Affect Our Business, Reputation, Financial Position and Results of Operations

We produce highly sophisticated products and provide specialized services that incorporate or use complex or leading-edge technology, including both hardware and software. Many of our products and services, including measurement and analytical instrumentation, industrial valves and equipment, and process control systems, are integrated and used in complex process, hybrid and discrete manufacturing environments. As a result, the impact of a catastrophic product failure or similar event could be significant. While we have built operational processes to ensure that our product design, manufacture, performance and servicing meet rigorous quality standards, there can be no assurance that we or our customers or other third parties will not experience operational process or product failures and other problems, including through manufacturing or design defects, process or other failures of contractors or third-party suppliers, cybersecurity incidents or other intentional acts, that could result in potential product, safety, regulatory or environmental risks. Cybersecurity incidents aimed at the software embedded in our products could lead to third-party claims resulting from damages caused by our product failures, and this risk is enhanced by the increasingly connected nature of our products. The potential consequences of a material cybersecurity incident include financial loss, reputational damage, litigation with third parties, diminution in the value of our investment in research, development and engineering, and increased cybersecurity protection and remediation costs due to the increasing sophistication and proliferation of threats, which in turn could adversely affect our competitiveness and results of operations.

Industry and General Economic Risks

The Coronavirus (COVID-19) Outbreak Has Adversely Impacted our Business and Could in the Future Have a Material Adverse Impact on our Business, Results of Operation, Financial Condition and Liquidity, the Nature and Extent of Which is Highly Uncertain

The global outbreak of the coronavirus (COVID-19) has significantly increased economic, demand and operational uncertainty. We have global operations, customers and suppliers, including in countries most impacted by COVID-19. Authorities around the world have taken a variety of measures to slow the spread of COVID-19, including travel bans or restrictions, increased border controls or closures, quarantines, shelter-in-place orders and business shutdowns and such authorities may impose additional restrictions. We have also taken actions to protect our employees and to mitigate the spread of COVID-19, including embracing guidelines set by the World Health Organization and the Centers for Disease Control and Prevention on social distancing, good hygiene, restrictions on employee travel and in-person meetings, and changes to employee work arrangements including remote work arrangements where appropriate. The actions taken around the world to slow the spread of COVID-19 have also impacted our customers and suppliers, and future developments could cause further disruptions to Emerson due to the interconnected nature of our business relationships.

The impact of COVID-19 on the global economy and our customers, as well as volatility in commodity markets (including oil prices), has negatively impacted demand for our products and could continue to do so in the future. Its effects could also result in further disruptions to our manufacturing operations, including higher rates of employee absenteeism, and supply chain, which could continue to negatively impact our ability to meet customer demand. Additionally, the potential deterioration and volatility of credit and financial markets could limit our ability to obtain external financing. The extent to which COVID-19 will impact our business, results of operations, financial condition or liquidity is highly uncertain and will depend on future developments, including the spread and duration of the virus, potential actions taken by governmental authorities, and how quickly economic conditions stabilize and recover.

Our Substantial Sales Both in the U.S. and Abroad Subject Us to Economic Risk as Our Results of Operations May Be Adversely Affected by Changes in Government Regulations and Policies and Currency Fluctuations

We sell, manufacture, engineer and purchase products globally, with significant sales in both mature and emerging markets. We expect sales in non-U.S. markets to continue to represent a significant portion of our total sales. Our U.S. and international operations subject the Company to changes in government regulations and policies in a large number of jurisdictions around the world, including those related to trade, investments, taxation, exchange controls and repatriation of earnings. Changes in laws or policies governing the terms of foreign trade, trade restrictions or barriers, tariffs or taxes, trade protection measures, and retaliatory countermeasures, including on imports from countries where we manufacture products, could adversely impact our business and financial results. In addition, changes in the relative values of currencies occur from time to time and have affected our operating results and could do so in the future. While we monitor our exchange rate exposures and attempt to mitigate this exposure through hedging activities, this risk could adversely affect our operating results.

Recessions, Adverse Market Conditions or Downturns in End Markets We Serve May Negatively Affect Our Operations

In the past, our operations have been exposed to significant volatility due to changes in general economic conditions or consumer preferences, recessions or adverse conditions in the end markets we serve. In the future, similar changes could adversely impact overall sales, operating results (including potential impairment charges for goodwill or other long-lived assets) and cash flows. Moreover, during economic downturns we may undertake more extensive restructuring actions, including workforce reductions, global facility consolidations, centralization of certain business support activities, and other cost reduction initiatives, and incur higher costs. As these plans and actions can be complex, the anticipated operational improvements, efficiencies and other benefits might be delayed or not realized.

Legal and Regulatory Risks

Changes in Tax Rates, Laws or Regulations and the Resolution of Tax Disputes Could Adversely Impact Our Financial Results

As a global company, we are subject to taxation in the U.S. and numerous non-U.S. jurisdictions. Significant judgment is required to determine our consolidated income tax provision and related liabilities. The Company's effective tax rate, cash flows and operating results could be affected by changes in the mix of earnings in countries with different statutory tax rates, as well as by changes in the local tax laws and regulations, or the interpretations thereof. For example, on December 22, 2017, the U.S. government enacted tax reform, the Tax Cuts and Jobs Act (the "Tax Act"), which made comprehensive changes to U.S. federal income tax laws by moving from a global to a modified territorial tax regime. The changes made by the Tax Act are broad and complex. In addition, the Company's tax returns are subject to regular review and audit by U.S. and non-U.S. tax authorities. While we believe our tax provisions are appropriate, the final outcome of tax audits or disputes could result in adjustments to the Company's tax liabilities, which could adversely affect our financial results.

Our Reputation, Ability To Do Business and Results of Operations Could Be Impaired By Improper Conduct By Any of Our Employees, Agents or Business Partners

We are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies, including laws related to anti-corruption, anti-bribery, export and import compliance, anti-trust and money laundering, due to our global operations. In particular, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced government corruption to some degree. We cannot provide assurance our internal controls will always protect us from the improper conduct of our employees, agents and business partners. Any such violation of law or improper actions could subject us to civil or criminal investigations in the U.S. and other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties and related shareholder lawsuits, could lead to increased costs of compliance and could damage our reputation, our business and results of operations.

We Are Subject to Litigation and Environmental Regulations That Could Adversely Impact Our Operating Results

We are, and may in the future be, a party to a number of legal proceedings and claims, including those involving intellectual property, product liability (including asbestos) and environmental matters, several of which claim, or may in the future claim, significant damages. Given the inherent uncertainty of litigation, we can offer no assurance that existing litigation or a future adverse development will not have a material adverse impact. We also are subject to various laws and regulations relating to environmental protection and the discharge of materials into the environment, and we could incur substantial costs as a result of the noncompliance with or liability for cleanup or other costs or damages under environmental laws. In addition, increased public awareness and concern regarding global climate change may result in more international, federal, and/or state or other stakeholder requirements or expectations that could result in more restrictive or expansive standards, such as stricter limits on greenhouse gas emissions or more prescriptive reporting of environmental, social, and governance metrics. There continues to be a lack of consistent climate change legislation and standards, which creates economic and regulatory uncertainty. While the Company has adopted certain voluntary targets, environmental laws, regulations or standards may be changed, accelerated or adopted and impose significant operational restrictions and compliance requirements upon the Company, its products or customers, which could negatively impact the Company's business, capital expenditures, results of operations, financial condition and competitive position.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

At September 30, 2020, the Company had approximately 200 manufacturing locations worldwide, of which approximately 70 were located in the United States and 130 were located outside the United States, primarily in Europe and Asia, and to a lesser extent in Canada and Latin America. Manufacturing locations by business are: Automation Solutions, 140; and Commercial & Residential Solutions, 60, including 40 in the Climate Technologies segment and 20 in the Tools & Home Products segment. The majority of the locations are owned, with the remainder occupied under lease. The Company considers its facilities suitable and adequate for the purposes for which they are used. The Company also maintains a smaller number of administrative, sales, research and development, and distribution facilities.

ITEM 3 - LEGAL PROCEEDINGS

The Company and its subsidiaries are party to various legal proceedings, some of which claim substantial amounts of damages. It is not possible to predict the outcome of these matters, but historically the Company has been largely successful in both prosecuting and defending claims and lawsuits.

The Company believes a material adverse impact of any pending litigation is unlikely. Nevertheless, given the uncertainties of litigation, a remote possibility exists that litigation could have a material adverse impact on the Company.

Information regarding legal proceedings is set forth in Note 13.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following sets forth certain information as of November 16, 2020 with respect to the Company's executive officers. The Fiscal Year column indicates the first year the executive served as an officer of the Company. These officers have been elected or appointed to terms which expire February 2, 2021:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Fiscal Year</u>
D. N. Farr	Chairman of the Board and Chief Executive Officer*	65	1985
F. J. Dellaquila	Senior Executive Vice President and Chief Financial Officer	63	1991
S. J. Pelch	Chief Operating Officer and Executive Vice President - Organization Planning and Development	56	2005
M. H. Train	President	58	1994
L. Karsanbhai	Executive President - Automation Solutions	51	2002
J. P. Froedge	Executive President - Commercial & Residential Solutions	45	2013
S. Y. Bosco	Senior Vice President, Secretary and General Counsel	62	2005
M. J. Bulanda	Senior Vice President - Planning and Development	54	2002
K. Button Bell	Senior Vice President and Chief Marketing Officer	62	1999
M. J. Baughman	Vice President, Controller and Chief Accounting Officer	55	2018

*Also chairman of the Executive Committee of the Board of Directors.

There are no family relationships among any of the executive officers and directors.

David N. Farr has been Chief Executive Officer since October 2000, was appointed Chairman of the Board in September 2004, and also served as President from November 2005 to October 2010.

Frank J. Dellaquila was appointed Senior Executive Vice President in November 2016, Executive Vice President in November 2012 and Senior Vice President and Chief Financial Officer in February 2010.

Steven J. Pelch was appointed Chief Operating Officer in January 2018, Executive Vice President in November 2016, Senior Vice President in November 2015 and Vice President - Organization Planning and Development in November 2014.

Michael H. Train was appointed President in October 2018. Prior to that, Mr. Train was Executive President - Automation Solutions from October 2016 through October 2018, Executive Vice President - Automation Solutions from May 2016 through October 2016 and President of Global Sales for Emerson Process Management from 2010 through May 2016.

Lal Karsanbhai was appointed Executive President - Automation Solutions in October 2018. Prior to his current position, Mr. Karsanbhai was Group President - Measurement & Analytical from 2016 through September 2018, and President Emerson Network Power Europe, Middle East and Africa from 2014 through 2016.

James P. Froedge was appointed Executive President - Commercial & Residential Solutions in August 2020. Prior to his current position, Mr. Froedge was President - Automation Solutions Asia Pacific from 2018 through August 2020, President - Process Systems and Solutions from 2016 through 2018, Vice President - Acquisition Planning and Development from 2013 through 2016 and in Acquisition Planning from 2012 through 2013.

Sara Y. Bosco was appointed to the position of Senior Vice President, Secretary and General Counsel in May 2016. Prior to her current position, Ms. Bosco was President, Emerson Asia-Pacific from 2008 through May 2016.

Mark J. Bulanda was appointed Senior Vice President in November 2016 and Vice President - Acquisition Planning and Development in May 2016. Prior to his current position, Mr. Bulanda was Executive Vice President - Emerson Industrial Automation from 2012 through May 2016.

Katherine Button Bell was appointed Senior Vice President in November 2016 and Vice President and Chief Marketing Officer in 1999.

Michael J. Baughman was appointed Chief Accounting Officer in February 2018, and Vice President and Controller in October 2017. Prior to that Mr. Baughman was Vice President, Finance, Global Operations, Quality, and Research and Development of Baxter International Inc., a global healthcare products company, from 2015 through September 2017, and Vice President, Finance, Medical Products of Baxter from 2013 to 2015.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information regarding the market for the Company's common stock and dividend payments is set forth in Note 20. There were approximately 17,200 stockholders of record at September 30, 2020.

Period	Total Number of Shares Purchased (000s)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (000s)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (000s)
July 2020	—	—	—	65,528
August 2020	—	—	—	65,528
September 2020	—	—	—	65,528
Total	—	—	—	65,528

In November 2015, the Board of Directors authorized the purchase of up to 70 million shares. In March 2020, the Board of Directors authorized the purchase of an additional 60 million shares and a total of approximately 65.5 million shares remain available.

ITEM 6 - SELECTED FINANCIAL DATA

Years ended September 30
(dollars in millions, except per share amounts)

	2016	2017	2018(a)	2019(b)	2020(c)
Net sales	\$ 14,522	15,264	17,408	18,372	16,785
Earnings from continuing operations – common stockholders	\$ 1,590	1,643	2,203	2,306	1,965
Basic earnings per common share from continuing operations	\$ 2.46	2.54	3.48	3.74	3.26
Diluted earnings per common share from continuing operations	\$ 2.45	2.54	3.46	3.71	3.24
Cash dividends per common share	\$ 1.90	1.92	1.94	1.96	2.00
Long-term debt	\$ 4,051	3,794	3,137	4,277	6,326
Total assets	\$ 21,732	19,589	20,390	20,497	22,882

(a) Includes income tax benefit of \$189 (\$0.30 per share) from the impacts of U.S. tax reform.

(b) Includes restructuring costs of \$0.12 per share and discrete tax benefits of \$0.14 per share.

(c) Restructuring costs and special advisory fees reduced earnings by \$0.42 per share, while discrete tax items provided a \$0.20 per share benefit.

See Note 4 for information regarding the Company's acquisition and divestiture activities for the last three years, Note 6 for information regarding restructuring activities, and Note 14 for information regarding income taxes.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Safe Harbor Statement

This Annual Report on Form 10-K contains various forward-looking statements and includes assumptions concerning Emerson's operations, future results and prospects. These forward-looking statements are based on current expectations and are subject to risks and uncertainties. Emerson undertakes no obligation to update any such statements to reflect later developments. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Emerson provides the cautionary statements set forth under Item 1A - "Risk Factors," which are hereby incorporated by reference and identify important economic, political and technological factors, among others, changes in which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Non-GAAP Financial Measures

To supplement the Company's financial information presented in accordance with U.S. generally accepted accounting principles (U.S. GAAP), management periodically uses certain "non-GAAP financial measures," as such term is defined in Regulation G under SEC rules, to clarify and enhance understanding of past performance and prospects for the future. Generally, a non-GAAP financial measure is a numerical measure of a company's operating performance, financial position or cash flows that excludes or includes amounts that are included in or excluded from the most directly comparable measure calculated and presented in accordance with U.S. GAAP. For example, non-GAAP measures may exclude the impact of certain items such as our strategic repositioning actions, acquisitions or divestitures, U.S. tax reform, changes in reporting segments, gains, losses and impairments, or items outside of management's control, such as foreign currency exchange rate fluctuations. Management believes that the following non-GAAP financial measures provide investors and analysts useful insight into the Company's financial position and operating performance. Any non-GAAP measure provided should be viewed in addition to, and not as an alternative to, the most directly comparable measure determined in accordance with U.S. GAAP, as identified in italics below. Further, the calculation of these non-GAAP financial measures may differ from the calculation of similarly titled financial measures presented by other companies and therefore may not be comparable among companies.

Underlying sales, which exclude the impact of acquisitions, divestitures and fluctuations in foreign currency exchange rates during the periods presented, are provided to facilitate relevant period-to-period comparisons of sales growth by excluding those items that impact overall comparability (U.S. GAAP measure: *net sales*).

Operating profit (defined as net sales less cost of sales and selling, general and administrative expenses) and operating profit margin (defined as operating profit divided by net sales) are indicative of short-term operational performance and ongoing profitability. Management closely monitors operating profit and operating profit margin of each business to evaluate past performance and actions required to improve profitability. EBIT (defined as earnings before deductions for interest expense, net and income taxes) and total segment EBIT, and EBIT margin (defined as EBIT divided by net sales) and total segment EBIT margin, are financial measures that exclude the impact of financing on the capital structure and income taxes. EBITDA (defined as EBIT excluding depreciation and amortization) and EBITDA margin (defined as EBITDA divided by net sales) are used as measures of the Company's current operating performance, as they exclude the impact of capital and acquisition-related investments. All of these are commonly used financial measures utilized by management to evaluate performance (U.S. GAAP measures: *pretax earnings or pretax profit margin*).

Earnings, earnings per share, return on common stockholders' equity and return on total capital excluding certain gains and losses, impairments, restructuring costs, impacts of the strategic portfolio repositioning actions and other acquisitions or divestitures, impacts of U.S. tax reform or other discrete taxes, or other items provide additional insight into the underlying, ongoing operating performance of the Company and facilitate period-to-period comparisons by excluding the earnings impact of these items. Management believes that presenting earnings, earnings per share, return on common stockholders' equity and return on total capital excluding these items is more representative of the Company's operational performance and may be more useful for investors (U.S. GAAP measures: *earnings, earnings per share, return on common stockholders' equity, return on total capital*).

Free cash flow (operating cash flow less capital expenditures) and free cash flow as a percent of net sales are indicators of the Company's cash generating capabilities, and dividends as a percent of free cash flow is an indicator of the Company's ability to support its dividend, after considering investments in capital assets which are necessary to maintain and enhance existing operations. The determination of operating cash flow adds back noncash depreciation expense to earnings and thereby does not reflect a charge for necessary capital expenditures. Management believes that free cash flow, free cash flow as a percent of net sales and dividends as a percent of free cash flow are useful to both management and investors as measures of the Company's ability to generate cash and support its dividend (U.S. GAAP measures: *operating cash flow, operating cash flow as a percent of net sales, dividends as a percent of operating cash flow*).

FINANCIAL REVIEW

Report of Management

The Company's management is responsible for the integrity and accuracy of the financial statements. Management believes that the financial statements for each of the years in the three-year period ended September 30, 2020 have been prepared in conformity with U.S. generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed. The Company's disclosure controls and procedures ensure that material information required to be disclosed is recorded, processed, summarized and communicated to management and reported within the required time periods.

In meeting its responsibility for the reliability of the financial statements, management relies on a system of internal accounting controls. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. The design of this system recognizes that errors or irregularities may occur and that estimates and judgments are required to assess the relative cost and expected benefits of the controls. Management believes that the Company's internal accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, is responsible for overseeing the Company's financial reporting process. The Audit Committee meets with management and the Company's internal auditors periodically to review the work of each and to monitor the discharge by each of its responsibilities. The Audit Committee also meets periodically with the independent auditors, who have free access to the Audit Committee and the Board of Directors, to discuss the quality and acceptability of the Company's financial reporting and internal controls, as well as nonaudit-related services.

The independent auditors are engaged to express an opinion on the Company's consolidated financial statements and on the Company's internal control over financial reporting. Their opinions are based on procedures that they believe to be sufficient to provide reasonable assurance that the financial statements contain no material errors and that the Company's internal controls are effective.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework and the criteria established in *Internal Control - Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of September 30, 2020.

The Company's auditor, KPMG LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting.

/s/ David N. Farr
David N. Farr
*Chairman of the Board
and Chief Executive Officer*

/s/ Frank J. Dellaquila
Frank J. Dellaquila
*Senior Executive Vice President
and Chief Financial Officer*

Results of Operations

Years ended September 30

(Dollars in Item 7 are in millions, except per share amounts or where noted)

	2018	2019	2020	19 vs. 18	20 vs. 19
Net sales	\$ 17,408	18,372	16,785	6 %	(9)%
Gross profit	\$ 7,432	7,815	7,009	5 %	(10)%
<i>Percent of sales</i>	42.7 %	42.5 %	41.8 %		
SG&A	\$ 4,269	4,457	3,986		
<i>Percent of sales</i>	24.5 %	24.2 %	23.8 %		
Other deductions, net	\$ 337	325	532		
<i>Amortization of intangibles</i>	\$ 211	238	239		
<i>Restructuring costs</i>	\$ 65	95	284		
Interest expense, net	\$ 159	174	156		
Earnings before income taxes	\$ 2,667	2,859	2,335	7 %	(18)%
<i>Percent of sales</i>	15.3 %	15.6 %	13.9 %		
Net earnings common stockholders	\$ 2,203	2,306	1,965	5 %	(15)%
<i>Percent of sales</i>	12.7 %	12.6 %	11.7 %		
Diluted EPS	\$ 3.46	3.71	3.24	7 %	(13)%
Return on common stockholders' equity	24.9 %	26.8 %	23.6 %		
Return on total capital	20.6 %	19.5 %	16.8 %		

COVID-19 UPDATE

Emerson's business, operations and end markets were negatively impacted in 2020 by the global outbreak and rapid spread of the coronavirus (COVID-19). As the situation rapidly evolved, the Company's leadership and global operations remained focused on safely serving our customers and protecting the health and safety of our employees. In response to the pandemic, the Company took actions aligned with the World Health Organization and the Centers for Disease Control and Prevention to protect its workforce so they could more safely and effectively perform their work. The Company embraced guidelines set by these organizations, including social distancing, good hygiene, restrictions on employee travel and in-person meetings, and changes to employee work arrangements including remote work arrangements where appropriate.

The outbreak began in the Company's second fiscal quarter and resulted in a rapid decline in demand which impacted most of the Company's end markets and geographies in the second half of the year, particularly in North America. Overall, sales declined 9 percent compared with the prior year, consistent with management's guidance provided in April 2020. Demand has begun to return in the Commercial & Residential Solutions business and stabilize in the Automation Solutions business.

In response to COVID-19, the Company increased its restructuring and cost reset actions that began in the third quarter of fiscal 2019. These incremental efforts and prior actions resulted in fiscal 2020 savings of approximately \$220 and supported the Company's profitability despite the headwind from lower sales. The Company also benefited in the second half of the year from a salary and hiring freeze, furloughs, compensation reductions for the Board of Directors and key executives across Emerson, and curtailed travel, meetings and discretionary spending. Overall, selling, general and administrative expenses as a percent of sales decreased 0.9 percentage points in the second half of the year despite the negative impact from deleverage on lower sales, and the restructuring initiatives are expected to yield improved operating margins as sales volumes recover.

The Company also increased its cash holdings to support liquidity in response to the potential effects of COVID-19. In April 2020, the Company issued \$1.5 billion of long-term debt at a weighted-average rate of approximately 2.15% to further manage its liquidity and balance sheet, and in September 2020, issued an additional \$750 of long-term debt at 0.875%, a portion of which was used to fund the acquisition of Open Systems International, Inc., which closed on October 1, 2020. The Company also took actions to conservatively manage its cash through reductions in planned capital expenditures for fiscal 2020 and by suspending its share repurchases in the third quarter. The Company's long-term debt ratings, which are A2 by Moody's Investors Service and A by Standard and Poor's, remain unchanged. Management's actions to adjust to the lower demand caused by COVID-19 supported the Company's commitment to its dividend plan and on November 3, 2020, it approved an increase to its dividend for the 65th consecutive year.

See "Outlook" and Item 1A - "Risk Factors" for additional discussion of the impacts of COVID-19 and the Company's response.

OVERVIEW

Overall, sales for 2020 were \$16.8 billion, down 9 percent compared with the prior year, and were adversely impacted by foreign currency translation which deducted 1 percent. During the year, the Company took restructuring and other actions to protect its operating results from the deleverage caused by lower sales.

Net earnings common stockholders were \$1,965 in 2020, down 15 percent compared with prior year earnings of \$2,306, and diluted earnings per share were \$3.24, down 13 percent versus \$3.71 per share in 2019, largely due to higher restructuring charges related to the Company's initiatives to improve operating margins.

The Company generated operating cash flow of \$3.1 billion in 2020, an increase of \$77, or 3 percent, due in part to lower working capital needs associated with lower demand. The Company also took actions to ensure adequate liquidity and successfully raised over \$2.2 billion in the debt markets.

NET SALES

Net sales for 2020 were \$16.8 billion, a decrease of \$1.6 billion, or 9 percent compared with 2019. Sales decreased \$1,047 in Automation Solutions and \$526 in Commercial & Residential Solutions. Underlying sales, which exclude foreign currency translation, acquisitions and divestitures, decreased 8 percent (\$1.4 billion) on lower volume. Divestitures net of acquisitions subtracted \$11 and foreign currency translation subtracted 1 percent (\$161). Underlying sales decreased 11 percent in the U.S. and 5 percent internationally.

Net sales for 2019 were \$18.4 billion, an increase of \$1.0 billion, or 6 percent compared with 2018. Sales increased \$761 in Automation Solutions and \$187 in Commercial & Residential Solutions. Underlying sales increased 3 percent (\$526) on higher volume and slightly higher price. Acquisitions added 5 percent (\$759) while foreign currency translation subtracted 2 percent (\$321). Underlying sales increased 2 percent in the U.S. and 4 percent internationally.

INTERNATIONAL SALES

Emerson is a global business with international sales representing 56 percent of total sales in 2020, including U.S. exports. The Company generally expects faster economic growth in emerging markets in Asia, Latin America, Eastern Europe and Middle East/Africa.

International destination sales, including U.S. exports, decreased 6 percent, to \$9.4 billion in 2020, reflecting decreases in both the Automation Solutions and Commercial & Residential Solutions businesses. U.S. exports of \$1.0 billion were down 10 percent compared with 2019. Underlying international destination sales were down 5 percent, as foreign currency translation had a 1 percent unfavorable impact on the comparison.

Underlying sales decreased 4 percent in Europe, 4 percent in Asia, Middle East & Africa (China down 5 percent), 7 percent in Latin America and 11 percent in Canada. Origin sales by international subsidiaries, including shipments to the U.S., totaled \$8.5 billion in 2020, down 5 percent compared with 2019.

International destination sales, including U.S. exports, increased 5 percent, to \$10.0 billion in 2019, reflecting increases in both the Automation Solutions and Commercial & Residential Solutions businesses. U.S. exports of \$1.1 billion were up 2 percent compared with 2018. Underlying international destination sales were up 4 percent, as acquisitions had a 5 percent favorable impact, while foreign currency translation had a 4 percent unfavorable impact on the comparison. Underlying sales increased 3 percent in Europe, 2 percent in Asia, Middle East & Africa (China

up 3 percent), 17 percent in Latin America and 4 percent in Canada. Origin sales by international subsidiaries, including shipments to the U.S., totaled \$9.0 billion in 2019, up 5 percent compared with 2018.

ACQUISITIONS AND DIVESTITURES

On October 1, 2020, the Company completed the acquisition of Open Systems International, Inc., a leading operations technology software provider in the global power industry, for approximately \$1.6 billion, net of cash acquired. This business, which has annual sales of approximately \$170, will be reported in the Automation Solutions segment.

In 2020, the Company acquired three businesses, two in the Automation Solutions segment and one in the Climate Technologies segment, for \$126, net of cash acquired.

The Company acquired eight businesses in 2019, all in the Automation Solutions segment, for \$469, net of cash acquired. These eight businesses had combined annual sales of approximately \$300.

On July 17, 2018, the Company completed the acquisition of Aventics, a global provider of smart pneumatics technologies that power machine and factory automation applications, for \$622, net of cash acquired. This business, which has annual sales of approximately \$425, is included in the Industrial Solutions product offering within the Automation Solutions segment.

On July 2, 2018, the Company completed the acquisition of Textron's tools and test equipment business for \$810, net of cash acquired. This business, with annual sales of approximately \$470, is a manufacturer of electrical and utility tools, diagnostics, and test and measurement instruments, and is reported in the Tools & Home products segment.

On December 1, 2017, the Company acquired Paradigm, a provider of software solutions for the oil and gas industry, for \$505, net of cash acquired. This business had annual sales of approximately \$140 and is included in the Measurement & Analytical Instrumentation product offering within Automation Solutions.

In fiscal 2018, the Company also acquired four smaller businesses, two in the Automation Solutions segment and two in the Climate Technologies segment.

On October 2, 2017, the Company sold its residential storage business for \$200 in cash, and recognized a small pretax gain and an after-tax loss of \$24 (\$0.04 per share) in 2018 due to income taxes resulting from nondeductible goodwill. The Company realized approximately \$150 in after-tax cash proceeds from the sale.

See Note 4 for further information on acquisitions and divestitures, including pro forma financial information.

COST OF SALES

Cost of sales for 2020 were \$9,776, a decrease of \$781 compared with \$10,557 in 2019, primarily due to lower volume. Gross profit was \$7,009 in 2020 compared to \$7,815 in 2019, while gross margin decreased 0.7 percentage points to 41.8 percent, reflecting deleverage on lower sales volume and unfavorable mix within Automation Solutions, partially offset by favorable price-cost.

Cost of sales for 2019 were \$10,557, an increase of \$581 compared with \$9,976 in 2018. The increase is primarily due to acquisitions and higher volume, partially offset by the impact of foreign currency translation. Gross profit was \$7,815 in 2019 compared to \$7,432 in 2018. Gross margin decreased 0.2 percentage points to 42.5 percent, reflecting unfavorable mix and the impact of acquisitions, partially offset by savings from cost reduction actions. Gross margin was 42.7 percent in 2018.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses of \$3,986 in 2020 decreased \$471 compared with 2019 and SG&A as a percent of sales decreased 0.4 percentage points to 23.8 percent. Savings of approximately \$220 from the Company's restructuring and cost reset actions that began in the third quarter of fiscal 2019 offset deleverage on lower sales volume. The Company's restructuring initiatives are expected to yield improved operating margins as sales volumes recover. The Company also benefited in the second half of the year from a salary and hiring freeze, furloughs, compensation reductions for the Board of Directors and key executives across Emerson, and curtailed travel, meetings and discretionary spending.

SG&A expenses of \$4,457 in 2019 increased \$188 compared with 2018 due to acquisitions and higher volume. SG&A as a percent of sales of 24.2 percent decreased 0.3 percentage points due to leverage on higher volume and lower incentive stock compensation of \$96, reflecting a decreasing stock price in the current year compared to an increasing stock price in the prior year, partially offset by a negative impact from acquisitions of 0.4 percentage points and higher investment spending.

OTHER DEDUCTIONS, NET

Other deductions, net were \$532 in 2020, an increase of \$207 compared with 2019. The increase reflects increased restructuring costs of \$189 and an unfavorable impact on comparisons from pensions of \$48, partially offset by lower acquisition/divestiture and litigation costs. See Note 5.

Other deductions, net were \$325 in 2019, a decrease of \$12 compared with 2018. The decrease primarily reflects lower acquisition/divestiture costs of \$29, pension expenses of \$42 and foreign currency transactions of \$13, partially offset by higher intangibles amortization and restructuring expense of \$27 and \$30, respectively.

INTEREST EXPENSE, NET

Interest expense, net was \$156, \$174 and \$159 in 2020, 2019 and 2018, respectively. The decrease in 2020 reflects the maturity of long-term debt with relatively higher interest rates, partially offset by lower interest income. The increase in 2019 was due to lower interest income.

EARNINGS BEFORE INCOME TAXES

Pretax earnings of \$2,335 decreased \$524 in 2020, down 18 percent compared with 2019. Earnings decreased \$424 in Automation Solutions and \$153 in Commercial & Residential Solutions. Costs reported at Corporate decreased \$35, as an increase in unallocated pension and postretirement costs of \$55 was more than offset by a decline in all other corporate costs of \$90. See the Business discussion that follows and Note 18.

Pretax earnings of \$2,859 increased \$192 in 2019, up 7 percent compared with 2018. Earnings increased \$61 in Automation Solutions and decreased \$81 in Commercial & Residential Solutions, while costs reported at Corporate decreased \$227.

INCOME TAXES

On December 22, 2017, the U.S. government enacted tax reform, the Tax Cuts and Jobs Act (the "Tax Act"), which made comprehensive changes to U.S. federal income tax laws by moving from a global to a modified territorial tax regime. The Tax Act includes a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent in calendar year 2018 along with the elimination of certain deductions and credits, and a one-time "deemed repatriation" of accumulated non-U.S. earnings. During 2018, the Company recognized a net tax benefit of \$189 (\$0.30 per share) due to impacts of the Tax Act, consisting of a \$94 benefit on revaluation of net deferred income tax liabilities to the lower tax rate, \$35 of expense for the tax on deemed repatriation of accumulated non-U.S. earnings and withholding taxes, and the reversal of \$130 accrued in previous periods for the planned repatriation of non-U.S. cash. The Company completed its accounting for the Tax Act in the first quarter of fiscal 2019.

Effective in fiscal 2019, the Tax Act also subjects the Company to U.S. tax on global intangible low-taxed income earned by certain of its non-U.S. subsidiaries. The Company has elected to recognize this tax as a period expense when it is incurred. In the second quarter of fiscal 2019, the Company recorded a \$13 (\$0.02 per share) tax benefit due to the issuance of final regulations related to the one-time tax on deemed repatriation.

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic, and among other things, provides tax relief to businesses. Tax provisions of the CARES Act include the deferral of certain payroll taxes, relief for retaining employees, and other provisions. The Company expects to defer \$75 of certain payroll taxes through the end of calendar year 2020, of which \$48 was deferred through September 30, 2020.

Income taxes were \$345, \$531 and \$443 for 2020, 2019 and 2018, respectively, resulting in effective tax rates of 15 percent, 19 percent and 17 percent in 2020, 2019 and 2018, respectively. The rates in all years include benefits from restructuring subsidiaries of \$103 (\$0.17 per share), \$74 (\$0.12 per share) and \$53 (\$0.08 per share), respectively. The 2020 rate also included the impact of a research and development tax credit study, while 2019 and 2018 included discrete tax benefits due to the impacts of the Tax Act described above. See Note 14.

NET EARNINGS AND EARNINGS PER SHARE; RETURNS ON EQUITY AND TOTAL CAPITAL

Net earnings attributable to common stockholders in 2020 were \$1,965, down 15 percent compared with 2019, and diluted earnings per share were \$3.24, down 13 percent compared with \$3.71 in 2019. The decline in sales volume, largely attributable to the negative effects of COVID-19, resulted in a decline in operating results of \$0.27 per share, while restructuring costs and special advisory fees reduced earnings by \$0.42 per share in the current year (\$0.12 per share in the prior year). Higher pension expense partially offset by lower stock compensation expense negatively affected comparisons by \$0.07 per share and unfavorable foreign currency deducted \$0.06 per share. Results were favorably impacted by discrete tax items recognized in the fourth quarter (\$0.20 per share), which included the subsidiary restructurings discussed above, while other discrete tax items provided a benefit of \$0.08 per share. The prior year included discrete tax benefits of \$0.12 per share. Share repurchases and lower interest expense provided a combined benefit of \$0.09 per share.

Net earnings attributable to common stockholders in 2019 were \$2,306, up 5 percent compared with 2018, and diluted earnings per share were \$3.71, up 7 percent, due to modest sales growth and lower corporate expenses. Earnings per share comparisons were also impacted by the prior year net tax benefit due to impacts of the Tax Act of \$0.30 per share discussed above, which was partially offset by 2018 first year acquisition accounting charges of \$0.09 per share and a \$0.04 per share loss on the residential storage business.

Return on common stockholders' equity (net earnings attributable to common stockholders divided by average common stockholders' equity) was 23.6 percent in 2020 compared with 26.8 percent in 2019 and 24.9 percent in 2018. Return on total capital was 16.8 percent in 2020 compared with 19.5 percent in 2019 and 20.6 percent in 2018 (computed as net earnings attributable to common stockholders excluding after-tax net interest expense, divided by average common stockholders' equity plus short- and long-term debt less cash and short-term investments). Lower net earnings negatively impacted returns in 2020. In 2019, higher net earnings benefited the returns, while an increase in long-term debt negatively impacted the return on total capital.

Business Segments

Following is an analysis of segment results for 2020 compared with 2019, and 2019 compared with 2018. The Company defines segment earnings as earnings before interest and income taxes.

AUTOMATION SOLUTIONS

	2018	2019	2020	19 vs. 18	20 vs. 19
Sales	\$ 11,441	12,202	11,155	7 %	(9)%
Earnings	\$ 1,886	1,947	1,523	3 %	(22)%
Margin	16.5 %	16.0 %	13.6 %		
<u>Sales by Major Product Offering</u>					
Measurement & Analytical Instrumentation	\$ 3,604	3,807	3,237	6 %	(15)%
Valves, Actuators & Regulators	3,749	3,794	3,589	1 %	(5)%
Industrial Solutions	1,967	2,232	2,012	14 %	(10)%
Process Control Systems & Solutions	2,121	2,369	2,317	12 %	(2)%
Total	\$ 11,441	12,202	11,155	7 %	(9)%

2020 vs. 2019 - Automation Solutions sales were \$11.2 billion in 2020, a decrease of \$1,047, or 9 percent. Underlying sales decreased 8 percent (\$963) on lower volume. The Machine Automation Solutions acquisition added \$47 and foreign currency translation had a 1 percent (\$131) unfavorable impact. Sales for Measurement & Analytical Instrumentation decreased \$570, or 15 percent, due to weakness in process industries, primarily in North America. Valves, Actuators & Regulators decreased \$205, or 5 percent, reflecting slower demand in most end markets. Industrial Solutions sales decreased \$220, or 10 percent, on lower global demand in discrete end markets. Process Control Systems & Solutions decreased \$52, or 2 percent, due to weakness in power end markets in China and process end markets in the U.S., partially offset by the Machine Automation Solutions acquisition. Underlying

sales decreased 14 percent in the Americas (U.S. down 14 percent), 5 percent in Europe, and 1 percent in Asia, Middle East & Africa (China down 2 percent). Earnings of \$1,523 decreased \$424 from the prior year, primarily due to higher restructuring expenses of \$179 and lower volume. Margin decreased 2.4 percentage points to 13.6 percent, reflecting a negative impact from restructuring expenses of 1.7 percentage points and unfavorable mix. Savings from cost reduction actions offset deleverage on lower sales volume.

2019 vs. 2018 - Automation Solutions sales were \$12.2 billion in 2019, an increase of \$761, or 7 percent. Underlying sales increased 5 percent (\$582) on higher volume and slightly higher price. Acquisitions added 4 percent (\$426) and foreign currency translation had a 2 percent (\$247) unfavorable impact. Sales for Measurement & Analytical Instrumentation increased \$203, or 6 percent, reflecting broad-based strength across process and hybrid end markets. Valves, Actuators & Regulators increased \$45, or 1 percent, on favorable global oil and gas demand. Industrial Solutions sales increased \$265, or 14 percent, due to the Aventics acquisition (\$292), while discrete manufacturing end markets were slow in the U.S. and Europe. Process Control Systems & Solutions increased \$248, or 12 percent, driven by greenfield investment and modernization activity, while acquisitions added \$134. Underlying sales increased 4 percent in the Americas (U.S. up 2 percent), 4 percent in Europe, and 8 percent in Asia, Middle East & Africa (China up 13 percent), supported by infrastructure investment across the region. Earnings of \$1,947 increased \$61 from the prior year driven by higher volume and price. Margin decreased 0.5 percentage points to 16.0 percent, reflecting a dilutive impact from acquisitions of 0.7 percentage points and increased restructuring expense of \$24. Excluding these items, margin increased due to leverage on the higher volume.

COMMERCIAL & RESIDENTIAL SOLUTIONS

	2018	2019	2020	19 vs. 18	20 vs. 19
Sales:					
Climate Technologies	\$ 4,454	4,313	3,980	(3)%	(8)%
Tools & Home Products	1,528	1,856	1,663	22 %	(10)%
Total	\$ 5,982	6,169	5,643	3 %	(9)%
Earnings:					
Climate Technologies	\$ 972	883	801	(9)%	(9)%
Tools & Home Products	380	388	317	2 %	(18)%
Total	\$ 1,352	1,271	1,118	(6)%	(12)%
Margin	22.6 %	20.6 %	19.8 %		

2020 vs. 2019 - Commercial & Residential Solutions sales were \$5.6 billion in 2020, a decrease of \$526, or 9 percent. Underlying sales decreased 7 percent (\$454) on lower volume. The divestiture of two small non-core businesses subtracted 1 percent (\$42) and foreign currency translation deducted 1 percent (\$30). Climate Technologies sales were \$4.0 billion in 2020, a decrease of \$333, or 8 percent. Air conditioning and heating sales declined, reflecting a sharp decline in Asia and moderate decline in the U.S. due to the effects of COVID-19. Global cold chain sales were also down, reflecting double-digit declines in Asia and Europe, while North America was down moderately. Tools & Home Products sales were \$1.7 billion in 2020, down \$193 or 10 percent compared to the prior year, reflecting sharp declines in global professional tools markets. Sales for wet/dry vacuums were down moderately and food waste disposers were down slightly. Overall, underlying sales decreased 7 percent in the Americas (U.S. down 8 percent) and 3 percent in Europe, while Asia, Middle East & Africa decreased 11 percent (China down 11 percent). Earnings were \$1,118, a decrease of \$153, and margin was down 0.8 percentage points, due to deleverage on lower sales volume and higher restructuring expenses which negatively impacted margins by 0.5 percentage points, partially offset by savings from cost reduction actions and favorable price-cost.

2019 vs. 2018 - Commercial & Residential Solutions sales were \$6.2 billion in 2019, an increase of \$187, or 3 percent. Underlying sales decreased 1 percent (\$59) on lower volume partially offset by higher price. Acquisitions added 5 percent (\$320) while foreign currency translation subtracted 1 percent (\$74). Climate Technologies sales were \$4.3 billion in 2019, a decrease of \$141, or 3 percent. HVAC sales were down sharply in Asia, Middle East & Africa, particularly in China air conditioning and heating markets, while growth in the U.S. was modest. Global cold

chain sales were down slightly, as modest growth in the U.S. was more than offset by slower demand in Asia and Europe. Tools & Home Products sales were \$1.9 billion in 2019, up \$328 or 22 percent compared to the prior year, reflecting the tools and test acquisition and modest growth for professional tools. Sales for wet/dry vacuums were up moderately due to higher price, while food waste disposers were flat. Overall, underlying sales increased 3 percent in the Americas (U.S. up 2 percent) and 1 percent in Europe, while Asia, Middle East & Africa decreased 12 percent (China down 15 percent). Earnings were \$1,271, a decrease of \$81, and margin was down 2.0 percentage points, primarily due to a dilutive impact from the tools and test acquisition of 0.8 percentage points, deleverage on lower volume in the Climate Technologies segment and unfavorable mix.

Financial Position, Capital Resources and Liquidity

Emerson maintains a conservative financial structure to provide the strength and flexibility necessary to achieve our strategic objectives and has been successful in efficiently deploying cash where needed worldwide to fund operations, complete acquisitions and sustain long-term growth. During fiscal 2020, the Company increased its cash holdings to support liquidity in response to the potential effects of COVID-19. In April 2020, the Company issued \$1.5 billion of long-term debt at a weighted-average rate of approximately 2.15% to further manage its liquidity and balance sheet, and in September 2020, issued an additional \$750 of long-term debt at 0.875%, a portion of which was used to fund the acquisition of Open Systems International, Inc. (OSI), which closed on October 1, 2020.

The Company also took actions to conservatively manage its cash through reductions in planned capital expenditures for fiscal 2020 and by suspending its share repurchases in the third quarter. The Company's long-term debt ratings, which are A2 by Moody's Investors Service and A by Standard and Poor's, remain unchanged. The Company currently believes that sufficient funds will be available to meet its needs for the foreseeable future through operating cash flow, existing resources, short- and long-term debt capacity, or its \$3.5 billion revolving backup credit facility under which it has not incurred any borrowings. The Company remains committed to its dividend plan and on November 3, 2020, approved an increase to its dividend for the 65th consecutive year.

Emerson is in a strong financial position, with total assets of \$23 billion and stockholders' equity of \$8 billion, and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing its capital structure on a short- and long-term basis. The Company continues to generate substantial operating cash flow, including over \$3.0 billion in each of the last two years.

CASH FLOW

	2018	2019	2020
Operating Cash Flow	\$ 2,892	3,006	3,083
<i>Percent of sales</i>	16.6 %	16.4 %	18.4 %
Capital Expenditures	\$ 617	594	538
<i>Percent of sales</i>	3.5 %	3.2 %	3.2 %
Free Cash Flow (Operating Cash Flow less Capital Expenditures)	\$ 2,275	2,412	2,545
<i>Percent of sales</i>	13.1 %	13.1 %	15.2 %
Operating Working Capital	\$ 985	1,113	866
<i>Percent of sales</i>	5.7 %	6.1 %	5.2 %

Operating cash flow for 2020 was \$3.1 billion, a \$77, or 3 percent increase compared with 2019, as lower working capital needs associated with lower demand more than offset a decrease in earnings. Operating cash flow of \$3.0 billion in 2019 increased 4 percent compared to \$2.9 billion in 2018, due to higher earnings, partially offset by higher operating working capital. At September 30, 2020, operating working capital as a percent of sales was 5.2 percent compared with 6.1 percent in 2019 and 5.7 percent in 2018. Contributions to pension plans were \$66 in 2020, \$60 in 2019 and \$61 in 2018.

Capital expenditures were \$538, \$594 and \$617 in 2020, 2019 and 2018, respectively. Free cash flow (operating cash flow less capital expenditures) was \$2.5 billion in 2020, up 6 percent. Free cash flow was \$2.4 billion in 2019, compared with \$2.3 billion in 2018. The Company is targeting capital spending of approximately \$600 in 2021. Net cash paid in connection with acquisitions was \$126, \$469 and \$2.2 billion in 2020, 2019 and 2018, respectively. This

does not reflect the OSI acquisition, which closed on October 1, 2020 for approximately \$1.6 billion. Proceeds from divestitures were \$14 and \$201 in 2019 and 2018, respectively.

Dividends were \$1,209 (\$2.00 per share) in 2020, compared with \$1,209 (\$1.96 per share) in 2019 and \$1,229 (\$1.94 per share) in 2018. In November 2020, the Board of Directors voted to increase the quarterly cash dividend 1 percent, to an annualized rate of \$2.02 per share.

Purchases of Emerson common stock totaled \$942, \$1,250 and \$1,000 in 2020, 2019 and 2018, respectively, at average per share prices of \$57.41, \$62.83 and \$66.25.

The Board of Directors authorized the purchase of up to 70 million common shares in November 2015. In March 2020, the Board of Directors authorized the purchase of an additional 60 million shares and a total of 66 million shares remain available for purchase under the authorizations. The Company purchased 16.4 million shares in 2020, 19.9 million shares in 2019 and 15.1 million shares in 2018 under the authorizations.

LEVERAGE/CAPITALIZATION

	2018	2019	2020
Total Assets	\$ 20,390	20,497	22,882
Long-term Debt	\$ 3,137	4,277	6,326
Common Stockholders' Equity	\$ 8,947	8,233	8,405
Total Debt-to-Total Capital Ratio	34.7 %	41.0 %	47.1 %
Net Debt-to-Net Capital Ratio	29.1 %	33.9 %	33.2 %
Operating Cash Flow-to-Debt Ratio	60.7 %	52.5 %	41.2 %
Interest Coverage Ratio	14.2X	15.2X	14.4X

Total debt, which includes long-term debt, current maturities of long-term debt, commercial paper and other short-term borrowings, was \$7,486, \$5,721 and \$4,760 as of September 30, 2020, 2019 and 2018, respectively. During the year, the Company repaid \$500 of 4.875% notes that matured in October 2019. In April 2020, the Company issued \$500 of 1.8% notes due October 2027, \$500 of 1.95% notes due October 2030 and \$500 of 2.75% notes due October 2050. In September 2020, the Company issued \$750 of 0.875% notes due October 2026. The net proceeds from the sale of the notes were used to reduce commercial paper borrowings and for general corporate purposes. A portion of the proceeds from the notes issued in September were also used to fund the acquisition of OSI, which closed on October 1, 2020. In 2019, the Company repaid \$400 of 5.25% notes that matured in October 2018 and \$250 of 5.0% notes that matured in April 2019, while \$250 of 5.375% notes that matured in October 2017 were paid in fiscal 2018. In January 2019, the Company issued €500 of 1.25% notes due October 2025 and €500 of 2.0% notes due October 2029. In May 2019, the Company issued €500 of 0.375% notes due May 2024.

The total debt-to-capital ratio increased in 2020 due to the long-term debt issuances described above. The net debt-to-net capital ratio (less cash and short-term investments) decreased slightly, reflecting the timing of the acquisition of OSI, which closed shortly after year-end. In 2019 the total debt-to-capital ratio and the net debt-to-net capital ratio increased due to increased borrowings. The operating cash flow-to-debt ratio decreased in 2020 due to the increased borrowings. The decrease in 2019 was due to the increased borrowings, partially offset by a modest increase in operating cash flows. The interest coverage ratio is computed as earnings before income taxes plus interest expense, divided by interest expense. The decrease in 2020 reflects lower earnings, partially offset by lower interest expense. The increase in 2019 was due to higher earnings as compared to 2018.

In May 2018, the Company entered into a \$3.5 billion five-year revolving backup credit facility with various banks, which replaced the April 2014 \$3.5 billion facility. The credit facility is maintained to support general corporate purposes, including commercial paper borrowings. The Company has not incurred any borrowings under this or previous facilities. The credit facility contains no financial covenants and is not subject to termination based on a change of credit rating or material adverse changes. The facility is unsecured and may be accessed under various interest rate and currency denomination alternatives at the Company's option. Fees to maintain the facility are immaterial. The Company also maintains a universal shelf registration statement on file with the SEC under which it can issue debt securities, preferred stock, common stock, warrants, share purchase contracts or share purchase

units without a predetermined limit. Securities can be sold in one or more separate offerings with the size, price and terms to be determined at the time of sale.

Emerson's financial structure provides the flexibility necessary to achieve its strategic objectives. The Company has been successful in efficiently deploying cash where needed worldwide to fund operations, complete acquisitions and sustain long-term growth. At September 30, 2020, \$1.7 billion of the Company's cash was held in the U.S., primarily to fund the OSI acquisition. The remaining \$1.6 billion of cash was held outside the U.S. (primarily in Europe and Asia). The Company routinely repatriates a portion of its non-U.S. cash from earnings each year, or otherwise when it can be accomplished tax efficiently, and provides for withholding taxes and any applicable U.S. income taxes as appropriate. The Company has been able to readily meet all its funding requirements and currently believes that sufficient funds will be available to meet the Company's needs in the foreseeable future through operating cash flow, existing resources, short- and long-term debt capacity or backup credit lines.

CONTRACTUAL OBLIGATIONS

At September 30, 2020, the Company's contractual obligations, including estimated payments, are as follows:

	Amounts Due By Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Long-term Debt (including Interest)	\$ 8,462	464	1,324	1,327	5,347
Operating Leases	565	159	216	105	85
Purchase Obligations	889	726	121	36	6
Total	\$ 9,916	1,349	1,661	1,468	5,438

Purchase obligations consist primarily of inventory purchases made in the normal course of business to meet operational requirements. The table above does not include the majority of other noncurrent liabilities (except for lease-related obligations), which total \$2,324 and consist primarily of pension and postretirement plan liabilities, asbestos litigation, deferred income taxes and unrecognized tax benefits, because it is not certain when these amounts will become due. See Note 12 for estimated future benefit payments and Note 14 for additional information on deferred income taxes.

FINANCIAL INSTRUMENTS

The Company is exposed to market risk related to changes in interest rates, foreign currency exchange rates and commodity prices, and selectively uses derivative financial instruments, including forwards, swaps and purchased options to manage these risks. The Company does not hold derivatives for trading or speculative purposes. The value of derivatives and other financial instruments is subject to change as a result of market movements in rates and prices. Sensitivity analysis is one technique used to forecast the impact of these movements. Based on a hypothetical 10 percent increase in interest rates, a 10 percent decrease in commodity prices or a 10 percent weakening in the U.S. dollar across all currencies, the potential losses in future earnings, fair value or cash flows are not material. Sensitivity analysis has limitations; for example, a weaker U.S. dollar would benefit future earnings through favorable translation of non-U.S. operating results, and lower commodity prices would benefit future earnings through lower cost of sales. See Notes 1, and 9 through 11.

Critical Accounting Policies

Preparation of the Company's financial statements requires management to make judgments, assumptions and estimates regarding uncertainties that could affect reported revenue, expenses, assets, liabilities and equity. Note 1 describes the significant accounting policies used in preparation of the consolidated financial statements. The most significant areas where management judgments and estimates impact the primary financial statements are described below. Actual results in these areas could differ materially from management's estimates under different assumptions or conditions.

REVENUE RECOGNITION

The Company evaluates its contracts with customers to identify the promised goods or services and recognizes revenue for the identified performance obligations at the amount the Company expects to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. Revenue is recognized when, or as, performance obligations are satisfied and control has transferred

to the customer, typically when products are shipped or delivered, title and risk of loss pass to the customer, and the Company has a present right to payment. The vast majority of the Company's revenues relate to a broad offering of manufactured products which are recognized at the point in time when control transfers, generally in accordance with shipping terms. A portion of the Company's revenues relate to the sale of software and post-contract customer support, parts and labor for repairs, and engineering services.

In limited circumstances, contracts include multiple performance obligations, where revenue is recognized separately for each good or service, as well as contracts where revenue is recognized over time as control transfers to the customer. Tangible products represent a large majority of the delivered items in contracts with multiple performance obligations or where revenue is recognized over time, while a smaller portion is attributable to installation, service and maintenance. In sales arrangements that involve multiple performance obligations, revenue is allocated based on the relative standalone selling price for each performance obligation. Observable selling prices from actual transactions are used whenever possible. In other instances, the Company determines the standalone selling price based on third-party pricing or management's best estimate. For revenues recognized over time, the Company typically uses an input method to determine progress and recognize revenue, based on costs incurred. The Company believes costs incurred closely correspond with its performance under the contract and the transfer of control to the customer.

LONG-LIVED ASSETS

Long-lived assets, which include property, plant and equipment, goodwill and identifiable intangible assets, are reviewed for impairment whenever events or changes in business circumstances indicate impairment may exist. If the Company determines that the carrying value of a long-lived asset may not be recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its estimated fair value. Reporting units are also reviewed for possible goodwill impairment at least annually, in the fourth quarter. If an initial assessment indicates it is more likely than not an impairment may exist, it is evaluated by comparing the unit's estimated fair value to its carrying value. Fair value is generally estimated using an income approach that discounts estimated future cash flows using discount rates judged by management to be commensurate with the applicable risk. Estimates of future sales, operating results, cash flows and discount rates are subject to changes in the economic environment, including such factors as the general level of market interest rates, expected equity market returns and the volatility of markets served, particularly when recessionary economic circumstances continue for an extended period of time. Management believes the estimates of future cash flows and fair values are reasonable; however, changes in estimates due to variance from assumptions could materially affect the evaluations.

RETIREMENT PLANS

The Company maintains a prudent long-term investment strategy consistent with the duration of pension obligations. The determination of defined benefit plan expense and liabilities is dependent on various assumptions, including the expected annual rate of return on plan assets, the discount rate and the rate of annual compensation increases. Management believes the assumptions used are appropriate; however, actual experience may differ. In accordance with U.S. generally accepted accounting principles, actual results that differ from the Company's assumptions are accumulated as deferred actuarial gains or losses and amortized to expense in future periods. The Company's principal U.S. defined benefit plan is closed to employees hired after January 1, 2016 while shorter-tenured employees ceased accruing benefits effective October 1, 2016.

As of September 30, 2020, the U.S. pension plans were underfunded by \$142 in total, including unfunded plans totaling \$223. The non-U.S. plans were underfunded by \$266, including unfunded plans totaling \$319. The Company contributed a total of \$66 to defined benefit plans in 2020 and expects to contribute approximately \$50 in 2021. At year-end 2020, the discount rate for U.S. plans was 2.81 percent, and was 3.22 percent in 2019. The assumed investment return on plan assets was 6.75 percent in 2020, 7.00 percent in 2019 and 7.00 percent in 2018, and will be 6.50 percent for 2021. Deferred actuarial losses to be amortized to expense in future years were \$1,253 (\$950 after-tax) as of September 30, 2020. See Notes 12 and 13.

CONTINGENT LIABILITIES

The Company is a party to a number of pending legal proceedings and claims, including those involving general and product liability (including asbestos) and other matters, several of which claim substantial amounts of damages. The Company accrues for such liabilities when it is probable that future costs (including legal fees and expenses) will be incurred and such costs can be reasonably estimated. Accruals are based on developments to date; management's estimates of the outcomes of these matters; and the Company's experience in contesting, litigating and settling similar matters. The Company engages an outside expert to develop an actuarial estimate of its expected costs to

resolve all pending and future asbestos claims, including defense costs, as well as its related insurance receivables. The reserve for asbestos litigation, which is recorded on an undiscounted basis, is based on projected claims through 2065.

Although it is not possible to predict the ultimate outcome of these matters, the Company historically has been largely successful in defending itself against claims and suits that have been brought against it, and will continue to defend itself vigorously in all such matters. While the Company believes a material adverse impact is unlikely, given the inherent uncertainty of litigation, a remote possibility exists that a future development could have a material adverse impact on the Company. See Note 13.

INCOME TAXES

Income tax expense and tax assets and liabilities reflect management's assessment of taxes paid or expected to be paid (received) on items included in the financial statements. Deferred tax assets and liabilities arise from temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and consideration of operating loss and tax credit carryforwards. Deferred income taxes are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. The impact on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Valuation allowances are provided to reduce deferred tax assets to the amount that will more likely than not be realized. This requires management to make judgments and estimates regarding the amount and timing of the reversal of taxable temporary differences, expected future taxable income, and the impact of tax planning strategies.

Uncertainty exists regarding tax positions taken in previously filed tax returns which remain subject to examination, along with positions expected to be taken in future returns. The Company provides for unrecognized tax benefits, based on the technical merits, when it is more likely than not that an uncertain tax position will not be sustained upon examination. Adjustments are made to the uncertain tax positions when facts and circumstances change, such as the closing of a tax audit; changes in applicable tax laws, including tax case rulings and legislative guidance; or expiration of the applicable statute of limitations.

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act, which made comprehensive changes to U.S. federal income tax laws by moving from a global to a modified territorial tax regime. As a result, cash repatriated to the U.S. is generally no longer subject to U.S. federal income taxes. No provision is made for withholding taxes and any applicable U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries where these earnings are considered indefinitely invested or otherwise retained for continuing international operations. Determination of the amount of taxes that might be paid on these undistributed earnings if eventually remitted is not practicable. See Notes 1 and 14.

Other Items

LEGAL MATTERS

At September 30, 2020, there were no known contingent liabilities (including guarantees, pending litigation, taxes and other claims) that management believes will be material in relation to the Company's financial statements, nor were there any material commitments outside the normal course of business.

NEW ACCOUNTING PRONOUNCEMENTS

On October 1, 2019, the Company adopted ASC 842, *Leases*, which requires rights and obligations related to lease arrangements to be recognized on the balance sheet, using the optional transition method under which prior periods were not adjusted. The Company elected the package of practical expedients for leases that commenced prior to the adoption date, which included carrying forward the historical lease classification as operating or finance. The adoption of ASC 842 resulted in the recognition of operating lease right-of-use assets and related lease liabilities of approximately \$500 as of October 1, 2019, but did not materially impact the Company's earnings or cash flows for the year ended September 30, 2020.

On October 1, 2019, the Company adopted updates to ASC 815, *Derivatives and Hedging*, which permit hedging certain contractually specified risk components. Additionally, the updates eliminate the requirement to separately measure and report hedge ineffectiveness and simplify hedge documentation and effectiveness assessment requirements. These updates were adopted using a modified retrospective approach and were immaterial to the Company's financial statements for the year ended September 30, 2020.

On October 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, which updated and consolidated revenue recognition guidance from multiple sources into a single, comprehensive standard to be applied for all contracts with customers. The fundamental principle of the revised standard is to recognize revenue based on the transfer of goods and services to customers at the amount the Company expects to be entitled to in exchange for those goods and services. The Company adopted the new standard using the modified retrospective approach and applied the guidance to open contracts which were not completed at the date of adoption. The cumulative effect of adoption resulted in a \$30 increase to beginning retained earnings as of October 1, 2018. This increase primarily related to contracts where a portion of revenue for delivered goods or services was previously deferred due to contingent payment terms. The adoption of ASC 606 did not materially impact the Company's consolidated financial statements as of and for the year ended September 30, 2019.

In January 2017, the FASB issued updates to ASC 350, *Intangibles - Goodwill and Other*, eliminating the requirement to measure impairment based on the implied fair value of goodwill compared to the carrying amount of a reporting unit's goodwill. Instead, goodwill impairment will be measured as the excess of a reporting unit's carrying amount over its estimated fair value. These updates are effective prospectively beginning in fiscal 2021 and are not expected to impact the Company's financial statements unless a potential goodwill impairment is identified.

In August 2018, the FASB issued updates to ASC 350, *Intangibles - Goodwill and Other*, which align the requirements for capitalizing implementation costs incurred in a software hosting arrangement with the requirements for costs incurred to develop or obtain internal-use software. The Company plans to adopt these updates prospectively in the first quarter of fiscal 2021 and they are not expected to materially impact the Company's results of operations.

In June 2016, the FASB issued ASC 326, *Financial Instruments - Credit Losses*, which amends the impairment model by requiring entities to use a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The new standard is effective in the first quarter of fiscal 2021 and is expected to have an immaterial impact on the Company's financial statements.

In August 2018, the FASB issued updates to ASC 715, *Compensation - Retirement Benefits*, which modify the disclosure requirements for employers that sponsor defined benefit plans or other postretirement plans. These updates are effective in fiscal 2021 and must be adopted on a retrospective basis. The updates change disclosures only and will not impact the Company's results of operations.

FISCAL 2021 OUTLOOK

Despite the uncertainties and challenges from COVID-19, Emerson ended the year with strong profitability, earnings and cash flow, driven by its ongoing cost containment and restructuring actions. As the broader macroeconomic outlook begins to stabilize, the Company is well-positioned with a more agile and lean cost structure to sustain and build upon its strong profitability, particularly as late cycle end markets begin their recovery. Although much of the attention this year was focused on reacting to the pandemic, Emerson also continued to invest and build on its innovation and technology footprint, including the strategic acquisition of Open Systems International, Inc. (OSI).

Emerson's outlook for fiscal 2021 assumes a conservative forecast for the macroeconomic environment given the current uncertainty, with slow-but-steady improvement in demand over the course of the year as economies, companies and communities continue to gradually reopen and learn to safely operate with the virus. Overall, revenue is expected to return to growth in the third quarter of 2021, with Commercial & Residential Solutions returning to growth in the first quarter and Automation Solutions returning to growth later in the year.

For the full year, consolidated net sales are expected to be up 1 to 4 percent, with underlying sales down 1 to up 2 percent excluding a 1 percent favorable impact from foreign currency translation and a 1 percent favorable impact from the OSI acquisition. Automation Solutions net sales are expected to be down 1 to up 2 percent, with underlying sales down 1 to 4 percent excluding a 1 percent favorable impact from foreign currency translation and a 2 percent favorable impact from the OSI acquisition. Commercial & Residential Solutions net sales are expected to be up 5 to 8 percent, with underlying sales up 4 to 7 percent excluding a 1 percent impact from favorable foreign currency translation. Earnings per share are expected to be \$3.06 to \$3.16, while adjusted earnings per share, which exclude a \$0.28 per share impact from restructuring actions and a \$0.06 per share impact from OSI first year acquisition accounting charges, are expected to be \$3.40 to \$3.50. Operating cash flow is expected to be approximately \$3.1 billion and free cash flow, which excludes targeted capital spending of \$600 million, is expected to be approximately \$2.5 billion. The Company intends to resume share repurchases in fiscal 2021 in the amount of \$500 million to \$1

billion, while concurrently maintaining optionality for further acquisitions should the opportunity arise. The guidance discussed herein assumes no major operational or supply chain disruptions and oil prices in the \$35 to \$50 range during this period. However, future developments related to COVID-19, including further actions taken by governmental authorities, potential shutdowns of our operations, or delays in the stabilization and recovery of economic conditions could further adversely affect our operations and financial results, as well as those of our customers and suppliers. See Item 1A - "Risk Factors."

Brexit Update

The United Kingdom's (UK) withdrawal from the European Union (EU), commonly known as "Brexit", was completed on January 31, 2020. The UK is now in a transition period and has begun negotiating the terms of a trade agreement and other laws and regulations with the EU. The Company's net sales in the UK are principally in the Automation Solutions segment and represent less than two percent of consolidated sales. Sales of products manufactured in the UK and sold within the EU are immaterial. The Company is evaluating several potential outcomes of the UK's negotiations with the EU and believes the direct cost of incremental tariffs, logistics and other items would be immaterial.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information from this Annual Report on Form 10-K set forth in Item 7 under "Financial Instruments" is hereby incorporated by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Company's consolidated financial statements and accompanying notes and the report thereon of KPMG LLP that follow.

Consolidated Statements of Earnings
EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions, except per share amounts)

	2018	2019	2020
Net sales	\$ 17,408	18,372	16,785
Costs and expenses:			
Cost of sales	9,976	10,557	9,776
Selling, general and administrative expenses	4,269	4,457	3,986
Other deductions, net	337	325	532
Interest expense, net of interest income of: 2018, \$43; 2019, \$27; 2020, \$19	159	174	156
Earnings before income taxes	2,667	2,859	2,335
Income taxes	443	531	345
Net earnings	2,224	2,328	1,990
Less: Noncontrolling interests in earnings of subsidiaries	21	22	25
Net earnings common stockholders	\$ 2,203	2,306	1,965
 Basic earnings per common share	 \$ 3.48	 3.74	 3.26
 Diluted earnings per common share	 \$ 3.46	 3.71	 3.24

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions)

	2018	2019	2020
Net earnings	\$ 2,224	2,328	1,990
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(231)	(194)	85
Pension and postretirement	242	(508)	64
Cash flow hedges	(7)	(5)	(2)
Total other comprehensive income (loss)	4	(707)	147
Comprehensive income	2,228	1,621	2,137
Less: Noncontrolling interests in comprehensive income of subsidiaries	21	22	27
Comprehensive income common stockholders	\$ 2,207	1,599	2,110

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
EMERSON ELECTRIC CO. & SUBSIDIARIES

September 30 (Dollars and shares in millions, except per share amounts)

	2019	2020
ASSETS		
Current assets		
Cash and equivalents	\$ 1,494	3,315
Receivables, less allowances of \$112 in 2019 and \$138 in 2020	2,985	2,802
Inventories	1,880	1,928
Other current assets	780	761
Total current assets	7,139	8,806
Property, plant and equipment, net	3,642	3,688
Other assets		
Goodwill	6,536	6,734
Other intangible assets	2,615	2,468
Other	565	1,186
Total other assets	9,716	10,388
Total assets	\$ 20,497	22,882
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings and current maturities of long-term debt	\$ 1,444	1,160
Accounts payable	1,874	1,715
Accrued expenses	2,658	2,910
Total current liabilities	5,976	5,785
Long-term debt	4,277	6,326
Other liabilities	1,971	2,324
Equity		
Common stock, \$0.50 par value; authorized, 1,200.0 shares; issued, 953.4 shares; outstanding, 611.0 shares in 2019; 598.0 shares in 2020	477	477
Additional paid-in-capital	393	470
Retained earnings	24,199	24,955
Accumulated other comprehensive income (loss)	(1,722)	(1,577)
	23,347	24,325
Less: Cost of common stock in treasury, 342.4 shares in 2019; 355.4 shares in 2020	15,114	15,920
Common stockholders' equity	8,233	8,405
Noncontrolling interests in subsidiaries	40	42
Total equity	8,273	8,447
Total liabilities and equity	\$ 20,497	22,882

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Equity
EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions, except per share amounts)

	2018	2019	2020
Common stock	\$ 477	477	477
Additional paid-in-capital			
Beginning balance	297	348	393
Stock plans	51	45	77
Ending balance	348	393	470
Retained earnings			
Beginning balance	21,995	23,072	24,199
Net earnings common stockholders	2,203	2,306	1,965
Dividends paid (per share: 2018, \$1.94; 2019, \$1.96; 2020, \$2.00)	(1,229)	(1,209)	(1,209)
Adoption of accounting standard updates	103	30	—
Ending balance	23,072	24,199	24,955
Accumulated other comprehensive income (loss)			
Beginning balance	(1,019)	(1,015)	(1,722)
Foreign currency translation	(231)	(194)	83
Pension and postretirement	242	(508)	64
Cash flow hedges	(7)	(5)	(2)
Ending balance	(1,015)	(1,722)	(1,577)
Treasury stock			
Beginning balance	(13,032)	(13,935)	(15,114)
Purchases	(1,000)	(1,250)	(942)
Issued under stock plans	97	71	136
Ending balance	(13,935)	(15,114)	(15,920)
Common stockholders' equity	8,947	8,233	8,405
Noncontrolling interests in subsidiaries			
Beginning balance	52	43	40
Net earnings	21	22	25
Other comprehensive income	—	—	2
Dividends paid	(30)	(25)	(25)
Ending balance	43	40	42
Total equity	\$ 8,990	8,273	8,447

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30 (Dollars in millions)

	2018	2019	2020
Operating activities			
Net earnings	\$ 2,224	2,328	1,990
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	758	822	854
Stock compensation expense	216	120	110
Pension expense	49	2	67
Pension funding	(61)	(60)	(66)
Transition impact of Tax Act	(189)	—	—
Changes in operating working capital	(83)	(150)	148
Other, net	(22)	(56)	(20)
Cash provided by operating activities	<u>2,892</u>	<u>3,006</u>	<u>3,083</u>
Investing activities			
Capital expenditures	(617)	(594)	(538)
Purchases of businesses, net of cash and equivalents acquired	(2,203)	(469)	(126)
Divestitures of businesses	201	14	—
Other, net	(101)	(125)	(76)
Cash used in investing activities	<u>(2,720)</u>	<u>(1,174)</u>	<u>(740)</u>
Financing activities			
Net increase (decrease) in short-term borrowings	343	(6)	(90)
Proceeds from short-term borrowings greater than three months	—	—	1,043
Payments of short-term borrowings greater than three months	—	—	(1,043)
Proceeds from long-term debt	—	1,691	2,233
Payments of long-term debt	(241)	(656)	(503)
Dividends paid	(1,229)	(1,209)	(1,209)
Purchases of common stock	(1,000)	(1,250)	(942)
Other, net	35	39	2
Cash used in financing activities	<u>(2,092)</u>	<u>(1,391)</u>	<u>(509)</u>
Effect of exchange rate changes on cash and equivalents	(49)	(40)	(13)
Increase (Decrease) in cash and equivalents	<u>(1,969)</u>	<u>401</u>	<u>1,821</u>
Beginning cash and equivalents	3,062	1,093	1,494
Ending cash and equivalents	<u>\$ 1,093</u>	<u>1,494</u>	<u>3,315</u>
Changes in operating working capital			
Receivables	\$ (175)	51	207
Inventories	17	(87)	(6)
Other current assets	(42)	(87)	33
Accounts payable	115	(37)	(196)
Accrued expenses	2	10	110
Total changes in operating working capital	<u>\$ (83)</u>	<u>(150)</u>	<u>148</u>

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions, except per share amounts or where noted)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. Certain prior year amounts have been reclassified to conform with current year presentation.

On October 1, 2019, the Company adopted ASC 842, *Leases*, which requires rights and obligations related to lease arrangements to be recognized on the balance sheet, using the optional transition method under which prior periods were not adjusted. The Company elected the package of practical expedients for leases that commenced prior to the adoption date, which included carrying forward the historical lease classification as operating or finance. The adoption of ASC 842 resulted in the recognition of operating lease right-of-use assets and related lease liabilities of approximately \$500 as of October 1, 2019, but did not materially impact the Company's earnings or cash flows for the year ended September 30, 2020. The Company's financial statements for 2018 and 2019 continue to be reported in accordance with the Company's historical accounting under ASC 840, *Leases*.

On October 1, 2019, the Company adopted updates to ASC 815, *Derivatives and Hedging*, which permit hedging certain contractually specified risk components. Additionally, the updates eliminate the requirement to separately measure and report hedge ineffectiveness and simplify hedge documentation and effectiveness assessment requirements. These updates were adopted using a modified retrospective approach and were immaterial to the Company's financial statements for the year ended September 30, 2020.

On October 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, which updated and consolidated revenue recognition guidance from multiple sources into a single, comprehensive standard to be applied for all contracts with customers. The fundamental principle of the revised standard is to recognize revenue based on the transfer of goods and services to customers at the amount the Company expects to be entitled to in exchange for those goods and services. The Company adopted the new standard using the modified retrospective approach and applied the guidance to open contracts which were not completed at the date of adoption. The cumulative effect of adoption resulted in a \$30 increase to beginning retained earnings as of October 1, 2018. This increase primarily related to contracts where a portion of revenue for delivered goods or services was previously deferred due to contingent payment terms. The adoption of ASC 606 did not materially impact the Company's consolidated financial statements as of and for the year ended September 30, 2019. Amounts reported for the year ended September 30, 2018 continue to be reported in accordance with the Company's historical accounting under ASC 605, *Revenue Recognition*.

In the first quarter of fiscal 2019, the Company adopted updates to ASC 715, *Compensation - Retirement Benefits*, which permit only the service cost component of net periodic pension and postretirement expense to be reported with compensation costs, while all other components are required to be reported separately in other deductions. These updates were adopted retrospectively and resulted in the reclassification of \$40 of income in 2018 from cost of sales and SG&A to other deductions, net. Segment earnings were not impacted by the updates to ASC 715.

In the fourth quarter of 2018, the Company adopted updates to ASC 220, *Comprehensive Income*, which permit reclassification of stranded tax effects resulting from U.S. tax reform from accumulated other comprehensive income to retained earnings. The Company reclassified \$100 of stranded tax effects from accumulated other comprehensive income to retained earnings upon adoption of these updates. See Note 17.

In the first quarter of 2018, the Company adopted updates to ASC 740, *Income Taxes*, which require recognition of the income tax effects of intra-entity transfers of assets other than inventory when the transfer occurs, on a modified retrospective basis. The adoption of these updates resulted in an increase of \$3 to retained earnings.

In the first quarter of 2018, the Company adopted updates to ASC 330, *Inventory*, which changed the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. These updates were adopted prospectively and did not materially impact the Company's financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled affiliates. Intercompany transactions, profits and balances are eliminated in consolidation. Investments of 20 percent to 50 percent of the voting shares of other entities are accounted for by the equity method. Investments in publicly traded companies of less than 20 percent are carried at fair value, with changes in fair value reflected in accumulated other comprehensive income. Investments in nonpublicly traded companies of less than 20 percent are carried at cost, minus impairment, and adjusted for observable price changes in orderly transactions.

Foreign Currency Translation

The functional currency for most of the Company's non-U.S. subsidiaries is the local currency. Adjustments resulting from translating local currency financial statements into U.S. dollars are reflected in accumulated other comprehensive income.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost and net realizable value. The majority of inventory is valued based on standard costs, which approximate average costs, while the remainder is principally valued on a first-in, first-out basis. Cost standards are revised at the beginning of each year. The annual effect of resetting standards plus any operating variances incurred during each period are allocated to inventories and recognized in cost of sales as product is sold. Following are the components of inventory as of September 30:

	2019	2020
Finished products	\$ 578	584
Raw materials and work in process	1,302	1,344
Total inventories	<u>\$ 1,880</u>	<u>1,928</u>

Fair Value Measurement

ASC 820, *Fair Value Measurement*, establishes a formal hierarchy and framework for measuring certain financial statement items at fair value, and requires disclosures about fair value measurements and the reliability of valuation inputs. Under ASC 820, measurement assumes the transaction to sell an asset or transfer a liability occurs in the principal or at least the most advantageous market for that asset or liability. Within the hierarchy, Level 1 instruments use observable market prices for an identical item in active markets and have the most reliable valuations. Level 2 instruments are valued through broker/dealer quotation or other approaches using market-observable inputs for similar items in active markets, including forward and spot prices, interest rates and volatilities. Level 3 instruments are valued using inputs not observable in an active market, such as company-developed future cash flow estimates, and are considered the least reliable. Valuations for all of the Company's financial instruments fall within Level 2. The fair value of the Company's long-term debt is Level 2, estimated using current interest rates and pricing from financial institutions and other market sources for debt with similar maturities and characteristics.

Property, Plant and Equipment

The Company records investments in land, buildings, and machinery and equipment at cost. Depreciation is computed principally using the straight-line method over estimated service lives, which for principal assets are 30 to 40 years for buildings and 8 to 12 years for machinery and equipment. Long-lived tangible assets are reviewed for impairment whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. Impairment losses are recognized based on estimated fair values if the sum of estimated future undiscounted cash flows of the related assets is less than the carrying values.

The components of property, plant and equipment as of September 30 follow:

	2019	2020
Land	\$ 336	350
Buildings	2,219	2,335
Machinery and equipment	5,645	5,907
Construction in progress	471	463
Property, plant and equipment, at cost	8,671	9,055
Less: Accumulated depreciation	5,029	5,367
Property, plant and equipment, net	<u>\$ 3,642</u>	<u>3,688</u>

Goodwill and Other Intangible Assets

Assets and liabilities acquired in business combinations are accounted for using the acquisition method and recorded at their respective fair values. Substantially all goodwill is assigned to the reporting unit that acquires a business. A reporting unit is an operating segment as defined in ASC 280, *Segment Reporting*, or a business one level below an operating segment if discrete financial information for that business unit is prepared and regularly reviewed by the segment manager. The Company conducts annual impairment tests of goodwill in the fourth quarter. If an initial assessment indicates it is more likely than not goodwill might be impaired, it is evaluated by comparing the reporting unit's estimated fair value to its carrying value. Goodwill is also tested for impairment between annual tests if events or circumstances indicate the fair value of a unit may be less than its carrying value. If the carrying amount exceeds the estimated fair value, impairment is recognized to the extent that recorded goodwill exceeds the implied fair value of that goodwill. Estimated fair values of reporting units are Level 3 measures and are developed generally under an income approach that discounts estimated future cash flows using risk-adjusted interest rates, as well as earnings multiples or other techniques as warranted. Fair values are subject to changes in underlying economic conditions.

All of the Company's identifiable intangible assets are subject to amortization on a straight-line basis over their estimated useful lives. Identifiable intangibles consist of intellectual property such as patents and trademarks, customer relationships and capitalized software. Identifiable intangibles are also subject to evaluation for potential impairment if events or circumstances indicate the carrying amount may not be recoverable. See Note 8.

Leases

The Company leases offices; manufacturing facilities and equipment; and transportation, information technology and office equipment under operating lease arrangements. Finance lease arrangements are immaterial. The Company determines whether an arrangement is, or contains, a lease at contract inception. An arrangement contains a lease if the Company has the right to direct the use of and obtain substantially all of the economic benefits of an identified asset. Right-of-use assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recognized on the balance sheet and are recorded as short-term lease expense. The discount rate used to calculate present value is the Company's incremental borrowing rate based on the lease term and the economic environment of the applicable country or region.

Certain leases contain renewal options or options to terminate prior to lease expiration, which are included in the measurement of right-of-use assets and lease liabilities when it is reasonably certain they will be exercised. The Company has elected to account for lease and non-lease components as a single lease component for its offices and manufacturing facilities. Some lease arrangements include payments that are adjusted periodically based on actual charges incurred for common area maintenance, utilities, taxes and insurance, or changes in an index or rate referenced in the lease. The fixed portion of these payments is included in the measurement of right-of-use assets and lease liabilities at lease commencement, while the variable portion is recorded as variable lease expense. The Company's leases typically do not contain material residual value guarantees or restrictive covenants.

Product Warranty

Warranties vary by product line and are competitive for the markets in which the Company operates. Warranties are largely offered to provide assurance that the product will function as intended and generally extend for a period of one to two years from the date of sale or installation. Provisions for warranty expense are estimated at the time of sale based on historical experience and adjusted quarterly for any known issues that may arise. Product warranty expense is less than one percent of sales.

Revenue Recognition

Emerson is a global manufacturer that designs and manufactures products and delivers services that bring technology and engineering together to provide innovative solutions for its customers, largely in the form of tangible products. The Company evaluates its contracts with customers to identify the promised goods or services and recognizes revenue for the identified performance obligations at the amount the Company expects to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. Revenue is recognized when, or as, performance obligations are satisfied and control has transferred to the customer, typically when products are shipped or delivered, title and risk of loss pass to the customer, and the Company has a present right to payment. The vast majority of the Company's revenues relate to a broad offering of manufactured products which are recognized at the point in time when control transfers, generally in accordance with shipping terms. A portion of the Company's revenues relate to the sale of software and post-contract customer support, parts and labor for repairs, and engineering services. In limited circumstances, contracts include multiple performance obligations, where revenue is recognized separately for each good or service, as well as contracts where revenue is recognized over time as control transfers to the customer.

Revenue is recognized over time for approximately 5 percent of the Company's revenues. These contracts largely relate to projects in the Process Control Systems & Solutions product offering within the Automation Solutions segment where revenue is recognized using the percentage-of-completion method to reflect the transfer of control over time, while a small amount is attributable to long-term maintenance and service contracts where revenue is typically recognized on a straight-line basis as the services are provided. Approximately 5 percent of revenues relate to sales arrangements with multiple performance obligations, principally in the Automation Solutions segment. Tangible products represent a large majority of the delivered items in contracts with multiple performance obligations or where revenue is recognized over time, while a smaller portion is attributable to installation, service and maintenance.

For revenues recognized over time, the Company typically uses an input method to determine progress and recognize revenue, based on costs incurred. The Company believes costs incurred closely correspond with its performance under the contract and the transfer of control to the customer.

In sales arrangements that involve multiple performance obligations, revenue is allocated based on the relative standalone selling price for each performance obligation. Observable selling prices from actual transactions are used whenever possible. In other instances, the Company determines the standalone selling price based on third-party pricing or management's best estimate. Generally, contract duration is short-term, and cancellation, termination or refund provisions apply only in the event of contract breach and are rarely invoked.

Payment terms vary but are generally short-term in nature. The Company's long-term contracts, where revenue is generally recognized over time, are typically billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. The timing of revenue recognition and billings under these contracts results in either unbilled receivables (contract assets) when revenue recognized exceeds billings, or customer advances (contract liabilities) when billings exceed revenue recognized. Unbilled receivables are reclassified to accounts receivable when an unconditional right to consideration exists, typically when a milestone in the contract is achieved. The Company does not evaluate whether the transaction price includes a significant financing component for contracts where the time between cash collection and performance is less than one year.

Certain arrangements with customers include variable consideration, typically in the form of rebates, cash discounts or penalties. In limited circumstances, the Company sells products with a general right of return. In most instances, returns are limited to product quality issues. The Company records a reduction to revenue at the time of sale to reflect the ultimate amount of consideration it expects to receive. The Company's estimates are updated quarterly based on historical experience, trend analysis, and expected market conditions. Variable consideration is typically not constrained at the time revenue is recognized. See Notes 2 and 18 for additional information about the Company's revenues.

Derivatives and Hedging

In the normal course of business, the Company is exposed to changes in interest rates, foreign currency exchange rates and commodity prices due to its worldwide presence and diverse business profile. The Company's foreign currency exposures relate to transactions denominated in currencies that differ from the functional currencies of its business units, primarily in euros and Mexican pesos. Primary commodity exposures are price fluctuations on

forecasted purchases of copper and aluminum and related products. As part of the Company's risk management strategy, derivative instruments are selectively used in an effort to minimize the impact of these exposures. Foreign exchange forwards and options are utilized to hedge foreign currency exposures impacting sales or cost of sales transactions, firm commitments and the fair value of assets and liabilities, while swap and option contracts may be used to minimize the effect of commodity price fluctuations on the cost of sales. Non-U.S. dollar obligations are utilized to reduce foreign currency risk associated with the Company's net investments in foreign operations. All derivatives are associated with specific underlying exposures and the Company does not hold derivatives for trading or speculative purposes. The duration of hedge positions is generally two years or less, except for the Company's net investment hedges.

All derivatives are accounted for under ASC 815, *Derivatives and Hedging*, and recognized at fair value. For derivatives hedging variability in future cash flows, any gain or loss is deferred in stockholders' equity and recognized when the underlying hedged transaction impacts earnings. The majority of the Company's derivatives that are designated as hedges and qualify for hedge accounting are cash flow hedges. For derivatives hedging the fair value of existing assets or liabilities, both the gain or loss on the derivative and the offsetting loss or gain on the hedged item are recognized in earnings each period. Currency fluctuations on non-U.S. dollar obligations that have been designated as hedges of net investments in foreign operations are recognized in accumulated other comprehensive income (loss) and reclassified to income in the same period when a foreign operation is sold or substantially liquidated and the gain or loss related to the sale is included in income. To the extent that any hedge is not fully effective at offsetting changes in the underlying hedged item, there could be a net earnings impact. The Company also uses derivatives to hedge economic exposures that do not receive hedge accounting under ASC 815. The underlying exposures for these hedges relate primarily to purchases of commodity-based components used in the Company's manufacturing processes, and the revaluation of certain foreign-currency-denominated assets and liabilities. Gains or losses on derivative instruments not designated as hedges are recognized in the income statement immediately.

Counterparties to derivative arrangements are companies with high credit ratings, and the Company has bilateral collateral arrangements with them for which credit rating-based posting thresholds vary depending on the arrangement. If credit ratings on the Company's debt fall below preestablished levels, counterparties can require immediate full collateralization on all instruments in net liability positions. No collateral was posted with counterparties and none was held by the Company at year end. If contractual thresholds had been exceeded, the maximum collateral the Company could have been required to post was immaterial. The Company can also demand full collateralization of instruments in net asset positions should any of the Company's counterparties' credit ratings fall below certain thresholds. Risk from credit loss when derivatives are in asset positions is not considered material. The Company has master netting arrangements in place with its counterparties that allow the offsetting of certain derivative-related amounts receivable and payable when settlement occurs in the same period. Accordingly, counterparty balances are netted in the consolidated balance sheet and are reported in other current assets or accrued expenses as appropriate, depending on positions with counterparties as of the balance sheet date. See Note 9.

Income Taxes

The provision for income taxes is based on pretax income reported in the consolidated statements of earnings and tax rates currently enacted in each jurisdiction. Certain income and expense items are recognized in different time periods for financial reporting and income tax filing purposes, and deferred income taxes are provided for the effect of temporary differences. The Company also provides for withholding taxes and any applicable U.S. income taxes on earnings intended to be repatriated from non-U.S. locations. No provision has been made for these taxes on approximately \$4.6 billion of undistributed earnings of non-U.S. subsidiaries as of September 30, 2020, as these earnings are considered indefinitely invested or otherwise retained for continuing international operations. Recognition of withholding taxes and any applicable U.S. income taxes on undistributed non-U.S. earnings would be triggered by a management decision to repatriate those earnings. Determination of the amount of taxes that might be paid on these undistributed earnings if eventually remitted is not practicable. See Note 14.

(2) REVENUE RECOGNITION

The following table summarizes the balances of the Company's unbilled receivables (contract assets), which are reported in Other current assets, and its customer advances (contract liabilities), which are reported in Accrued expenses.

	2019	2020
Unbilled receivables (contract assets)	\$ 456	458
Customer advances (contract liabilities)	(519)	(583)
Net contract liabilities	\$ (63)	(125)

The majority of the Company's contract balances relate to arrangements where revenue is recognized over time and payments from customers are made according to a contractual billing schedule. The increase in net contract liabilities was due to customer billings which exceeded revenue recognized for performance completed during the period. Revenue recognized for 2020 included approximately \$420 that was included in the beginning contract liability balance. Other factors that impacted the change in net contract liabilities were immaterial.

Revenue recognized for 2020 for performance obligations that were fully satisfied in previous periods, including cumulative catchup adjustments on the Company's long-term contracts, was not material. Capitalized amounts related to incremental costs to obtain customer contracts and costs to fulfill contracts are immaterial.

As of September 30, 2020, the Company's backlog relating to unsatisfied (or partially unsatisfied) performance obligations in contracts with its customers was approximately \$5.3 billion. The Company expects to recognize approximately 85 percent of its remaining performance obligations as revenue over the next 12 months, with the remainder substantially over the subsequent two years thereafter.

See Note 18 for additional information about the Company's revenues.

(3) WEIGHTED-AVERAGE COMMON SHARES

Basic earnings per common share consider only the weighted-average of common shares outstanding while diluted earnings per common share also consider the dilutive effects of stock options and incentive shares. An inconsequential number of shares of common stock were excluded from the computation of dilutive earnings per share in 2020, 2019 and 2018 as the effect would have been antidilutive. Earnings allocated to participating securities were inconsequential for all years presented.

Reconciliations of weighted-average shares for basic and diluted earnings per common share follow (shares in millions):

	2018	2019	2020
Basic shares outstanding	632.0	616.2	602.9
Dilutive shares	3.3	4.4	3.7
Diluted shares outstanding	635.3	620.6	606.6

(4) ACQUISITIONS AND DIVESTITURES

On October 1, 2020, the Company completed the acquisition of Open Systems International, Inc., a leading operations technology software provider in the global power industry, for approximately \$1.6 billion, net of cash acquired. This business, which has annual sales of approximately \$170 will be reported in the Automation Solutions segment. Based upon preliminary estimates, the Company expects to recognize goodwill of approximately \$1,000 (none of which is expected to be tax deductible), identifiable intangible assets of approximately \$800, primarily intellectual property and customer relationships with a weighted-average useful life of approximately 11 years, and deferred tax liabilities of approximately \$180.

In 2020, the Company acquired three businesses, two in the Automation Solutions segment and one in the Climate Technologies segment, for \$126, net of cash acquired. Valuations of certain acquired assets and liabilities are in-process and subject to refinement.

The Company acquired eight businesses in 2019, all in the Automation Solutions segment, for \$469, net of cash acquired. These eight businesses had combined annual sales of approximately \$300. The Company recognized goodwill of \$209 (\$155 of which is expected to be tax deductible) and other identifiable intangible assets of \$158, primarily customer relationships and intellectual property with a weighted-average useful life of approximately nine years.

On July 17, 2018, the Company completed the acquisition of Aventics, a global provider of smart pneumatics technologies that power machine and factory automation applications, for \$622, net of cash acquired. This business, which has annual sales of approximately \$425, is reported in the Industrial Solutions product offering in the Automation Solutions segment. The Company recognized goodwill of \$372 (\$20 of which is expected to be tax deductible), and identifiable intangible assets of \$278, primarily intellectual property and customer relationships with a weighted-average useful life of approximately 12 years.

On July 2, 2018, the Company completed the acquisition of Textron's tools and test equipment business for \$810, net of cash acquired. This business, with annual sales of approximately \$470, is a manufacturer of electrical and utility tools, diagnostics, and test and measurement instruments, and is reported in the Tools & Home products segment. The Company recognized goodwill of \$366 (\$11 of which is expected to be tax deductible), and identifiable intangible assets of \$358, primarily intellectual property and customer relationships with a weighted-average useful life of approximately 14 years.

On December 1, 2017, the Company acquired Paradigm, a provider of software solutions for the oil and gas industry, for \$505, net of cash acquired. This business had annual sales of approximately \$140 and is included in the Measurement & Analytical Instrumentation product offering within Automation Solutions. The Company recognized goodwill of \$309 (\$170 of which is expected to be tax deductible), and identifiable intangible assets of \$238, primarily intellectual property and customer relationships with a weighted-average useful life of approximately 11 years.

During 2018, the Company also acquired four smaller businesses, two in the Automation Solutions segment and two in the Climate Technologies segment.

Total cash paid for all businesses for the fiscal year ended 2018 was \$2.2 billion, net of cash acquired. The purchase price of the 2018 acquisitions was allocated to assets and liabilities as follows.

Accounts receivable	\$ 153
Inventory	187
Property, plant and equipment	140
Goodwill	1,176
Intangibles	1,013
Other assets	77
Total assets	<u>2,746</u>
Accounts payable	73
Other current liabilities	134
Deferred taxes and other liabilities	325
Cash paid, net of cash acquired	<u>\$ 2,214</u>

Results of operations for the 2018 acquisitions included sales of \$365 and a net loss of \$3, including intangibles amortization of \$40 and restructuring expense of \$3. These results also included first year pretax acquisition accounting charges related to inventory and deferred revenue of \$39 and \$11, respectively, which are reported in Corporate and other. See Note 18.

The results of operations of the acquired businesses discussed above have been included in the Company's consolidated results of operations since the respective dates of acquisition.

On October 2, 2017, the Company sold its residential storage business for \$200 in cash, and recognized a small pretax gain and an after-tax loss of \$24 (\$0.04 per share) in 2018 due to income taxes resulting from nondeductible goodwill. The Company realized \$150 in after-tax cash proceeds from the sale.

In 2017, the Company sold its network power systems business and retained a subordinated interest in distributions which is contingent upon the equity holders first receiving a threshold return on their initial investment. The Company has not received any distributions through the year ended September 30, 2020.

Pro Forma Financial Information (Unaudited)

Pro forma net sales, net earnings common stockholders and diluted earnings per share for 2018 were approximately \$18.2 billion, \$2.3 billion and \$3.56 per share, respectively. These results are presented as if the 2018 acquisitions occurred on October 1, 2016 and the 2017 acquisition of the valves & controls business occurred on October 1, 2015. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved had the acquisitions occurred as of that time.

The 2018 pro forma results exclude acquisition costs and first year acquisition accounting charges related to inventory, backlog and deferred revenue of \$102. Of these charges, \$73 related to businesses acquired in 2018 and \$29 related to the valves & controls acquisition.

(5) OTHER DEDUCTIONS, NET

Other deductions, net are summarized as follows:

	2018	2019	2020
Amortization of intangibles (intellectual property and customer relationships)	\$ 211	238	239
Restructuring costs	65	95	284
Special advisory fees	—	—	13
Other	61	(8)	(4)
Total	<u>\$ 337</u>	<u>325</u>	<u>532</u>

The increase in amortization for 2019 is due to higher intangibles amortization of \$46 which largely relates to acquisitions completed in 2018, partially offset by backlog amortization of \$19 incurred in 2018 related to the valves & controls acquisition. Other is composed of several items, including acquisition/divestiture costs, foreign currency transaction gains and losses, litigation, pension expense and other items. The change in 2020 was primarily due to an unfavorable impact from pensions of \$48 offset by lower acquisition/divestiture and litigation costs. The decrease in 2019 is primarily due to lower acquisition/divestiture costs of \$29, pension expenses of \$42 and foreign currency transactions of \$13.

(6) RESTRUCTURING COSTS

Each year the Company incurs costs to size its businesses to levels appropriate for current economic conditions and to continually improve its cost structure and operational efficiency, deploy assets globally, and remain competitive on a worldwide basis. Costs result from numerous individual actions implemented across the Company's various operating units on an ongoing basis and can include costs for moving facilities to best-cost locations, restarting plants after relocation or geographic expansion to better serve local markets, reducing forcecount or the number of facilities, exiting certain product lines, and other costs resulting from asset deployment decisions (such as contract termination costs, asset write-downs and vacant facility costs).

Restructuring expenses were \$284, \$95 and \$65 for 2020, 2019 and 2018, respectively, and included \$7 and \$19 related to acquisitions in 2019 and 2018. The Company expects fiscal year 2021 restructuring expense to exceed \$200.

Restructuring costs by business segment follows:

	2018	2019	2020
Automation Solutions	\$ 41	65	232
Climate Technologies	20	20	23
Tools & Home Products	3	7	21
Commercial & Residential Solutions	23	27	44
Corporate	1	3	8
Total	<u>\$ 65</u>	<u>95</u>	<u>284</u>

Costs incurred in 2020 relate to the Company's initiatives to improve operating margins that began in the third quarter of fiscal 2019 and were expanded in the third quarter of fiscal 2020 in response to the effects of COVID-19 on demand for the Company's products. Actions taken in 2020 included workforce reductions of approximately 5,400 positions and the exit of six production facilities worldwide. Costs incurred in 2019 and 2018 primarily relate to the deployment of resources to better serve local markets and higher growth areas, and the integration of acquisitions. Expenses incurred in 2019 and 2018 included actions to exit two and six facilities, and eliminate approximately 1,100 and 1,200 positions, respectively.

The change in the liability for restructuring costs during the years ended September 30 follows:

	2019	Expense	Utilized/Paid	2020
Severance and benefits	\$ 62	239	125	176
Other	7	45	47	5
Total	<u>\$ 69</u>	<u>284</u>	<u>172</u>	<u>181</u>

	2018	Expense	Utilized/Paid	2019
Severance and benefits	\$ 46	72	56	62
Other	6	23	22	7
Total	<u>\$ 52</u>	<u>95</u>	<u>78</u>	<u>69</u>

The tables above do not include \$20 of costs related to restructuring actions incurred for the year ended September 30, 2020 that are required to be reported in cost of sales.

(7) LEASES

The components of lease expense for the year ended September 30, 2020 were as follows:

	2020
Operating lease expense	\$ 207
Variable lease expense	\$ 19

Short-term lease expense and sublease income were immaterial for the year ended September 30, 2020. Cash paid for operating leases is classified within operating cash flows and was \$201 for the year ended September 30, 2020. Operating lease right-of-use asset additions were \$210 for the year ended September 30, 2020.

The following table summarizes the balances of the Company's operating lease right-of-use assets and operating lease liabilities as of September 30, 2020, the vast majority of which relates to offices and manufacturing facilities:

	2020
Right-of-use assets (Other assets)	\$ 508
Current lease liabilities (Accrued expenses)	\$ 148
Noncurrent lease liabilities (Other liabilities)	\$ 373

The weighted-average remaining lease term for operating leases was 4.6 years and the weighted-average discount rate was 2.8 percent as of September 30, 2020.

Future maturities of operating lease liabilities as of September 30, 2020 are summarized below:

	2020
2021	\$ 159
2022	122
2023	94
2024	66
2025	39
Thereafter	85
Total lease payments	565
Less: Interest	44
Total lease liabilities	\$ 521

Lease commitments that have not yet commenced were immaterial as of September 30, 2020.

The future minimum annual rentals under noncancelable long-term leases as of September 30, 2019 were as follows: \$159 in 2020, \$112 in 2021, \$82 in 2022, \$57 in 2023, \$38 in 2024 and \$63 thereafter.

(8) GOODWILL AND OTHER INTANGIBLES

The change in the carrying value of goodwill by business segment follows:

	Automation Solutions	Climate Technologies	Tools & Home Products	Commercial & Residential Solutions	Total
Balance, September 30, 2018	\$ 5,355	670	430	1,100	6,455
Acquisitions	210	—	—	—	210
Foreign currency translation and other	(98)	(2)	(29)	(31)	(129)
Balance, September 30, 2019	5,467	668	401	1,069	6,536
Acquisitions	23	59	—	59	82
Foreign currency translation and other	93	3	20	23	116
Balance, September 30, 2020	\$ 5,583	730	421	1,151	6,734

The gross carrying amount and accumulated amortization of identifiable intangible assets by major class follow:

	Customer Relationships		Intellectual Property		Capitalized Software		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
Gross carrying amount	\$ 1,973	2,059	1,565	1,628	1,334	1,419	4,872	5,106
Less: Accumulated amortization	582	731	650	773	1,025	1,134	2,257	2,638
Net carrying amount	\$ 1,391	1,328	915	855	309	285	2,615	2,468

Intangible asset amortization expense for the major classes included above for 2020, 2019 and 2018 was \$369, \$359 and \$314, respectively. Based on intangible asset balances as of September 30, 2020, amortization expense is expected to approximate \$352 in 2021, \$316 in 2022, \$291 in 2023, \$256 in 2024 and \$236 in 2025. These amounts do not include the impact of the acquisition of Open Systems International, Inc., which closed on October 1, 2020.

(9) FINANCIAL INSTRUMENTS

Hedging Activities

As of September 30, 2020, the notional amount of foreign currency hedge positions was approximately \$2.2 billion, while commodity hedge contracts totaled approximately \$80 (primarily 34 million pounds of copper and aluminum). All derivatives receiving hedge accounting are cash flow hedges. The majority of hedging gains and losses deferred as of September 30, 2020 are expected to be recognized over the next 12 months as the underlying forecasted transactions occur. Gains and losses on foreign currency derivatives reported in Other deductions, net reflect hedges of balance sheet exposures that do not receive hedge accounting.

Net Investment Hedge

In fiscal 2019, the Company issued euro-denominated debt of €1.5 billion. The euro notes reduce foreign currency risk associated with the Company's international subsidiaries that use the euro as their functional currency and have been designated as a hedge of a portion of the investment in these operations. Foreign currency gains or losses associated with the euro-denominated debt are deferred in accumulated other comprehensive income (loss) and will remain until the hedged investment is sold or substantially liquidated.

Amounts included in earnings and other comprehensive income follow:

	<u>Location</u>	Gain (Loss) to Earnings			Gain (Loss) to OCI		
		2018	2019	2020	2018	2019	2020
Commodity	Cost of sales	\$ 13	(11)	(8)	(7)	(10)	10
Foreign currency	Sales	(2)	(7)	(5)	(11)	(8)	4
Foreign currency	Cost of sales	4	20	4	20	14	(25)
Foreign currency	Other deductions, net	(15)	66	(40)			
Net Investment Hedge							
Euro denominated debt					—	70	(123)
Total		\$ —	68	(49)	2	66	(134)

Regardless of whether derivatives and non-derivative financial instruments receive hedge accounting, the Company expects hedging gains or losses to be essentially offset by losses or gains on the related underlying exposures. The amounts ultimately recognized will differ from those presented above for open positions, which remain subject to ongoing market price fluctuations until settlement. Derivatives receiving hedge accounting are highly effective and no amounts were excluded from the assessment of hedge effectiveness.

Fair Value Measurement

The estimated fair value of long-term debt was \$7.3 billion and \$5.3 billion, respectively, as of September 30, 2020 and 2019, which exceeded the carrying value by \$629 and \$469, respectively. The fair values of commodity and foreign currency contracts were reported in Other current assets and Accrued expenses as summarized below:

	2019		2020	
	Assets	Liabilities	Assets	Liabilities
Commodity	\$ —	8	11	—
Foreign currency	\$ 29	12	26	25

(10) SHORT-TERM BORROWINGS AND LINES OF CREDIT

Short-term borrowings and current maturities of long-term debt are as follows:

	2019	2020
Current maturities of long-term debt	\$ 515	322
Commercial paper	929	838
Total	<u>\$ 1,444</u>	<u>1,160</u>

Interest rate for weighted-average short-term borrowings at year end	<u>2.1%</u>	<u>0.1%</u>
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In May 2018, the Company entered into a \$3.5 billion five-year revolving backup credit facility with various banks, which replaced the April 2014 \$3.5 billion facility. The credit facility is maintained to support general corporate purposes, including commercial paper borrowings. The Company has not incurred any borrowings under this or previous facilities. The credit facility contains no financial covenants and is not subject to termination based on a change of credit rating or material adverse changes. The facility is unsecured and may be accessed under various interest rate and currency denomination alternatives at the Company's option. Fees to maintain the facility are immaterial.

(11) LONG-TERM DEBT

The details of long-term debt follow:

	2019	2020
4.875% notes due October 2019	\$ 500	—
4.25% notes due November 2020	300	300
2.625% notes due December 2021	500	500
2.625% notes due February 2023	500	500
0.375% notes due May 2024	545	586
3.15% notes due June 2025	500	500
1.25% notes due October 2025	545	586
0.875% notes due October 2026	—	750
1.8% notes due October 2027	—	500
2.0% notes due October 2029	545	586
1.95% notes due October 2030	—	500
6.0% notes due August 2032	250	250
6.125% notes due April 2039	250	250
5.25% notes due November 2039	300	300
2.75% notes due October 2050	—	500
Other	57	40
Long-term debt	<u>4,792</u>	<u>6,648</u>
Less: Current maturities	515	322
Total, net	<u>\$ 4,277</u>	<u>6,326</u>

Long-term debt maturing during each of the four years after 2021 is \$525, \$511, \$582 and \$497, respectively. Total interest paid on long-term debt was approximately \$163, \$195 and \$193 in 2020, 2019 and 2018, respectively. During the year, the Company repaid \$500 of 4.875% notes that matured in October 2019. In April 2020, the Company issued \$500 of 1.8% notes due October 2027, \$500 of 1.95% notes due October 2030 and \$500 of 2.75% notes due October 2050. In September 2020, the Company issued \$750 of 0.875% notes due October 2026.

In 2019, the Company repaid \$400 of 5.25% notes that matured in October 2018 and \$250 of 5.0% notes that matured in April 2019. In January 2019, the Company issued €500 of 1.25% notes due October 2025 and €500 of 2.0% notes due October 2029. In May 2019, the Company issued €500 of 0.375% notes due May 2024.

The Company maintains a universal shelf registration statement on file with the SEC under which it can issue debt securities, preferred stock, common stock, warrants, share purchase contracts or share purchase units without a predetermined limit. Securities can be sold in one or more separate offerings with the size, price and terms to be determined at the time of sale.

(12) PENSION AND POSTRETIREMENT PLANS

Retirement plans expense includes the following components:

	U.S. Plans			Non-U.S. Plans		
	2018	2019	2020	2018	2019	2020
Defined benefit plans:						
Service cost (benefits earned during the period)	\$ 52	47	57	24	24	30
Interest cost	141	155	125	39	38	30
Expected return on plan assets	(283)	(281)	(268)	(67)	(68)	(72)
Net amortization and other	129	81	148	14	6	17
Net periodic pension expense	39	2	62	10	—	5
Defined contribution plans	132	125	112	52	56	56
Total retirement plans expense	\$ 171	127	174	62	56	61

Net periodic pension expense increased in 2020 primarily due to higher amortization expense. For defined contribution plans, the Company makes cash contributions based on plan requirements, which are expensed as incurred.

The Company's principal U.S. defined benefit plan is closed to employees hired after January 1, 2016 while shorter-tenured employees ceased accruing benefits effective October 1, 2016.

Details of the changes in the actuarial present value of the projected benefit obligation and the fair value of plan assets for defined benefit pension plans follow:

	U.S. Plans		Non-U.S. Plans	
	2019	2020	2019	2020
Projected benefit obligation, beginning	\$ 3,957	4,410	1,442	1,584
Service cost	47	57	24	30
Interest cost	155	125	38	30
Actuarial loss	608	260	216	3
Benefits paid	(206)	(202)	(36)	(37)
Settlements	(152)	(111)	(41)	(46)
Foreign currency translation and other	1	(14)	(59)	69
Projected benefit obligation, ending	\$ 4,410	4,525	1,584	1,633
Fair value of plan assets, beginning	\$ 4,233	4,208	1,243	1,284
Actual return on plan assets	316	466	135	58
Employer contributions	16	20	44	46
Benefits paid	(206)	(202)	(36)	(37)
Settlements	(152)	(111)	(41)	(46)
Foreign currency translation and other	1	2	(61)	62
Fair value of plan assets, ending	\$ 4,208	4,383	1,284	1,367
Net amount recognized in the balance sheet	\$ (202)	(142)	(300)	(266)
Location of net amount recognized in the balance sheet:				
Noncurrent asset	\$ 67	140	97	125
Current liability	(11)	(11)	(14)	(15)
Noncurrent liability	(258)	(271)	(383)	(376)
Net amount recognized in the balance sheet	\$ (202)	(142)	(300)	(266)
Pretax accumulated other comprehensive loss	\$ (1,040)	(937)	(307)	(316)

Approximately \$159 of the \$1,253 of pretax losses deferred in accumulated other comprehensive income (loss) at September 30, 2020 will be amortized to expense in 2021. As of September 30, 2020, U.S. pension plans were underfunded by \$142 in total, including unfunded plans totaling \$223. The non-U.S. plans were underfunded by \$266, including unfunded plans totaling \$319.

As of the September 30, 2020 and 2019 measurement dates, the plans' total accumulated benefit obligation was \$5,859 and \$5,682, respectively. The total projected benefit obligation, accumulated benefit obligation and fair value of plan assets for individual plans with accumulated benefit obligations in excess of plan assets were \$1,153, \$1,034 and \$492, respectively, for 2020, and \$1,113, \$991 and \$456, respectively, for 2019.

Future benefit payments by U.S. plans are estimated to be \$212 in 2021, \$219 in 2022, \$225 in 2023, \$231 in 2024, \$235 in 2025 and \$1,219 in total over the five years 2026 through 2030. Based on foreign currency exchange rates as of September 30, 2020, future benefit payments by non-U.S. plans are estimated to be \$72 in 2021, \$72 in 2022, \$72 in 2023, \$78 in 2024, \$79 in 2025 and \$441 in total over the five years 2026 through 2030. The Company expects to contribute approximately \$50 to its retirement plans in 2021.

The weighted-average assumptions used in the valuation of pension benefits follow:

	U.S. Plans			Non-U.S. Plans		
	2018	2019	2020	2018	2019	2020
Net pension expense						
Discount rate used to determine service cost	3.95 %	4.33 %	3.40 %	2.6 %	2.7 %	1.9 %
Discount rate used to determine interest cost	3.25 %	3.98 %	2.87 %	2.6 %	2.7 %	1.9 %
Expected return on plan assets	7.00 %	7.00 %	6.75 %	5.7 %	6.1 %	5.8 %
Rate of compensation increase	3.25 %	3.25 %	3.25 %	3.4 %	3.5 %	3.7 %
Benefit obligations						
Discount rate	4.26 %	3.22 %	2.81 %	2.7 %	1.9 %	1.9 %
Rate of compensation increase	3.25 %	3.25 %	3.25 %	3.5 %	3.7 %	3.6 %

The discount rate for the U.S. retirement plans was 2.81 percent as of September 30, 2020. An actuarially developed, company-specific yield curve is used to determine the discount rate. To determine the service and interest cost components of pension expense for its U.S. retirement plans, the Company applies the specific spot rates along the yield curve, rather than the single weighted-average rate, to the projected cash flows to provide more precise measurement of these costs. The expected return on plan assets assumption is determined by reviewing the investment returns of the plans for the past 10 years plus longer-term historical returns of an asset mix approximating the Company's asset allocation targets, and periodically comparing these returns to expectations of investment advisors and actuaries to determine whether long-term future returns are expected to differ significantly from the past.

The Company's asset allocations at September 30, 2020 and 2019, and weighted-average target allocations follow:

	U.S. Plans			Non-U.S. Plans		
	2019	2020	Target	2019	2020	Target
Equity securities	53 %	49 %	45-55%	42 %	41 %	40-50%
Debt securities	46	45	40-50	47	48	45-55
Other	1	6	0-10	11	11	5-15
Total	100 %	100 %	100%	100 %	100 %	100%

The primary objective for the investment of pension assets is to secure participant retirement benefits by earning a reasonable rate of return. Plan assets are invested consistent with the provisions of the prudence and diversification rules of ERISA and with a long-term investment horizon. The Company continuously monitors the value of assets by class and routinely rebalances to remain within target allocations. The equity strategy is to minimize concentrations of risk by investing primarily in a mix of companies that are diversified across geographies, market capitalization, style, sectors and industries worldwide. The approach for bonds emphasizes investment-grade corporate and government debt with maturities matching a portion of the longer duration pension liabilities. The bonds strategy also includes a high-yield element which is generally shorter in duration. For diversification, a small portion of U.S. plan assets is allocated to private equity partnerships and real asset fund investments, providing opportunities for above market returns. Leveraging techniques are not used and the use of derivatives in any fund is limited and inconsequential.

The fair values of defined benefit pension assets as of September 30, organized by asset class and by the fair value hierarchy of ASC 820, *Fair Value Measurement*, follow. Investments valued based on the net asset value (NAV) of fund units held, as derived from the fair value of the underlying assets, are excluded from the fair value hierarchy.

	Level 1	Level 2	Level 3	Measured at NAV	Total	%
2020						
U.S. equities	\$ 785	10		536	1,331	23 %
International equities	513	16		635	1,164	20 %
Emerging market equities				237	237	4 %
Corporate bonds		1,202		446	1,648	29 %
Government bonds		450		531	981	17 %
Other	4	8	133	244	389	7 %
Total	\$ 1,302	1,686	133	2,629	5,750	100 %

2019						
U.S. equities	\$ 789	5	386	284	1,464	27 %
International equities	459	15		615	1,089	20 %
Emerging market equities				213	213	4 %
Corporate bonds		1,008		464	1,472	27 %
Government bonds		512		540	1,052	19 %
Other	1	8	129	64	202	3 %
Total	\$ 1,249	1,548	515	2,180	5,492	100 %

Asset Classes

U.S. equities reflect companies domiciled in the U.S., including multinational companies. International equities are comprised of companies domiciled in developed nations outside the U.S. Emerging market equities are comprised of companies domiciled in portions of Asia, Eastern Europe and Latin America. Corporate bonds represent investment-grade debt of issuers primarily from the U.S. Government bonds include investment-grade instruments issued by federal, state and local governments, primarily in the U.S. Other includes cash, interests in mixed asset funds investing in commodities, natural resources, agriculture, real estate and infrastructure funds, life insurance contracts (U.S.), and shares in certain general investment funds of financial institutions or insurance arrangements (non-U.S.) that typically ensure no market losses or provide for a small minimum return guarantee.

Fair Value Hierarchy Categories

Valuations of Level 1 assets for all classes are based on quoted closing market prices from the principal exchanges where the individual securities are traded. Cash is valued at cost, which approximates fair value. Debt securities categorized as Level 2 assets are generally valued based on independent broker/dealer bids or by comparison to other debt securities having similar durations, yields and credit ratings. Valuation techniques and inputs for these assets include discounted cash flow analysis, earnings multiple approaches, recent transactions, transfer restrictions, prevailing discount rates, volatilities, credit ratings and other factors. In the Other class, interests in mixed asset funds are Level 2, and U.S. life insurance contracts and non-U.S. general fund investments and insurance arrangements are Level 3. Investments measured at NAV are primarily nonexchange-traded commingled or collective funds where the underlying securities have observable prices available from active markets and typically provide liquidity daily or within a few days. The NAV category also includes fund investments in private equities, real estate and infrastructure where the fair value of the underlying assets is determined by the investment manager. Total unfunded commitments for the private equity funds were approximately \$240 at September 30, 2020. These investments cannot be redeemed, but instead the funds will make distributions through liquidation of the underlying assets, which is expected to occur over approximately the next 10 years. The real estate and infrastructure funds typically offer quarterly redemption.

Postretirement Plans

The Company also sponsors unfunded postretirement benefit plans (primarily health care) for certain U.S. retirees and their dependents. The Company's principal U.S. postretirement plan has been frozen to new employees since 1993. The postretirement benefit liability for all plans was \$135 and \$147 as of September 30, 2020 and 2019, respectively, and included deferred actuarial gains in accumulated other comprehensive income of \$106 and \$118, respectively. Service and interest costs are negligible and more than offset by the amortization of deferred actuarial gains, which resulted in net postretirement income of \$12 for each of the last three years. Benefits paid were \$12

and \$13 for 2020 and 2019, respectively, and the Company estimates that future health care benefit payments will be approximately \$12 per year for 2021 through 2025, and \$42 in total over the five years 2026 through 2030.

(13) CONTINGENT LIABILITIES AND COMMITMENTS

The Company is a party to a number of pending legal proceedings and claims, including those involving general and product liability (including asbestos) and other matters, several of which claim substantial amounts of damages. The Company accrues for such liabilities when it is probable that future costs (including legal fees and expenses) will be incurred and such costs can be reasonably estimated. Accruals are based on developments to date; management's estimates of the outcomes of these matters; and the Company's experience in contesting, litigating and settling similar matters. The Company engages an outside expert to develop an actuarial estimate of its expected costs to resolve all pending and future asbestos claims, including defense costs, as well as its related insurance receivables. The reserve for asbestos litigation, which is recorded on an undiscounted basis, is based on projected claims through 2065.

Although it is not possible to predict the ultimate outcome of these matters, the Company historically has been largely successful in defending itself against claims and suits that have been brought against it, and will continue to defend itself vigorously in all such matters. While the Company believes a material adverse impact is unlikely, given the inherent uncertainty of litigation, a remote possibility exists that a future development could have a material adverse impact on the Company. The Company enters into certain indemnification agreements in the ordinary course of business in which the indemnified party is held harmless and is reimbursed for losses incurred from claims by third parties, usually up to a prespecified limit. In connection with divestitures of certain assets or businesses, the Company often provides indemnities to the buyer with respect to certain matters including, for example, environmental or unidentified tax liabilities related to periods prior to the disposition. Because of the uncertain nature of the indemnities, the maximum liability cannot be quantified. As such, contingent liabilities are recorded when they are both probable and reasonably estimable. Historically, payments under indemnity arrangements have been inconsequential.

At September 30, 2020, there were no known contingent liabilities (including guarantees, pending litigation, taxes and other claims) that management believes will be material in relation to the Company's financial statements, nor were there any material commitments outside the normal course of business.

(14) INCOME TAXES

Pretax earnings consist of the following:

	2018	2019	2020
United States	\$ 1,652	1,771	1,360
Non-U.S.	1,015	1,088	975
Total pretax earnings	<u>\$ 2,667</u>	<u>2,859</u>	<u>2,335</u>

The principal components of income tax expense follow:

	2018	2019	2020
Current:			
U.S. federal	\$ 341	247	123
State and local	52	24	15
Non-U.S.	300	308	288
Deferred:			
U.S. federal	(224)	(2)	(44)
State and local	(11)	12	1
Non-U.S.	(15)	(58)	(38)
Income tax expense	<u>\$ 443</u>	<u>531</u>	<u>345</u>

Reconciliations of the U.S. federal statutory income tax rate to the Company's effective tax rate follow. For fiscal 2018, the U.S. federal statutory rate was 35 percent for one quarter and 21 percent for three quarters.

	2018	2019	2020
U.S. federal statutory rate	24.5 %	21.0 %	21.0 %
State and local taxes, net of U.S. federal tax benefit	1.2	1.0	0.6
Non-U.S. rate differential	0.8	1.8	1.7
Non-U.S. tax holidays	(0.8)	(1.1)	(1.1)
Research and development credits	(0.2)	(0.3)	(1.8)
U.S. manufacturing deduction	(1.1)	—	—
Foreign derived intangible income	—	(1.1)	(1.2)
Gain on divestiture	1.0	—	—
Subsidiary restructuring	(2.0)	(2.6)	(4.4)
Transition impact of Tax Act	(7.1)	—	—
Other	0.3	(0.1)	—
Effective income tax rate	16.6 %	18.6 %	14.8 %

The tax rates for 2020, 2019 and 2018 include benefits from restructuring subsidiaries of \$103 (\$0.17 per share), \$74 (\$0.12 per share) and \$53 (\$0.08 per share), respectively. The increase in research and development credits in the current year was due to the impact of a research and development tax credit study.

On December 22, 2017, the U.S. government enacted tax reform, the Tax Cuts and Jobs Act (the "Tax Act"), which made comprehensive changes to U.S. federal income tax laws by moving from a global to a modified territorial tax regime. The Tax Act includes a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent in calendar year 2018 along with the elimination of certain deductions and credits, and a one-time "deemed repatriation" of accumulated non-U.S. earnings. During 2018, the Company recognized a net tax benefit of \$189 (\$0.30 per share) due to impacts of the Tax Act, consisting of a \$94 benefit on revaluation of net deferred income tax liabilities to the lower tax rate, \$35 of expense for the tax on deemed repatriation of accumulated non-U.S. earnings and withholding taxes, and the reversal of \$130 accrued in previous periods for the planned repatriation of non-U.S. cash. The Company completed its accounting for the Tax Act in the first quarter of fiscal 2019.

Effective in fiscal 2019, the Tax Act also subjects the Company to U.S. tax on global intangible low-taxed income earned by certain of its non-U.S. subsidiaries. The Company has elected to recognize this tax as a period expense when it is incurred.

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic, and among other things, provides tax relief to businesses. Tax provisions of the CARES Act include the deferral of certain payroll taxes, relief for retaining employees, and other provisions. The Company expects to defer \$75 of certain payroll taxes through the end of calendar year 2020, of which \$48 was deferred through September 30, 2020.

Non-U.S. tax holidays reduce tax rates in certain jurisdictions and are expected to expire over the next two years.

Following are changes in unrecognized tax benefits before considering recoverability of any cross-jurisdictional tax credits (U.S. federal, state and non-U.S.) and temporary differences. The amount of unrecognized tax benefits is not expected to change significantly within the next 12 months.

	2019	2020
Unrecognized tax benefits, beginning	\$ 158	159
Additions for current year tax positions	15	25
Additions for prior year tax positions	18	29
Reductions for prior year tax positions	(22)	(8)
Acquisitions and divestitures	4	—
Reductions for settlements with tax authorities	(5)	—
Reductions for expiration of statutes of limitations	(9)	(10)
Unrecognized tax benefits, ending	<u>\$ 159</u>	<u>195</u>

If none of the unrecognized tax benefits shown is ultimately paid, the tax provision and the calculation of the effective tax rate would be favorably impacted by \$163, which is net of cross-jurisdictional tax credits and temporary differences. The Company accrues interest and penalties related to income taxes in income tax expense. Total interest and penalties recognized were \$1, \$4 and \$2 in 2020, 2019 and 2018, respectively. As of September 30, 2020 and 2019, total accrued interest and penalties were \$29 and \$27, respectively.

The U.S. is the major jurisdiction for which the Company files income tax returns. U.S. federal tax returns are closed for years through 2013. The status of state and non-U.S. tax examinations varies due to the numerous legal entities and jurisdictions in which the Company operates.

The principal items that gave rise to deferred income tax assets and liabilities follow:

	2019	2020
Deferred tax assets:		
Net operating losses, capital losses and tax credits	\$ 407	487
Accrued liabilities	228	219
Postretirement and postemployment benefits	36	33
Employee compensation and benefits	110	119
Pensions	95	69
Other	121	137
Total	<u>\$ 997</u>	<u>1,064</u>
Valuation allowances	<u>\$ (307)</u>	<u>(293)</u>
Deferred tax liabilities:		
Intangibles	\$ (637)	(652)
Property, plant and equipment	(195)	(212)
Undistributed non-U.S. earnings	(49)	(36)
Other	(39)	(33)
Total	<u>\$ (920)</u>	<u>(933)</u>
Net deferred income tax liability	<u>\$ (230)</u>	<u>(162)</u>

Total income taxes paid were approximately \$400, \$650 and \$680 in 2020, 2019 and 2018, respectively. Net operating losses, capital losses and tax credits include \$126 of capital losses expected to be recovered in the next 12 months. More than half of the remaining \$361 of net operating losses and tax credits expire over the next 9 years, while most of the remainder can be carried forward indefinitely.

(15) STOCK-BASED COMPENSATION

The Company's stock-based compensation plans include performance shares, restricted stock, restricted stock units, and stock options. Although the Company has discretion, shares distributed under these plans are issued from treasury stock.

Total compensation expense and income tax benefits for stock options and incentive shares follows. The Company's performance shares awards are marked-to-market each period based on changes in the stock price.

	2018	2019	2020
Performance shares	\$ 192	96	98
Restricted stock and restricted stock units	17	21	11
Stock options	7	3	1
Total stock compensation expense	\$ 216	120	110
Income tax benefits recognized	\$ 42	20	18

As of September 30, 2020, total unrecognized compensation expense related to unvested shares awarded under these plans was \$127, which is expected to be recognized over a weighted-average period of 1.7 years.

Performance Shares, Restricted Stock and Restricted Stock Units

The Company's incentive shares plans include performance shares awards which distribute the value of common stock to key management employees at the conclusion of a three-year period subject to certain operating performance conditions and other restrictions. The form of distribution is primarily shares of common stock, with a portion in cash in the first quarter following the end of the applicable three-year performance period. Dividend equivalents are only paid on earned awards after the performance period has concluded. Compensation expense for performance shares is recognized over the service period based on the number of shares ultimately expected to be earned. Performance shares awards are accounted for as liabilities in accordance with ASC 718, *Compensation - Stock Compensation*, with compensation expense adjusted at the end of each reporting period to reflect the change in fair value of the awards.

Information related to performance share payouts for the years ended September 30, 2019 and 2020 follows (shares in thousands):

	2019	2020
Performance period	2016 - 2018	2017 - 2019
Percent payout	97 %	107 %
Total shares earned	1,819	2,008
Shares distributed in cash, primarily for tax withholding	795	883

As of September 30, 2020, approximately 1,538,000 shares awarded primarily in 2018 were outstanding, contingent on the Company achieving its performance objectives through 2020. The objectives for these shares were met at the 100 percent level and the shares will be distributed in early 2021.

Additionally, the rights to receive approximately 1,592,000 and 1,381,000 common shares were awarded in 2020 and 2019, respectively, under the new performance shares program, and are outstanding and contingent upon the Company achieving its performance objectives through 2022 and 2021, respectively.

Incentive shares plans also include restricted stock awards and restricted stock units. Restricted stock awards involve distribution of common stock to key management employees subject to cliff vesting at the end of service periods ranging from three to ten years while restricted stock units granted to employees cliff vest at the end of a three-year period. The fair value of restricted stock awards and restricted stock units is determined based on the average of the high and low market prices of the Company's common stock on the date of grant, with compensation expense recognized ratably over the applicable vesting period. In 2020, approximately 173,000 shares of restricted stock vested as a result of participants fulfilling the applicable service requirements. Consequently, approximately

100,000 shares were issued while 73,000 shares were withheld for income taxes in accordance with minimum withholding requirements. As of September 30, 2020, there were approximately 1,405,000 shares of unvested restricted stock and restricted stock units outstanding.

In addition to the employee stock option and incentive shares plans, in 2020 the Company awarded approximately 19,000 shares of restricted stock and 2,000 restricted stock units under the restricted stock plan for non-management directors. As of September 30, 2020, approximately 119,000 shares were available for issuance under this plan.

As of September 30, 2020, 7.0 million shares remained available for award under incentive shares plans.

Changes in shares outstanding but not yet earned under incentive shares plans during the year ended September 30, 2020 follow (shares in thousands; assumes 100 percent payout of unvested awards):

	Shares	Average Grant Date Fair Value Per Share
Beginning of year	6,325	\$ 60.63
Granted	1,949	\$ 72.42
Adjustment for performance results achieved	131	\$ 51.98
Earned/vested	(2,259)	\$ 52.42
Canceled	(230)	\$ 67.59
End of year	<u>5,916</u>	<u>\$ 67.22</u>

Information related to incentive shares plans follows:

	2018	2019	2020
Total fair value of shares earned/vested	\$ 20	145	164
Share awards distributed in cash, primarily for tax withholding	\$ 9	73	81

Stock Options

There were no stock option grants in 2020 and 2019, and options granted in 2018 were immaterial. The Company's stock option plans permit key officers and employees to purchase common stock at specified prices, which are equal to 100 percent of the closing market price of the Company's stock on the date of grant. Options generally vest one-third in each of the three years subsequent to grant and expire 10 years from the date of grant. Compensation expense is recognized ratably over the vesting period based on the number of options expected to vest. As of September 30, 2020, 11.6 million options were available for grant under the plans.

Changes in shares subject to options during the year ended September 30, 2020 follow (shares in thousands):

	Weighted- Average Exercise Price Per Share	Shares	Total Intrinsic Value of Shares	Average Remaining Life (Years)
Beginning of year	\$ 57.23	6,915		
Options granted	\$ —	—		
Options exercised	\$ 55.43	(2,743)		
Options canceled	\$ 58.21	(39)		
End of year	<u>\$ 58.42</u>	<u>4,133</u>	<u>\$ 31</u>	<u>3.9</u>
Exercisable at end of year	<u>\$ 58.41</u>	<u>4,126</u>	<u>\$ 31</u>	<u>3.9</u>

Information related to stock options follows:

	2018	2019	2020
Cash received for option exercises	\$ 143	40	126
Intrinsic value of options exercised	\$ 53	16	47
Tax benefits related to option exercises	\$ 7	8	8

(16) COMMON AND PREFERRED STOCK

At September 30, 2020, 29.4 million shares of common stock were reserved for issuance under the Company's stock-based compensation plans. During 2020, 16.4 million common shares were purchased and 3.4 million treasury shares were reissued. In 2019, 19.9 million common shares were purchased and 1.8 million treasury shares were reissued.

At September 30, 2020 and 2019, the Company had 5.4 million shares of \$2.50 par value preferred stock authorized, with none issued.

(17) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Activity in Accumulated other comprehensive income (loss) is shown below:

	2018	2019	2020
<u>Foreign currency translation</u>			
Beginning balance	\$ (369)	(600)	(794)
Other comprehensive income (loss), net of taxes of \$0, \$(16) and \$29, respectively	(214)	(194)	83
Reclassified to gain/loss on sale of business	(17)	—	—
Ending balance	(600)	(794)	(711)
<u>Pension and postretirement</u>			
Beginning balance	(662)	(420)	(928)
Actuarial gains (losses) deferred during the period, net of taxes of \$(76), \$165 and \$15, respectively	250	(560)	(49)
Amortization of deferred actuarial losses into earnings, net of taxes of \$(29), \$(15) and \$(34), respectively	94	52	113
Adoption of accounting standard update	(102)	—	—
Ending balance	(420)	(928)	(864)
<u>Cash flow hedges</u>			
Beginning balance	12	5	—
Gains (Losses) deferred during the period, net of taxes of \$0, \$1 and \$2, respectively	2	(3)	(9)
Reclassifications of realized (gains) losses to sales and cost of sales, net of taxes of \$4, \$0 and \$(2), respectively	(11)	(2)	7
Adoption of accounting standard update	2	—	—
Ending balance	5	—	(2)
Accumulated other comprehensive income (loss)	\$ (1,015)	(1,722)	(1,577)

(18) BUSINESS SEGMENTS INFORMATION

The Company designs and manufactures products and delivers services that bring technology and engineering together to provide innovative solutions for customers in a wide range of industrial, commercial and consumer markets around the world. The Company reports three segments: **Automation Solutions**; and **Climate Technologies** and **Tools & Home Products**, which together comprise the **Commercial & Residential Solutions** business.

The **Automation Solutions** segment enables process, hybrid and discrete manufacturers to maximize production, protect personnel and the environment, reduce project costs, and optimize their energy efficiency and operating costs through a broad offering of integrated solutions, software, services and products, including measurement and analytical instrumentation, industrial valves and equipment, and process control software and systems. Markets served include oil and gas, refining, chemicals, power generation, life sciences, food and beverage, automotive, pulp and paper, metals and mining, and municipal water supplies. The segment's major product offerings are described below.

- **Measurement & Analytical Instrumentation** products measure the physical properties of liquids or gases in a process stream and communicate this information to a process control system or other software applications, and analyze the chemical composition of process fluids and emissions to enhance quality and efficiency, as well as environmental compliance.
- **Valves, Actuators & Regulators** consists of control, isolation and pressure relief valves which respond to commands from a control system to continuously and precisely modulate the flow of process fluids, smart actuation and control technologies, pressure management products, and industrial and residential regulators that reduce the pressure of fluids moving from high-pressure supply lines into lower pressure systems.
- **Industrial Solutions** provides fluid control and pneumatic mechanisms, electrical distribution equipment, and materials joining and precision cleaning products which are used in a variety of manufacturing operations to provide integrated solutions to customers.
- **Process Control Systems & Solutions** provides a digital ecosystem that controls plant processes by communicating with and adjusting the "intelligent" plant devices described above to provide precision measurement, control, monitoring, asset optimization, and plant safety and reliability for plants that produce power, or process fluids or other items.

The **Commercial & Residential Solutions** business consists of the Climate Technologies and Tools & Home Products segments. This business provides products and solutions that promote energy efficiency, enhance household and commercial comfort, and protect food quality and sustainability through heating, air conditioning and refrigeration technology, as well as a broad range of mechanical, electrical, utility and do-it-yourself tools and appliance solutions.

The **Climate Technologies** segment provides products, services and solutions for all areas of the climate control industry, including residential heating and cooling, commercial air conditioning, commercial and industrial refrigeration, and cold chain management. Products include compressors, temperature sensors and controls, thermostats, flow controls, and stationary and mobile remote monitoring technologies and services that enable homeowners and businesses to better manage their heating, air conditioning and refrigeration systems for improved control and comfort, and lower energy costs.

The **Tools & Home Products** segment offers tools for professionals and homeowners and appliance solutions. Products include professional pipe-working tools, electrical and utility tools, residential and commercial food waste disposers, and wet-dry vacuums.

The principal distribution method for each segment is direct sales forces, although the Company also uses independent sales representatives and distributors. Due to its global presence, certain of the Company's international operations are subject to risks including the stability of governments and business conditions in foreign countries which could result in adverse changes in exchange rates, changes in regulations or disruption of operations.

The primary income measure used for assessing segment performance and making operating decisions is earnings before interest and income taxes. Certain expenses are reported at Corporate, including stock compensation expense and a portion of pension and postretirement benefit costs. Corporate and other includes unallocated corporate expenses, acquisition/divestiture costs, first year acquisition accounting charges (which include fair value adjustments related to inventory, backlog and deferred revenue) and other items. Corporate assets are primarily comprised of cash and equivalents, investments and certain fixed assets. Summarized below is information about the Company's operations by business segment and by geography.

Business Segments

	Sales			Earnings			Total Assets		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Automation Solutions	\$ 11,441	12,202	11,155	\$ 1,886	1,947	1,523	\$ 13,720	13,996	14,250
Climate Technologies	4,454	4,313	3,980	972	883	801	2,936	2,885	3,065
Tools & Home Products	1,528	1,856	1,663	380	388	317	1,560	1,462	1,491
Commercial & Residential Solutions	5,982	6,169	5,643	1,352	1,271	1,118	4,496	4,347	4,556
Corporate items:									
Stock compensation				(216)	(120)	(110)			
Unallocated pension and postretirement costs				79	108	53			
Corporate and other				(275)	(173)	(93)	2,174	2,154	4,076
Eliminations/Interest	(15)	1	(13)	(159)	(174)	(156)			
Total	\$ 17,408	18,372	16,785	\$ 2,667	2,859	2,335	\$ 20,390	20,497	22,882

Automation Solutions sales by major product offering are summarized below:

	2018	2019	2020
Measurement & Analytical Instrumentation	\$ 3,604	3,807	3,237
Valves, Actuators & Regulators	3,749	3,794	3,589
Industrial Solutions	1,967	2,232	2,012
Process Control Systems & Solutions	2,121	2,369	2,317
Total	\$ 11,441	12,202	11,155

	Depreciation and Amortization			Capital Expenditures		
	2018	2019	2020	2018	2019	2020
Automation Solutions	\$ 488	535	557	\$ 295	297	308
Climate Technologies	171	176	184	209	222	158
Tools & Home Products	44	71	77	64	59	58
Commercial & Residential Solutions	215	247	261	273	281	216
Corporate and other	55	40	36	49	16	14
Total	\$ 758	822	854	\$ 617	594	538

Depreciation and amortization includes intellectual property, customer relationships and capitalized software.

Geographic Information

	Automation Solutions			Commercial & Residential Solutions			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Americas	\$ 5,517	5,850	5,051	\$ 3,967	4,253	3,896	\$ 9,484	10,103	8,947
Asia, Middle East & Africa	3,657	3,891	3,801	1,384	1,192	1,053	5,041	5,083	4,854
Europe	2,267	2,461	2,303	631	724	694	2,898	3,185	2,997
Total	\$ 11,441	12,202	11,155	\$ 5,982	6,169	5,643	\$ 17,423	18,371	16,798

Sales in the U.S. were \$7,420, \$8,390 and \$7,939 for 2020, 2019 and 2018, respectively, while Asia, Middle East & Africa includes sales in China of \$1,845, \$1,962 and \$1,955 in those years.

	Property, Plant and Equipment		
	2018	2019	2020
Americas	\$ 2,234	2,339	2,345
Asia, Middle East & Africa	652	671	679
Europe	676	632	664
Total	\$ 3,562	3,642	3,688

Assets located in the U.S. were \$2,124 in 2020, \$2,128 in 2019 and \$2,027 in 2018.

(19) OTHER FINANCIAL DATA

Items reported in earnings during the years ended September 30 included the following:

	2018	2019	2020
Research and development expense	\$ 436	454	439
Depreciation expense	\$ 444	463	485
Rent expense	\$ 279	285	239

Items reported in other noncurrent assets included the following:

	2019	2020
Operating lease right-of-use assets	\$ —	508
Pension assets	\$ 164	265
Asbestos-related insurance receivables	\$ 115	100
Deferred income taxes	\$ 97	99

Items reported in accrued expenses included the following:

	2019	2020
Customer advances (contract liabilities)	\$ 519	583
Employee compensation	\$ 606	577
Operating lease liabilities (current)	\$ —	148
Product warranty	\$ 140	148

Other liabilities are summarized as follows:

	2019	2020
Pension and postretirement liabilities	\$ 775	769
Operating lease liabilities (noncurrent)	—	373
Deferred income taxes	327	261
Asbestos litigation	313	295
Other	556	626
Total	\$ 1,971	2,324

(20) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Full Year	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Net sales	\$ 4,147	4,151	4,570	4,162	4,684	3,914	4,971	4,558	18,372	16,785
Gross profit	\$ 1,761	1,759	1,925	1,750	2,001	1,618	2,128	1,882	7,815	7,009
Net earnings common stockholders	\$ 465	326	520	517	604	399	717	723	2,306	1,965
Net earnings per common share:										
Basic	\$ 0.74	0.53	0.85	0.85	0.98	0.67	1.17	1.21	3.74	3.26
Diluted	\$ 0.74	0.53	0.84	0.84	0.97	0.67	1.16	1.20	3.71	3.24
Dividends per common share	\$ 0.49	0.50	0.49	0.50	0.49	0.50	0.49	0.50	1.96	2.00

Earnings per share are computed independently each period; as a result, the quarterly amounts may not sum to the calculated annual figure.

Emerson Electric Co. common stock (symbol EMR) is listed on the New York Stock Exchange and NYSE Chicago.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Emerson Electric Co.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Emerson Electric Co. and subsidiaries (the Company) as of September 30, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended September 30, 2020, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2020, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of October 1, 2019, due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Sufficiency of Audit Evidence over Net Sales

As discussed in Notes 1, 2 and 18 to the Company's consolidated financial statements, and disclosed in the consolidated statement of earnings, the Company recorded \$16.8 billion of net sales in 2020.

We identified the evaluation of the sufficiency of audit evidence over net sales as a critical audit matter. Net sales are recognized primarily from the sale of tangible products from hundreds of Company locations around the world. Evaluating the sufficiency of audit evidence obtained required especially subjective auditor judgment because of the geographical dispersion of the Company's net sales generating activities. This included determining the Company locations at which procedures were performed and the supervision and review of procedures performed at those locations.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over net sales, including the determination of the Company locations at which those procedures were to be performed. At each Company location where procedures were performed, we:

- Evaluated the design and tested the operating effectiveness of certain internal controls over the Company's net sales processes, including the Company's controls over the accurate recording of amounts
- Assessed the recorded net sales by selecting a sample of transactions and compared the amounts recognized for consistency with underlying documentation, including contracts with customers and shipping documentation.

We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed.

/s/ KPMG LLP

We or our predecessor firms have served as the Company's auditor since 1938.

St. Louis, Missouri
November 16, 2020

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures which is designed to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation performed, the Company's certifying officers have concluded that the disclosure controls and procedures were effective as of September 30, 2020 to provide reasonable assurance of achieving these objectives.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to report material information otherwise required to be set forth in the Company's reports. There was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's report on internal control over financial reporting, and the related report of the Company's auditor, KPMG LLP, an independent registered public accounting firm, set forth in Item 7 and Item 8, respectively, of this Annual Report on Form 10-K, are hereby incorporated by reference.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding nominees and directors appearing under "Proxy Item No. 1: Election of Directors" in the Emerson Electric Co. Notice of Annual Meeting of Shareholders and Proxy Statement for the February 2021 annual shareholders' meeting (the "2021 Proxy Statement") is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this report. Information regarding the Audit Committee and Audit Committee Financial Expert appearing under "Board and Committee Operations - Board and Corporate Governance - Committees of Our Board of Directors," "Board and Committee Operations - Corporate Governance and Nominating Committee - Nomination Process" and "- Proxy Access" in the 2021 Proxy Statement is hereby incorporated by reference.

The Company has adopted a Code of Ethics that applies to the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer; 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. The Company has adopted Charters for its Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee and a Code of Business Ethics for directors, officers and employees, which are available on its website and in print to any stockholder who requests them. The Company has also adopted Corporate Governance Principles and Practices, which are available on its website and in print to any stockholder who requests them. The Corporate Governance section of the Company's website may be accessed as follows: www.Emerson.com, Investors, Corporate Governance.

ITEM 11 - EXECUTIVE COMPENSATION

Information appearing under "Executive Compensation" (including the information set forth under "Compensation Discussion and Analysis"), "Compensation Tables," "Board and Committee Operations—Corporate Governance and Nominating Committee—Director Compensation," "Board and Committee Operations—Compensation Committee" (including, but not limited to, the information set forth under "Role of Executive Officers and the Compensation Consultant," "Compensation Committee Report" and "Compensation Committee Interlocks and Insider Participation") in the 2021 Proxy Statement is hereby incorporated by reference.

The information contained in the "Compensation Committee Report" shall not be deemed to be filed with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), except to the

extent that the Company specifically incorporates such information into future filings under the Securities Act of 1933 or the Exchange Act.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding beneficial ownership of shares by nominees and continuing directors, named executive officers, five percent beneficial owners, and by all directors and executive officers as a group appearing under "Ownership of Emerson Equity Securities" in the 2021 Proxy Statement is hereby incorporated by reference.

The following table sets forth aggregate information regarding the Company's equity compensation plans as of September 30, 2020:

<u>Plan Category</u>	<u>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	10,651,000	\$58.42	18,745,000
Equity compensation plans not approved by security holders	—	—	—
Total	10,651,000	\$58.42	18,745,000

(1) Includes the Stock Option and Incentive Shares Plans previously approved by the Company's security holders. Shares included in column (a) assume the maximum payouts, where applicable, and are as follows: (i) 4,133,000 shares reserved for outstanding stock option awards, (ii) 1,990,000 shares reserved for performance share awards granted in 2020, (iii) 1,726,000 shares reserved for performance share awards granted in 2019, (iv) 1,922,000 shares reserved for performance share awards granted in 2018 and (v) 880,000 shares reserved for outstanding restricted stock unit awards. As provided by the Company's Incentive Shares Plans, performance shares awards represent a commitment to issue such shares without cash payment by the employee, contingent upon achievement of the performance objectives and continued service by the employee.

The price in column (b) represents the weighted-average exercise price for outstanding options. Included in column (c) are shares remaining available for award under previously approved plans as follows: (i) 11,628,000 under the 2011 Stock Option Plan, (ii) 6,135,000 under the 2015 Incentive Shares Plan, (iii) 863,000 under the 2006 Incentive Shares Plan, and (iv) 119,000 under the Restricted Stock Plan for Non-Management Directors.

Information regarding stock option plans and incentive shares plans is set forth in Note 15.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information appearing under "Board and Committee Operations—Board and Corporate Governance—Review, Approval or Ratification of Transactions with Related Persons," "—Certain Business Relationships and Related Party Transactions" and "—Director Independence" in the 2021 Proxy Statement is hereby incorporated by reference.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under "Board and Committee Operations—Audit Committee—Fees Paid to KPMG LLP" in the 2021 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A) Documents filed as a part of this report:

1. The consolidated financial statements and accompanying notes of the Company and subsidiaries and the report thereon of KPMG LLP set forth in Item 8 of this Annual Report on Form 10-K.
2. Financial Statement Schedules - All schedules are omitted because they are not required, not applicable or the required information is provided in the financial statements or notes thereto contained in this Annual Report on Form 10-K.
3. Exhibits (Listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K).
 - 3(a) [Restated Articles of Incorporation of Emerson Electric Co.](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2001, File No. 1-278, Exhibit 3(a); [Termination of Designated Shares of Stock and Certificate of Designation, Preferences and Rights of Series B Junior Participating Preferred Stock](#), incorporated by reference to Emerson Electric Co. 1998 Form 10-K, File No. 1-278, Exhibit 3(a).
 - 3(b) [Bylaws of Emerson Electric Co.](#), as amended through November 3, 2020, incorporated by reference to the Company's Form 8-K dated November 6, 2020, filed on November 6, 2020, File No. 1-278, Exhibit 3.1.
 - 4(a) [Indenture dated as of December 10, 1998, between Emerson Electric Co. and Wells Fargo Bank, National Association, as successor trustee to The Bank of New York Mellon Trust Company, N.A. \(successor to The Bank of New York Mellon \(formerly known as the Bank of New York\)\), as trustee](#), incorporated by reference to Emerson Electric Co. 1998 Form 10-K, File No. 1-278, Exhibit 4(b).
 - 4(b) [Agreement of Resignation, Appointment and Acceptance dated as of April 26, 2019 by and among Emerson Electric Co., Wells Fargo Bank, National Association, as successor trustee, and The Bank of New York Mellon Trust Company, N.A., as resigning trustee](#), incorporated by reference to the Company's Form 8-K dated May 15, 2019, filed on May 17, 2019, File No. 1-278, Exhibit 4.4.
 - 4(c) [Description of Capital Stock](#)
 - 4(d) [Description of 0.375% Notes due 2024, 1.250% Notes due 2025 and 2.000% Notes due 2029](#), incorporated by reference to Emerson Electric Co., 2019 Form 10-K, File No. 1-278, Exhibit 4(d).

No other long-term debt instruments are filed since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of Emerson Electric Co. and its subsidiaries on a consolidated basis. Emerson Electric Co. agrees to furnish a copy of such instruments to the SEC upon request.

 - 10(a)* [Third Amendment to the Emerson Electric Co. 1993 Incentive Shares Plan, as restated](#), incorporated by reference to Emerson Electric Co. 1996 Form 10-K, File No. 1-278, Exhibit 10(g), and [Fourth Amendment thereto](#), incorporated by reference to Emerson Electric Co. 2001 Form 10-K, File No. 1-278, Exhibit 10(d).
 - 10(b)* [Amended and Restated Emerson Electric Co. Continuing Compensation Plan for Non-Management Directors](#), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(c).
 - 10(c)* [Amended and Restated Deferred Compensation Plan for Non-Employee Directors and Forms of Payment Election Form, Initial Notice of Election and Notice of Election Change](#), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(d).

- 10(d)* [First Amendment to the Emerson Electric Co. Supplemental Executive Retirement Plan](#), incorporated by reference to Emerson Electric Co. 1999 Form 10-K, File No. 1-278, Exhibit 10(h), and [Form of Change of Control Election](#), incorporated by reference to Emerson Electric Co. Form 8-K dated October 1, 2004, Exhibit 10.9 (applicable only with respect to benefits vested as of December 31, 2004).
- 10(e)* [Amended and Restated Emerson Electric Co. Pension Restoration Plan dated October 6, 2015](#), incorporated by reference to Emerson Electric Co. 2015 Form 10-K, File No. 1-278, Exhibit 10(e); [Forms of Participation Award Letter, Acceptance of Award and Benefit Election Forms \(applicable only with respect to benefits after January 1, 2005\)](#), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(f); and Lump Sum Distribution Election Forms.
- 10(f)* [Fifth Amendment to the Supplemental Executive Savings Investment Plan](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 1999, File No. 1-278, Exhibit 10(j), and [Form of Participation Agreement and Form of Annual Election](#), incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.8 (applicable only with respect to benefits vested as of December 31, 2004).
- 10(g)* [Amended and Restated Emerson Electric Co. Savings Investment Restoration Plan and Forms of Participation Agreement, Annual Election Form and Payment Election Form \(applicable only with respect to benefits after January 1, 2005\)](#), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(h), [First Amendment to Emerson Electric Co. Savings Investment Restoration Plan](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2008, File No. 1-278, Exhibit 10.1 and [Second Amendment to the Emerson Electric Co. Savings Investment Restoration Plan](#), incorporated by reference to Emerson Electric Co., Form 10-Q for the quarter ended March 31, 2020, File No. 1-278, Exhibit 10.2.
- 10(h)* [Amended and Restated Emerson Electric Co. Annual Incentive Plan and Form of Acceptance of Award](#), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(i).
- 10(i)* [1997 Incentive Shares Plan](#), incorporated by reference to Emerson Electric Co. 1997 Proxy Statement dated December 6, 1996, File No. 1-278, Exhibit A, and [First Amendment thereto](#), incorporated by reference to Emerson Electric Co. 2001 Form 10-K, File No. 1-278, Exhibit 10(j), [Amendment for 409A Compliance](#), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(j), [Form of Performance Share Award Certificate, Forms of Acceptance of Award and Change of Control Election](#), incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.5, and [Form of Restricted Shares Award Agreement](#), incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.6.
- 10(j)* [1998 Stock Option Plan](#), incorporated by reference to Emerson Electric Co. 1998 Proxy Statement dated December 12, 1997, File No. 1-278, Appendix A, and [Amendment No. 1 thereto](#), incorporated by reference to Emerson Electric Co. 2000 Form 10-K, File No. 1-278, Exhibit 10(l), [Form of Notice of Grant of Stock Options and Option Agreement and Form of Incentive Stock Option Agreement](#), incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.1, and [Form of Notice of Grant of Stock Options and Option Agreement and Form of Nonqualified Stock Option Agreement](#), incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.2.
- 10(k)* [2001 Stock Option Plan](#), incorporated by reference to Emerson Electric Co. 2002 Proxy Statement dated December 12, 2001, File No. 1-278, Appendix A, [Form of Notice of Grant of Stock Options and Option Agreement and Form of Incentive Stock Option Agreement](#), incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.3 (used on or prior to September 30, 2011), [Forms of Notice of Grant of Stock Options, Option Agreement and Incentive Stock Option Agreement](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.1 (used after September 30, 2011), [Form of Notice of Grant of Stock Options and Option Agreement and Form of Nonqualified Stock Option Agreement](#), incorporated by reference to Emerson Electric Co. Form 8-K filed October 1,

2004, Exhibit 10.4 (used on or prior to September 30, 2011), [Forms of Notice of Grant of Stock Options, Option Agreement and Nonqualified Stock Option Agreement](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.2 (used after September 30, 2011).

- 10(l)* [Emerson Electric Co. Description of Split Dollar Life Insurance Program Transition](#), incorporated by reference to Emerson Electric Co. Form 8-K filed September 2, 2005, Exhibit 10.1.
- 10(m)* [Amended and Restated Restricted Stock Plan for Non-Management Directors](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2009, File No. 1-278, Exhibit 10.1, [Form of Restricted Stock Award Letter under the Emerson Electric Co. Restricted Stock Plan for Non-Management Directors](#), incorporated by reference to Emerson Electric Co. Form 8-K filed February 1, 2005, Exhibit 10.2, and [Form of Restricted Stock Unit Award Letter under the Emerson Electric Co. Restricted Stock Plan for Non-Management Directors](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2009, File No. 1-278, Exhibit 10.1.
- 10(n)* [Description of Non-Management Director Compensation](#), incorporated by reference to Emerson Electric Co. Form 10-K filed November 20, 2017, Exhibit 10(n).
- 10(o)* [Description of Named Executive Officer Compensation](#), incorporated by reference to Emerson Electric Co. Form 10-K filed November 20, 2017, Exhibit 10(o).
- 10(p)* [Emerson Electric Co. 2006 Incentive Shares Plan](#), incorporated by reference to Emerson Electric Co. 2006 Proxy Statement dated December 16, 2005, Appendix C, [Amendment for 409A Compliance](#), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(q), [Forms of Performance Shares Award Certificate and Acceptance of Award \(used on or prior to September 30, 2009\) and Restricted Shares Award Agreement \(used on or prior to September 30, 2011\)](#), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(q), [Amendment to Emerson Electric Co. 2006 Incentive Shares Plan](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended June 30, 2008, File No. 1-278, Exhibit 10.1, [Forms of Performance Shares Award Certificate, Acceptance of Award and 2010 Performance Shares Program Award Summary](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2009 (used after September 30, 2009 and on or prior to September 30, 2011), File No. 1-278, Exhibit 10.2, [Forms of Performance Shares Award Certificate and Acceptance of Award](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.3 (used after September 30, 2011), and [Form of Restricted Shares Award Agreement](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.4 (used after September 30, 2011).
- 10(q) [Credit Agreement dated as of May 23, 2018](#), incorporated by reference to Emerson Electric Co. Form 8-K dated May 23, 2018 and filed May 29, 2018, File No. 1-278, Exhibit 10.1.
- 10(r)* [2011 Stock Option Plan](#), incorporated by reference to Emerson Electric Co. 2011 Proxy Statement dated December 10, 2010, File No. 1-278, Appendix B, 2011 [Stock Option Plan as Amended and Restated effective October 1, 2012](#), incorporated by reference to Emerson Electric Co. 2012 Form 10-K, File No. 1-278, Exhibit 10(r), [Forms of Notice of Grant of Stock Options, Option Agreement and Incentive Stock Option Agreement under the 2011 Stock Option Plan](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2012, File No. 1-278, Exhibit 10.1 and [Forms of Notice of Grant of Stock Options, Option Agreement and Nonqualified Stock Option Agreement under the 2011 Stock Option Plan](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2012, File No. 1-278, Exhibit 10.2.
- 10(s)* [Emerson Electric Co. 2015 Incentive Shares Plan](#), incorporated by reference to Emerson Electric Co. 2015 Proxy Statement dated December 12, 2014, Appendix B, [Forms of Performance Shares Award Certificate and Acceptance of Award \(used on or prior to November 5, 2018\), Performance Shares Program Award Summary \(used on or prior to November 5, 2018\) and Form of Restricted Shares Award Agreement \(used on or prior to November 5, 2018\)](#), incorporated by reference to

Emerson Electric Co. 2015 Form 10-K, File No. 1-278, Exhibit 10(u), [Form of Restricted Shares Award Agreement \(used after November 5, 2018\)](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2018, Exhibit 10.1, [Form of Restricted Stock Units Program Acceptance of Award \(used after November 5, 2018\)](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2018, Exhibit 10.2 and [Form of Performance Share Program Acceptance of Award \(used after November 5, 2018\)](#), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2018, Exhibit 10.3.

- 10(t) [Transaction Agreement dated as of July 29, 2016 among Emerson Electric Co., Cortes NP Holdings, LLC, Cortes NP Acquisition Corporation, ASCO Power Grp, LLC and Cortes NP JV Holdings, LLC](#), incorporated by reference to Emerson Electric Co. 2016 Form 10-K, File No. 1-278, Exhibit 10(w).
- 10(u)* [Emerson Electric Co. Savings Investment Restoration Plan II](#), incorporated by reference to the Emerson Electric Co. Form 10-Q for the quarter ended June 30, 2018, File No. 1-278, Exhibit 10.1, [Second Amendment to the Emerson Electric Co. Savings Investment Restoration Plan](#), incorporated by reference to Emerson Electric Co., Form 10-Q for the quarter ended March 31, 2020, File No. 1-278, Exhibit 10.2 and [First Amendment to the Emerson Electric Co. Savings Investment Restoration Plan II](#), incorporated by reference to Emerson Electric Co., Form 10-Q for the quarter ended March 31, 2020, File No. 1-278, Exhibit 10.1.
- 10(v)* [Letter Agreement effective as of October 2, 2018](#), by and between Emerson Electric Co. and Edward L. Monser, incorporated by reference to the Emerson Electric Co. Form 8-K filed October 5, 2018, File No. 1-278, Exhibit 10.1.
- 10(w)* [Letter Agreement dated as of August 12, 2020](#), by and between Emerson Electric Co. and Robert T. Sharp, incorporated by reference to the Emerson Electric Co. Form 8-K filed September 4, 2020, File No. 1-278, Exhibit 10.1.
- 21 [Subsidiaries of Emerson Electric Co.](#)
- 23 [Consent of Independent Registered Public Accounting Firm](#)
- 24 [Power of Attorney](#)
- 31 [Certifications pursuant to Exchange Act Rule 13a-14\(a\)](#)
- 32 [Certifications pursuant to Exchange Act Rule 13a-14\(b\) and 18 U.S.C. Section 1350](#)
- 101 Attached as Exhibit 101 to this report are the following documents formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Statements of Earnings for the years ended September 30, 2018, 2019 and 2020, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2018, 2019, and 2020 (iii) Consolidated Balance Sheets at September 30, 2019 and 2020, (iv) Consolidated Statements of Equity for the years ended September 30, 2018, 2019 and 2020, (v) Consolidated Statements of Cash Flows for the years ended September 30, 2018, 2019 and 2020, and (vi) Notes to Consolidated Financial Statements for the year ended September 30, 2020.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMERSON ELECTRIC CO.

By /s/ F. J. Dellaquila

F. J. Dellaquila
Senior Executive Vice President and
Chief Financial Officer
November 16, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 16, 2020, by the following persons on behalf of the registrant and in the capacities indicated.

Signature

Title

/s/ D. N. Farr

D. N. Farr

Chairman of the Board and Chief Executive Officer

/s/ F. J. Dellaquila

F. J. Dellaquila

Senior Executive Vice President and Chief Financial Officer

/s/ M. J. Baughman

M. J. Baughman

Vice President, Controller and Chief Accounting Officer

*

M. A. Blinn

Director

*

C. A. H. Boersig

Director

*

J. B. Bolten

Director

*

M. S. Craighead

Director

*

W. H. Easter III

Director

*

G. A. Flach

Director

*

A. F. Golden

Director

*

C. Kendle

Director

*

L. Lee

Director

*

M. S. Levatich

Director

*

J. S. Turley

Director

* By /s/ F. J. Dellaquila

F. J. Dellaquila

Attorney-in-Fact

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the general terms of the capital stock of Emerson Electric Co. (the “Company” or “Emerson”). This description is a summary, and it does not describe every aspect of our capital stock. This summary is subject to and qualified in its entirety by reference to our Restated Articles of Incorporation, our Bylaws, as amended, and the provisions of the Missouri General and Business Corporation Law, which we refer to as Missouri law, and which may be amended from time to time.

As used herein, unless otherwise specified or the context requires otherwise, we use the terms “we,” “us” and “our” to refer to the Company.

General

Our authorized capital stock consists of 1,200,000,000 shares of common stock, par value \$0.50 per share, and 5,400,000 shares of preferred stock, par value \$2.50 per share. There are no shares of preferred stock outstanding.

Common Stock

All of our outstanding shares of common stock are fully paid and non-assessable. Subject to the prior rights of the holders of any shares of preferred stock which later may be issued and outstanding, holders of common stock are entitled to receive dividends as and when declared by us out of legally available funds. In the event of any such declaration or payment, the holders of common stock will be entitled, to the exclusion of the holders of the preferred stock, to share therein. If we liquidate, dissolve, or wind up Emerson, after distribution and payment in full is made to holders of preferred stock, if any, the remainder of assets, if any, will be distributed pro rata among the holders of common stock of the company. Each holder of common stock is entitled to one vote for each share held of record on all matters presented to a vote of shareholders, including the election of directors. Holders of common stock have no cumulative voting rights or preemptive rights to purchase or subscribe for any stock or other securities and there are no conversion rights or redemption or sinking fund provisions for the common stock. We may issue additional shares of authorized common stock without shareholder approval, subject to applicable rules of the New York Stock Exchange and the NYSE Chicago.

Computershare, Inc. is the registrar and transfer agent for our common stock. Our common stock is listed on the New York Stock Exchange and on the NYSE Chicago under the symbol “EMR.”

Preferred Stock

Our Restated Articles of Incorporation vest our board of directors with authority to issue up to 5,400,000 shares of preferred stock from time to time in one or more series and by resolution or resolutions:

- To fix the distinctive serial designation of the shares of any such series;
 - To fix the rate or amount per annum at which the holders of the shares of any series shall be entitled to receive dividends, the dates on which such dividends shall be payable, and the date or dates from which such dividends shall be cumulative;
 - To fix the price or prices at which, the times during which, and the other terms upon which the shares of any such series may be redeemed;
 - To fix the amounts payable on the shares of any series in the event of dissolution or liquidation of the Company;
-

- From time to time to include additional shares of preferred stock which the Company is authorized to issue in any such series;
- To determine whether or not the shares of any such series shall be made convertible into or exchangeable for shares of the common stock of the Company, shares of any other series of the preferred stock of the Company, now or hereafter authorized, or any new class of preferred stock of the Company hereafter authorized, or debt securities, the conversion price or prices, or the rate or rates of exchange at which such conversion or exchange may be made, and the terms and conditions upon which any such conversion right shall be exercised;
- To fix such other preferences and rights, privileges and restrictions applicable to any such series as may be permitted by law;
- To determine if a sinking fund shall be provided for the purchase or redemption of shares of any series and, if so, to fix the terms and amount or amounts of such sinking fund; and
- To set the consideration for which the shares of the series are to be issued.

The shares of different series may differ, including as to ranking, as may be provided in our Restated Articles of Incorporation, or as may be fixed by our board of directors as described above. We may from time to time amend our Restated Articles of Incorporation to increase or decrease the number of authorized shares of preferred stock. The material terms of any series of preferred stock being offered by us will be described in a certificate of amendment to our Restated Articles of Incorporation or board resolution which will be filed with the Secretary of State of the State of Missouri and with the SEC, as required. Such terms may differ from those that are set forth below.

Dividend Rights. The preferred stock will be preferred as to payment of dividends over our common stock or any other stock ranking junior to the preferred stock as to dividends. No dividend may be declared or paid and no distribution may be made on our common stock or stock of junior rank, other than dividends or distributions payable in common stock, until the full cumulative dividends on the preferred stock of all series up to the end of the then quarterly dividend period shall have been declared and paid (or appropriated and set aside) by the board of directors. We will pay those dividends either in cash, shares of common stock or preferred stock or otherwise, at the rate and on the date or dates determined by our board of directors. With respect to each series of preferred stock, the dividends on each share of that series will be cumulative from the date of issue of the share unless some other date is determined by our board of directors. Accruals of dividends will not bear interest. If the amount determined by our board of directors to be declared and payable as dividends on the preferred stock is insufficient to pay the full dividend, including accumulations, on all outstanding series, such amount shall be paid on all outstanding shares of all series on pro rata basis generally based on the amount of the full dividend for that series.

Rights upon Liquidation. The preferred stock will be preferred over common stock, or any other stock ranking junior to the preferred stock with respect to distribution earnings and assets, so that the holders of each series of preferred stock will be entitled to be paid, upon voluntary or involuntary liquidation, dissolution or winding up and before any distribution is made to the holders of common stock or stock of junior rank, the amount as determined by our board of directors. However, in this case the holders of preferred stock will not be entitled to any other or further payment. In addition, the rights of the preferred stock in the event of a dissolution, liquidation or winding up shall not restrict or prevent the Company from paying dividends on common stock if the payment of such dividends is not restricted by any other terms of the preferred stock. If upon any liquidation, dissolution or winding up amounts available for payment are insufficient to permit the payment in full of the respective amounts to which the holders of all outstanding preferred stock are entitled, the amount available will be distributed among the holders of each series of preferred stock in an amount proportional to the full amounts to which the holders of each series are entitled.

Redemption. All shares of any series of preferred stock may be redeemable to the extent determined by our board of directors.

Conversion or Exchange. Shares of any series of preferred stock will be convertible into or exchangeable for shares of common stock or preferred stock or debt securities to the extent determined by our board of directors.

Preemptive Rights. No holder of shares of any series of preferred stock will have any preemptive or preferential rights to subscribe to or purchase shares of any class or series of stock, now or hereafter authorized, or any securities convertible into, or warrants or other evidences of optional rights to purchase or subscribe to, shares of any series, now or hereafter authorized.

Voting Rights. Except as determined by our board of directors, the holders of preferred stock will be entitled to one vote for each share of preferred stock held by them on all matters properly presented to shareholders. The holders of common stock and the holders of all series of preferred stock will vote together as one class, except as otherwise provided by law and except as set forth below.

The preferences, priorities, special rights and powers given to the preferred stock under our Restated Articles of Incorporation, or to any series thereof by any authorizing action of our board, may be altered or terminated, as provided by law, upon the affirmative vote of the holders of two-thirds (2/3) of each series of preferred stock issued and outstanding whose rights will be affected by such proposed alteration or termination. No additional shares of the preferred stock except the shares provided for in our Restated Articles of Incorporation shall be authorized, and no additional shares of any other class of preferred stock having a priority over, or entitled to participate on a parity with, the preferred stock shall be authorized, except upon the affirmative vote of the holders of a majority of each series of the preferred stock issued and outstanding; provided, however, that the authorizing resolution for any series of preferred stock may provide for the vote of a greater percentage of the shares.

Currently under Missouri law, even if shares of a particular class or series of stock are not otherwise entitled to a vote on any matter submitted to the shareholders, amendments to the Restated Articles of Incorporation which adversely affect those shares require a vote of the class or series of which such shares are a part, including amendments which would:

- increase or decrease the aggregate number or par value of authorized shares of the class or series;
- create a new class of shares having rights and preferences prior or superior to the shares of the class or series;
- increase the rights and preferences, or the number of authorized shares, of any class having rights and preferences prior to or superior to the rights of the class or series; or
- alter or change the powers, preferences or special rights of the shares of such class or series so as to affect such shares adversely.

Board Representation. Our Restated Articles of Incorporation provide that in addition to the voting rights set forth above, if, and whenever, six (6) or more quarterly dividends, whether or not consecutive, on the preferred stock shall be in arrears, in whole or in part, the holders of the preferred stock, including all series thereof, voting as a single class, shall have the right to elect a number of the members of the board of directors equal to the whole number obtained by dividing seven (7), into the number of directors of the Company authorized at such time by the Restated Articles of Incorporation of the Company, but not less than two (2) directors. In such event, the remainder of the directors shall be elected by the holders of the common stock and preferred stock, voting as a single class. Whenever all dividends in arrears and current dividends on the preferred stock then outstanding have been paid or declared and a sum sufficient for the payment thereof set aside, then the right of the holders of the preferred stock to elect such number of directors shall cease. During the time when the preferred stock is vested with the power

of board representation, the secretary of the Company may (and shall upon the written request of the holders of record of ten percent (10%) or more in number of shares of the preferred stock outstanding) call a special meeting of the holders of the preferred stock for the election of the directors to be elected by them subject to the provisions of our Restated Articles of Incorporation. In the case of additional authorized shares of preferred stock or a different class of preferred stock shall be created and issued, nothing herein contained shall prevent any such additional shares or class of the preferred stock from having the same voting rights on a *pari passu* basis with the shares of preferred stock entitled to vote on any matters.

Many of our operations are conducted through our subsidiaries, and thus our ability to pay dividends on our common stock or any series of preferred stock is dependent on their financial condition, results of operations, cash requirements and other related factors.

Depending upon the rights of holders of the preferred stock, an issuance of preferred stock could adversely affect holders of common stock by delaying or preventing a change of control of Emerson, making removal of the management of Emerson difficult, or restricting the payment of dividends and other distributions to the holders of common stock.

Certain Effects of Authorized but Unissued Stock

We may issue additional shares of common stock or preferred stock without shareholder approval, subject to applicable rules of the New York Stock Exchange and the NYSE Chicago, for a variety of corporate purposes, including raising additional capital, corporate acquisitions and employee benefit plans. The existence of unissued and unreserved common and preferred stock may enable us to issue shares to persons who are friendly to current management, which could discourage an attempt to obtain control of Emerson through a merger, tender offer, proxy contest, or otherwise, and protect the continuity of management and possibly deprive you of opportunities to sell your shares at prices higher than the prevailing market prices. We could also use additional shares to dilute the stock ownership of persons seeking to obtain control of Emerson. See also "Certain Charter and Bylaw Provisions" below.

Series B Junior Participating Preferred Stock

Our board previously authorized the issuance of 1,200,000 shares of preferred stock as Series B junior participating preferred stock in connection with our adoption of a shareholder rights plan as of November 1, 1998, which expired by its terms on November 1, 2008. We do not have any current plans to utilize such preferred stock. At the time of its authorization, our board designated the dividend, liquidation, voting and redemption features and the rights in the event of a merger of the Series B junior participating preferred stock so that the value of one one-thousandth (1/1,000th) of a share of Series B junior participating preferred stock approximated the value of one share of common stock. Each of these shares, if issued, would generally be non-redeemable and junior to all other series of preferred stock, have a variable preferential cumulative quarterly dividend, entitle its holder to receive a variable preferred liquidation payment and have one vote.

Certain Charter and Bylaw Provisions

Our Restated Articles of Incorporation and Bylaws:

- provide for a classified board of directors;
- limit the right of shareholders to remove directors or change the size of the board of directors;
- limit the right of shareholders to fill vacancies on the board of directors;
- limit the right of shareholders to call a special meeting of shareholders or propose other actions;

- require a higher percentage of shareholders than would otherwise be required to amend, alter, change, or repeal certain provisions of our Restated Articles of Incorporation; and
- provide that the Bylaws may be amended only by the majority vote of the board of directors.

Shareholders will not be able to amend the Bylaws without first amending the Restated Articles of Incorporation. These provisions may discourage certain types of transactions that involve an actual or threatened change of control of Emerson.

Size of Board

Our Restated Articles of Incorporation provide that the number of directors will be fixed by our Bylaws; provided that the Bylaws must provide for three or more directors. Our Bylaws provide for a board of directors of at least three directors and permit the board of directors to set the number of directors from time to time. In accordance with our Bylaws, on October 6, 2020, our board of directors fixed the number of directors at twelve. Our Restated Articles of Incorporation and Bylaws further provide that our Bylaws may be amended only by majority vote of our entire board of directors.

Election of Directors

Our Bylaws provide certain detailed timing and information requirements for the nomination of directors by shareholders. Please see our annual proxy statement for additional information.

Nominations outside of Emerson's proxy statement. In order for a shareholder to nominate a candidate for director outside of our proxy statement, our Bylaws require that a shareholder give timely notice to us in advance of the meeting. Ordinarily, the shareholder must give notice not less than 90 days nor more than 120 days before the meeting (but if we give less than 100 days' notice of the meeting or prior public disclosure of the date of the meeting, then the shareholder must give notice within ten days after we mail notice of the meeting or make a public disclosure of the meeting). The notice must describe various matters regarding the nominee as specified in detail in our Bylaws. Such information includes the name, age, business address and residence of such nominee, the principal occupation, the number of shares beneficially owned, any other information relating to such person that is required to be disclosed in solicitations of proxies for director elections or is otherwise required, in certain cases details of any relationship, or understanding between the shareholder(s) and the nominee. The notice must also include as to the proposing shareholder(s) and the beneficial owner, if any, on whose behalf the proposal is made, and their respective affiliates or associates or others acting in concert therewith various "proposing shareholder information" as specified in detail in our Bylaws. This proposing shareholder information includes such information as material interests or arrangements, names and addresses, the number of shares beneficially owned, any derivative or hedging positions, any material interest in any contract with the Company or any affiliate or competitor, all information that would be required to be set forth in a Schedule 13D (or an amendment) if such a statement were required, any other information relating to any such person that would be required to be disclosed in a proxy statement or proxy contest, a representation whether any such person is or intends to participate in the solicitation of proxies, and a representation that the shareholder is a shareholder of record entitled to vote and intends to continue to hold such stock of the Company through the meeting. Our Bylaws also set out specific eligibility requirements that nominees for director must satisfy, including various representations and agreements.

Nominations for inclusion in Emerson's proxy statement (Proxy Access). In certain cases, our Bylaws permit a holder (or a group of not more than 20 holders) of at least 3% of our outstanding common stock continuously for at least three years to nominate and include in our proxy materials director nominees constituting up to the greater of two individuals or 20% of the board of directors, provided that the nominating holder(s) and the nominee(s) satisfy the requirements specified in the Bylaws, including providing the Company with advance notice of the nomination. You must give notice of director nominees submitted under these Bylaw provisions not less than 120 days nor more than 150 days before the meeting. To utilize proxy access, among other things, the electing shareholder and

proposed nominee must comply with the detailed requirements set forth in our Bylaws, including the provision of the proposing shareholder information, various other required information, representations, undertakings, agreements and other requirements as set forth in the Bylaws and as required by law. The Bylaws require that these disclosures be updated and supplemented, if necessary and that the shareholder making a nomination must appear at the meeting for the nomination to be considered.

No cumulative voting. Our Bylaws do not permit cumulative voting in the election of directors. Accordingly, the holders of a majority of the then outstanding shares of common stock can elect all the directors of the class then being elected at that meeting of shareholders.

No person shall be eligible for election as a director if such person is seventy-two years old or older at the commencement of his term. However, we have amended our Bylaws from time to time to grant exceptions.

Classified Board

Our Restated Articles of Incorporation and Bylaws provide that our board will be divided into three classes, with the classes to be as nearly equal in number as possible, and that one class shall be elected each year and serve for a three-year term. At our 2013 and 2019 annual meetings of shareholders, we submitted a proposal to amend our Restated Articles of Incorporation to declassify our board of directors. However, that amendment required the vote of 85% of outstanding shares in favor for approval, which was not attained.

Removal of Directors

Missouri law provides that, unless a corporation's articles of incorporation provide otherwise, the holders of a majority of the corporation's voting stock may remove any director from office. Our Restated Articles of Incorporation provide that shareholders may remove a director with or without "cause" and with the approval of the holders of 85% of Emerson's voting stock. Our board of directors may remove a director, with or without cause, only in the event the director fails to meet the qualifications stated in the Bylaws for election as a director or in the event the director is in breach of any agreement between such director and Emerson relating to such director's service as a director or employee of Emerson.

Filling Vacancies

Missouri law further provides that, unless a corporation's articles of incorporation or bylaws provide otherwise, all vacancies on a corporation's board of directors, including any vacancies resulting from an increase in the number of directors, may be filled by the vote of a majority of the remaining directors even if that number is less than a quorum, or by a sole remaining director, until the next election of directors by the shareholders of the corporation. Our Bylaws provide that, subject to the rights, if any, of the holders of any class of preferred stock then outstanding and except as described below, only the vote of a majority of the remaining directors may fill vacancies.

Limitations on Shareholder Action by Written Consent

Missouri law provides that any action by written consent of shareholders in lieu of a meeting must be unanimous.

Limitations on Calling Shareholder Meetings

Under our Restated Articles of Incorporation and Bylaws, special meetings of shareholders may be called only by a majority of our board of directors, our chairman of the board, or the holders of not less than 85% of our voting stock.

Limitations on Introducing Other Items of Business

In order for a shareholder to bring an item of business before a shareholder meeting, our Bylaws require that the shareholder give us timely notice in advance of the meeting. Ordinarily, the shareholder must give notice at least 90 days but not more than 120 days before the meeting (but if we give less than 100 days' notice of the meeting, then the shareholder must give notice within ten days after we mail notice of the meeting or make other public disclosure of the meeting). The notice must include, among other things, a description of the item of business, the reasons for bringing the item of business and other specified matters. The notice must also include as to the proposing shareholder(s) and the beneficial owner, if any, on whose behalf the proposal is made, and their respective affiliates or associates or others acting in concert therewith various "proposing shareholder information" as specified in detail in our Bylaws. The Bylaws require that these disclosures be updated and supplemented, if necessary and that the shareholder proposing business must appear at the meeting for the proposal to be considered. Our board of directors may reject any proposals that have not followed these procedures or that are not a proper subject for shareholder action in accordance with the provisions of applicable law.

Amendment of Restated Articles of Incorporation

Our Restated Articles of Incorporation may be amended by the affirmative vote of the holders of shares representing a majority of the votes entitled to be cast on the amendment; provided that certain provisions contained in our Restated Articles of Incorporation respecting business combinations, the board of directors, removal of directors, amendment of Bylaws and special meetings of shareholders may be amended only by the affirmative vote of the holders of 85% of the total voting power of all outstanding shares of Emerson, voting as a single class. However, the provisions respecting business combinations may be amended upon the affirmative vote of the holders of a majority of the total voting power of all outstanding shares of Emerson if such amendment shall first have been approved and recommended by a majority of those directors who meet certain criteria of independence from parties seeking a business combination.

Business Combination Provisions in Restated Articles of Incorporation

Our Restated Articles of Incorporation provide that certain business combinations involving Emerson and certain 10% shareholders, each as defined in our Restated Articles of Incorporation, require the affirmative vote of the holders of 85% of the outstanding shares of Emerson common stock unless (i) a majority of the continuing directors (as defined in our Restated Articles of Incorporation) have approved the proposed business combination, or (ii) various conditions intended to ensure the adequacy of the consideration offered by the party seeking the combination are satisfied. Under Missouri law, for certain other mergers, the shareholder approval requirement may be two-thirds of the outstanding shares entitled to vote. However, additional requirements may apply as described in "Missouri Statutory Provisions" herein.

Limitation on Directors' Liability

Our Restated Articles of Incorporation limit the liability of our directors to us or any of our shareholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted under the Missouri General and Business Corporation Law.

Anti-Takeover Effects of Provisions

The classification of directors, the inability to vote shares cumulatively, the advance notice requirements for nominations, and the provisions in our Restated Articles of Incorporation and/or Bylaws that limit the ability of shareholders to amend our Bylaws, to increase the size of our board or to remove directors and that permit the remaining directors to fill any vacancies on our board make it more difficult for shareholders to change the composition of our board. As a result, at least two annual meetings of shareholders may be required for the shareholders to change a majority of the directors, whether or not a

change in our board would benefit Emerson and its shareholders and whether or not a majority of our shareholders believes that the change would be desirable.

The provision of Missouri law which requires unanimity for shareholder action by written consent requires that all our shareholders entitled to vote on a proposed action have the opportunity to participate in the action and prevents the holders of a majority of the voting power of Emerson from using the written consent procedure to take shareholder action. The Bylaw provision requiring advance notice of other items of business may make it more difficult for shareholders to take action opposed by the board of directors. Moreover, a shareholder cannot force a shareholder consideration of an item of business over the opposition of our board of directors by calling a special meeting of shareholders.

These provisions make it more difficult and time-consuming to obtain majority control of our board of directors or otherwise bring a matter before shareholders without our board's consent, and thus reduce the vulnerability of Emerson to an unsolicited takeover proposal. These provisions enable Emerson to develop its business in a manner which will foster its long-term growth, by reducing to the extent practicable the threat of a takeover not in the best interests of Emerson and its shareholders and the potential disruption entailed by the threat. On the other hand, these provisions may adversely affect the ability of shareholders to influence the governance of Emerson and the possibility that shareholders would receive a premium above market price for their securities from a potential acquirer who is unfriendly to management. The provisions requiring an 85% vote of shareholders for amendments to certain provisions of our Restated Articles of Incorporation and for certain business combinations have the effect of limiting the ability of shareholders and others to change the terms of Emerson's Restated Articles of Incorporation and to change control of Emerson.

Missouri Statutory Provisions

Missouri law also contains certain provisions which may have an anti-takeover effect and otherwise discourage third parties from effecting transactions with us, including control share acquisition and business combination statutes. These provisions are referenced or summarized below. You should not rely on these references or summaries, but rely instead on the actual text of the applicable Missouri law provisions, any applicable Missouri regulations, as well as any case law interpreting such provisions or regulations.

Business Combination Statute

Missouri law contains a "business combination statute" which restricts certain "business combinations" between us and an "interested shareholder," or affiliates of the interested shareholder, for a period of five years after the date of the transaction in which the person becomes an interested shareholder, unless either such transaction or the interested shareholder's acquisition of stock is approved by our board on or before the date the interested shareholder obtains such status.

The statute also prohibits business combinations after the five-year period following the transaction in which the person becomes an interested shareholder unless the business combination or purchase of stock prior to becoming an interested shareholder is approved by our board prior to the date the interested shareholder obtains such status. The statute provides that, after the expiration of such five-year period, business combinations are prohibited unless:

- the holders of a majority of the outstanding voting stock, other than the stock owned by the interested shareholder, approve the business combination; or
- the business combination satisfies certain detailed fairness and procedural requirements.

A "business combination" for this purpose includes a merger or consolidation, some sales, leases, exchanges, pledges and similar dispositions of corporate assets or stock and any reclassifications or recapitalizations that increase the proportionate voting power of the interested shareholder. An "interested shareholder" for this purpose generally means any person who, together with his or her

affiliates and associates, owns or controls 20% or more of the outstanding shares of the corporation's voting stock.

A Missouri corporation may opt out of coverage by the business combination statute by including a provision to that effect in its governing corporate documents. We have not done so.

The business combination statute may make it more difficult for a 20% beneficial owner to effect other transactions with us and may encourage persons that seek to acquire us to negotiate with our board prior to acquiring a 20% interest. It is possible that such a provision could make it more difficult to accomplish a transaction which shareholders may otherwise deem to be in their best interest.

Control Share Acquisition Statute

Missouri also has a "control share acquisition statute." This statute may limit the rights of a shareholder to vote some or all of his shares. A shareholder whose acquisition of shares results in that shareholder having voting power, when added to the shares previously held by him, to exercise or direct the exercise of more than a specified percentage of our outstanding stock (beginning at 20%), will lose the right to vote some or all of his shares in excess of such percentage unless the shareholders approve the acquisition of such shares.

In order for the shareholders to grant approval, the acquiring shareholder must meet certain disclosure requirements specified in the statute. In addition, a majority of the outstanding voting shares, as determined before the acquisition, must approve the acquisition. Furthermore, a majority of the outstanding voting shares, as determined after the acquisition, but excluding shares held by (i) the acquiring shareholder, (ii) employee directors or (iii) officers appointed by the board of directors, must approve the acquisition. If the acquisition is approved, the statute grants certain rights to dissenting shareholders.

Not all acquisitions of shares constitute control share acquisitions. The following acquisitions generally do not constitute control share acquisitions:

- good faith gifts;
- transfers in accordance with wills or the laws of descent and distribution;
- purchases made in connection with an issuance by us;
- purchases by any compensation or benefit plan;
- the conversion of debt securities;
- purchases from holders of shares representing two-thirds of our voting power; provided such holders act simultaneously;
- satisfaction of a pledge or other security interest created in good faith;
- mergers involving us which satisfy the other requirements of the General and Business Corporation Law of Missouri;
- transactions with a person who owned a majority of our voting power within the prior year; or
- purchases from a person who previously satisfied the requirements of the control share statute, so long as the acquiring person does not have voting power after the ownership in a different ownership range than the selling shareholder prior to the sale.

A Missouri corporation may opt out of coverage by the control share acquisition statute by including a provision to that effect in its governing corporate documents. We have not opted out of the control share acquisition statute.

Take-Over Bid Disclosure Statute

Missouri's "take-over bid disclosure statute" requires that, under some circumstances, including inapplicability of disclosure required by the Exchange Act, before making a tender offer that would result in the offeror acquiring control of us, the offeror must file certain disclosure materials with the Commissioner of the Missouri Department of Securities.

**Subsidiaries and Affiliates of Emerson Electric Co.
September 30, 2020**

<u>LEGAL NAME</u>	<u>JURISDICTION OF INCORPORATION</u>
American Governor Company	Delaware
American Governor do Brasil Automacao e Controle Ltda	Brazil
Appleton Holding Corp.	Delaware
Appleton Group Canada, Ltd.	Ontario
Appleton Grp LLC	Delaware
Appleton Electric LLC	Delaware
Appleton Electric, S.A. de C.V.	Mexico
EGS Comercializadora Mexico, S. de R.L. de C.V.	Mexico
Nutsteel DHC B.V.	Netherlands
Nutsteel Indústria Metalúrgica Ltda	Brazil
Appleton Holding Sarl	France
ATX SAS	France
Easy Heat Europe SAS	France
EGS Mexico S. de R.L. de C.V.	Mexico
EGS Private Ltd.	Singapore
Emerson Hazardous Electrical Equipment (Shanghai) Co., Ltd.	China
GSEG LLC	Delaware
ASCO Numatics Holding, Inc.	Delaware
Aventics Corporation	Delaware
Bristol, Inc.	Delaware
Energy Solutions International Sub, LLC	Delaware
Energy Solutions International GP, LLC	Pennsylvania
Energy Solutions International Ltd.	New Brunswick
Energy Solutions International Ltd.	United Kingdom
Energy Solutions International (India) Private Limited	India
California Emerson LLC	Delaware
Computational Systems, Incorporated	Tennessee
Cooper-Atkins Corporation	Connecticut
Cooper-Atkins Pte. Ltd.	Singapore
Control Products, Inc.	Minnesota
Daniel Industries, Inc.	Delaware
Daniel Automation Company	Delaware
Daniel Industrial, Inc.	Delaware
Daniel International Limited	United Kingdom
Daniel Europe Limited	United Kingdom
Daniel Industries Limited	United Kingdom
Spectra-Tek Holdings Limited	United Kingdom
Spectra-Tek UK Limited	United Kingdom
Daniel Measurement Solutions Private Limited	India
Spectra-Tek International Limited	United Kingdom
Greenfield (UK) Limited	United Kingdom
Daniel Measurement and Control, LLC	Delaware
Metco Services Venezuela, C.A.	Venezuela
Danmasa S.A. de C.V.	Mexico
Emerson Automation Solutions Actuation Technologies Holdings, Inc.	Delaware
Emerson Process Management Valve Automation, Inc.	Delaware
Bettis Canada Ltd.	Canada
Bettis Holdings Limited	United Kingdom
Bettis UK Limited	United Kingdom
RPP, LLC	Massachusetts
Hytork International Ltd.	United Kingdom
EECO, Inc.	Delaware
Apple JV Holding Corp.	Delaware
Easy Heat, Inc.	Delaware

Emersub CV, Inc.	Delaware
Flow Control US Holding Corporation	Delaware
Emerson Final Control US Holding LLC	Texas
Emerson Automation Solutions Final Control France SARL	France
Emerson Automation Solutions Final Control Sales Holding, LLC	Delaware
Emerson Automation Solutions Final Control, LLC	Delaware
FC QSF, LLC	Delaware
The J.R. Clarkson Company LLC	Nevada
Crosby Valve, LLC	Nevada
Emerson Automation Solutions Final Control US L	Delaware
Emerson Vulcan Holding LLC	Delaware
TV&C GP Holding, LLC	Nevada
Vulsub Holdings A, LLC	Delaware
Emerson Automation Solutions Final Control (Taiwan) Ltd.	Taiwan
Emerson Automation Solutions Final Control (Thailand) Ltd.	Thailand
Vulsub VZ, C.A.	Venezuela
Vulsub Holdings B, LLC	Delaware
Emerson Automation Solutions Final Control Hong Kong Limited	Hong Kong
Emerson Automation Solutions Final Control (Beijing) Co., Ltd.	China
Keystone Valve (Korea) LLC	Korea
Vulsub Holdings D, LLC	Delaware
Vulsub Property Holding, LLC	Delaware
Emerson Climate Technologies, Inc.	Delaware
Copeland Access +, Inc.	Delaware
Copeland Corporation LLC	Delaware
Copeland de Mexico, S.A. de C.V.	Mexico
Emerson Climate Technologies (India) Private Limited	India
Copeland Redevelopment Corporation	Missouri
Emerson Climate Technologies Retail Solutions, Inc.	Delaware
Emerson Climate Services, LLC	Delaware
Scroll Compressors LLC	Delaware
Scroll Mexico LLC	Delaware
Emerson Electric (U.S.) Holding Corporation	Delaware
Automatic Switch Company	Delaware
ASC Investments, Inc.	Delaware
Vertiv Holdings, LLC	Delaware
Asco AB	Sweden
ASCO Japan Co., Ltd.	Japan
ASCO, L.P.	Delaware
Emerson (Taiwan) Limited	Taiwan
Ascomatica S.A. de C.V.	Mexico
Ascomation Pty. Ltd.	Australia
Ascomation (NZ) Ltd.	New Zealand
ASCO Numatics (India) Private Limited	India
Aventics India Private Limited	India
Ascotech, S.A. de C.V.	Mexico
Ascoval Industria e Comercio Ltda	Brazil
Aventics AB	Sweden
Aventics ApS	Denmark
Aventics AS	Norway
Aventics Oy	Finland
Emerson Fluid Control & Pneumatics, S. de R.L. de C.V.	Mexico
Branson Ultrasonics Corporation	Delaware
Branson Korea Co., Ltd.	Korea
Branson Ultrasonidos S.A.E.	Spain
Branson Ultrasons SAS	France
Emerson Climate Technologies GmbH	Germany
Emerson Climate Technologies Limited	United Kingdom
Emerson Climate Technologies Refrigeration S.A.	Belgium
Emerson Climate Technologies S.A.	Spain
Emerson Climate Technologies Sarl	France
Emerson Climate Technologies S.R.L.	Italy



Gustav Klauke GmbH	Germany
Klauke Iberia, S.L.	Spain
Emerson Dietzenbach GmbH	Germany
Emerson Electric Overseas Finance Corp.	Delaware
Emerson Process Management Verwaltung GmbH	Germany
Emerson Process Management GmbH & Co. OHG	Germany
Aventics Services Germany Gmb	Germany
Aventics GmbH	Germany
Aventics AG	Switzerland
Aventics GmbH	Austria
epro GmbH	Germany
Flow Control Holding GmbH & Co. KG	Germany
Flow Control Holding Verwaltungs GmbH	Germany
RPP Europe GmbH	Germany
Sempell GmbH	Germany
Emerson Automation Solutions Final Control Germany GmbH	Germany
Mecafrance (Deutschland) GmbH	Germany
SABO-Armaturen Service GmbH	Germany
Emerson Retail Services Europe GmbH	Germany
Emerson Technologies Verwaltungs GmbH	Germany
Emerson Technologies GmbH & Co. OHG	Germany
Emersub LXXXVI, Inc.	Delaware
Ridge Tool GmbH	Germany
Ridge Tool GmbH & Co. OHG	Germany
Rosemount Inc.	Minnesota
Dieterich Standard, Inc.	Delaware
Emerson Asia Pacific Private Limited	Singapore
Aventics Singapore Pte. Ltd.	Singapore
Emerson Automation Solutions Final Control Singapore Pte. Ltd.	Singapore
Emerson Automation Solutions Final Control Malaysia Sdn Bhd	Malaysia
Emerson Automation Solutions Final Control (Sichuan) Co., Ltd.	China
Emerson Automation Solutions Final Control (Shanghai) Co., Ltd.	China
PT Emerson Solutions Indonesia	Indonesia
Safety Systems UK Pte. Ltd.	Singapore
Sakhi-Raimondi Valve (India) Limited	India
Emerson Process Management Chennai Private Limited	India
Emerson Process Management Manufacturing (M) Sdn Bhd	Malaysia
Emerson Process Management Valve Automation (M) Sdn Bhd	Malaysia
Spectronix Ltd.	Israel
Greenex Ltd.	Israel
Spectrex, Inc.	Connecticut
Emerson Automation Solutions AS	Norway
Emerson Industrial Automation USA Inc.	Delaware
Fincor Holding, LLC	Delaware
Emerson Korea Limited	Korea
Aventics Ltd.	Korea
Emerson Process Management AB	Sweden
Emerson Process Management A/S (Denmark)	Denmark
Roxar Flow Measurement Sdn Bhd	Malaysia
Emerson Process Management Oy	Finland
Emerson Process Management, S.L.	Spain
Emersub LXXXIV, Inc.	Delaware
Keystone Germany Holdings Corp.	Delaware
Chemat GmbH Armaturen fur Industrie - und Nuklearanlage	Germany
Emerson Automation Solutions Final Control de Mexico, S.A. de C.V.	Mexico
Emerson Process Management, S.A. de C.V.	Mexico
EMR Europe Holdings Inc.	Delaware
EMR Holdings (France) SAS	France
ASCO SAS	France
Asco Numatics GmbH	Germany
Emerson Automation Fluid Control & Pneumatics Iberia, S.A.	Spain
Joucomatic S.A.	Belgium



Aventics Holding S.A.S.	France
Aventics S.A.S	France
Emerson Process Management SAS	France
Emerson Process Management, Lda	Portugal
Francel SAS	France
Generale de Robinetterie Industrielle et de Sytemes de Surete	France
Klauke France SARL	France
Ridgid France SAS	France
Micro Motion, Inc.	Colorado
P I Components Corp.	Texas
Rosemount China Inc.	Minnesota
Rosemount Limited	Hong Kong
Rosemount Nuclear Instruments, Inc.	Delaware
Rosemount Specialty Products LLC	Delaware
Emersub 15 LLC	Delaware
Ridge Tool Company	Ohio
Greenlee Tools, Inc.	Delaware
Emerson Professional Tools, LLC	Delaware
Ridge Tool (Australia) Pty. Ltd.	Australia
Ridge Tool Manufacturing Company	Delaware
Ridge Tool Pattern Company	Delaware
RIDGID, Inc.	Delaware
Ridgid Italia S.R.L.	Italy
Ridgid Online, Inc.	Ohio
Ridgid Werkzeuge AG	Switzerland
Therm-O-Disc, Incorporated	Ohio
Componentes Avanzados de Mexico S.A. de C.V.	Mexico
Controles de Temperatura S.A. de C.V.	Mexico
E.G.P. Corporation	Delaware
Emerald Advanced Technology Limited	United Kingdom
MaxEUR LLC	Delaware
Emerson Arabia, Inc.	Delaware
Emerson Climate Technologies Arabia Limited Co.	Saudi Arabia
Emerson Process Management Arabia Limited	Saudi Arabia
Emersub 4 LLC	Delaware
Emerson Climate Technologies Mexico, S.A. de C.V.	Mexico
Emerson Electric (Asia) Limited	Hong Kong
Emerson Electric (South Asia) Pte. Ltd.	Singapore
Emerson (Philippines) Corporation	Philippines
Emerson Electric II, C.A.	Venezuela
Soluciones 0925, C.A.	Venezuela
Emerson Electric International, Inc.	Delaware
Emerson Electric Ireland Limited	Bermuda
Emersub Treasury Ireland Unlimited Company	Ireland
Emerson Electric (Mauritius) Ltd	Mauritius
Emerson Electric Company (India) Private Limited	India
Westinghouse Electric Pvt. Limited	Mauritius
Emerson Process Management Power & Water Solutions India Private Limited	India
Emerson Finance LLC	Delaware
Emerson Middle East, Inc.	Delaware
Rosemount Tank Gauging Middle East SPC	Bahrain
Emerson Ventures Inc.	Delaware
Emersub 3 LLC	Delaware
Emersub 14 LLC	Delaware
Vilter Manufacturing LLC	Wisconsin
Emersub 16 LLC	Delaware
Emersub 18 LLC	Delaware
Emersub CII, Inc.	Delaware
Emersub XLVI, Inc.	Nevada
Copesub, Inc.	Delaware
Alliance Compressors LLC	Delaware
Emersub Italia S.R.L.	Italy



International Gas Distribution SA	Luxembourg
EMR Foundation, Inc.	Missouri
EMR Holdings, Inc.	Delaware
Branson de Mexico, S.A. de C.V.	Mexico
Chloride Koexa S.A.	Argentina
Copeland Compresores Hermeticos, S.A. de C.V.	Mexico
Dar Ibtikar Al Iraq for General Services and General Trade LLC	Iraq
Emerson Argentina S.A.	Argentina
Emerson Automation Solutions GmbH	Switzerland
Emerson Automation Solutions Isolation Valves, Inc.	Delaware
Emerson Climate Technologies Australia Pty. Ltd.	Australia
Emerson Dominicana, Srl	Dominican Republic
Emerson Electric (U.S.) Holding Corporation (Chile) Limitada	Chile
Emerson Electric CR, Limitada	Costa Rica
Emerson Electric de Mexico S.A. de C.V.	Mexico
Emerson Electric Korea Ltd.	Korea
Emerson Electric (M) Sdn Bhd	Malaysia
Emerson Process Management Magyarorszag Kft.	Hungary
Emerson Process Management NV	Belgium
AE Valves	Belgium
Emerson Puerto Rico, Inc.	Puerto Rico
Emerson (Thailand) Limited	Thailand
Emersub 5 LLC	Delaware
Emersub Mexico, Inc.	Nevada
Copeland Scroll Compresores de Mexico S.A. de C.V.	Mexico
Daniel Measurement and Control, S. de R.L. de C.V.	Mexico
Emerson Tool and Appliance Company, S. de R.L. de C.V.	Mexico
Emerson Tool Company de Mexico, S. de R.L. de C.V.	Mexico
Emersub 1 LLC	Delaware
EMR Worldwide Inc.	Delaware
Emerson DHC B.V.	Netherlands
Emerson Commercial & Residential Asia Limited	Hong Kong
Emerson Electric do Brasil Ltda	Brazil
System Plast Ltda	Brazil
Emerson Electric (Thailand) Limited	Thailand
Emerson Process Management Ltda	Brazil
Emerson Scroll Machining (Thailand) Limited	Thailand
Emersub 7 LLC	Delaware
Emersub 8 LLC	Delaware
Emersub 9 LLC	Delaware
Emersub 10 LLC	Delaware
Emersub 11 LLC	Delaware
Emersub 12 LLC	Delaware
EMR (Mauritius) Ltd	Mauritius
Emerson Electric Canada Limited	Canada
I Solutions Inc.	Alberta
iSolutions Private Limited	India
Emerson USD Finance Company Limited	United Kingdom
EMR Worldwide B.V. in liquidatie	Netherlands
Rutherford Acquisitions Limited	United Kingdom
Branson Ultrasonics a.s.	Slovakia
Emerson Automation Solutions Final Control Africa (Pty) Ltd	South Africa
Vulsub South Africa (Pty) Ltd	South Africa
Emerson Automation Solutions Final Control South Africa (Pty) Ltd	South Africa
Emerson Climate Technologies (South Africa) (Pty) Ltd	South Africa
Emerson Comres de Mexico, S. de R.L. de C.V.	Mexico
Emerson International Holding Company Limited	United Kingdom
Branson Ultrasonic Sarl	Switzerland
Digital Appliance Controls (UK) Limited	United Kingdom
Emerson Holding Company Limited	United Kingdom
Copeland Limited	United Kingdom
Emerson Automation Fluid Control & Pneumatics UK Limited	United Kingdom



Aventics Limited	United Kingdom
Emerson Climate Technologies Retail Solutions UK Limited	United Kingdom
Emerson Electric U.K. Limited	United Kingdom
Artesyn Hungary Elektronikai Kft.	Hungary
Bray Lectroheat Limited	United Kingdom
Buehler Europe Limited	United Kingdom
Bannerscientific Limited	United Kingdom
Buehler UK Limited	United Kingdom
Metallurgical Services Laboratories Limited	United Kingdom
Metaserv Limited	United Kingdom
Emerson Egypt LLC	Egypt
Emerson FZE	UAE
Emerson Climate Technologies FZE	UAE
Emerson Gabon SARL	Gabon
Emerson Process Management Angola Lda	Angola
EMRSN Process Management Morocco Sarl	Morocco
Emerson Saudi Arabia LLC	Saudi Arabia
ENPDOR2012A Limited	United Kingdom
H.T.E. Engineering Limited	United Kingdom
Liebert Swindon Limited	United Kingdom
Emerson Energy Systems (UK) Limited	United Kingdom
Emerson Process Management Limited	United Kingdom
Emerson Automation Solutions Actuation Technologies Limited	United Kingdom
Emerson Automation Solutions Ireland Limited	Ireland
Emerson Process Management Distribution Limited	United Kingdom
Emerson Process Management Shared Services Limited	United Kingdom
K Controls Limited	United Kingdom
METCO Services Limited	United Kingdom
Permasense Limited	United Kingdom
Permasense Asia Pacific Sdn Bhd	Malaysia
Roxar Limited	United Kingdom
TopWorx UK Limited	United Kingdom
Emerson UK Trustees Limited	United Kingdom
Mobrey Group Limited	United Kingdom
Rosemount Measurement Limited	United Kingdom
Cascade Technologies Holdings Limited	Scotland
Cascade Technologies Limited	Scotland
Pactrol Controls Limited	United Kingdom
Emerson Automation Solutions UK Limited	United Kingdom
Emerson Electric Holdings (Switzerland) GmbH	Switzerland
ALCO CONTROLS, spol. s.r.o.	Czech Republic
Asco Controls B.V.	Netherlands
Asco Joucomatic ZA B.V.	Netherlands
Aventics B.V.	Netherlands
Emerson Automation FCP Kft	Hungary
Emerson Automation Fluid Control & Pneumatics Czech Republic s.r.o.	Czech Republic
Emerson Automation Fluid Control & Pneumatics Poland Sp. z o.o.	Poland
Emerson Process Management AG	Switzerland
Emerson Electric Poland Sp. z o.o.	Poland
Emerson LLC	Azerbaijan
Emerson LLP	Kazakhstan
Emerson Process Management del Peru, S.A.C.	Peru
Emerson Process Management Kft.	Hungary
Emerson Process Management Romania S.R.L.	Romania
Emerson Process Management Sp. z o.o.	Poland
Emerson Process Management UAB	Lithuania
Emerson Process Management Ticaret Limited Sirket	Turkey
Emerson Process Management, s.r.o.	Czech Republic
Emerson Process Management, s.r.o.	Slovakia
Emerson TOV	Ukraine
Emerson Process Management Co., Ltd.	China
EMR Emerson Holdings (Switzerland) GmbH	Switzerland



Emerson Climate Technologies - Transportation Solutions ApS	Denmark
Emerson Process Management Qatar W.L.L.	Qatar
EMR (Asia) Limited	Hong Kong
Emerson Electric (China) Holdings Co., Ltd.	China
ASCO Valve (Shanghai) Co., Ltd.	China
Aventics Pneumatics Equipment (Changzhou) Co., Ltd.	China
Aventics Pneumatics Trading (Shanghai) Co., Ltd.	China
Beijing Rosemount Far East Instrument Co., Ltd.	China
Branson Ultrasonics (Shanghai) Co., Ltd.	China
Emerson Beijing Instrument Co. Ltd.	China
Emerson Climate Technologies (Shenyang) Refrigeration Co., Ltd.	China
Emerson Climate Technologies - Solutions (Suzhou) Co., Ltd.	China
Emerson Climate Technologies (Suzhou) Co., Ltd.	China
Emerson Climate Technologies (Suzhou) Trading Co., Ltd.	China
Emerson Electric (Tongling) Co., Ltd.	China
Emerson Electric (Zhuhai) Co., Ltd.	China
Emerson InSinkErator Appliance (Nanjing) Co., Ltd.	China
Emerson Machinery Equipment (Shenzhen) Co., Ltd.	China
Emerson Process Management Flow Technologies Co., Ltd.	China
Emerson Process Management Power & Water Solutions (Shanghai) Co., Ltd.	China
Emerson Process Management (Tianjin) Valves Co., Ltd.	China
Emerson Process Management Valve Automation (Tianjin) Co., Ltd.	China
Emerson Professional Tools (Shanghai) Co., Ltd.	China
Emerson Trading (Shanghai) Co., Ltd.	China
Emerson Xi'an Engineering Center	China
Fisher Jeon Gas Equipment (Chengdu) Co., Ltd.	China
Fisher Regulators (Shanghai) Co., Ltd.	China
Parex Industries Limited	New Zealand
Rosemount Tank Radar AB	Sweden
Emerson Process Management Marine Solutions Singapore Pte. Ltd.	Singapore
Rosemount Tank Radar Properties AB	Sweden
Virgo Valves & Controls (ME) FZE	UAE
Virgo Valves and Controls Sdn Bhd	Malaysia
Emerson Electric Nederland B.V.	Netherlands
Aegir Norge Holding AS	Norway
Roxar AS	Norway
Roxar Flow Measurement AS	Norway
Emerson Process Management Nigeria Limited	Nigeria
Roxar Maximum Reservoir Performance W.L.L.	Bahrain
Roxar de Venezuela C.A.	Venezuela
Roxar Saudi Co.	Saudi Arabia
Roxar Services AS	Norway
Roxar Services OOO	Russia
Roxar Technologies AS	Norway
Roxar Software Solutions AS	Norway
Roxar Vietnam Company Ltd.	Vietnam
A.P.M. Automation Solutions Ltd.	Israel
Damcos Holding A/S	Denmark
Damcos A/S	Denmark
Emerson Process Management Marine Solutions Korea Co., Ltd.	Korea
Emerson Process Management Marine Systems (Shanghai) Co., Ltd.	China
Emerson Automation Solutions Final Control Netherlands B.V.	Netherlands
Emerson Electric Company Lanka (Private) Limited	Sri Lanka
Emerson LLC	Russia
Emerson Network Power DHC B.V.	Netherlands
Beckman Industrial B.V.	Netherlands
Branson Ultrasonics B.V.	Netherlands
EI-O-Matic B.V.	Netherlands
EI-O-Matic Valve Actuators (F.E.) Pte. Ltd.	Singapore
Emerson Process Management (South Africa) (Proprietary) Ltd.	South Africa
EMRSN HLDG B.V.	Netherlands
Emerson Process Management Flow B.V.	Netherlands



Emerson Process Management B.V.	Netherlands
Fusite B.V.	Netherlands
System Plast International B.V.	Netherlands
Therm-O-Disc Europe B.V.	Netherlands
Emerson S.R.L.	Romania
EMERSON CLIMATE TECHNOLOGIES, s.r.o.	Czech Republic
Emerson Process Management (Vietnam) Co., Ltd.	Vietnam
Emerson Process Management Europe GmbH	Switzerland
Emerson Sice S.r.l.	Italy
Branson Ultrasuoni S.R.L.	Italy
Dixell S.R.L.	Italy
Emerson Automation Fluid Control & Pneumatics Italy S.R.L.	Italy
Emerson Climate Technologies Retail Solutions Europe S.R.L.	Italy
Emerson Process Management S.R.L.	Italy
Progea S.r.l.	Italy
Progea Deutschland GmbH	Germany
Progea International, S.A.	Switzerland
Progea North America, Corp.	Wisconsin
Progea Technik S.r.l.	Italy
Vulsub Italia S.r.l.	Italy
Biffi Italia S.r.l.	Italy
Emerson Automation Solutions Final Control Italia S.r.l.	Italy
HTE Engineering Services Limited	Ireland
Klauke Handelsgesellschaft mbH	Austria
Klauke Polska Sp. z.o.o.	Poland
Klauke Slovakia s.r.o.	Slovakia
Klauke UK Ltd.	United Kingdom
Paradigm B.V.	Netherlands
AGI Mexicana S.A. de C.V.	Mexico
Paradigm France S.A.	France
Paradigm Geophysical B.V.	Netherlands
Paradigm Geophysical de Venezuela C.A.	Venezuela
Paradigm Geophysical do Brasil Ltda.	Brazil
Paradigm Geophysical Italy SRL	Italy
Paradigm Geophysical (Nigeria) Limited	Nigeria
Paradigm Geophysical S.A.	Argentina
Paradigm Geophysical Sdn. Bhd.	Malaysia
Paradigm Geophysical (KL) Sdn. Bhd.	Malaysia
Paradigm Geophysical Spain S.L.	Spain
Paradigm Geotechnology (Egypt) S.A.E.	Egypt
Paradigm Kazakhstan LLP	Kazakhstan
Paradigm Middle East FZ-LLC	United Arab Emirates
Roxar Paradigm, E&P Software Services LL	Russia
Paradigm Geophysical (India) Private Limited	India
Paradigm Geophysical Limited	Israel
Paradigm Geoservices Canada Ltd.	Canada
Paradigm Technology (Beijing) Co., Ltd.	China
Paradigm (UK) Holding Limited	United Kingdom
Paradigm Geophysical Pty Ltd	Australia
PT. Paradigm Geophysical Indonesia	Indonesia
Paradigm Geophysical (U.K.) Limited	United Kingdom
Verdant Environmental Technologies Inc.	Canada
Emerson Mexico Finance, S.A. de C.V., SOFOM, ENR	Mexico
Emerson Process Management de Colombia SAS	Colombia
Emerson Process Management d.o.o.	Croatia
Emerson Process Management (India) Private Limited	India
Shanghai Virgo Valves Technology Consulting Co., Ltd.	China
Emerson Process Management S.A.S	Greece
Emerson Valves & Controls Japan Co., Ltd.	Japan
Taiwan Valve Co., Ltd.	Taiwan
Vulsub Brasil Holding	Luxembourg
Vulsub Brasil Ltda.	Brazil



Westlock Equipamentos de Controle Ltda.	Brazil
Hiter Industria e Comercia de Controles Termo-Hidraulicos Ltda.	Brazil
Vulsub Holding III (Denmark) ApS	Denmark
Emerson Automation Solutions Final Control Denmark A/S	Denmark
Vulsub Holding Ltd	Isle of Man
Emerson Automation Solutions SSC UK Limited	United Kingdom
Emerson Automation Solutions Final Control UK II Ltd	United Kingdom
Emerson Automation Solutions Final Control UK Ltd	United Kingdom
Emerson Sales UK Limited	United Kingdom
Keystone Valve (U.K.) Limited	United Kingdom
Vulsub 1 Limited	United Kingdom
Vulsub Property Limited	United Kingdom
Westlock Controls Limited	United Kingdom
Vulsub Middle East Holdings, LLC	Delaware
Emerson Automation Solutions Final Control Middle East FZE	United Arab Emirates
Vulsub Gulf Holding Limited	United Arab Emirates
Emirates Techno Casting FZE	United Arab Emirates
ETC International Holdings, Ltd.	British Virgin Islands
Emirates Techno Casting Holding Limited	United Arab Emirates
Emirates Techno Casting LLC	United Arab Emirates
Gulf Valve FZE	United Arab Emirates
JCF Fluid Flow India Private Limited	India
Vulsub S.A.	Argentina
F-R Tecnologias de Flujo, S.A. de C.V.	Mexico
PT. Emerson Indonesia	Indonesia
RAC Technologies (Israel) Ltd.	Israel
Rey-Lam, S. de R.L. de C.V.	Mexico
Termotec de Chihuahua, S.A. de C.V.	Mexico
Tranmet Holdings Limited	United Kingdom
Tranmet Holdings B.V.	Netherlands
Industrial Group Metran JSC	Russia
JSC Metran-Export	Russia
Vulsub Chile SpA	Chile
ENPESNA, Inc.	Delaware
EPMCO Holdings, Inc.	Delaware
Emerson Process Management Regulator Technologies, Inc.	Delaware
Fromex, S.A. de C.V.	Mexico
Fisher Controls International LLC	Delaware
Emerson Process Management Australia Pty Limited	Australia
Emerson Automation Solutions Final Control Australia Pty Limited	Australia
Emerson Automation Solutions Final Control Sales Australia Pty Limited	Australia
Emerson Process Management New Zealand Limited	New Zealand
Fisher Controles de Mexico, S.A. de C.V.	Mexico
Instrument & Valve Services Company	Delaware
Nippon Fisher Co., Ltd.	Japan
Fisher-Rosemount Systems, Inc.	Delaware
Emerson Process Management Holding LLC	Delaware
Emerson Process Management LLLP	Delaware
Emerson Process Management Power & Water Solutions, Inc.	Delaware
EPM Tulsa Holdings Corp.	Delaware
Emerson Process Management Regulator Technologies Tulsa, LLC	Oklahoma
Fiberconn Assemblies Morocco Sarl	Morocco
Fusite Corporation	Ohio
Emerson Japan, Ltd.	Japan
Fusite Land Company	Delaware
General Equipment and Manufacturing Company, Inc.	Kentucky
GeoFields, Inc.	Georgia`
Hiross India Private Limited	India
Humboldt Hermetic Motor Corp.	Delaware
Woodstock Land Company LLC	Missouri
Intelligent Platforms, LLC	Delaware
Emerson Automation Solutions Intelligent Platforms Asia Pacific Pte. Ltd.	Singapore



Emerson Automation Solutions Intelligent Platforms Private Limited
Emerson Automation Solutions Intelligent Platforms (Shanghai) Co., Ltd.
ICC Intelligent Platforms GmbH
Industrial Controls Canada ULC
Intrinsic Safety Equipment of Texas, Inc.
Locus Solutions, LLC
Management Resources Group, Inc.
Motores Hermeticos del Sur, S.A. de C.V.
PakSense, Inc.
Paradigm Geophysical Corp.
 Emerson Paradigm Holding LLC
ProTeam, Inc.
Ridge Tool Europe NV
 Emerson Professional Tools AG
 Ridgid Scandinavia A/S
Rosemount Tank Gauging North America Inc.
System Plast USA de Mexico, S. de R.L. de C.V.
Termocontroles de Juarez, S.A. de C.V.
Tescom Corporation
 Tescom Europe Management GmbH
 Tescom Europe GmbH & Co. KG
Thunderline Z, Inc.

India
China
Germany
Nova Scotia
Texas
Wisconsin
Connecticut
Mexico
Delaware
Delaware
Delaware
Idaho
Belgium
Switzerland
Denmark
Texas
Mexico
Mexico
Minnesota
Germany
Germany
Delaware

Consent Of Independent Registered Public Accounting Firm

The Board of Directors
Emerson Electric Co.:

We consent to the incorporation by reference in the Registration Statement Nos. 333-206096, 333-173933, 333-221671, 333-154362, 333-154361, 333-152917, 333-152916, and 333-90240 on Form S-8 and Registration Statement Nos. 333-221668, 333-52658, 333-84673, and 333-66865 on Form S-3 of Emerson Electric Co. of our report dated November 16, 2020, with respect to the consolidated balance sheets of Emerson Electric Co. as of September 30, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended September 30, 2020, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of September 30, 2020, which report appears in the September 30, 2020 annual report on Form 10-K of Emerson Electric Co.

Our report refers to a change in method of accounting for leases effective October 1, 2019.

/s/ KPMG LLP

St. Louis, Missouri
November 16, 2020

POWER OF ATTORNEY

The undersigned members of the Board of Directors and Executive Officers of Emerson Electric Co., a Missouri corporation with principal offices at 8000 West Florissant Avenue, St. Louis, Missouri 63136, hereby appoint F. J. Dellaquila, S. Y. Bosco, M. J. Baughman and J. A. Sperino as their Attorneys-in-Fact for the purpose of signing Emerson Electric Co.'s Securities and Exchange Commission Form 10-K (and any and all Amendments thereto) for the fiscal year ended September 30, 2020.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ D. N. Farr</u> D. N. Farr	Chairman of the Board and Chief Executive Officer	October 6, 2020
<u>/s/ F. J. Dellaquila</u> F. J. Dellaquila	Senior Executive Vice President and Chief Financial Officer	October 6, 2020
<u>/s/ M. J. Baughman</u> M. J. Baughman	Vice President, Controller and Chief Accounting Officer	October 6, 2020
<u>/s/ M. A. Blinn</u> M. A. Blinn	Director	October 6, 2020
<u>/s/ C. A. H. Boersig</u> C. A. H. Boersig	Director	October 6, 2020
<u>/s/ J. B. Bolten</u> J. B. Bolten	Director	October 6, 2020
<u>/s/ M. S. Craighead</u> M. S. Craighead	Director	October 6, 2020
<u>/s/ W. H. Easter III</u> W. H. Easter III	Director	October 6, 2020
<u>/s/ G. A. Flach</u> G. A. Flach	Director	October 6, 2020
<u>/s/ A. F. Golden</u> A. F. Golden	Director	October 6, 2020
<u>/s/ C. Kandle</u> C. Kandle	Director	October 6, 2020
<u>/s/ L. M. Lee</u> L. M. Lee	Director	October 6, 2020
<u>/s/ M. S. Levatich</u> M. S. Levatich	Director	October 6, 2020
<u>/s/ J. S. Turley</u> J. S. Turley	Director	October 6, 2020

Certification

I, D. N. Farr, certify that:

1. I have reviewed this annual report on Form 10-K of Emerson Electric Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2020

/s/ D. N. Farr

D. N. Farr
Chairman of the Board and
Chief Executive Officer
Emerson Electric Co.

Certification

I, F. J. Dellaquila, certify that:

1. I have reviewed this annual report on Form 10-K of Emerson Electric Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2020

/s/ F. J. Dellaquila

F. J. Dellaquila
Senior Executive Vice President and
Chief Financial Officer
Emerson Electric Co.

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(b) AND
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Emerson Electric Co. (the "Company") on Form 10-K for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. N. Farr, certify, to the best of my knowledge, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ D. N. Farr

D. N. Farr
Chairman of the Board and
Chief Executive Officer
Emerson Electric Co.
November 16, 2020

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(b) AND
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Emerson Electric Co. (the "Company") on Form 10-K for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, F. J. Dellaquila, certify, to the best of my knowledge, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ F. J. Dellaquila

F. J. Dellaquila
Senior Executive Vice President and
Chief Financial Officer
Emerson Electric Co.
November 16, 2020