

ITT INDUSTRIES INC
Form PRE 14A
March 14, 2005

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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:

- x Preliminary Proxy Statement
- o 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.

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Steven R. Loranger

Chairman, President and Chief Executive Officer

ITT Industries

4 West Red Oak Lane
White Plains, NY 10604

March , 2005

Dear Fellow Shareholders:

Enclosed are the Notice of Annual Meeting and Proxy Statement for ITT Industries 2005 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,

/s/ Steven R. Loranger

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March , 2005

Notice of 2005 Annual Meeting

The 2005 Annual Meeting of ITT Industries, Inc. will be held on Tuesday, May 10, 2005 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 2005 Annual Meeting is to elect nine Directors, ratify the Board of Directors' appointment of Deloitte & Touche LLP as ITT Industries' independent auditors for 2005, vote upon a proposal to amend ITT Industries' Restated Articles of Incorporation to increase the number of authorized shares of ITT Industries' common stock, and to transact such other business as may properly come before the meeting.

The record date for the meeting is March 18, 2005. 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 March 1, 2005, this proxy statement is being sent to shareholders who were shareholders of record as of March 18, 2005, as part of the Board of Directors' solicitation of proxies for ITT Industries' 2005 Annual Meeting and any postponements or adjournments thereof.

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 2005 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 1 through 3. 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' 2004 Annual Report to Shareholders (which has been mailed to shareholders eligible to vote at the 2005 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 three formal items scheduled to be voted upon at the Annual Meeting: election of Directors, ratification of the appointment of the independent auditors, and amendment to the Restated Articles of Incorporation to increase the number of authorized shares of common stock. As of the date of this proxy statement, 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 2005 Annual Meeting. If you return the proxy without specifying how you want your shares voted, you are

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Number of ITT Industries shares held by participants in the Company's employee savings plans. As of March 18, 2005, State Street Bank held _____ shares of ITT Industries' common stock (approximately _____% of the outstanding shares) as trustee of the salaried employees savings plan, and Northern Trust Company, Inc. held _____ shares (approximately _____% 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 2005 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 2006 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 _____, 2005. 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 _____, 2005 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 2006 Annual Meeting, it is necessary that you submit a notice with the name of the candidate on or before _____, 2005. 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.

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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.)

Proposals to be voted on at the 2005 Annual Meeting

A. Election of Directors

The Board of Directors has nominated nine individuals for election as Directors at the 2005 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 2005 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 2005 Annual Meeting will be elected to serve as a Director until ITT Industries next Annual Meeting.

Mr. Louis J. Giuliano resigned as president and chief executive officer of ITT Industries on June 28, 2004 and retired from ITT Industries Board of Directors on December 31, 2004. Mr. Giuliano had served as chairman, president and chief executive officer of ITT Industries since March 2001. The Board values Mr. Giuliano's integrity, distinguished service and dedication to leadership, growth and operational excellence and appreciates his unswerving commitment to ITT Industries and expresses its gratitude for his service.

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

Steven R. Loranger
Chairman, President and Chief Executive Officer,
ITT Industries, Inc.

Mr. Loranger, 53, was appointed President and Chief Executive Officer and elected a Director of ITT Industries, Inc. on June 28, 2004. He was elected Chairman of the Board of Directors on December 7, 2004. Mr. Loranger previously served as Executive Vice President and Chief Operating Officer of Textron, Inc. from 2002 to 2004 overseeing Textron's manufacturing businesses, including aircraft and defense, automotive, industrial products and components. From 1981 to 2002, Mr. Loranger held executive positions at Honeywell International Inc. and its predecessor company, AlliedSignal, Inc., including serving as president and chief executive officer of its Engines, Systems and Services businesses. Mr. Loranger is a member of the Business Roundtable and serves on the boards of the National Air and Space Museum and the Congressional Medal of Honor Foundation. Mr. Loranger received Bachelors and Masters degrees in science from the University of Colorado.

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Curtis J. Crawford

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

Dr. Crawford, 57, is president and chief executive officer of XCEO, Inc. From April 1, 2002 to March 31, 2003 he 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. 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 to 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, ON Semiconductor Corporation, and Agilysy, Inc. and is a member of the Board of Trustees of DePaul University. He received a B.A. degree in business administration and computer science and an M.A. degree from Governors State University, an M.B.A. 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, 57, 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, 56, 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 Industries since 2002.

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John J. Hamre

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

Dr. Hamre, 54, 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 B.A. 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, 58, has been chairman of PPG Industries, Inc. 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 to 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 a board member of Robert Morris University, the Business Roundtable, Extra Mile Foundation and the Pittsburgh Cultural Trust. Mr. LeBoeuf is a graduate of Northwestern University and holds an M.B.A. 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, 58, has been chairman of the board and chief executive officer of EMCOR Group, Inc. 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 (IBM), an information technology company

Ms. Sanford, 52, 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 also has 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 M.S. 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, engineered components and advanced materials supplier to the automotive, aerospace, energy, mining, construction and other industries

Markos I. Tambakeras, 54, 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. Mr. Tambakeras serves on the board of Parker Hannifin Corporation, is Chair of the Manufacturers Alliance Board of Trustees and is a member of the President's Manufacturing Council. Mr. Tambakeras received a B.Sc. degree from the University of Witwatersrand, Johannesburg, South Africa and an M.B.A. 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 2005. Deloitte & Touche LLP is registered as a registered public accounting firm by the Public Company Accounting Oversight Board (PCAOB).

Representatives of Deloitte & Touche LLP attended all meetings of the Audit Committee during 2004. The Audit Committee reviewed and considered the nature of the non-audit services provided by Deloitte & Touche LLP to ITT Industries in 2004. 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 2005 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, 2004 and 2003 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 (in thousands)	
	2004	2003
Audit Fees(1)	\$7,544	\$4,753
Audit-Related Fees(2)	946	758
Tax Fees(3)		
Tax Compliance Services	314	1,736
Tax Planning Services	80	105
	<hr/>	<hr/>
All Other Fees	394	1,841
	<hr/>	<hr/>
Total	\$8,884	\$7,352

(1) Fees for audit services billed in 2004 and 2003 consisted of:

Audit of the Company's annual financial statements and internal control over financial reporting (2004 only);
 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 2004 and 2003 consisted of:

Due diligence associated with mergers and acquisitions;
 Financial accounting and reporting consultations;
 Internal control advisory services;
 Employee benefit plan audits; and
 Closing balance sheet audits and reviews of acquisitions and dispositions.

(3) Fees for tax services billed in 2004 and 2003 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. Other tax return assistance, including preparation of expatriate tax returns;
- iii. Transfer pricing consultations; and

iv. Internal Revenue Code and foreign tax code technical consultations.

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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.

	<u>2004</u>	<u>2003</u>
Ratio of Tax Planning and Advice to Total Fees	.90%	1.43%

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 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

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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.

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.

C. Amendment to the Restated Articles of Incorporation

The Company's Board of Directors has adopted, and recommends that shareholders approve at the Annual Meeting, a proposal to amend paragraph (a) of ARTICLE FOURTH of the Company's Restated Articles of Incorporation to increase the number of authorized shares of Common Stock of the Company from 200,000,000 shares to 250,000,000 shares. The Board of Directors believes that the proposed amendment to the Restated Articles of Incorporation shown below is in the best interests of the Company and its shareholders:

(a) The aggregate number of shares of stock that the Corporation shall have authority to issue is 300,000,000 shares, consisting of 250,000,000 shares designated Common Stock and 50,000,000 shares designated Preferred Stock. The shares of Common Stock shall have a par value of \$1 per share, and the shares of Preferred Stock shall not have any par or stated value, except that, solely for the purpose of any statute or regulation imposing any fee or tax based upon the capitalization of the Corporation, the shares of Preferred Stock shall be deemed to have a par value of \$.01 per share.

As of February 28, 2005, approximately 92,281,113 shares of Common Stock were issued and outstanding and approximately 12,099,362 unissued shares were

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reserved for issuance under the Company's equity compensation plans, leaving approximately 95,619,525 shares of Common Stock unissued and unreserved. As of February 28, 2005, none of the Company's 50,000,000 shares of authorized Preferred Stock have been issued.

Shares of Common Stock will be available in the event the Board of Directors determines that it is necessary or appropriate to permit future stock splits in the form of stock dividends, to raise additional capital through the sale of equity securities, to acquire another company or its assets, to establish strategic relationships with corporate partners or to provide equity incentives to employees and officers or for other corporate purposes.

If the proposed amendment is approved by the shareholders, the Board of Directors may issue such additional shares without soliciting further shareholder approval, except as may be required by applicable law. The additional shares, when issued, will have the same voting and other rights as the Company's presently authorized Common Stock. Shareholders of the Company shall not have any preemptive rights to subscribe for additional issues of stock except as may be agreed from time to time by the Company and any such shareholder.

The increase in the authorized number of shares of Common Stock and the subsequent issuance of such shares could have the effect of delaying or making more difficult a change of control of the Company. While it may be deemed to have potential anti-takeover effects, the proposed amendment to increase the authorized Common Stock is not prompted by any specific effort or takeover threat currently perceived by management.

This proposal will be approved if more shares are voted in favor of the proposal than against it.

The Company does not have any current intentions, plans, arrangements, commitments or understandings to issue any shares of its capital stock except in connection with its existing equity compensation and purchase plans. If approved, this proposal will become effective upon the filing of Articles of Amendment to the Restated Articles of Incorporation with the Secretary of State of the State of Indiana substantially in the form attached as Annex A which the Company intends to do promptly after the 2005 Annual Meeting.

The Board of Directors recommends you vote FOR the amendment to the Restated Articles of Incorporation to increase the number of authorized shares of Common Stock from 200,000,000 to 250,000,000.

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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 Corporate Governance Principles further provide that Directors must be able to devote the requisite time for preparation and attendance at regularly scheduled Board and Board Committee meetings, as well as be able to participate in other matters necessary for good corporate governance. To help assure that Directors are able to fulfill their commitments to the Company, the Corporate Governance Principles provide that Directors who are chief executive officers of publicly-traded companies may serve on not more than two public company boards (including the ITT Industries Board) in addition to service on their own board and other Directors may not serve on more than four public company boards (including the ITT Industries Board).

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*.

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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.

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With respect to Directors standing for election at the Company's 2005 Annual Meeting, the Board of Directors has affirmatively determined, after considering all relevant facts and circumstances including, with respect to Dr. Hamre, the charitable contribution to CSIS discussed under "Certain Transactions", 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, MacInnis, 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 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 election as 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.

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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

2004 Audit Committee Members:

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

Meetings in 2004: 12

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, 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 PCAOB Statement of Auditing Standards (SAS) No. 61 and all other applicable regulatory agencies.

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 and discuss with the independent auditors

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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.

Monitor and 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 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

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and any party retained to provide internal audit services.

On an annual 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 state-

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ments 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.

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.

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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 New York Stock Exchange currently in effect and Rule 10A-3 of the Exchange Act. The Board of Directors has evaluated the performance of the Audit Committee consistent with the PCAOB recommendations.

A copy of the Audit Committee Charter is attached as Appendix II and is also available on the Company's website (www.itt.com/profile/govandcharters.asp).

Compensation and Personnel Committee

2004 Compensation and Personnel Committee Members:

Markos I. Tambakeras, Chair since May 2004
Curtis J. Crawford, Chair through March 2004
Frank T. MacInnis
Linda S. Sanford

Meetings in 2004: 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 2004 and prior years, the Committee obtained such advice.

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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.

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 Committee meets the independence standards set out in the 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 and is also available on the Company's website (www.itt.com/profile/govandcharters.asp).

Corporate Responsibility Committee

2004 Corporate Responsibility Committee Members:

Linda S. Sanford, Chair
Curtis J. Crawford
John J. Hamre

Meetings in 2004: 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.

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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 and is also available on the Company's website (www.itt.com/profile/govandcharters.asp).

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Nominating and Governance Committee

2004 Nominating and Governance Committee Members:

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

Meetings in 2004: 3

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.

Evaluate and make recommendations regarding senior management requests for approval to accept membership on outside boards.

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 Board's Nominating and Governance Committee Charter and Corporate

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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 and is also available on the Company's website (www.itt.com/profile/govandcharters.asp).

During 2004, there were 6 regularly scheduled Board meetings, 6 special board meetings and 26 meetings of standing Committees. All Directors attended at least 75% of the aggregate of all meetings of the Board and standing Committees on which they served. In connection with the ITT Industries' search for a new president and chief executive officer, ITT Industries constituted a search committee which met frequently during the first 6 months of 2004. The search committee evaluated, interviewed and recommended candidates for the position of president and chief executive officer for final consideration, evaluation and selection by the full Board. The search committee was disbanded following the appointment of Mr. Loranger as president and chief executive officer.

It is Company practice that all Directors attend the Company's Annual Meeting. All Directors attended the Company's 2004 Annual Meeting. For 2005, the Board has scheduled five regular meetings. In conjunction with the regular meetings, those Directors who are not employees of ITT Industries are scheduled to meet privately (without management) following each Board meeting during the year. The Coordinating Director presides over these private meetings.

Compensation of Non-Employee Directors. Shareholders of the Company adopted the ITT Industries, Inc. 2003 Equity Incentive Plan, the 2003 Plan, pursuant to which restricted shares and options are paid to Non-Employee Directors. Non-Employee Directors receive an annual retainer 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 2004, 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 Industries' stock option, consistent with the method used for the employee stock option program, rounded to the nearest 10 shares. All Non-Employee Directors receive equal compensation notwithstanding service as chairperson of any Board committee. Mr. Giuliano received \$31,250 in cash as a prorated fee for his Non-Employee Director service from August 1, 2004 through December 31, 2004, which the Company paid in January 2005.

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

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thereafter as legally permissible. On May 11, 2004, each Director received a grant of 652 shares of restricted stock.

Dr. Crawford, Dr. Hamre, and Mr. MacInnis elected to receive an additional 326 shares of restricted stock as the second component of their retainer. Ms. Sanford and Mr. Tambakeras elected to receive cash and Mr. Hake, Mr. LeBoeuf and Mrs. Gold elected deferred cash.

Non-Employee Director stock option grants are priced and awarded on the same day that employee stock options are priced and awarded. On February 2, 2004, each Non-Employee Director received a stock option grant of 1,240 shares priced at \$74.92 per share, the closing price of shares on that date. On March 8, 2005 each Non-Employee Director received a stock option grant of 1,070 shares priced at \$90.94 per share, the closing price of shares on that date.

The Board of Directors share ownership guidelines currently provide for share ownership levels at five 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 to