ITT INDUSTRIES INC
Form DEF 14A
April 01, 2004

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SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-12
o Confidential, for the Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

ITT INDUSTRIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Louis J. Giuliano

Chairman, President and Chief Executive Officer

ITT Industries

4 West Red Oak Lane
White Plains, NY 10604

April 1, 2004

Dear Fellow Shareholders:

Enclosed are the Notice of Annual Meeting and Proxy Statement for ITT Industries 2004 Annual Meeting of Shareholders. As has been the case with our previous Annual Meetings, this year s meeting is intended to address only the business included on the agenda. Details of the business to be conducted at the Annual Meeting are given in the accompanying Notice of Annual Meeting and Proxy Statement, which provides information as required by applicable laws and regulations.

If you are the registered owner of ITT Industries stock, you may vote your shares by making a toll-free telephone call or using the Internet. You also may vote your shares by returning your proxy form by mail. Details of these voting options are explained in the Proxy Statement. You also can find useful instructions on the enclosed proxy form.

If you are a beneficial owner and someone else, such as your bank or broker, is the owner of record, the owner of record will communicate with you about how to vote your shares.

We urge you to complete and return the enclosed proxy as promptly as possible. Your vote is important.

Very truly yours,

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April 1, 2004

Notice of 2004 Annual Meeting

The 2004 Annual Meeting of ITT Industries, Inc. will be held on Tuesday, May 11, 2004 at 10:30 a.m. at Tappan Hill, 81 Highland Avenue, Tarrytown, New York. Directions to Tappan Hill are provided on the back cover of the Proxy Statement.

The purpose of the 2004 Annual Meeting is to elect nine Directors, ratify the Board of Directors appointment of Deloitte & Touche LLP as ITT Industries independent auditors for 2004, and to transact such other business as may properly come before the meeting.

The record date for the meeting is March 19, 2004. If you were a shareholder at the close of business on the record date, you are entitled to vote.

By order of the Board of Directors,

/s/ Kathleen S. Stolar

Kathleen S. Stolar
Vice President and Secretary

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Proxy Statement

Beginning April 1, 2004, this proxy statement is being sent to shareholders who were shareholders of record as of March 19, 2004, as part of the Board of Directors solicitation of proxies for ITT Industries 2004 Annual Meeting.

Information about Voting

Why the Board solicits proxies from shareholders. In order to vote your shares, you must appoint a proxy to vote on your behalf, or attend the annual meeting and vote in person. Because it would be impossible for all shareholders to attend the meeting in person, the Board of Directors recommends that you appoint the two people named on the accompanying proxy form to act as your proxies at the 2004 Annual Meeting.

If you appoint the proxies, they will vote your shares in accordance with your voting instructions. If you appoint the proxies but do not provide voting instructions, they will vote as recommended by the Board of Directors. The proposals to be voted on and the Board s voting recommendations are described on the following pages 4 through 13. If any other matters not described in this proxy statement are properly brought before the meeting for a vote, the proxies will use their discretion in deciding how to vote on those matters.

This proxy statement and ITT Industries 2003 Annual Report to Shareholders (which has been mailed to shareholders eligible to vote at the 2004 Annual Meeting) contain information that the Board of Directors believes offers an informed view of the Company and meet the regulations of the Securities and Exchange Commission for proxy solicitations.

Proxy voting procedures. You may vote in any one of the following ways:

By the Internet, if you have Internet access. To vote by the Internet, follow the Internet voting instructions on the proxy form that is enclosed with this proxy statement.

By telephone, if you call from the United States. To vote by telephone, follow the telephone voting instructions on the proxy form.

By mail. To vote by mail, mark your voting instructions on the proxy form, sign the form, and return it in the enclosed envelope. If you do that, the proxies who are named on the proxy form will vote your shares as you have instructed them to do. If you wish, you may simply sign and return the proxy form without specifying how you want your shares to be voted.

Discretionary voting by proxies. There are two formal items scheduled to be voted upon at the Annual Meeting: election of Directors and ratification of the appointment of the independent auditors. As of the date of this proxy statement, which is after November 27, 2003, the date that the advance notice period for shareholder proposals ended, the Board of Directors has no knowledge of any business other than that described in this proxy statement that will be presented for a vote at the 2004 Annual Meeting. If you return the proxy without specifying how you want your shares voted, you are giving discretionary authority to the proxies to vote your shares in accordance with the recommendations of the Board of Directors, which are described on pages 4 to

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13. If any other matters are properly presented for consideration at the 2004 Annual Meeting, the persons named as proxies will have discretion to vote on these matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote.

Revoking your proxy. You may revoke your proxy at any time before it is voted by granting a new proxy or by voting in person at the 2004 Annual Meeting.

Shares outstanding. As of the March 19, 2004 record date for the 2004 Annual Meeting, 92,271,319 shares of the Company s common stock were outstanding. Each of those outstanding shares is entitled to one vote on each matter to be voted on at the 2004 Annual Meeting.

Quorum. In order for business to be conducted at the 2004 Annual Meeting, there must be a quorum. If the holders of a majority of ITT Industries outstanding shares, as of the record date, are present in person or represented by proxies at the meeting, there will be a quorum.

Votes required to elect Directors or approve a proposal. Indiana law, the law of the state in which ITT Industries is incorporated, provides that directors are elected by a plurality of the votes cast. This means that the nine nominees who receive the highest number of votes will be elected as the Directors of ITT Industries. Each of the other matters to be voted on at the 2004 Annual Meeting will be approved if the number of shares voted in favor of the matter is greater than the number of shares voted against the matter.

Abstentions and broker non-votes. Indiana law provides that abstentions and broker non-votes will be counted in order to determine whether there is a quorum; however, they will not be counted as votes for or against any matter. Therefore abstentions and broker non-votes will have no impact on the election of Directors or ratification of the appointment of auditors.

Voting by employee participants in ITT Industries savings plans. If you participate in any of ITT Industries savings plans for salaried or hourly employees, your plan trustee will vote the ITT Industries shares credited to your savings plan account in accordance with your voting instructions. The trustee votes the shares on your behalf because you are the beneficial owner, not the record owner, of the shares credited to your account. The trustees will vote the savings plan shares for which they do not receive voting instructions in the same proportion as the shares for which they receive voting instructions.

If you are a participant in the ITT Industries Investment and Savings Plan for Salaried Employees and also are a record owner of ITT Industries common stock, you will receive one proxy form that reflects your savings plan shares and the other shares you own, including any shares held in the Direct Purchase, Sale & Dividend Reinvestment Plan for ITT Industries, Inc. The number of savings plan and other shares that you own will be set out separately on the proxy form.

Number of ITT Industries shares held by participants in the Company s employee savings plans. As of March 19, 2004, State Street Bank held 7,701,226 shares of ITT Industries common stock (approximately 8.34% of the outstanding shares) as trustee of the salaried employees savings plan, and

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Northern Trust Company, Inc. held 434,828 shares (approximately .47% of the outstanding shares) as trustee for the hourly employees savings plans.

Inspectors of Election and confidential voting. Representatives of IVS Associates, Inc. will act as the Inspectors of Election for the 2004 Annual Meeting. They will monitor the voting and certify whether the votes of shareholders are being kept in confidence in compliance with ITT Industries confidential voting policy.

Cost of the solicitation. ITT Industries has appointed Georgeson & Company Inc. to assist with the solicitation of proxies from its registered owners for a fee of $12,500 plus expenses. ITT Industries also will reimburse brokers, nominees, custodians and fiduciaries for their costs of sending the proxy materials to the beneficial owners. Directors, officers or other regular employees of ITT Industries also may solicit proxies from shareholders in person, or by telephone, facsimile transmission or other electronic means of communication.

Shareholder proposals for the 2005 Annual Meeting. Rule 14a-8 of the Securities Exchange Act of 1934 or the Exchange Act, establishes the eligibility requirements and the procedures that must be followed for a shareholder s proposal to be included in a public company s proxy materials. Under the rule, if a shareholder wishes to include a proposal in ITT Industries proxy materials for its next Annual Meeting, those eligibility requirements and procedures must be complied with and the proposal must be received by ITT Industries at its principal executive offices on or before December 2, 2004. An ITT Industries shareholder who wishes to present a matter for action at ITT Industries next Annual Meeting, but chooses not to do so under Exchange Act Rule 14a-8, must deliver to ITT Industries, at its principal executive offices, on or before December 2, 2004 a written notice to that effect. In either case, as well as for shareholder nominations for Directors, the shareholder must also comply with the requirements in the Company s By-laws with respect to a shareholder properly bringing business before the Annual Meeting. (A copy of the By-laws may be obtained from the Secretary of ITT Industries.)

Nomination of Director Candidates. The Company s By-laws permit shareholders to nominate Directors at the Annual Meeting. In order to make a Director nomination at the 2005 Annual Meeting it is necessary that you submit a notice with the name of the candidate on or before December 2, 2004. The nomination and notice must meet all other qualifications and requirements of the Company s Governance Principles, By-laws and Regulation 14A of the Exchange Act. The nominee will be evaluated by the Nominating and Governance Committee of the Board using the same standards as it uses for all Director nominees, which are discussed in further detail below under Information about the Board of Directors, Director Selection and Composition.

No one may be nominated for election as a Director after he or she has reached 72 years of age. (A copy of the nomination requirements may be obtained from the Secretary of ITT Industries.)

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Proposals to be voted on at the 2004 Annual Meeting

A. Election of Directors

The Board of Directors has nominated nine individuals for election as Directors at the 2004 Annual Meeting. Each of the nominees is currently serving as a Director of ITT Industries and has agreed to continue to serve if elected until his or her retirement, resignation or death. If unforeseen circumstances arise before the 2004 Annual Meeting and a nominee becomes unable to serve, the Board of Directors could reduce the size of the Board or nominate another candidate for election. If the Board nominates another candidate, the proxies could use their discretion to vote for that nominee. Each Director elected at the 2004 Annual Meeting will be elected to serve as a Director until ITT Industries next Annual Meeting.

Mr. Rand V. Araskog has served as a Director of ITT Industries since 1995 and as a Director of its predecessor since 1977. Mr. Araskog will retire from the Company s Board immediately preceding its 2004 Annual Meeting. Mr. Araskog s long and distinguished service to the Company and its corporate predecessor is deeply appreciated. Upon Mr. Araskog s retirement, the number of Directors on the Board will decrease from ten to nine.

The Board of Directors recommends that you vote FOR the election of each of the following nine nominees:

Louis J. Giuliano
Chairman, President and Chief Executive Officer, ITT Industries, Inc.

Mr. Giuliano, 57, has been chairman, president and chief executive officer of ITT Industries since March 1, 2001. In February 2004, the Company announced that Mr. Giuliano had indicated his intention to retire as president and chief executive officer of the Company once a successor has been appointed. Mr. Giuliano has agreed to continue to serve as chairman for a period of time that will be decided by the Board if he is elected as a Director at this Annual Meeting. From October 1998 to February 2001 Mr. Giuliano was president and chief operating officer of the Company. Prior to that, he was president and chief executive of ITT Industries Defense & Electronics businesses and a senior vice president of the Company for eight years. Mr. Giuliano joined ITT in July 1988 as a vice president of the Company and vice president of Defense Operations at ITT Defense. Prior to joining ITT, Mr. Giuliano held various positions at Allied-Signal during a 19 year career there, including president of the Avionics Systems Group. Mr. Giuliano holds a BA degree in Chemistry and an MBA from Syracuse University.

Mr. Giuliano has been a Director of ITT Industries since 2001.

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Curtis J. Crawford

President and Chief Executive Officer, XCEO, Inc., a leadership and corporate governance consulting firm

Dr. Crawford, 56, served as president and chief executive officer of Onix Microsystems, a private photonics technology company which designed, manufactured and sold micro-electro-mechanical systems based optical switching engines from April 1, 2002 to March 31, 2003. He was chairman of the board of directors of ON Semiconductor Corporation from September 1999 until April 1, 2002. Previously, he was president and chief executive officer of ZiLOG, Inc. from 1998 to 2001 and its chairman from 1999 to 2001. From 1997 to 1998, Dr. Crawford was group president of the Microelectronics Group of Lucent Technologies and served as its president from 1995-1997. Prior to the formation of Lucent Technologies, he was president of AT&T Microelectronics, a business unit of AT&T, from 1993 to 1995, and its vice president and co-chief executive officer from 1991 to 1993. From 1988 to 1991, he was vice president of sales, service and support at AT&T Computer Systems. From 1973 to 1988, Dr. Crawford held various positions at International Business Machines Corporation. Dr. Crawford is a director of E.I.Du Pont de Nemours and Company and ON Semiconductor and is a member of the Board of Trustees of DePaul University. He received a BA degree in business administration and computer science and an MA degree from Governors State University, an MBA from DePaul University and a Ph.D. from Capella University. Governors State University awarded him an honorary doctorate in 1996 and he received an honorary doctorate degree from DePaul University in 1999.

Dr. Crawford has been a Director of ITT Industries since 1996.

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Christina A. Gold
Senior Executive Vice President, First Data Corp. and President,
Western Union Financial Services, Inc.,
a global leader in money transfer and financial services

Mrs. Gold, 56, was named Senior Executive Vice President First Data Corp. and President, Western Union Financial Services, Inc., a global leader in money transfer and financial services on May 20, 2002. She was formerly chairman, president and chief executive officer of Excel Communications. Previously, she was president and chief executive officer of The Beaconsfield Group. From February 1997 to March 1998, Mrs. Gold was executive vice president, global direct selling of Avon Products, Inc. She was executive vice president of Avon Products and president of Avon North America from 1993 to 1997, and from 1989 to 1993 Mrs. Gold was president of Avon Canada. She is a director of New York Life Insurance Company and The Torstar Corporation. She is a member of the Advisory Council of Carleton University. Mrs. Gold is a graduate of Carleton University, Ottawa, Canada.

Mrs. Gold has been a Director of ITT Industries since 1997.

Ralph F. Hake
Chairman and Chief Executive,
Maytag Corporation,
a home and commercial appliance company

Mr. Hake, 55, was named Chairman and Chief Executive of Maytag Corporation in June of 2001. Previously, he was executive vice president and chief financial officer for Fluor Corporation, an engineering and construction firm. From 1987 to 1999, Mr. Hake served in various executive capacities at Whirlpool Corporation, including chief financial officer and senior executive vice president for global operations. Mr. Hake was employed by Mead Corporation prior to 1987. Mr. Hake is a director of Maytag Corporation and serves on the Board of the National Association of Manufacturers, where he is chairman of that association s Taxation and Economic Policy Group. Mr. Hake is a 1971 business and economics graduate of the University of Cincinnati and holds an M.B.A. from the University of Chicago.

Mr. Hake has been a Director of ITT since 2002.

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John J. Hamre

President and Chief Executive Officer, Center for Strategic & International Studies, a public policy research institution dedicated to strategic, bipartisan global analysis and policy impact

Dr. Hamre, 53, was elected president and chief executive officer of CSIS in April of 2000. Prior to joining CSIS, he served as U.S. Deputy Secretary of Defense from 1997 to 2000 and Under Secretary of Defense (Comptroller) from 1993 to 1997. Prior to serving in the Department of Defense, Dr. Hamre was a professional staff member of the Senate Armed Services Committee from 1984 to 1993 with responsibilities for oversight and evaluation of procurement, research and development programs and defense budget issues. From 1978 to 1984, Dr. Hamre served as Deputy Assistant Director, National Security and International Affairs, in the Congressional Budget Office. Dr. Hamre is a director of MITRE Corporation, Choicepoint, Inc. and Integrated Nano-Technologies LPC. He received a BA degree, with highest distinction from Augustana College in Sioux Falls, South Dakota, was a Rockefeller Fellow at Harvard Divinity School and was awarded a Ph.D., with distinction, from the School of Advanced International Studies, Johns Hopkins University in 1978.

Dr. Hamre has been a Director of ITT Industries since 2000.

Raymond W. LeBoeuf

Chairman of the Board and Chief Executive Officer, PPG Industries, Inc., a global manufacturer of materials for manufacturing, construction, automotive, chemical processing and other industries

Mr. LeBoeuf, 57, has been chairman of PPG Industries since November 1997 and its chief executive officer since July 1997. In December 1995 he was elected president and chief operating officer of PPG. He was an executive vice president of PPG from 1994 until 1995. Mr. LeBoeuf joined PPG Industries in 1980 as its treasurer, and has held a number of executive positions since that time. Mr. LeBoeuf was elected a director of PPG in December 1995. He is also a director of Praxair, Inc. Mr. LeBoeuf is chairman of the Robert Morris University Board. He is also a board member of the Business Roundtable, Extra Mile Foundation and the Pittsburgh Cultural Trust and is a member of Robert Morris University Board of Trustees. Mr. LeBoeuf is a graduate of Northwestern University and holds an MBA from the University of Illinois.

Mr. LeBoeuf has been a Director of ITT Industries since 2000.

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Frank T. MacInnis

Chairman and Chief Executive Officer, EMCOR Group, Inc., an international electrical and mechanical construction and facility management company

Frank T. MacInnis, 57, has been chairman of the board and chief executive officer of EMCOR since April 1994. He was also president of EMCOR from April 1994 to April 1997. From April 1990 to April 1994, Mr. MacInnis served as president and chief executive officer and from August 1990 to April 1994 as chairman of the board of Comstock Group Inc., a nationwide electrical contracting company. Mr. MacInnis is also a director of The Williams Companies, Inc., The Greater New York Chapter of the March of Dimes and ComNet Communications, LLC. Mr. MacInnis received an undergraduate degree from The University of Alberta and is a graduate of The University of Alberta Law School, Alberta, Canada.

Mr. MacInnis has been a Director of ITT Industries since 2001.

Linda S. Sanford

Senior Vice President, Enterprise On Demand Transformation, International Business Machines Corporation, an information technology company

Ms. Sanford, 51, was named Senior Vice President, Enterprise on Demand Transformation, IBM in January 2003. Previously, she was senior vice president and group executive, IBM Storage Systems Group, which develops and markets IBM s Enterprise Storage Server and other storage-related hardware and software. She has also held positions as general manager, Global Industries, which manages relationships with IBM s largest customers worldwide, and general manager of IBM s S/390 Division, which develops, manufactures and markets large-enterprise systems. Ms. Sanford joined IBM in 1975 as a mathematician. Since then she has held a number of executive positions at IBM. Ms. Sanford is a member of the Women in Technology International Hall of Fame and the National Association of Engineers. She is on the board of directors of St. John s University and Rensselaer Polytechnic Institute. She is a graduate of St. John s University and earned an MS degree in operations research from Rensselaer Polytechnic Institute.

Ms. Sanford has been a Director of ITT Industries since 1998.

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Markos I. Tambakeras

Chairman, President and Chief Executive Officer, Kennametal, Inc., a premier global tooling solutions supplier to the automotive, aerospace, energy, mining, construction and other industries

Markos I. Tambakeras, 53, has been president and chief executive officer and a director of Kennametal, Inc. since July 1999 and Chairman since July 1, 2002. From 1997 to June 1999, Mr. Tambakeras served as president, Industrial Controls Business of Honeywell Incorporated, having previously served as president, Industrial Automation and Control, Honeywell Incorporated from 1995 to 1996 and as president, Honeywell Asia Pacific in Hong Kong from 1992 to 1994. Mr. Tambakeras is Chair of the Manufacturers Alliance Board of Trustees and a member of the Board of Saint Vincent College, Latrobe, PA and the Allegheny Conference on Community Development. Mr. Tambakeras received a BSc degree from the University of Witwatersrand, Johannesburg, South Africa and an MBA from Loyola Marymount University, Los Angeles, CA.

Mr. Tambakeras has been a Director of ITT Industries since 2001.

B. Ratification of Appointment of the Independent Auditors

Subject to shareholders ratification, the Board of Directors has appointed Deloitte & Touche LLP as ITT Industries independent auditors (the Independent Auditor) for 2004. Deloitte & Touche LLP is registered as a registered public accounting firm by the Public Company Accounting Oversight Board.

Representatives of Deloitte & Touche LLP attended all meetings of the Audit Committee during 2003. The Audit Committee reviewed and considered the nature of the non-audit services provided by Deloitte & Touche LLP to ITT Industries in 2003. The Audit Committee discussed these services with Deloitte & Touche LLP and Company management and determined that the services were permitted under the rules and regulations concerning auditor independence promulgated by the U.S. Securities and Exchange Commission (the SEC) to implement the Sarbanes-Oxley Act of 2002, as well as the rules promulgated by the American Institute of Certified Public Accountants.

Representatives of the Independent Auditor will be present at the 2004 Annual Meeting to answer questions. They also will have the opportunity to make a statement if they desire to do so.

Independent Auditor Fees

Aggregate fees billed to the Company for the fiscal years ended December 31, 2003 and 2002 represent fees billed by the Company s independent auditor,

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Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche).

	Fiscal Year Ended	
	2003	2002
Audit Fees(1)	$4,753,000	$4,366,800
Audit-Related Fees(2)	758,000	1,681,800
Tax Fees(3)		
Tax Compliance Services	1,736,000	652,200
Tax Planning Services	105,000	3,170,400
	1,841,000	3,822.600
All Other Fees		
Total	$7,352,000	$9,871,200

(1) Fees for audit services billed in 2003 and 2002 consisted of:

Audit of the Company s annual financial statements;

Reviews of the Company s quarterly financial statements; and

Statutory and regulatory audits, consents and other services related to SEC matters

(2) Fees for audit-related services billed in 2003 and 2002 consisted of:

Due diligence associated with mergers and acquisitions;

Financial accounting and reporting consultations;

Sarbanes-Oxley Act, Section 404 advisory services;

Employee benefit plan audits; and

Closing balance sheet audits and reviews of acquisitions and dispositions

(3) Fees for tax services billed in 2003 and 2002 consisted of tax compliance and tax planning and advice:

Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings consisting of:

i. Federal, foreign, state and local income tax return assistance;

ii. Sales and use, property and other tax return assistance, including preparation of expatriate tax returns;

iii. Research & Development tax credit documentation and analysis for purposes of filing amended returns;

iv. Transfer pricing consultations; and

v. Internal Revenue Code and foreign tax code technical consultations

Approximately $184,000 of the 2002 amount for tax compliance services relates to engagements initiated prior to Deloitte & Touche s appointment as the Company s independent auditor.

Tax planning services are services and advice rendered with respect to proposed transactions or services that alter the structure of a transaction to obtain an anticipated tax result. Such services consisted of:

i. Tax advice related to the structural modification of employee benefit plans; and

ii. Tax advice related to an intra-group restructuring.

Approximately $3,015,000 of the 2002 amount for tax planning and advice fees relates to engagements initiated prior to Deloitte & Touche s appointment as the Company s independent auditor.

	2003	2002
Ratio of Tax Planning and Advice to Total Fees	1.43%	32.11%

Change in Independent Auditor

In April 2002, the Company engaged Deloitte & Touche LLP to serve as ITT s independent auditor for 2002. Prior to that date, Arthur Andersen LLP (Andersen) had served as the Company s independent public accountants.

The reports by Andersen on the Company s consolidated financial statements for 2001 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Andersen s report on ITT s consolidated financial statements for 2001 was issued on an unqualified basis in conjunction with the publication of ITT s 2001 Annual Report to Shareowners and the filing of ITT s Annual Report on Form 10-K.

During 2001 and through the date of the change, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures which, if not resolved to Andersen s satisfaction, would have caused them to make reference to the subject matter in connection with their report on the Company s consolidated financial statements for such years; and there were no reportable events, as listed in Item 304(a)(1)(v) of Regulation S-K.

The decision to change accountants was recommended by the Audit Committee and approved by the Board of Directors on March 22, 2002.

Pre-Approval of Audit and Non-Audit Services

The Audit Committee pre-approves audit services provided by the Independent Auditor and outsourced internal auditor (Internal Auditor).

The Audit Committee has also adopted a policy addressing pre-approval of non-audit services provided by the Independent Auditor, and non-audit services provided by the Company s Internal Auditor. The purpose of the policy is to clearly identify circumstances where the Independent Auditor and the Internal Auditor may perform non-audit services and where such services shall require further approval by the Audit Committee. The Audit Committee has determined

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that, where practical, all non-audit services shall first be placed for competitive bid prior to selection of a service provider. Management may select the party deemed best suited for the particular engagement, which may or may not be the Independent Auditor and the Internal Auditor. Providers other than the Independent Auditor and Internal Auditor shall be preferred in the selection process. The policy and its implementation are reviewed and reaffirmed on a regular basis to assure conformance with applicable rules.

The Audit Committee has approved specific categories of audit-related services and tax services incidental to the normal auditing function which the Independent Auditor may provide without further Audit Committee approval. These categories are:

1. Due diligence, closing balance sheet audit services, purchase price dispute support and other services related to mergers, acquisitions and divestitures;

2. Employee benefit advisory services, independent audits and preparation of tax returns for the Company s defined contribution, defined benefit and health and welfare benefit plans, preparation of the associated tax returns or other employee benefit advisory services; and

3. Tax work incidental to the normal auditing functions.

The Audit Committee has also approved specific categories of audit-related services, including assessment and review of internal controls and effectiveness of those controls, which the Internal Auditor may provide without further approval. However, if fees for any pre-approved non-audit services provided by either of the Independent Auditor or the Internal Auditor exceed a pre-determined threshold during any calendar year, any additional proposed non-audit services provided by that service provider must be submitted for prior approval by the Audit Committee. Other audit-related and tax services are also subject to specific prior approval if the prospective fee exceeds a pre-determined threshold. The Audit Committee reviews the fees paid or committed to the Independent Auditor and the Internal Auditor on a quarterly basis.

The Company may not engage the Independent Auditor to provide the services described below:

1. Bookkeeping or other services related to the accounting records or financial statements of the Company;

2. Financial information systems design and implementation;

3. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

4. Actuarial services;

5. Internal auditing services;

6. Management functions or human resources services;

7. Broker-dealer, investment adviser or investment banking services; or

8. Legal services and other expert services unrelated to the audit.

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Employees of the Independent Auditor and the Internal Auditor who are senior manager level or above and have had any involvement with the Company in the independent audit and/or internal audit activities shall not be employed by the Company in any capacity for a period of five years after the termination of their activities on behalf of the Company.

The Board of Directors recommends you vote FOR ratification of appointment of the Company s Independent Auditor.

The following table sets forth information concerning the stock that may be issued under equity compensation plans as of December 31, 2003.

Equity Compensation Plan Information

Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (Thousands)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (Thousands)
Equity Compensation Plans Approved by Security Holders(1)	8,173	$42.64	6,056
Equity Compensation Plans Not Approved by Security Holders	None	None	None
Total	8,173	$42.64	6,056(2)

(1) Equity compensation plans approved by shareholders include the 1994 ITT Industries Incentive Stock Plan, the ITT Industries 1996 Restricted Stock Plan for Non-Employees Directors, the 2002 ITT Industries Stock Option Plan for Non-Employee Directors and the ITT Industries, Inc. 2003 Equity Incentive Plan.

(2) Since the approval of the ITT Industries, Inc. 2003 Equity Incentive Plan no additional awards, including awards of restricted stock, will be granted under the other plans referred to in footnote (1) above. Under the ITT Industries, Inc. 2003 Equity Incentive Plan, restricted stock and restricted stock units may be awarded up to a maximum aggregate grant of 150,000 shares or units in any one plan year to any one participant.

Information about the Board of Directors

Responsibilities of the Board of Directors. The Board of Directors sets policy for ITT Industries and advises and counsels the chief executive officer and the executive officers who manage the Company s business and affairs. The Board of Directors is responsible for assuring that:

- there is continuity in the leadership of the Company;
- management develops sound business strategies;
- adequate capital and managerial resources are available to implement the business strategies;
- the Company s systems of financial reporting and internal controls are adequate and properly implemented;
- the Company s businesses are conducted in conformity with applicable laws and regulations;
- the Company s long-term strategies, significant investments in new businesses, joint ventures and partnerships and significant business acquisitions, including assessment of balance sheet impacts and other financial matters are reviewed and approved; and
- the Company s operating plans and capital, research and development and engineering budgets are reviewed and approved.

The Board of Directors has adopted principles for governance of the Board and charters for each of its standing committees. The Corporate Governance Principles provide, among other things, that a coordinating Director shall be selected from the Committee chairs, on a rotating basis, to preside at meetings of the Board of Directors at which the Chairman is not present, including regularly scheduled private sessions of the non-employee Directors. Each coordinating director serves until the next regular or special meeting of the Board of Directors, whichever occurs first. The Board s Corporate Governance Principles and its Committee Charters are attached as appendices to this Proxy Statement. The Corporate Governance Principles and Committee Charters are reviewed by the Board at least annually and posted on the Company s website at *www.itt.com.*

The Company has also adopted the ITT Industries, Inc. Code of Corporate Conduct which applies to the Company s chief executive officer, chief financial officer and principal accounting officer. The Code of Corporate Conduct is also posted on the Company s website at *www.itt.com.* The Company discloses any changes or waivers from its code of ethics on its website for the Company s chief executive officer, chief financial officer, principal accounting officer and controller and other executive officers.

Communication with the Board of Directors. Interested parties may contact the coordinating Director, all outside Directors as a group or an individual Director by submitting a letter to the desired recipient in a sealed envelope labeled Coordinating Director , Outside Directors or with the name of a specific director. This letter should be placed in a larger envelope and mailed to the Corporate Secretary, ITT Industries, Inc. 4 West Red Oak Lane, White Plains, NY 10604, USA. The Corporate Secretary will forward the sealed envelope to the designated recipient.

Independent Directors. The Company s by-laws require that a majority of the Directors shall be independent directors. The Corporate Governance Principles define independence and the Charters of the Audit, Compensation and Personnel, and Nominating and Governance Committee require all members to be independent directors.

Under the Corporate Governance Principles and By-laws, an independent director is someone who is free of any relationship that would interfere with the exercise of independent judgment, and within the past 5 years:

- has not been employed by the Company in an executive capacity;
- has not been an advisor or consultant to the Company, and has not been affiliated with a company or a firm that is;
- has not been affiliated with a significant customer or supplier of the Company;
- has not had a personal services contract with the Company;
- has not been affiliated with a tax-exempt entity that receives significant contributions from the Company;
- has not been related to any of the persons described above; and
- has not been part of an interlocking directorate in which an executive officer of the Company is a member of the compensation committee of the company that employs the Director.

With respect to Directors standing for election at the Company s 2004 Annual Meeting, the Board of Directors has affirmatively determined, after considering all relevant facts and circumstances, that no non-employee Director has a material relationship with the Company and that all non-employee Directors meet the independence standards of the Corporate Governance Principles and By-laws as well as the independence definition in the final New York Stock Exchange corporate governance rules for listed companies. The following are the independent directors standing for election: Messrs. Crawford, Hake, Hamre, Maclnnis, LeBoeuf and Tambakeras, Mrs. Gold and Ms. Sanford.

Director Selection and Composition. Directors of the Company must be persons of integrity, with significant accomplishments and recognized business stature.

To be considered by the Nominating and Governance Committee as a director candidate, a nominee must meet the requirements of the Company s By-laws and Corporate Governance Principles. A nominee should also have experience

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as a board member, chief executive officer or senior officer of a publicly traded or large privately held company, or have achieved recognized prominence in a relevant field as, for example, a distinguished faculty member of a highly regarded educational institution or senior governmental official. In addition to these minimum qualifications, the Nominating and Governance Committee evaluates each nominee s skills to determine if those skills are complementary to the skills demonstrated by current Board members. The Nominating and Governance Committee also evaluates the Board s needs for operational, technical, management, financial, international or other expertise.

Prior to recommending nominees for directors, the Company s Nominating and Governance Committee engages in a deliberative, evaluative process to assure each nominee possesses the skills and attributes that individually, and collectively will contribute to an effective Board of Directors. Biographical information for each candidate for election as a Director is evaluated and candidates for election participate in interviews with existing Board members and management, and are subject to thorough background checks. Director nominees must be willing to commit the requisite time for preparation and attendance at regularly scheduled Board and Committee meetings and participation in other matters necessary for good corporate governance.

The Nominating and Governance Committee identifies Director candidates through a variety of sources including personal references and business contacts. On occasion the Nominating and Governance Committee utilizes a search firm to identify and screen Director candidates and pays a fee to that firm for each such candidate elected to the Board of the Company.

Committees of the Board of Directors. The four standing Committees of the Board described below perform essential corporate governance functions. The post of Committee Chair rotates every four years and members of each Committee are rotated periodically to assure that fresh points of view are reflected.

Audit Committee

2003 Audit Committee Members:

	Christina A. Gold, Chair Ralph F. Hake Raymond W. LeBoeuf Frank T. MacInnis Markos I. Tambakeras
Meetings in 2003:	10
Responsibilities:	Subject to any action that may be taken by the full Board, the Audit Committee has the ultimate authority and responsibility to determine the independent auditors qualifications and independence,

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and to appoint (or nominate for shareholder ratification), evaluate, and where appropriate, consider rotation or replacement of the independent auditors.

Review and discuss with management and the independent auditors, and approve the audited financial statements of the Company and make a recommendation regarding inclusion of those financial statements in any public filing including the Company s Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K), including discussion of the Company s disclosures under Management s Discussion and Analysis of Financial Conditions and Results of Operations.

Review and consider with the independent auditors the matters required to be discussed by Statement of Auditing Standards (SAS) No. 61.

Review with management and the independent auditors the effect of regulatory and accounting initiatives on the Company s financial statements.

As a whole, or through the Committee chair, review with the independent auditors the Company s interim financial results to be included in the Company s quarterly reports to be filed with the SEC, including discussion of the Company s disclosures under Management s Discussion and Analysis of Financial Conditions and Results of Operations prior to release of the Company s earnings report or the filing of its Form 10-Q with the SEC.

Review and discuss with management the types of information to be disclosed and the types of presentations to be made with respect to the Company s earnings, press releases and rating agency presentations.

Discuss with management and the independent auditors the quality and adequacy of the Company s internal controls and their effectiveness, and meet regularly and privately with the Director of Internal Audit.

Annually request from the independent auditors a formal written statement delineating all relationships

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between the auditor and the Company consistent with Independence Standards Board Standard No. 1. With respect to such relationships, the Audit Committee shall:

Discuss with the independent auditors any disclosed relationships and the impact of the relationship on the independent auditors independence; and

Assess and recommend appropriate action in response to the independent auditors report to satisfy itself of the auditors independence.

Adopt and monitor implementation and compliance with the Company s Non-Audit Services Policy which addresses approval requirements and the limited circumstances in which the independent auditors or outsourced internal auditor may be retained for non-audit services.

Confirm and approve the scope of audits to be performed by the independent and internal auditors, monitor progress and review results. Review fees and expenses charged by the independent auditors and any party retained to provide internal audit services.

On a regular basis, discuss with the independent auditors their internal quality control procedures, material issues raised in quality control or peer review and any inquiries by governmental or professional authorities regarding the firms independent audits of other clients.

Review significant findings or unsatisfactory internal audit reports or audit problems or difficulties encountered by the independent auditors, and monitor management s response to such findings.

Provide oversight review and discuss with management, internal auditors and independent auditors, the adequacy and effectiveness of the Company s overall risk assessment and risk management process.

Review its Charter at least annually and make recommendations to the Board of Directors for approval and adoption of the Charter.

Review pension plan investment performance.

Review expense accounts of senior executives.

Update the Board of Directors on a regular basis with respect to matters coming to its attention which may have a significant impact on the Company s financial condition or affairs and the Company s compliance with legal or regulatory requirements and the performance and independence of the independent auditors and the internal audit function.

Review major issues regarding accounting principles and financial statement presentations, significant changes to the Company s selection or application of accounting principles and major issues relating to the Company s internal controls including any specifically required steps to correct identified major internal control issues. The Audit Committee also reviews management or independent auditors analyses regarding significant financial reporting issues and judgments made in preparing financial statements including analyses of alternative GAAP methods as well as the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company s financial statements.

Review all material related party transactions prior to initiation of the transaction and make recommendations to the Board of Directors for approval or disapproval.

In conjunction with the Board of Directors, evaluate the qualifications of its members and its own performance on an annual basis.

Meet separately and privately, on a regular basis, with the independent auditors and internal auditors, and with members of management as needed.

Establish policies regarding the employment and retention of current or former employees of the Company s independent auditors or outsourced internal auditor.

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With respect to complaints concerning accounting, internal accounting controls or auditing matters:

Review and approve procedures for receipt, retention and treatment of complaints received by the Company; and

Establish procedures for the confidential, anonymous submission of complaints to the Audit Committee.

Establish levels for payment by the Company of fees to the independent auditors and any advisors retained by the Audit Committee.

Receive regular reports from the chief executive officer, chief financial officer and the Company s disclosure control committee representative on the status of the Company s disclosure controls and related certifications, including disclosure of any significant deficiencies in the design or operation of internal controls and any fraud that involves management or other employees with a significant role in internal controls.

Prepare the Report of the Audit Committee for the Company s proxy statement.

The Board of Directors has determined that each member of the Audit Committee meets the independence standards set out in the Board s Corporate Governance Principles and its Audit Committee Charter and the requirements of the NYSE currently in effect.

A copy of the Audit Committee Charter is attached as Appendix II.

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Compensation and Personnel Committee

2003 Compensation and Personnel Committee Members:

	Curtis J. Crawford, Chair Frank T. MacInnis Linda S. Sanford Markos I. Tambakeras
Meetings in 2003:	7
Responsibilities:	Approve and oversee administration of the Company s employee compensation program including incentive plans and equity based compensation plans. Evaluate senior management and chief executive officer performance, set annual performance objectives for the chief executive officer and approve individual compensation actions for the chief executive officer and all corporate officers. Oversee the establishment and administration of the Company s benefit programs. Select, retain and determine the terms of engagement for independent compensation and benefits consultants and other outside counsel, as needed, to provide independent advice to the Committee with respect to the Company s current and proposed executive compensation and employee benefit programs. In 2003 and prior years, the Committee obtained such advice. Oversee and approve the continuity planning process and review with the full Board of Directors, which provides final approval. Regularly report to the Board of Directors on compensation, benefits, continuity and related matters. Prepare the Report of the Compensation and Personnel Committee for the Company s proxy statement.

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- Annually review its performance.
- Annually review and make recommendations to the Board of Directors for approval and adoption of the Compensation and Personnel Committee Charter.

The Board of Directors has determined that each member of the Compensation and Personnel meets the independence standards set out in Board s Corporate Governance Principles and its Compensation and Personnel Committee Charter and the requirements of the New York Stock Exchange currently in effect.

A copy of the Compensation and Personnel Committee Charter is attached as Appendix III.

Corporate Responsibility Committee

2003 Corporate Responsibility Committee Members:

Linda S. Sanford, Chair
Rand V. Araskog
Curtis J. Crawford
John J. Hamre

Meetings in 2003: 4

Responsibilities:

- Review and make recommendations concerning the Company s roles and responsibilities as a good corporate citizen.
- Review and consider major claims and litigation involving the Company and its subsidiaries.
- Examine the Company s programs and policies for effecting compliance with laws and regulations, including international and environmental laws and regulations.
- Regularly assess the adequacy and effectiveness of the Company s Code of Corporate Conduct and review any violations of the Code.
- Annually review its performance.

A copy of the Corporate Responsibility Committee Charter is attached as Appendix IV.

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Nominating and Governance Committee

2003 Nominating and Governance Committee Members:

Raymond W. LeBoeuf, Chair
Christina A. Gold
Ralph F. Hake
John J. Hamre

Meetings in 2003: 5

Responsibilities:

Develop, annually review, update and recommend to the Board of Directors corporate governance principles for the Company.

In the event it is necessary to select a new chief executive officer, lead the process for candidate evaluation, consideration and screening. The full Board of Directors has the final responsibility to select the Company s chief executive officer.

Evaluate and make recommendations to the Board of Directors concerning the composition, governance and structure of the Board.

Make recommendations to the Board of Directors concerning the qualifications, compensation and retirement age of Directors.

Administer the Board of Directors annual evaluation process.

Determine desired Board and Director skills and attributes and conduct searches for prospective board members whose skills and attributes reflect those desired for the Board of Directors.

Identify, evaluate and propose nominees for election to the Board of Directors.

Make recommendations to the Board of Directors concerning the appointment of Directors to Board Committees and the selection of Board Committee Chairs.

Annually review its performance.

The Board of Directors has determined that each member of the Nominating and Governance Committee meets the independence standards set out in the Nominating and Governance Committee Charter and Corporate Governance Principles and the requirements of the New York Stock Exchange currently in effect.

A copy of the Nominating and Governance Committee Charter is attached as Appendix V.

During 2003, there were 6 regularly scheduled Board meetings and 26 Committee meetings. All Directors attended at least 75% of the aggregate of all meetings of the Board and the Committees on which they served. It is Company practice that all Directors attend the Company s Annual Meeting. All Directors attended the Company s 2003 Annual Meeting. For 2004, the Board has scheduled six regular meetings. In conjunction with the regular meetings, those Directors who are not employees of ITT Industries are scheduled to meet privately on a regular basis during the year. The coordinating Director presides over these private meetings.

Compensation of Non-Employee Directors. Prior to the July 2003 Board meeting, Non-Employee Directors received $2,000 for each Board meeting attended and $1,000 for each Committee meeting attended. All meeting fees were paid in cash. At its meeting on May 13, 2003 the Board of Directors discontinued payment of cash meeting fees and reconfigured the compensation of Non-Employee Directors to provide additional opportunities to increase the Board s ownership of Company Stock. The annual retainer is now paid in two parts: $50,000 payable in restricted stock and $25,000 payable, in lieu of meeting fees, at the election of each Director, in cash, deferred cash or restricted stock. In 2003, non-employee directors also received stock options valued at $25,000. The actual number of stock options was calculated by dividing $25,000 by the Black-Scholes value of an ITT stock option, consistent with the method used for the employee stock option program, rounded to the nearest 10 shares. All Non-Employee Directors receive equivalent compensation notwithstanding service as chairperson of any Board committee.

The restricted stock is held in escrow by the Company until the restrictions lapse. The number of restricted shares granted is determined by dividing $50,000 by the average of the high and low sales prices per share of ITT Industries common stock on the date of the annual meeting or as soon thereafter as legally permissible. Any fractional share is paid in cash. On May 13, 2003 the shareholders of the Company adopted the ITT Industries, Inc. 2003 Equity Incentive Plan, the 2003 Plan. On May 16, 2003 the Company completed registrations under the Securities Act of 1933, (or the Securities Act) and NYSE listing of the shares of restricted stock to be granted under the 2003 Plan. Each Director received a grant of 791 shares.

Messrs. Araskog, Crawford, Hamre, MacInnis, and Tambakeras and Ms. Sanford elected to receive an additional 395 shares of restricted stock as the second component of their retainer. Mrs. Gold and Mr. LeBoeuf elected to receive deferred cash and Mr. Hake received cash since, as a recently elected Director, he was not eligible to make a deferral election for 2003.

Non-Employee Director stock option grants are priced and awarded on the same day that employee stock options are priced and awarded. On January 2, 2003 each Non-Employee Director received a stock option grant of 1,210 shares priced at $61.82 per share, the closing price of shares on that date.

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The Board of Directors share ownership guidelines currently provide for share ownership levels at four times the annual retainer amount. Directors are encouraged to elect restricted stock for the second component of the retainer until such time as his or her total share ownership meets or exceeds the ownership guidelines.

Directors receive dividends on the restricted shares and may vote the shares during the restriction period. Directors can annually irrevocably elect to defer receipt of the deferred cash portion of the retainer to a future date, up to the time the Director s service on the Board ends. Such amounts are treated as though invested in an interest bearing account.

Mr. Giuliano, as an employee Director, does not receive compensation for his Board service.

Restricted shares awarded under the ITT Industries 1996 Restricted Stock Plan for Non-Employee Directors, which preceded the 2003 Plan, provided that each Director s restricted shares are held in escrow and may not be transferred in any manner until one of the following events occurs:

- the fifth anniversary of the grant of the shares unless extended as provided for above;
- the Director retires at age 72;
- there is a change of control of the Company;
- the Director becomes disabled or dies;
- the Director s service is terminated in certain specified, limited circumstances; or
- any other circumstance in which the Compensation and Personnel Committee believes, in its sole discretion, that the purposes for which the grants of restricted stock were made have been fulfilled and, as such, is consistent with the intention of the Plan.

The ITT Industries 1996 Restricted Stock Plan for Non-Employee Directors also provided that if a Director ceased serving on the Board under any other circumstances, shares with respect to which the Plan restrictions have not been lifted would be forfeited. Under the 2003 Plan, the Compensation and Personnel Committee determines transfer restrictions and the period of restriction for restricted stock granted pursuant to that Plan. Directors may choose to extend the restriction period for up to two successive five year periods, or until six months and one day following the Director s termination of service from the Board under certain permitted circumstances.

Directors are reimbursed for the expenses they incur to travel to Board and Committee meetings.

Indemnification and Insurance. As permitted by its By-laws, ITT Industries indemnifies its Directors to the full extent permitted by law and maintains insurance to protect the Directors from liabilities, including certain instances where it could not otherwise indemnify them. All Directors are covered under a non-contributory group accidental death and dismemberment policy that provides each of them with $750,000 of coverage. They may elect to purchase additional coverage under that policy. Non-Employee Directors also may elect to participate in an optional non-contributory group life insurance plan that provides $100,000 of coverage.

Report of the Audit Committee

The following Report of the Audit Committee does not constitute soliciting material and the Report should not be deemed filed or incorporated by reference into any other previous or future filings by the Company under the Securities Act or the Securities Exchange Act, except to the extent the Company specifically incorporates this Report by reference therein.

Role of the Audit Committee.

The Audit Committee of the Board of Directors provides oversight on matters relating to the Company s financial reporting process and assures that the Company develops and maintains adequate financial controls and procedures, and monitors compliance with these processes. This includes responsibility for, among other things, 1) determination of qualifications and independence of the independent auditors; 2) the appointment, compensation and oversight of the independent auditors in preparing or issuing audit reports and related work; 3) review of financial reports and other financial information provided by the Company, its systems of internal accounting and financial controls, and the annual independent audit of the Company s financial statements; 4) oversight and review of procedures developed for consideration of accounting, internal accounting controls and auditing related complaints; 5) review of risk assessment and risk management processes; and 6) adoption of and monitoring the implementation and compliance with the Company s non-audit services policy. The Audit Committee also has oversight responsibility for confirming the scope and monitoring the progress and results of internal audits conducted by the Company s outsourced internal auditor. The Audit Committee discussed with the Company s outsourced internal auditors and independent auditors the plans for their respective audits. The Audit Committee met with the outsourced internal auditors and independent auditors, with and without management present, and discussed results of their examinations, their evaluation of the Company s internal controls, and the Company s financial reporting.

The Company s management has primary responsibility for the financial statements, including the Company s system of disclosure and internal controls. The Audit Committee may investigate any matter brought to its attention. In that regard, the Audit Committee has full access to all books, records, facilities and personnel of the Company and the Audit Committee may retain outside counsel, auditors or other independent experts to assist the Committee in

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performing its responsibilities. Any individual may also bring matters to the Audit Committee confidentially or on an anonymous basis.

Audit Committee Charter.

The Board of Directors has adopted a written charter for the Audit Committee, which it reviews, and at least annually updates and reaffirms. The Charter sets out the purpose, membership and organization, and key responsibilities of the Audit Committee.

Composition of the Audit Committee.

The Audit Committee is comprised of five members of the Company s Board. The Board of Directors has determined that each Audit Committee member meets the independence standards set out in the Audit Committee Charter and Corporate Governance Principles and the requirements of the New York Stock Exchange currently in effect, including the audit committee independence requirements of Rule 10A-3 of the Exchange Act. No member of the Audit Committee has any relationship with the Company that may interfere with the exercise of independence from management and the Company. All members of the Audit Committee, in the business judgment of the full Board of Directors, are financially literate and several have accounting or related financial management expertise. The Board of Directors has identified Ralph F. Hake and Raymond W. LeBoeuf as audit committee financial experts.

Regular Review of Financial Statements.

During 2003, the Audit Committee reviewed and discussed the Company s 2003 audited financial statements with management. The Audit Committee, management and the Company s independent auditors reviewed and discussed the Company s unaudited financial statements before the release of each quarter s earnings report and filing on Form 10-Q, and the Company s audited financial statements before the annual earnings release and filing on Form 10-K.

Communications with Independent Auditors.

The Audit Committee has discussed with Deloitte & Touche LLP, the independent auditors, the matters required by Statement on Auditing Standards No. 61, *Communication with Audit Committees* (SAS 61), as modified or supplemented by the Auditing Standards Boards of the American Institute of Certified Public Accountants. These discussions included all matters required by SAS 61, including independent auditors responsibilities under generally accepted auditing standards in the United States, significant accounting policies and management judgments, the quality of the Company s accounting principles and accounting estimates. The Audit Committee met privately with the independent auditors six times during 2003.

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Independence of Independent Auditors.

The Company s independent auditors are directly accountable to the Audit Committee and the Board of Directors. The Audit Committee has received from the independent auditors required written disclosures, including a formal written statement, setting out all the relationships between the Company and its independent auditors, as required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees,* as amended by the Independence Standards Board. The Audit Committee has discussed the independent auditors independence, any disclosed relationships and the impact of those relationships on the independent auditors independence.

Recommendation Regarding Annual Report on Form 10-K.

In performing its oversight function during 2003 with regard to financial statements for 2003, the Audit Committee relied on financial statements and information prepared by the Company s management. It also relied on information provided by the internal audit staff as well as the independent auditors. The Audit Committee reviewed and discussed with management the Company s audited financial statements as of and for the year ended December 31, 2003. Based on these discussions, and the information received and reviewed, the Audit Committee recommended to the Company s Board of Directors that the financial statements be included in the Annual Report on Form 10-K for that year (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K).

This report is furnished by the members of the 2003 Audit Committee.

2003 Audit Committee
Christina A. Gold, Chair
Ralph F. Hake
Raymond W. LeBoeuf
Frank T. MacInnis
Markos I. Tambakeras

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Executive Compensation

Report of the Compensation and Personnel Committee

The Compensation and Personnel Committee of the Board of Directors establishes executive compensation policies. This report discusses the application of these policies to ITT Industries executive officers in general, and the rationale for the decisions affecting the compensation as reported for 2003 of Louis J. Giuliano and each of the four other named executive officers in the Summary Compensation Table.

ITT Industries is a global, multi-industry engineering and manufacturing company with leading positions in the markets that it serves. ITT Industries has approximately 39,000 employees located in 55 countries with 2003 sales of approximately $5.63 billion and assets of approximately $5.94 billion. In establishing compensation policies and programs for 2003, the Committee considered compensation provided to executives of corporations similar to ITT Industries in terms of assets, sales and revenues, and earnings. These corporations consisted of leading manufacturing companies in the S&P Industrials Index.

ITT Industries executive compensation program historically has been designed to attract, engage, reward, and retain capable and motivated executives and to provide incentives that vary depending upon the attainment of short-term performance objectives and strategic long-term performance goals. The major objective of the long-term incentive program has been to provide ITT Industries executives with incentives directly linked to shareholder value. In reviewing ITT s Industries compensation programs, the Committee has agreed with management s desire to provide a clear link between compensation and performance. The Company believes that the measures of performance in its compensation programs must be aligned with the measures that are key to the success of its businesses. The strong link between compensation and performance is intended to provide incentives for achieving financial and business objectives, increasing the value of the Company s stock and increasing value to our shareholders.

The Compensation Program. The executive compensation program of ITT Industries is based on current competitive compensation practices as well as on performance measures and policies that focus on the continued growth of shareholder value. The compensation for ITT Industries executives consists of base salary, annual incentives, stock-based programs, long-term incentives, and employee benefits. The Summary Compensation Table reflects payments and awards made to Louis J. Giuliano and each of the four other named executive officers during the three years ended 2003.

Base Salary.

Salaries are set and administered to reflect the value of the job in the marketplace and individual contribution and performance. Based on a recent

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ITT Industries compensation survey, ITT Industries senior executive salaries are at competitive levels. Salaries provide a necessary element of stability in the total pay program. Salary increases are based primarily on merit, and during 2003 the normal interval between salary reviews for all executives was twelve months.

The Committee reviewed the performance of the named executive officers of ITT Industries during 2003. The Committee will continue to review and assess the performance of the chief executive officer and all senior executives and will authorize salary actions as are appropriate, commensurate with relevant competitive data and the approved ITT Industries salary administration program. As of March 1, 2004, the annual salaries of the named executive officers of ITT Industries were as follows: Mr. Giuliano, $950,000; Mr. Williams, $466,000; Mr. Driesse, $385,000; Mr. Maffeo, $407,000; and Mr. Ayers, $460,000.

Annual Incentive Plan.

For 2003, the named executive officers participated in the ITT Industries 1997 Annual Incentive Plan for Executive Officers approved by ITT Industries shareholders in 1997. Bonus amounts paid under the plan were based on the financial performance of ITT Industries during 2003 as compared with the annual performance goals established and approved by the Committee at the beginning of the 2003 performance year. The amounts paid with respect to performance year 2003 reflect ITT Industries outstanding overall operational and financial performance during the year. The bonus awards for 2003 shown in the Summary Compensation Table following this report include payments in accordance with the annual incentive plan as well as supplemental payments outside the plan to Mr. Giuliano and Mr. Williams in recognition of additional performance factors.

Long-Term Incentive Award Program

ITT Industries Long-Term Incentive Award Program is based on the competitive market and designed to link incentive awards to shareholder value. The target value of each award is determined as a percent of base salary and program parameters are approved each year by the Compensation and Personnel Committee. All executives are eligible to participate in the program through non-qualified stock options. For senior executives, the total award value is split equally between non-qualified stock options and target cash awards.

Stock-Based Awards.

Stock options are the incentive component utilized for all executive participants in the Company s Long-Term Incentive Award Program described above. Stock options provide long-term incentives that are directly related to the performance of ITT Industries common stock. Non-qualified stock options have terms of ten years, and closely align executives interests with those of other shareholders. The stock option tables on pages 37 and 38 provide information relating to stock options held by the individuals named in the Summary Compensation Table.

Approximately 1,733,300 shares of non-qualified stock options were granted effective February 2, 2004 to approximately 490 executives under the ITT Industries Inc. 2003 Equity Incentive Plan (the 2003 Plan). Grants to the named executive officers were as follows: Mr. Williams, 28,000 shares; Mr. Driesse, 23,000 shares; Mr. Maffeo, 16,000 shares; and Mr. Ayers, 20,000 shares. For the named executive officers, such options were granted at an option exercise price of $74.92 per share and will become exercisable upon the earlier of an appreciation in ITT Industries common stock price of 25% above the grant price for ten consecutive trading days, or nine years from the date of grant.

Long-Term Incentive Plan.

The ITT Industries 1997 Long-Term Incentive Plan approved by shareholders in 1997 authorizes performance awards to be made to key employees of ITT Industries at the discretion of the Committee. It has been Company practice that only senior executives participate in this plan. Awards made under this plan are expressed as target cash awards and comprise one-half of the total long-term incentive value for senior executives. The nonqualified stock options described above comprise the other half.

The Long-Term Incentive Plan provides that the Committee shall determine the size and frequency of awards, performance measures, performance goals and performance periods. The size of the awards is determined by the Committee in order to meet competitive practice. Payment, if any, of awards generally will be made at the end of the applicable performance period and will be based on ITT Industries performance as compared with the performance measures approved by the Committee prior to the performance period.

Payment, if any, of awards may be made in whole or in part, at the discretion of the Committee, in the form of cash and/or common stock of ITT Industries. The Committee determined that payment for the 2001 awards be made wholly in cash. It is anticipated that future payments under the Plan will continue to be made entirely in cash.

The Long-Term Incentive Plan enables the Committee to make adjustments to awards and increase or decrease payment values based upon events or circumstances, including but not limited to acquisitions or divestitures, having a material impact on the overall performance of ITT Industries.

The Committee granted 2004 target awards under the long-term incentive plan to 57 key employees, including Messrs. Williams, Driesse, Maffeo, and Ayers. The performance period with respect to the 2004 awards is three years beginning January 1, 2004. The 2004 target awards made to each of the individuals named in the Summary Compensation Table are as follows: Mr. Williams, $566,700; Mr. Driesse, $465,500; Mr. Maffeo, $323,800; and Mr. Ayers, $404,800. The ultimate value, if any, of each of these awards will be determined in accordance with the established performance measurement

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formula for the target awards granted in 2004. The award amounts set forth above would be the amounts payable if the formula results in payment at the 100% level. Payment, if any, with respect to the 2004 target awards will be based on the Company s total shareholder return performance compared with the other S&P® Industrial companies.

Messrs. Giuliano, Williams, Driesse, Maffeo and Ayers received grants of awards in 2001 under the ITT Industries 1997 Long-Term Incentive Plan. These awards were subject to a three-year performance period ending December 31, 2003 and were subject to achievement of pre-established goals, as approved by the Committee in 2001, measuring ITT Industries performance with respect to total shareholder return against the performance of the other S&P® Industrial companies. Long-Term Incentive Plan payments were made in strict accordance with the plan as measured for the period January 1, 2001 through December 31, 2003 and are shown in the Summary Compensation Table on page 36. Based on the Company s performance at the 90.4 percent rank of the S&P® Industrial companies, payout was at 200% of target, which was in accordance with the approved formula. The Committee determined that payment be made wholly in cash.

Mr. Williams Compensation Arrangements

The Committee has approved the following compensation arrangements with respect to Mr. Williams continued employment through January 1, 2006:

Mr. Williams will be paid a cash retention bonus of $1 million upon completion of his contemplated service. This amount will also be paid in the event of death, disability or involuntary termination, other than for cause, prior to January 1, 2006. In the event Mr. Williams is terminated other than for cause prior to March 31, 2005, he will be eligible to receive salary continuation and benefits through March 31, 2005. Unless Mr. Williams voluntarily terminates employment prior to January 1, 2006, he will be eligible for a full bonus award for 2005, which will be pensionable, in accordance with the approved parameters of the plan. Mr. Williams will be provided an apartment at Company expense from January 1, 2005 through January 1, 2006 should he sell his principal residence in White Plains, NY and remain actively employed during that period.

Long-Term Incentive Awards: Mr. Williams was granted a 2003 target award of $620,200 under the ITT Industries 1997 Long-Term Incentive Plan. The Committee has determined that if Mr. Williams terminates employment during the performance period due to retirement, disability or death, he will receive payment in full for the 2003 award, subject to the performance of ITT Industries during the performance period and in accordance with the provisions of the plan. Mr. Williams was also granted a 2004 target award of $566,700. The Committee has determined that if Mr. Williams terminates employment due to disability or death, or if he is terminated other than for cause prior to the end of the performance cycle, he will receive full payment for the 2004 award, subject to the performance of ITT Industries during the performance period and in accordance with the provisions of the plan.

Share Ownership Guidelines

At their meeting on March 5, 2001, the Committee endorsed share ownership guidelines for corporate officers of ITT Industries, and such guidelines were approved by the ITT Industries Board of Directors on March 6, 2001. These guidelines specify the desired levels of Company stock that each officer should own and encourage a set of behaviors to enable each officer to reach the guideline levels of ownership.

The approved guidelines require share ownership expressed as a multiple of base salary for all corporate officers. Specifically the guidelines apply as follows: chief executive officer at four times base salary; chief financial officer at three times base salary; senior vice presidents and management company presidents at two times base salary; and all other corporate vice presidents at one time base salary.

In achieving these ownership levels, shares owned outright, Company restricted stock, shares held in the Company s dividend reinvestment plan, shares owned in the Company s investment and savings plan, and phantom shares held in the deferred compensation plan are considered. To attain the ownership levels set forth in the guidelines it is expected that any restricted shares that become unrestricted will be held, that all shares earned through any payout of the Company s long-term incentive plan will be held, and that all shares acquired through exercise of stock options will be held, except in all cases to the extent necessary to meet tax obligations. The Committee monitors compliance with the guidelines periodically and as of January 1, 2004, the share ownership levels have been substantially met.

Employee Benefits.

Executives also participate in ITT Industries broad-based employee benefits program that includes a pension program, an investment and savings plan, group medical and dental coverage, group life insurance, and other benefit plans. The named executive officers also participate in certain other benefit programs that are described on pages 41 through 43.

Under the deferred compensation plan, executives with an annual base salary of $200,000 or more may elect to defer receipt of all or a portion of their annual incentive. The amount of deferred compensation ultimately received is based on the performance of benchmark investment funds made available under the plan as selected by the executive. Participants in the plan may elect a fund that tracks the performance of ITT Industries common stock.

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Although the Committee believes that ITT Industries should strive to structure its compensation program for senior executives in a manner that would permit deductibility under the Internal Revenue Code, it realizes that the evaluation of the overall performance of the senior executives cannot be reduced in all cases to a fixed formula. There may be situations in which the prudent use of discretion in determining pay levels is in the best interest of ITT Industries and its shareholders. Under some circumstances the use of discretion in determining appropriate amounts of compensation may be desirable. In those situations where discretion is used, compensation may not be fully deductible on ITT Industries tax return. However, the Committee does not believe that such loss of deductibility would have any material impact on the financial condition of ITT Industries.

This report is furnished by the members of the Compensation and Personnel Committee during 2003.

2003 Compensation and Personnel Committee
Curtis J. Crawford, Chair
Frank T. MacInnis
Linda S. Sanford
Markos I. Tambakeras

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Performance Graph

	Dec-98	Dec-99	Dec-00	Dec-01	Dec-02	Dec-03
ITT Industries, Inc.	$100	$ 86	$101	$134	$162	$200
S&P® 500 Stock Index	$100	$121	$110	$ 97	$ 76	$ 97
S&P® 500 Industrials Index	$100	$126	$105	$ 93	$ 71	$ 91
S&P® MidCap Industrial Machinery Index(1)	$100	$101	$ 94	$126	$ 93	$132

(1) The performance of this index is voluntarily provided, as it represents companies more closely comparable to ITT Industries, Inc.

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Compensation of Executive Officers

The following table shows the annual and long-term compensation paid or awarded during the three-year period ended December 31, 2003 to the chief executive officer and the four other most highly paid executive officers of ITT Industries for 2003.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation: Awards		Long-Term Compensation: Payouts	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)(1)**	**Restricted Stock Award(s) ($)**	**Securities Underlying Options/ SARs (#)(2)**	**LTIP Payouts ($)(3)**	**All Other Compensation ($)(4)**
Louis J. Giuliano	2003	945,577	1,900,000	5,814		80,000	2,908,800	33,095
Chairman, President and	2002	921,912	1,850,000	8,385		100,000	1,448,200	32,267
Chief Executive	2001	849,231	1,350,000	7,875		120,000	785,343	29,723
Officer ITT Industries								
Edward W. Williams	2003	380,577	540,000	1,169		30,000	412,000	13,320
Senior Vice President	2002	303,116	305,000			18,000	356,400	10,609
and Chief Financial	2001	292,416	182,200			17,000	251,342	10,234
Officer ITT Industries								
Henry J. Driesse	2003	355,192	432,000	1,257		20,000	606,000	12,432
Senior Vice President	2002	330,665	368,500	2,975		25,000	267,400	11,573
ITT Industries and	2001	310,246	270,000			25,000	172,726	10,859
President Defense								
Vincent A. Maffeo	2003	392,519	392,571			20,000	581,800	13,738
Senior Vice President	2002	380,008	390,000	9,214		25,000	534,800	13,300
and General Counsel	2001	368,415	247,165	574		24,000	376,932	12,894
ITT Industries								
Robert L. Ayers	2003	443,385	235,414	8,708		21,000	606,000	15,518
Senior Vice President	2002	432,107	365,000	5,530		25,000	557,000	15,124
ITT Industries and	2001	418,809	265,000			25,000	235,680	14,658
President Fluid Technology								

(1) Amounts shown in this column for Messrs. Giuliano, Williams, Driesse, Maffeo, and Ayers are tax reimbursement allowances which are intended to offset the inclusion in taxable income of the value of certain benefits.

(2) The named executive officers do not hold stock appreciation rights in connection with the options shown.

(3) Amounts shown in this column for 2003 represent the aggregate payout value of the 2001 target award subject to a 3-year performance period ended December 31, 2003. Payments were made entirely in cash. Amounts shown in this column for 2002 represent the aggregate payout value of the 2000 target award subject to a 3-year performance period ended December 31, 2002. Payments were made entirely in cash. Amounts shown in this column for 2001 represent the aggregate payout value of the 1999 target award subject to a 3-year performance period ending December 31, 2001. Payments of the aggregate amounts for the 1999 target award were made 50% in the form of cash and 50% in the form of shares of ITT Industries common stock valued at $50.50, the closing price on December 31, 2001. The shares issued to the named officers were as follows: Mr. Giuliano, 7,775 shares; Mr. Williams, 2,488 shares; Mr. Driesse, 1,710 shares; Mr. Maffeo, 3,731 shares; and Mr. Ayers, 2,333 shares.

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(4) The amounts shown in this column for all named executive officers are company contributions under the ITT Industries Investment and Savings Plan for Salaried Employees and the ITT Industries Excess Savings Plan, which are defined contribution plans. ITT Industries makes a matching contribution in an amount equal to 50% of an employee s contribution, such matching contribution not to exceed three percent (3%) of such employee s salary. Under these plans, ITT Industries also makes a non-matching contribution equal to one-half of one percent (1/2 of 1%) of an employee s salary. The amounts applicable to the Excess Savings Plan for 2003 were as follows: Mr. Giuliano, $25,267; Mr. Williams $6,320; Mr. Driesse, $5,432; Mr. Maffeo, $6,738; and Mr. Ayers, $8,518.

Option Grants During 2003

The following table provides information about options granted on January 2, 2003 to each of the named executive officers of ITT Industries. The options awarded to Messrs. Giuliano, Williams, Driesse, Maffeo and Ayers become exercisable upon the earlier of:

a 25% increase in the closing price on the New York Stock Exchange above the option exercise price for a period of ten consecutive trading days, or

the ninth anniversary of the date the options were granted.

Option/SAR Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Rates of Stock Price Appreciation for Option Term(2)	
Name	Number of Securities Underlying Options/ SARs Granted #(1)	% of Total Options/ SARs Granted to Employees in 2003(1)	Exercise or Base Price $/ Share	Expiration Date	5%	10%
Louis J. Giuliano	80,000	4.1	61.82	1-4-2013	$3,112,000	$7,882,400
Edward W. Williams	15,000	0.8	61.82	1-4-2013	583,500	1,477,950
	15,000(3)	0.8	64.10	6-23-2013	604,950	1,532,550
Henry J. Driesse	20,000	1.0	61.82	1-4-2013	778,000	1,970,600
Vincent A. Maffeo	20,000	1.0	61.82	1-4-2013	778,000	1,970,600
Robert L. Ayers	21,000	1.1	61.82	1-4-2013	816,900	2,069,130

(1) ITT Industries did not grant SARs during 2003.

(2) At the end of the term for the options granted on January 2, 2003, the projected price of a share of ITT Industries common stock would be $100.72 and $160.35 at assumed annual appreciation rates of 5% and 10%.

(3) 15,000 shares were granted to Mr. Williams on June 23, 2003 at an exercise price of $64.10 per share. At the end of the term for the options granted to Mr. Williams on June 23, 2003, the projected price of a share of ITT Industries common stock would be $104.43 and $166.27 at assumed annual appreciation rates of 5% and 10%.

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Aggregated Option Exercises During 2003 and Year-End Option Values

The table below provides information about:

- options exercised during 2003 by the named executive officers, and
- the value of each of their unexercised options at December 31, 2003, calculated using the $74.21 closing price of the ITT Industries common stock on December 31, 2003.

Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values

Name	Shares Acquired on Exercise(#)	Value Realized($)	Number of Securities Underlying Unexercised Options/SARs at FY-End(#)(1) Exercisable	Unexercisable	Value of Unexercised In-the-Money Options/SARs Held at FY-End($)(1) Exercisable	Unexercisable
Louis J. Giuliano	198,028	8,968,153	670,028	80,000	28,099,239	991,200
Edward W. Williams	24,084	1,115,335	126,084	30,000	5,206,177	337,500
Henry J. Driesse	24,084	1,219,118	128,084	20,000	5,148,067	247,800
Vincent A. Maffeo	49,000	1,815,880	97,000	20,000	3,298,120	247,800
Robert L. Ayers			62,500	21,000	2,033,500	260,190

(1) There are no SARs outstanding.

Long-Term Incentive Plan 2003 Awards

The following table provides information about target awards made to each of the named executive officers during 2003. The final payment value, if any, of the target awards will be determined based on ITT Industries total shareholder return performance measured against the other S&P® Industrial companies. Payment, if any, would be made following the completion of the three-year performance period.

Long-Term Incentive Plans Awards in Last Fiscal Year

Name	Number of Shares, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans Threshold ($)	Target ($)	Maximum ($)
Louis J. Giuliano		1/1/03-12/31/2005	826,800	1,653,600	3,307,200
Edward W. Williams		1/1/03-12/31/2005	310,100	620,200	1,240,400
Henry J. Driesse		1/1/03-12/31/2005	206,700	413,400	826,800
Vincent A. Maffeo		1/1/03-12/31/2005	206,700	413,400	826,800
Robert L. Ayers		1/1/03-12/31/2005	217,100	434,100	868,200

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Senior Executive Severance Pay Arrangements

Senior executives who are U.S. citizens or who are employed in the United States are covered by the ITT Industries, Inc. Senior Executive Severance Pay Plan. If a covered executive is terminated by ITT Industries, that executive would be eligible to receive severance pay unless the executive is terminated for cause, terminated after the executive s normal retirement date, or in certain divestiture instances where the executive accepts employment or refuses comparable employment. There is no severance in cases where the executive voluntarily leaves the Company. The amount of severance pay depends upon the executive s base pay and years of service. The amount will not exceed 24 months of base pay, or be greater than two times the executive s total annual compensation during the year immediately preceding termination. ITT Industries obligation to continue severance payments stops if the executive does not comply with non-competition provisions of the plan or with ITT Industries Code of Corporate Conduct.

If a covered executive receives or is entitled to receive other compensation from ITT Industries, the amount of that compensation could be used to offset amounts otherwise payable under the plan. During the period in which the executive continues to receive severance payments, the executive will have a limited right to continue to be eligible for participation in certain benefit plans.

Messrs. Giuliano, Driesse, Maffeo, and Ayers participate in the plan.

Special Senior Executive Severance Pay Plan

The ITT Industries, Inc. Special Senior Executive Severance Pay Plan provides severance benefits for covered executives whose employment is terminated other than for cause, or where the covered executive terminates his or her employment for good reason within two years after the occurrence of an *acceleration event* as defined in the **Change of Control Arrangements** described below. The plan provides two levels of benefits for covered executives, based on their position within the Company. If an executive were terminated within two years of an *acceleration event*, he or she would be entitled to

two or three times the highest annual base salary rate during the three years immediately preceding termination and two or three times the highest bonus paid or awarded in the three years preceding an acceleration event;

continuation of health and life insurance benefits and certain perquisites at the same levels for two or three years;

a lump sum payment equal to the difference between the total lump sum value of his or her pension benefit under the Company s pension plans and the total lump sum value of his or her pension benefit under the pension plans after crediting an additional two or three years of age and eligibility and benefit service using the highest annual base salary rate and bonus for purposes of determining final average compensation under the pension plans;

credit for an additional two or three years of age and two or three years of eligibility service under the retiree health and retiree life insurance benefits;

a lump sum payment equal to two or three times the highest annual base salary rate during the three years preceding termination times the highest percentage rate of the company s contributions to the ITT Industries Investment and Savings Plan for Salaried Employees and the Excess Savings Plan; and

tax gross-up of certain of the payments.

Messrs. Giuliano, Williams, Driesse, Maffeo, and Ayers are covered at the highest level of benefits.

Change of Control Arrangements

The payment or vesting of awards or benefits under the plans listed below would be accelerated upon the occurrence of a *change of control* of ITT Industries. There would be a *change of control* if one of the following *acceleration events* occurred:

1. A report on Schedule 13D would be filed with the Securities and Exchange Commission disclosing that any person, other than ITT Industries or one of its subsidiaries or any employee benefit plan that is sponsored by ITT Industries or a subsidiary, had become the beneficial owner of 20% or more of ITT Industries outstanding stock;

2. A person other than ITT Industries or one of its subsidiaries or any employee benefit plan that is sponsored by ITT Industries or a subsidiary would purchase ITT Industries shares in connection with a tender or exchange offer, if after consummation of the offer the person purchasing the shares is the beneficial owner of 15% or more of ITT Industries outstanding stock;

3. The shareholders would approve

(a) any consolidation or merger of ITT Industries in which it would not be the continuing or surviving corporation or the common stock of ITT Industries would be converted into cash, securities or other property, unless the transaction was a merger in which the shareholders of ITT Industries immediately prior to the merger would have the same proportionate ownership of common stock of the surviving corporation that they held in ITT Industries immediately prior to the merger; or

(b) any sale, lease, exchange or other transfer of all or substantially all of the assets of ITT Industries; or

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4. A majority of the members of the Board of Directors would change within a 12-month period, unless the election or nomination for election of each of the new Directors by ITT Industries stockholders had been approved by two-thirds of the Directors still in office who had been Directors at the beginning of the 12-month period.

The following ITT Industries plans have *change of control* provisions:

- the 2003 Equity Incentive Plan;
- the 1986 Incentive Stock Plan;
- the 1994 Incentive Stock Plan;
- the 1996 Restricted Stock Plan for Non-Employee Directors;
- the 1997 Annual Incentive Plan for Executive Officers;
- the 1997 Annual Incentive Plan;
- the 1997 Long-Term Incentive Plan;
- the Special Senior Executive Severance Pay Plan;
- the Enhanced Severance Pay Plan;
- the Deferred Compensation Plan;
- the Excess Saving Plan;
- the Excess Pension Plans; and
- the Salaried Retirement Plan.

Salaried Retirement Plan

Most of ITT Industries salaried employees who work in the United States participate in the Salaried Retirement Plan. Under the plan, participants have the option, on an annual basis, to elect to be covered under either the Traditional Pension Plan (TPP) or a Pension Equity Plan (PEP) formula for future pension accruals. While the TPP formula pays benefits on a monthly basis after retirement, the PEP formula enables participants to elect to have benefits paid as a single sum payment upon employment termination, regardless of the participant s age.

Under the TPP, a participant first employed prior to January 1, 2000, would receive an annual pension that would be the total of:

- 2% of his or her *average final compensation* for each of the first 25 years of benefit service, plus
- 1 1/2% of his or her *average final compensation* for each of the next 15 years of benefit service, reduced by
- 1 1/4% of his or her primary Social Security benefit for each year of benefit service up to a maximum of forty years, except that no more

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than one-half of the primary Social Security benefit would be taken into account to calculate the reduction.

Average final compensation (including salary plus approved bonus payments) is the total of:

the participant s average annual base salary for the five calendar years of the last 120 consecutive calendar months of eligibility service that would result in the highest average annual base salary amount, plus

the participant s average annual pension eligible compensation, not including base salary, for the five calendar years of the participant s last 120 consecutive calendar months of eligibility service that would result in the highest average annual compensation amount.

The following table illustrates estimated annual benefits (not including Social Security reductions) that would be payable under the TPP formula to a participant who retired at age 65:

Pension Plan Table

Average Final Compensation	Year of Benefits Service 10	15	20	25	30
$ 400,000	$ 80,000	$ 120,000	$ 160,000	$ 200,000	$ 230,000
600,000	120,000	180,000	240,000	300,000	345,000
800,000	160,000	240,000	320,000	400,000	460,000
1,000,000	200,000	300,000	400,000	500,000	575,000
1,200,000	240,000	360,000	480,000	600,000	690,000
1,400,000	280,000	420,000	560,000	700,000	805,000
1,600,000	320,000	480,000	640,000	800,000	920,000
1,800,000	360,000	540,000	720,000	900,000	1,035,000
2,000,000	400,000	600,000	800,000	1,000,000	1,150,000
2,500,000	500,000	750,000	1,000,000	1,250,000	1,437,500
3,000,000	600,000	900,000	1,200,000	1,500,000	1,725,000
3,500,000	700,000	1,050,000	1,400,000	1,750,000	2,012,500

(1) Amounts shown under Salary and Bonus opposite the names of the executive officers shown on the Summary Compensation Table comprise their compensation for purposes of determining *average final compensation*.

(2) The years of benefit service through December 31, 2003 are: Mr. Giuliano, 15.50 years; Mr. Williams, 16.28 years; Mr. Ayers, 5.25 years; Mr. Driesse, 22.95 years; and Mr. Maffeo, 26.49 years.

Participants who retire at or after they reach 60 years of age and have completed at least 15 years of eligibility service would receive undiscounted early retirement pensions.

At the present time, none of the individuals named in the Summary Compensation Table have elected to accrue benefits under the PEP formula.

Employees first hired on or after January 1, 2000 are eligible to make an annual election to be covered under either the PEP formula referred to above

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or a TPP formula (post-2000 TPP) which provides for a lower accrual rate than the TPP formula described above which is available to employees hired before January 1, 2000.

Regardless of the formula elected, participants become vested in their accrued pension benefits after they complete five years of eligibility service.

Federal law limits the amount of benefits that could be paid and the amount of compensation that could be recognized under tax-qualified retirement plans. As a consequence, ITT Industries has established and maintains non-qualified, unfunded *Excess Pension Plans* to pay retirement benefits that could not be paid from the Salaried Retirement Plan. Benefits under the *Excess Pension Plans* are generally paid directly by ITT Industries. There also is an excess plan trust under which excess benefits accrued by certain of the officers are funded. Generally, participating officers may elect, upon retirement, to receive their excess benefit in a single discounted lump sum payment, if approved by the Compensation and Personnel Committee of the Board.

In the event of a *change of control*, any excess benefit would be immediately payable and would be paid in a single discounted lump sum.

Beneficial Ownership of ITT Industries   Common Stock

Set forth below is information reported to the SEC on the most recently filed Schedule 13G by the following persons who owned more than 5% of ITT Industries   outstanding common stock. This information does not include holdings by the Trustee with respect to individual participants in the ITT Industries Investment and Savings Plan for Salaried Employees.

Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of Class
Wellington Management Company, LLP(1) 75 State Street Boston, MA 02109	5,867,099	6.359%
Barrow, Hanley, Mewhinney & Strauss, Inc.(2) One McKinney Plaza 3232 McKinney Avenue, 15th Floor Dallas, TX 75204-2429	4,877,300	5.29%

(1) As reported on Schedule 13G dated February 13, 2004, Wellington Management Company has shared voting power with respect to 4,178,655 and shared dispositive power with respect to 5,867,099 shares.

(2) As reported on Schedule 13G dated February 10, 2004, Barrow, Hanley, Mewhinney & Strauss, Inc. has sole voting power with respect to 300,700 shares, shared voting power with respect to 4,576,600 shares, and sole dispositive power with respect to 4,877,300 shares. The shares include 4,050,500 shares reported by Vanguard Windsor Funds   Windsor II Fund on Schedule 13G dated February 5, 2004, representing 4.39% of the class and with respect to which the Fund has sole voting power and shared dispositive power.

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Stock Ownership of Directors and Executive Officers

The following table shows, as of January 31, 2004, the beneficial ownership of ITT Industries common stock and options exercisable within 60 days by each Director, by each of the executive officers named in the Summary Compensation Table, and by all Directors and executive officers as a group.

Name of beneficial owner	Shares Owned	Options	Total Shares Beneficially Owned
Rand V. Araskog	111,524	997	112,521
Curtis J. Crawford	10,479	997	11,476
Louis J. Giuliano	68,139	670,028(1)	738,167
Christina A. Gold	7,401	997	8,398
Ralph F. Hake	2,821	403	3,224
John J. Hamre	4,007	997	5,004
Raymond W. LeBoeuf	3,947	997	4,944
Frank T. MacInnis	2,545	997	3,542
Linda S. Sanford	6,950	997	7,947
Markos I. Tambakeras	2,818	997	3,815
Robert L. Ayers	22,484	62,500	84,984
Henry J. Driesse	15,113	128,084	143,197
Vincent A. Maffeo	28,674	97,000	125,674
Edward W. Williams	13,181	126,084	139,265
All Directors and executive officers as a group(19)	339,142	1,310,075	1,649,216

The number of shares beneficially owned by each Director or executive officer has been determined under rules of the SEC, which provide that beneficial ownership includes any shares as to which a person has sole or shared voting or dispositive power, and any shares which the person would have the right to acquire beneficial ownership of within 60 days through the exercise of any stock option or other right.

Unless otherwise indicated, each Director or executive officer has sole dispositive and voting power, or shares those powers with his or her spouse.

As of January 31, 2004 all Directors and executive officers as a group owned 1.78% of the shares deemed to be outstanding. No individual Director or executive officer owned in excess of one percent of the shares deemed to be outstanding.

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(1) Mr. Giuliano exercised 115,028 options in February 2004.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that the Company s executive officers and directors, and any persons beneficially owning more than 10% of a registered class of the Company s equity securities, file reports of ownership and changes in ownership with the SEC within specified time periods. To the Company s knowledge, based upon a review of the copies of the reports furnished to the Company and written representations that no other reports were required, all of these filing requirements were satisfied in a timely manner for the year ended December 31, 2003, except that the initial report on Form 3 for Mr. Lang was filed late due to an administrative oversight.

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Appendix I

ITT Industries, Inc.

Corporate Governance Principles

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I. Role of Board of Directors

The Board of Directors of ITT Industries, Inc., an Indiana corporation, is elected by the Company s shareholders to oversee the actions and results of management. In discharging its responsibilities, the Board of Directors will act in the best interests of the Company and its shareholders. Indiana law also provides that the Board of Directors may consider, among other pertinent factors, the effect of its actions on the Company s employees, customers, suppliers and communities in which the Company operates.

The Board of Directors sets policy for the Company and advises and counsels the Chief Executive Officer and senior executives who manage the Company s business and affairs.

The Board of Directors is responsible for reviewing and approving the Company s long term strategies, significant investments in new businesses, joint ventures and partnerships and significant business acquisitions including assessment of balance sheet impacts and other financial matters. The Board of Directors also reviews the Company s operating plans and capital, research and development and engineering budgets.

The Board of Directors is responsible for assuring that:

There is continuity of leadership;

Management develops sound business strategies;

Adequate capital and managerial resources are available to implement the business strategies adopted;

The Company s systems of financial and internal controls are adequate;

The Company s businesses are conducted in conformity with applicable laws and regulations; and

The assets of the Company and its subsidiaries are utilized most effectively and capital expenditures and appropriations are reviewed.

II. Board of Directors Selection and Composition

Directors of the Company shall be persons of integrity, with significant accomplishments and recognized business stature, who will bring a diversity of perspectives to the Board of Directors. The Board has responsibility for reviewing its membership on a regular basis to assure that it possesses appropriate skills and characteristics. The Board of Directors shall consider all relevant facts and circumstances in evaluating the independence of its members from management. Immaterial business transactions conducted in the ordinary course of business shall not be determinative of the issue of independence.

1. Membership Criteria.

Board members should possess such attributes and experience as are necessary to provide a broad range of personal characteristics including diversity, management skills, and technological, business and international experience. Directors selected should be able to commit the requisite time for preparation and attendance at regularly scheduled Board and Committee meetings, as well as be able to participate in other matters necessary to good corporate governance.

2. Inside and Outside Directors

A majority of the Board of Directors shall be composed of independent directors. An explanation of the independence standard used by the Company is included as part of these Governance Principles.

a. Independence

1. All members of the Audit, Compensation and Personnel and Nominating and Governance Committee shall be independent from management.

b. Former Chief Executive and other Senior Officers

If the Chief Executive Officer or other senior officer resigns or tenders a resignation to the Company, he or she should simultaneously tender a resignation from the Board of Directors. The full Board will consider and decide upon the resignation. A former Chief Executive Officer or other senior officer will not be considered independent.

c. Change of Outside Director s Current Position

Outside Directors should submit a resignation to the Chairman of the Company if there is a material change in their principal occupation or affiliation, including retirement. There should be an opportunity for review of the continued appropriateness of membership on the Board of Directors in this situation, and a determination should be made as to whether or not to accept the resignation.

d. Employee Directors

In normal circumstances, only the Chief Executive Officer of the Company shall be a member of the Board of Directors. The Board of Directors may choose to elect another senior officer(s) to the Board in appropriate situations.

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III. Board Operation and Structure

1. Private Sessions of Outside Directors

Outside Directors (those not employed by the Company) shall meet privately on a regular basis during the year. The outside Directors will then brief the Chief Executive Officer regarding the private session discussions.

2. Board of Directors Performance Assessment

The Board of Directors will maintain formal mechanisms to annually assess its contribution in governing the Company in order to enhance its performance. The Board members will use surveys to query individual directors about their observations and recommendations as part of regular board and committee assessments. Results of the assessment will also be used in evaluating skills and attributes desired in potential director candidates.

3. Term Limits; Retirement Age

The Board of Directors has not established term limits. The Board of Directors believes long-term, experienced Directors provide continuity of leadership, perspective and understanding of the complex businesses of the Company. However, no Director shall stand for reelection after he or she has reached the age of seventy-two.

4. Board Compensation Review

Senior management will periodically review the level of Company s Director compensation in relation to director compensation of companies of comparable size, industry and complexity. Changes to compensation will be proposed to the full Board of Directors for consideration. Board compensation shall be structured to align Directors interests with those of the Company s shareholders, shall be composed in part of equity compensation, and shall be at a level commensurate to compensation paid to directors of companies of comparable size, industry and complexity.

5. Board Interaction with Institutional Investors, the Press, or Other Third Parties

Interactions with institutional investors, the press or other third parties is best handled by designated management representatives and the Chairman and Chief Executive Officer. Directors should refer inquiries to one of the designated individuals.

6. Director Share Ownership

The Board of Directors has established Director share ownership guidelines for outside Directors. The guidelines provide for desired ownership levels at four times the annual retainer amount, which level may be attained over a five-year period. The Chairman and Chief Executive Officer s share ownership is subject to the share ownership guidelines for corporate officers.

7. Coordinating Director

A coordinating Director shall be selected, from each of the Committee chairs on a rotating basis, to preside over meetings of the Board of Directors when the Chairman is not present. Interested parties may contact the coordinating Director, outside Directors as a group or an individual Director directly by submitting a letter in a sealed envelope labeled Coordinating Director or Outside Directors or with the name of a specific Director. This letter should be placed in a larger envelope and mailed to the Corporate Secretary, ITT Industries, Inc. 4 West Red Oak Lane, White Plains, NY 10604 USA. The Corporate Secretary will forward the sealed envelope to the designated recipient.

8. Director Orientation and Continuing Education

The Board of Directors has established several channels for providing Directors with information about the Company and their responsibilities as Directors. New Board members participate in a director orientation program when they join the Company s Board. Board members are also provided opportunities for continuing education. Directors regularly receive corporate governance periodicals and are encouraged to attend continuing education courses of the Directors choosing. The Company pays for all expenses incurred by the Director with respect to such continuing education.

9. Board Authority to Hire Advisors, Counsel or Experts; Consultation with Management

The Board of Directors is expressly authorized to retain outside counsel, independent advisors or other experts and, as necessary, consult with any members of management to assist the Board of Directors in fulfilling its responsibilities.

IV. Meeting Procedure

1. Selection of Items for Board Agenda

The Chairman of the Board establishes the Board agenda for Board meetings. Agenda items include those items required for necessary corporate governance and operational oversight such as strategic plans and budgets. All Directors are encouraged to suggest topics for the agenda.

2. Board Material Distributed in Advance

Information and materials that are important to the Board s understanding of the agenda items and business related topics will be distributed sufficiently in advance of the meeting to permit prior review. Management should structure

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material provided to the Board of Directors to assure it is concise and to the point. Highly confidential or sensitive maters may be presented and discussed without prior distribution of background material. It is desired that material be distributed one calendar week prior to the Board meeting.

3. Board Meeting Frequency and Schedule

Board of Director meetings shall be held approximately every other month. Scheduled meetings shall be determined sufficiently in advance to accommodate Directors calendars. Telephonic and special meetings shall be held as necessary.

4. Annual Corporate Strategy Meeting

The Company s strategic plan, operating budget and research and development plans shall be discussed with the Board of Directors at least once each year.

5. Board Presentations and Management Attendees

Management presentations and participation are encouraged to allow Directors to gain additional understanding and insight into the Company s businesses and related issues, and to obtain exposure to high potential senior managers. In addition, selected management representatives will function as liaisons for each of the Board committees for which they have subject matter expertise.

V. Board Leadership and Relationship to Senior Management

1. Selection of Chairman and Chief Executive Officer

The Board of Directors is responsible for selecting the Chairman of the Company and the Chief Executive Officer. The Board of Directors will make this selection in the manner and utilizing the criteria it feels best serves the Company. The Chief Executive Officer is accountable to the Board of Directors for the overall performance of the Company.

2. Board Involvement with regard to Compensation Matters for the Chief Executive Officer and other Senior Management

The Board will be provided with a thorough annual review with respect to compensation matters for the Chief Executive Officer; Chief Operating Officer (if applicable); Chief Financial Officer; General Counsel; Senior Human Resources Officer; Treasurer; Corporate Relations Director and Management Company Presidents. The Board of Directors will be apprised with respect to compensation actions for the remaining corporate officers.

3. *Formal Evaluation of Chief Executive Officer*

Outside Directors, as part of the Compensation and Personnel Committee responsibilities, will perform an annual evaluation and set objectives for the Chief Executive Officer s performance. The evaluation will include objective criteria including business performance, accomplishment of long-term goals and development of management succession plans and such other matters deemed pertinent to performance. The Chief Executive Officer will be provided with specific goals for the ensuing year. The full Board of Directors shall be apprised annually of such matters. (One Director shall be selected by the Board of Directors to meet with the Chief Executive Officer to review the evaluative process.) Results of the annual evaluation will affect the Chief Executive s annual compensation.

4. *Succession Planning*

The Chief Executive Officer, working with the Board of Directors, is responsible for developing and maintaining a process for succession planning with respect to the position of Chief Executive Officer and other key corporate officers and advising the Board. The Chief Executive Officer will report annually to the Board of Directors on succession planning for the Chief Executive Officer and senior management positions, including a discussion of assessments, leadership development plans and other relevant factors.

5. *Management Development*

Management development programs for senior level positions should be discussed regularly with the Board of Directors by the Chief Executive Officer or his designee.

VI. Board Committees

1. *Number, Structure and Jurisdiction of Standing Committees*

There are currently four standing committees: Compensation and Personnel, Audit, Corporate Responsibility, and Nominating and Governance. Other committees may be established from time to time by a resolution passed by the majority of the Board of Directors. Jurisdiction for each standing Committee is described in the respective Committee charter.

2. *Independence of Committee Members*

Members of the Audit, Compensation and Personnel and Nominating and Governance Committees shall be independent Directors.

3. Committee Agendas

The Chair of each Committee, in consultation with the Chief Executive Officer, Corporate Secretary and management liaison establishes the Committee Agenda.

4. Assignment and Rotation of Committee Members

Committee chairs and membership should be rotated periodically to provide fresh points of view. Committee Chairs and members will be reviewed and approved by the full Board of Directors.

5. Frequency and Length of Committee Meetings

The Committee Chair, in consultation with Committee members, the Chief Executive Officer and the management liaison, will set the frequency and length of Committee meetings.

VII. Director Independence

An independent Director is one who is free of any relationship that would interfere with the exercise of independent judgment and, within the last 5 years:

1. Has not been employed by the Company in an executive capacity.
2. Has not been an advisor or consultant to the Company and has not been affiliated with a company or firm that is an advisor or consultant to the Company.
3. Has not been affiliated with a significant customer or supplier of the Company.
4. Has not had a personal services contract with the Company.
5. Has not been affiliated with a tax-exempt entity that receives significant contributions from the Company.
6. Has not been a familial relative of any person described above.
7. Has not been part of an interlocking directorate in which an executive officer of the Company on whose board the Director serves is a member of the compensation committee of the company that employs the Director.

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Appendix II

ITT Industries, Inc.

Audit Committee Charter

I. Purpose

a. The Board of Directors and the Audit Committee represent the Company s shareholders. The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility to oversee management s conduct of the Company s financial reporting process. This includes oversight and review of:

i. Financial reports, including financial information provided by the Company to any governmental or regulatory body, the public, or other persons who may use this financial information.

ii. The Company s systems of internal accounting and financial controls.

iii. The annual independent audit of the Company s financial statements.

b. The Company s independent auditor is directly responsible to the Board of Directors and the Audit Committee. The Audit Committee shall determine the independent auditor s qualifications and independence and shall be responsible for the appointment, compensation and oversight work of the independent auditor in preparing or issuing an audit report or related work.

c. The Company s Director of Internal Audit reports to the Chair of the Audit Committee, is ultimately responsible directly to the Board of Directors and the Audit Committee, and reports on an administrative basis to the Company s Chief Financial Officer.

d. The Audit Committee prepares the Report of the Audit Committee to be included in the Company s Proxy Statement.

e. The Audit Committee recognizes that management is responsible for preparing the Company s financial statements and that the independent auditors are responsible for auditing the Company s financial statements.

II. Powers

a. The Audit Committee has the power to investigate any matter brought to its attention. The Audit Committee:

i. Has full access to all books, records, facilities and personnel of the Company.

ii. May retain outside counsel, auditors or other independent experts to assist the Committee in performing its responsibilities.

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III. Responsibilities of the Audit Committee and Management

a. General guidelines and areas of responsibility of the Audit Committee are listed below. However, circumstances may require a flexible approach, and the Audit Committee has full authority to diverge from the guidelines below under appropriate circumstances. The Audit Committee shall:

i. Subject to any action that may be taken by the full Board of Directors, on an annual basis, have the ultimate authority and responsibility to determine the independent auditor s qualifications and independence, select (or nominate for shareholder ratification), evaluate, and where appropriate, consider the rotation or replacement of the independent auditors.

ii. Review and discuss with management and the independent auditors and approve the audited financial statements of the Company and make a recommendation regarding inclusion of those financial statements in any public filing including the Company s Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K), including discussion of the Company s disclosures under Management s Discussion and Analysis of Financial Conditions and Results of Operations.

iii. Review and consider with the independent auditors the matters required to be discussed by Statement of Auditing Standards (SAS) No. 61.

iv. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures in the Company s financial statements. Such review shall include discussion of any material changes in accounting policies.

v. As a whole, or through the Committee chair, review and discuss with the independent auditors the Company s interim financial results to be included in the Company s quarterly reports to be filed with the Securities and Exchange Commission (SEC) including discussion of the Company s disclosures under Management s Discussion and Analysis of Financial Conditions and Results of Operations. This review will occur prior to release of the Company s earnings report or the filing of its Form 10-Q with the SEC.

vi. Review and discuss with management the types of information to be disclosed and the types of presentations to be made with respect to the Company s earning press release and financial information and earnings guidance provided to analysts and rating agencies.

vii. Discuss with management and the independent auditors the quality and adequacy of the Company s internal controls and their effectiveness and meet regularly and privately with the Director of Internal Audit.

viii. Annually request from the independent auditors a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard No. 1. With respect to such relationships, the Audit Committee shall:

1. Discuss with the independent auditors any disclosed relationships and the impact of the relationship on the independent auditor s independence.

2. Assess and recommend appropriate action in response to the independent auditor s report to satisfy itself of the auditor s independence.

ix. Approve the retention of the independent auditor for non-audit services, other than tax compliance incidental to the normal auditing function, and due diligence and accounting support related to mergers, acquisitions and divestitures. Other tax related consulting and special projects and fees for any other services to be provided by the independent auditor or outsourced internal auditor must be submitted to the Audit Committee consistent with the Company s Non-Audit Services Policy.

x. Confirm and approve the scope of audits to be performed by the independent and internal auditors, monitor progress and review results and review fees and expenses charged by the independent auditors and any party retained to provide internal audit services.

xi. On an annual basis, discuss with the independent auditor the independent auditor s internal quality control procedures, any material issues raised in quality control or peer review and any investigation or inquiries by governmental or professional authorities within the preceding five years (and any steps to deal with issues raised) regarding the firms independent audits of other clients.

xii. Review significant findings or unsatisfactory internal audit reports, or audit problems or difficulties encountered by the independent auditor and monitor management s response to such findings.

xiii. Provide oversight review and discuss with management, internal auditors and independent auditors the adequacy and effectiveness of the Company s overall risk assessment and risk management process.

xiv. Review its Charter at least annually and make recommendations to the Board of Directors for approval and adoption of the Charter, including any additions, deletions or modifications, as may be deemed appropriate.

xv. Review pension plan investment performance.

xvi. Review expense accounts of senior executives.

xvii. Update the Board of Directors on a regular basis with respect to matters coming to its attention which may have a significant impact on the financial condition or affairs of the Company, the Company s compliance with legal or regulatory requirements, the performance and independence of the Company s independent auditors and performance of the internal audit function.

xviii. Review major issues regarding accounting principles and financial statement presentations, significant changes to the Company s selection or application of accounting principles and major issues relating to the Company s internal controls including any specifically required audit steps to correct identified major internal control issues. The Audit Committee shall also review management or independent auditor analyses regarding significant financial reporting issues and judgments made in preparing financial statements including analyses of alternative GAAP methods as well as the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company s financial statements.

xix. Review all material related party transactions prior to initiation of the transaction and make recommendations to the Board of Directors for approval or disapproval.

xx. In conjunction with the Board of Directors, evaluate the qualifications of its members and its own performance on an annual basis.

xxi. Meet separately and privately, on a regular basis, with the independent auditors, internal auditors, and with members of management as needed.

xxii. Establish policies regarding the employment and retention of current or former employees of the Company s independent auditor or outsourced internal auditor.

xxiii. With respect to complaints concerning accounting, internal accounting controls or auditing matters:

Review and approve procedures for receipt, retention and treatment of complaints received by the Company, and

Establish procedures for the confidential, anonymous submission of complaints to the Audit Committee

xxiv. Establish levels for payment by the Company of fees of the independent auditors and any advisors retained by the Audit Committee.

xxv. Receive regular reports from the Chief Executive Officer, Chief Financial Officer and the Company s Disclosure Control Committee representative on the status of the Company s disclosure controls and related certifications, including disclosure of any significant deficiencies in the design or operation of internal controls and any fraud that involves management or other employees with a significant role in internal controls. Prepare the Report of the Audit Committee to be included in the Company s Proxy Statement

b. The Company s financial management, including the internal audit staff as well as the independent auditors, have more time, knowledge, and more detailed information regarding the Company than do Audit Committee members. Therefore, the Audit Committee is not expected to provide any expert or special assurance as to the Company s financial statements or any professional certification as to the work of the internal or independent auditors.

c. The Company shall provide appropriate funds for the Audit Committee to perform its responsibilities and shall pay the compensation for any accounting firm engaged to issue an audit report or perform other audit, review or attest services, any independent counsel and any other advisor retained by the Audit Committee.

IV. Membership and Organization

a. Members of the Audit Committee and its Chairperson shall be designated from time-to-time by the Board of Directors and shall serve for such period of time as may be determined by the Board of Directors. However, the Chairperson of the Audit Committee shall not serve in that capacity for a term longer than four consecutive years.

b. The Audit Committee shall be composed of no fewer than three members, each of whom must be independent directors as provided in the Board s Corporate Governance Principles.

c. One-third of the members of the Committee, but not fewer than three persons, shall constitute a quorum.

d. Action taken by the majority of the members present at a meeting at which a quorum is present and action taken by the written consent of all members shall constitute action of the Committee.

e. Each member of the Audit Committee shall meet the requirements of the New York Stock Exchange for members of listed companies audit committees in effect from time to time, and

i. Shall have no relationship to the Company that may interfere with the exercise of their independence from management and the Company.

ii. Shall be financially literate or become financially literate within a reasonable period of time after appointment to the Committee.

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iii. At least one member of the Audit Committee shall have accounting or related financial management expertise.

f. The Audit Committee shall meet at least four times a year.

V. Conclusion

The Audit Committee and the Board of Directors follow thoughtful business practices and exercise sound, independent business judgments in carrying out their responsibilities. This Charter is not intended to expand the liability exposure of the Audit Committee or the Board of Directors, or the members of either. The Audit Committee and the Board of Directors may amend, modify, or alter the Charter or the policies and procedures utilized by the Audit Committee in carrying out its oversight and review responsibilities as circumstances may warrant.

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Appendix III

ITT Industries, Inc.

Compensation and Personnel

Committee Charter

I. Purpose

The purpose of the Compensation and Personnel Committee is to provide oversight review of compensation and benefits of the employees of the Company. The Committee evaluates and reports to the Board of Directors on matters concerning management performance, employee compensation and human resources policies, programs and plans, including management development and continuity plans, and approves employee compensation programs and benefit programs.

II. Responsibilities

1. Approves and oversees administration of the Company s Executive Compensation Program, including incentive compensation plans and equity based compensation plans. In determining long-term incentives the Compensation and Personnel Committee considers the Company s performance and relative shareholder return as well as considering, where appropriate, past compensation levels and peer company compensation practices.

2. The Compensation and Personnel Committee will review and approve compensation matters for the Chief Executive Officer, Chief Operating Officer (if applicable), Chief Financial Officer, General Counsel, Senior Human Resources Officer, Treasurer; Corporate Relations Director and Management Company Presidents.

   The Compensation and Personnel Committee will also set annual performance objectives with respect to the Chief Executive Officer. The performance of the Chief Executive Officer will be evaluated with respect to these performance objectives and the compensation level of the Chief Executive Officer will reflect, as appropriate, the results of this evaluation.

   The Compensation and Personnel Committee will provide a thorough annual review of such matters with the full Board of Directors. No communications regarding compensation matters shall be made to the above listed employees prior to this review. The Committee will also review, as appropriate, any changes to compensation matters for the officers listed above with the Board of Directors.

   The Compensation and Personnel Committee will approve individual compensation actions for the remaining corporate officers.

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3. Oversees the establishment and administration of the Company s benefits programs.

4. The Compensation and Personnel Committee has sole authority to select, retain, and determine the terms of engagement for independent compensation and benefits consultants and other outside counsel, as needed, to provide independent advice to the Compensation and Personnel Committee with respect to the Company s current and proposed executive compensation and employee benefits programs.

5. Oversees and approves the continuity planning process. Continuity discussions for the Chief Executive Officer and key managers will be reviewed with the full Board. With respect to other officers, the Committee will provide preliminary review and approval, with final continuity discussions and planning presented to the full Board of Directors.

6. Prepare the Report of the Compensation and Personnel Committee for the Company s Proxy Statement.

7. The Compensation and Personnel Committee shall review and assess its performance on an annual basis.

8. The Compensation and Personnel Committee shall review its Charter at least annually and make recommendations to the Board of Directors for approval and adoption of the Charter, including any additions, deletions or modifications, as may be deemed appropriate.

III. Membership and Organization

1. The Compensation and Personnel Committee shall be composed of no fewer than four members, or a majority of the full Board of Directors whichever is less, all of whom must be independent directors as defined in the Board s Corporate Governance Principles.

2. The Chairperson of the Compensation and Personnel Committee shall not serve in that capacity for longer than a four-year term.

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Appendix IV

ITT Industries, Inc.

Corporate Responsibility Committee Charter

I. Purpose

1. The purpose of the Corporate Responsibility Committee is to review and define the Company s responsibilities as a good corporate citizen. This includes review of legal, regulatory, intellectual property and governmental policy matters; review of compliance policies and programs; business ethics; and major claims and litigation as well as advertising and other community relations activities.

II. Responsibilities

1. Review and make recommendations concerning the Company s roles and responsibilities as a good corporate citizen.

2. Review the Company s advertising program and other activities involving community relations, major charitable contributions and promotion of the Company s public image.

3. Review the form of Annual Report to Shareholders, Proxy Statement and related materials.

4. Review the preliminary form of 10-K and Management s Discussion and Analysis.

5. Review regularly and consider the Company s programs and policies for effecting compliance with laws and regulations involving the environment, safety and health.

6. Regularly evaluate the adequacy and efficacy of the Company s Code of Corporate Conduct including review of any violations of the Code.

7. Review and consider the Company s policies and efforts with respect to compliance with government contracts, international laws and regulations and export controls.

8. Review and consider major claims and litigation involving the Company and its subsidiaries.

9. Review ERISA Compliance

10. Review and assess its performance on an annual basis.

11. Review its Charter at least annually and make recommendations to the Board for approval and adoption of the Charter, including any additions, deletions or modifications, as may be deemed appropriate.

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III. Membership and Organization

1. The Corporate Responsibility Committee shall be composed of at least three members.

2. The Chairperson of the Corporate Responsibility Committee shall not serve in that capacity for longer than a four-year term.

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Appendix V

ITT Industries, Inc.

Nominating and Governance Committee Charter

I. Purpose

The purpose of the Nominating and Governance Committee is to ensure that the Board of Directors is appropriately constituted to meet its fiduciary obligations to the shareholders and the Company. To accomplish this purpose, the Nominating and Governance Committee develops and implements policies and processes regarding corporate governance matters, assesses Board of Directors membership needs and makes recommendations regarding potential director candidates to the Board of Directors.

II. Responsibilities

1. Evaluate the current composition, organization and governance of the Board of Directors and its Committees, determine future requirements and make recommendations to the Board of Directors for approval. The Nominating and Governance Committee is responsible for developing, annually reviewing and updating and recommending to the Board of Directors a set of corporate governance principles for the Company.

2. Determine desired board skills and attributes and conduct searches for prospective board members whose skills and attributes reflect those desired. Identify, evaluate and propose nominees for election to the Board of Directors.

3. In the event it is necessary to select a new chief executive officer of the Company, the Nominating and Governance Committee shall lead the process and may initiate evaluation, consideration and screening of potential chief executive officer candidates. The full Board of Directors has the final responsibility to select the Company s chief executive officer.

4. Administer the Board of Directors annual performance evaluation process including conducting surveys of director observations, suggestions and preferences.

5. Evaluate and make recommendations to the Board of Directors concerning the appointment of Directors to Board Committees, the selection of Board Committee Chairs, and proposal of the Board slate for election. Consider shareholder nominees for election to the Board of Directors.

6. Evaluate and recommend termination of membership of individual directors in accordance with the Board of Directors corporate governance principles, for cause or for other appropriate reasons.

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7. Coordinate and approve Board of Directors and Committee meeting schedules.

8. Evaluate and consider matters relating to the qualifications, retirement and compensation of Directors.

9. The Nominating and Governance Committee has sole authority to retain, determine fees and retention terms and terminate any search firm used to identify director candidates.

10. Review and assess its performance on an annual basis.

11. Review its Charter at least annually and make recommendations to the Board of Directors for approval and adoption of the Charter, including any additions, deletions or modifications, as may be deemed appropriate.

III. Membership and Organization

1. The Committee shall be comprised of no fewer than three members. All members of the Nominating and Governance Committee shall be composed entirely of independent directors as defined in the Board s Corporate Governance Principles.

2. The Chairperson of the Nominating and Governance Committee shall not serve in that capacity for longer than a four-year term.

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Directions to Tappan Hill

From Connecticut: Merritt Parkway or Interstate 95 South to Cross Westchester (287 West). At Exit 1, bear right onto Route 119 West. Just before second light, bear right onto Benedict Avenue. At fourth light, turn right onto Highland Avenue. (Street runs as Highland to the right, Prospect to the left). At first stop sign you will see Tappan Hill entrance on the left.

From New York City, West Side: West Side Highway becomes Henry Hudson Parkway, which becomes Saw Mill River Parkway. Continue north on Saw Mill to Exit 21W (119 West Tarrytown). Turn right onto Route 119. Just before fifth light, bear right onto Benedict Avenue. Follow remaining directions from Connecticut.

From New Jersey: Garden State Parkway or Palisades Parkway to Interstate 287/87 South to Tappan Zee Bridge. After toll, take first exit, Route 9 Tarrytown. At exit traffic light, turn right onto Broadway (Route 9 North). At fourth light, make a right onto Benedict Avenue. At second light, turn left onto Highland Avenue (street runs as Highland to the left and Prospect to the right). At first stop sign you will see Tappan Hill Entrance on the left.

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VOTE BY TELEPHONE OR INTERNET OR MAIL

24 HOURS A DAY, 7 DAYS A WEEK

TELEPHONE	INTERNET	MAIL
1-866-216-1275 (UNITED STATES ONLY)	http://www.proxyvotenow.com/itt	

Use any touch-tone telephone to vote your proxy. Have your proxy form in hand when you call. Follow the simple recorded instructions. ***OR*** Use the Internet to vote your proxy. Go to the website address listed above. Have your proxy form in hand when you access the website. Follow the simple instructions that appear on the computer screen. ***OR*** Mark, sign and date your proxy form and return it in the postage- paid envelope we have provided.

Your telephone or internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned the proxy card. If you have submitted your proxy by telephone or the internet there is no need for you to mail back your proxy. Counsel has advised the Company that the internet and telephone voting procedures meet legal requirements.

CALL TOLL-FREE TO VOTE IT S FAST AND CONVENIENT

(UNITED STATES ONLY) CALL TOLL-FREE TO VOTE 1-866-216-1275

DETACH PROXY CARD HERE IF YOU ARE NOT VOTING BY TELEPHONE OR INTERNET

The Board of Directors recommends a vote FOR proposals A and B.

A. Election of Directors

FOR ALL **WITHHOLD FOR ALL** **EXCEPTIONS**

Nominees: 01 Louis J. Guiliano, 02 Curtis J. Crawford, 03 Christina A. Gold, 04 Ralph F. Hake, 05 John J. Hamre, 06 Raymond W. LeBoeuf, 07 Frank T. MacInnis, 08 Linda S. Sanford and 09 Markos I. Tambakeras.

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box and write that nominee s name in the space provided below.)

*Exceptions

B. Ratification of appointment of Independent Auditors

FOR **AGAINST** **ABSTAIN**

FOR **AGAINST** **ABSTAIN**

(When signing as attorney, executor, administrator, trustee or guardian, give full title. If more than one trustee, all should sign.)

Share Owner sign here

Co-Owner sign here

Date:

(PLEASE SIGN, DATE AND RETURN THIS PROXY CARD IN THE ENCLOSED ENVELOPE.) Votes MUST be indicated (x) in Black or Blue ink

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DETACH HERE You must detach this portion of the voting card before returning it in the enclosed envelope

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PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF ITT INDUSTRIES FOR THE ANNUAL MEETING TO BE HELD MAY 11, 2004:

The shareholder(s) whose signature(s) appear(s) on the reverse side of this proxy form hereby appoint(s) Vincent A. Maffeo and Kathleen S. Stolar, or any of them, each with full power of substitution as proxies, to vote all shares of ITT Industries common stock that the shareholder(s) would be entitled to vote on all matters that may properly come before the 2004 Annual Meeting and at any adjournments or postponements. The proxies are authorized to vote in accordance with the specifications indicated by the shareholder(s) on the reverse side of this form. If this form is signed and returned by the shareholder(s), and no specifications are indicated, the proxies are authorized to vote as recommended by the Board of Directors. **In either case, if this form is signed and returned, the proxies thereby will be authorized to vote in their discretion on any other matters that may be presented for a vote at the meeting and at adjournments or postponements.**

For participants in the ITT Industries Investment and Savings Plan for Salaried Employees:
The Trustee will vote the shares credited to your account in the savings plan in accordance with the specifications that you indicate on the reverse. If you sign and return the form, but do not indicate your voting specifications, the Trustee will vote as recommended by the Board of Directors. The trustee will vote the shares for which no form has been returned in the same proportion as those shares for which it received voting specifications. **The Trustee will exercise its discretion in voting on any other matter that may be presented for a vote at the meeting and at adjournments or postponements.**

(Continued and to be signed on reverse side)

Mark this box to request an admission card to the meeting.

ITT INDUSTRIES
P.O. BOX 11005
NEW YORK, N.Y. 10203-0005

If you agree to access future Proxy Statements and Annual reports electronically, please mark this box To change your address please mark this box and correct at left