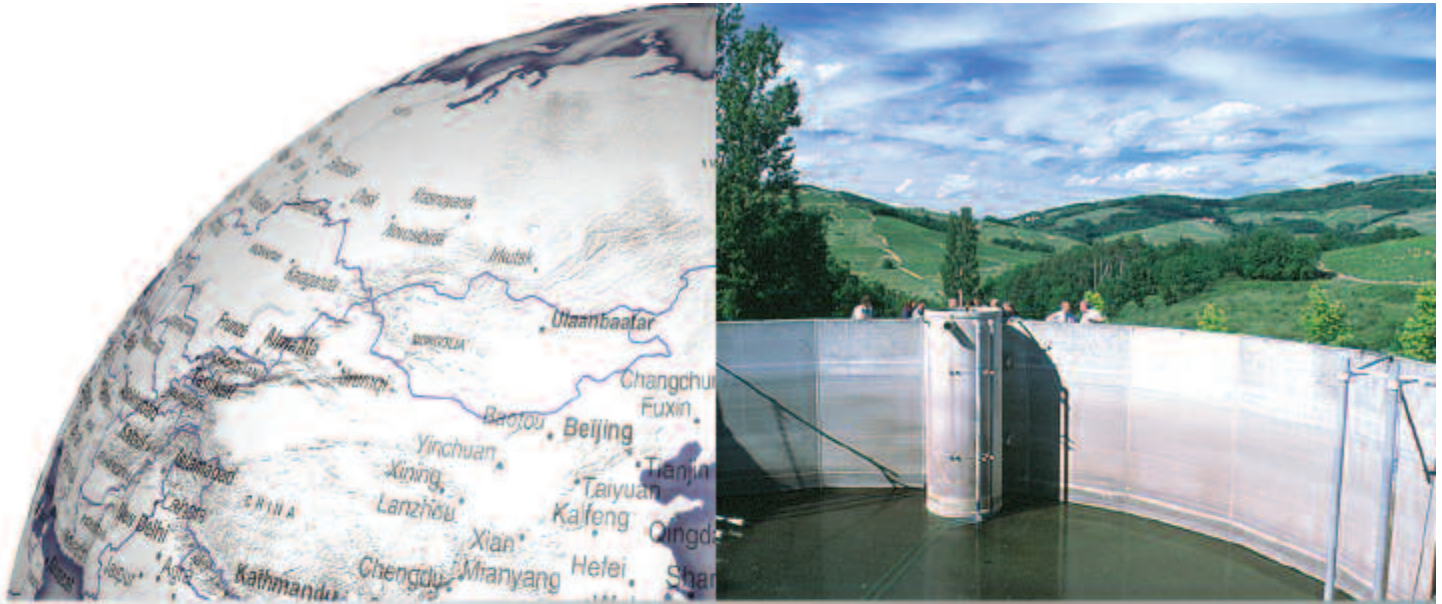


Common Ground



2003 Environment, Safety & Health Report



ITT Industries
Engineered for life

About This Report

ITT Industries is a company of 39,000 energized employees, working around the world to meet customer needs and make a positive difference in the many markets we serve: water and wastewater, defense, space, telecommunications, aerospace, automotive and leisure marine.

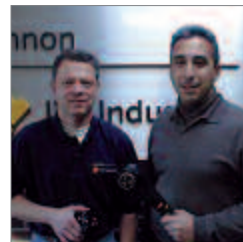
We are headquartered in White Plains, New York, and organized into four management companies: Fluid Technology, Defense Electronics & Services, Electronic Components and Motion & Flow Control.

This Report provides an overview of our performance in the area of Environment, Safety & Health (ESH) for 2003. It outlines our progress against key indicators, lists our priorities, strategies and goals, and offers examples of projects from around our company that support our mission and have helped us become a leader in the area of Environment, Safety & Health.

The Report is structured in accordance with the reporting guidelines outlined by the Coalition for Environmentally Responsible Economies (CERES).

Being a good corporate citizen and positive part of the community fabric in the cities and towns where we work and live is a priority for ITT Industries. We are dedicated to doing all we can to protect our employees, our customers, our neighbors and the environment and believe that the best solutions are sustainable – providing immediate results and long-term benefits for our company and the greater community.

If you would like to learn more about our company's Environment, Safety & Health efforts, please contact Usha Wright, Director of Environment, Safety & Health for ITT Industries, at 914.641.2053 or usha.wright@itt.com.



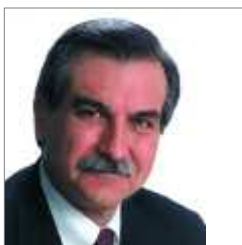
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Our Goal: A Premier Company with a World Class Environment, Safety & Health Organization

As a company, ITT Industries has a goal of becoming a premier multi-industry company. As a corporate citizen, we want to become a leader in the area of Environment, Safety & Health (ESH).



Lou Giuliano

In both areas, we have made strong strides and are on our way to achieving success. This is not a coincidence, because the same drivers that are pushing us toward premier status are also responsible for our improved performance in the areas of Environment, Safety & Health.

It begins with a long-term strategy and a refusal to deviate from our path simply to satisfy short-term needs. Since 1999, ITT Industries has been focused on a consistent set of core strategies: leadership, growth and operational excellence. Likewise, our Environment, Safety & Health organization has never wavered from its mission to create a world-class ESH culture through all of our global operations. Each year brings new priorities – business continuity planning in 2003, product safety in 2004 – but these are not new directions. They are new tools for our ESH toolkit that will help us build our world-class operation and performance.

Our ESH efforts are guided by the same ethical compass as our operational and financial efforts. At ITT Industries, we expect all our employees to “Do the Right Thing - Always.” That’s the overarching message of our company Code of Conduct, and it applies to our accounting and business practices, as well as our ESH activities.

Our company and ESH culture have also benefited from the creation of strong “management systems” that create a common language, a common set of disciplines and a shared approach that defines our way of doing business. When ITT Industries was formed in 1995 out of the break-up of ITT Corporation, we were not much more than a collection of diverse, stand-alone companies. Today, our businesses are all using Value-Based Six Sigma tools to become more efficient, and applying Value-Based Product Development practices to make pumps and connectors and satellite technology that better meets customers’ needs.

Similarly, our businesses track the same ESH metrics, attend the same product safety training, access a shared ESH website and are audited according to the same stringent criteria no matter if they are a 100-year-old pump operation in Sweden or a start-up connector company in China. Today, we have a company where the Environment, Safety & Health organization is stronger than the pieces, where we can share best practices across businesses and point to business unit ESH leaders like Flygt and McDonnell & Miller as examples for the entire organization.

Leadership is the element that will propel us to the next level. The depth of our management talent is one of the true strengths of our company, and our ESH organization, too, has a deep bench filled with experienced veterans, many who have been with ITT Industries companies even before we became an independent entity. There is no substitute



Usha Wright

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for their depth of knowledge and first-hand experience. When we made business continuity a priority last year, we could turn to long-time ESH leaders to develop and implement the necessary training. As we expand our presence in China, we have a number of ESH experts who are willing and more than qualified to work with our companies and customers in that country to ensure their ESH practices are up to our standards.

The result is a company that in 2003 could be named to both *BusinessWeek*'s list of best performing companies for its financial strength and shareholder returns and to Business Ethics list of the Top 100 Best Corporate Citizens for its performance in the areas of environment, employees, communities, customers, minorities and women. These honors are not an end in themselves, but do provide further proof that we are on our way to becoming a premier multi-industry company with a world-class ESH operation.

Lou Giuliano

Chairman, President &
Chief Executive Officer

Usha Wright

Vice President and
Associate General Counsel
Director of Environment, Safety
& Health

Overview of Our Company

One of the greatest challenges in facilitating a corporate-wide Environment, Safety & Health (ESH) program at ITT Industries is accommodating the amazing diversity of our company – in terms of geographies, jobs, manufacturing processes, cultures and people.

Our company has more than 39,000 employees located in 50 countries around the world and all 50 states in the U.S. We make everything from keypad buttons for your cell phone to imagers that bring you weather satellite pictures every night on the news. Our work environments include manufacturing facilities, high-tech labs, foundries, service centers and offices.

Consider the incredibly varied environments and risks encountered at just one of our nearly 50 businesses, our Systems Division, which provides technical and support services to military and government customers around the world.

The people at Systems launch test missiles in Hawaii, control interplanetary rovers on the surface of Mars from a man-made town in the Mojave Desert, change the tires of High-Mobility Multipurpose Wheeled Vehicles in North Carolina and operate tugboats off the shores of Yokohama. They are on the front lines in Iraq supporting U.S. military missions and on the fjords of Norway manning a huge radar that monitors the skies.

They face risks ranging from threats by drug cartels that want to disrupt the radar facilities that we operate as part of the Colombian government's drug interdiction program to machine-guarding accidents that can occur at any industrial site.

Multiply those ESH challenges 50 times to include our pump businesses, connector and switch companies, friction materials and automotive tubing plants, and you begin

to understand the vastness and variety of our operations. How do you maintain an effective Environment, Safety & Health program under these circumstances? ITT Industries has bypassed a one-size-fits-all approach and adapted a program that mirrors our company.

We've developed an ESH mission and a broad set of strategic objectives, along with a more-focused set of policies, that our many businesses can use to ensure they are moving in the right direction. In addition, we have installed a network of ESH professionals at all sites to find the best way to implement our corporate goals at the local level, and make their companies as efficient, compliant, safe and state-of-the-art as possible.

In addition, ITT Industries has embraced the concept of continuous improvement. Value-Based Six Sigma, our company-wide continuous improvement initiative, is now in its fourth year and has become a part of our corporate DNA. It's not a program anymore, it's the way we work. VBSS gives us the tools and disciplines we need to make fact-based decisions, to solve problems and find solutions in a systematic and measurable way. It's effective no matter if you are building huge wastewater pumps in Sweden or tiny electronic connectors in Shanghai.

This tool has turbo-charged our Environment, Safety & Health efforts. As our VBSS project leaders grow in numbers and in expertise – more than 10 percent of our employees are now certified as champions, black belts or green belts – they are increasingly focused on projects that change the way we do business and, in many cases, amplifying the work of our ESH personnel. To date, ITT Industries has completed more than 3,500 VBSS projects, and a number of them addressed ESH issues such as scrap reduction, OSHA compliance, waste management and safety improvements.

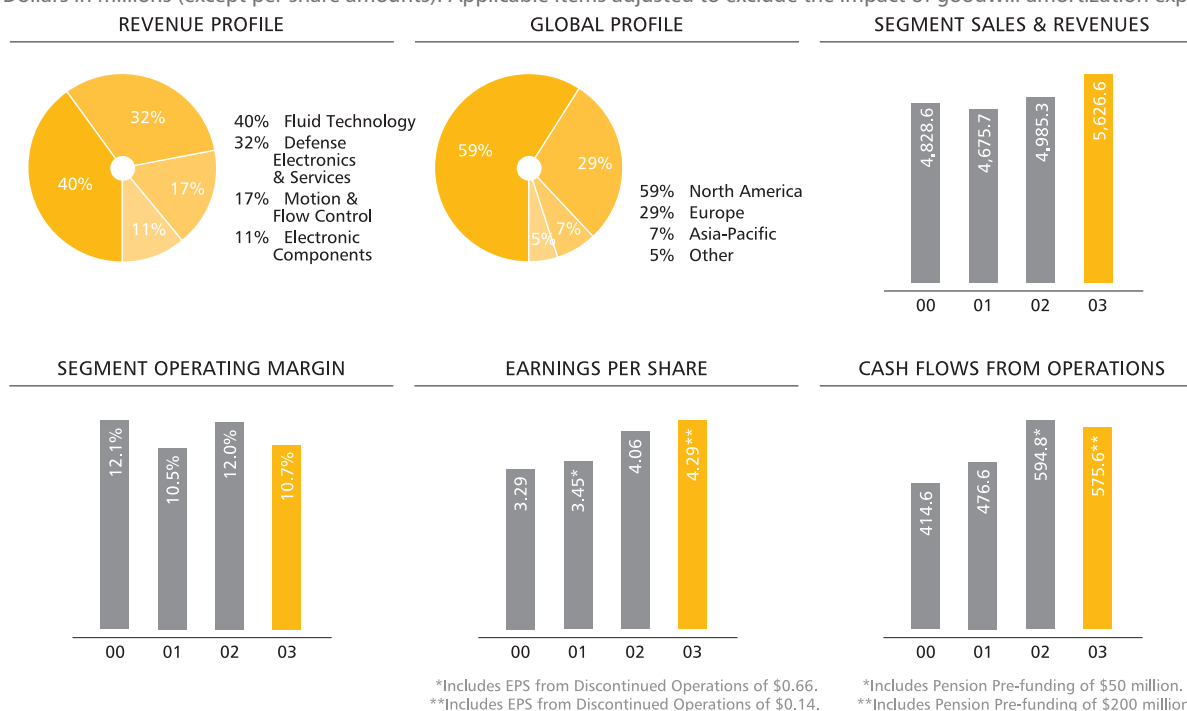


Overview of Our Company

ITT Industries at a glance

We are a global multi-industry company, with strong core positions in attractive markets and a focus on engineered solutions that meet customers' needs.

Dollars in millions (except per share amounts). Applicable items adjusted to exclude the impact of goodwill amortization expense.



Financial Highlights

(In millions, except employees and per share amounts)

	2003	2002	2001*
Operating data			
Sales and revenues	\$5,626.6	\$4,985.3	\$4,675.7
Operating income ^(a)	528.5	537.6	437.5
Operating margin	9.4%	10.8%	9.4%
Income from continuing operations, after-tax ^(b)	390.9	379.9	252.6
Net income	403.9	379.9	312.6
Additions to plant, property and equipment	153.6	153.2	174.0
Research, development and engineering expense	559.4	519.1	424.7
Total assets	5,937.6	5,389.6	4,508.4
Total debt	602.4	791.8	973.4
Debt to total capitalization	24.6%	41.0%	41.4%
Total shareholders' equity	1,847.7	1,137.3	1,375.8
Employees at year-end	39,000	38,000	38,000
Per common share (diluted)			
Income from continuing operations ^(b)	\$ 4.15	\$ 4.06	\$ 2.79
Net income	4.29	4.06	3.45
Dividends declared	0.64	0.60	0.60
Average common shares used to calculate diluted EPS	94.1	93.6	90.6

* 2001 figures are adjusted to exclude the impact of goodwill amortization expense.

(a) Operating income in 2003 includes net restructuring and asset impairment charges before tax of \$30.5.

Operating income in 2002 includes net restructuring reversals before tax of \$3.5.

Operating income in 2001 includes restructuring and asset impairment charges before tax of \$97.7.

(b) Income from continuing operations, after-tax, in 2003 includes net restructuring and asset impairment charges of \$21.0 and excludes income from discontinued operations of \$13.0.

Income from continuing operations, after-tax, in 2002 includes net restructuring reversals, after-tax, of \$2.4.

Income from continuing operations, after-tax, in 2001 includes restructuring and asset impairment charges, after-tax, of \$63.5 and excludes income from discontinued operations of \$60.0.

ITT INDUSTRIES, INC.
4 WEST RED OAK LANE
WHITE PLAINS, NY 10604
WWW.ITT.COM

MEDIA CONTACT:
THOMAS E. GLOVER
(914) 641-2160
TOM.GLOVER@ITT.COM

INVESTOR CONTACT:
ROBERT POWERS
(914) 641-2030
ROBERT.POWERS@ITT.COM

The heart of our Environment, Safety & Health (ESH) effort is the trained professionals who find effective, creative ways to implement safe, environmentally friendly practices at their sites.

The ESH website:

Our ESH internet site offers a centralized station for documents, manuals, data and dialogues. From anywhere in the world, our ESH team can access this password-protected site to view model programs, read about policy updates, or post answers to questions on the message board. From schedules of upcoming audits to PowerPoint presentations that they can use to roll-out product accident prevention training at their site, the website is a one-stop shop for everything ESH at ITT Industries. Key documents and information are available in seven languages: English, French, Italian, German, Spanish, Chinese and Swedish.

With Usha Wright serving as Director, we have built an Environment, Safety & Health organization that includes representatives at all levels of our company and encompasses more than 300 full and part-time members.

Each of our four management companies – Fluid Technology, Defense Electronics & Services, Electronic Components and Motion & Flow Control – has an ESH Director who provides leadership and communicates corporate ESH policies, strategies and goals to the value centers in their areas.

Each of our 23 value centers (or stand-alone businesses) has an ESH Manager who enacts and enforces ESH policies, initiates and approves projects, conducts appropriate training and collects ESH metric data for their company. The larger value centers also have a team of ESH Coordinators who carry out the ESH daily work and support the ESH Managers with their responsibilities.

To ensure that our efforts are aligned across the entire company, we have established an ESH Committee and regional ESH Councils. The Committee includes ESH Directors and selected ESH Managers, who meet regularly to develop, update and monitor the company's ESH policies, strategies and metrics. The Councils are comprised of ESH Managers and Coordinators from specific geographic units, who meet annually for training, information sharing and benchmarking.

In 2003, our ESH Committee was instrumental in working with our local units to improve our collection of carbon dioxide emission data. This

is a relatively new metric for our company, but it will better enable us to track the impact of our operations on global warming.

In addition, our ESH Councils addressed a number of timely issues. For example, at our European Regional ESH Council meeting in June 2003, participants discussed SARS prevention, business continuity planning, product safety and European product legislation, including end-of-life directives for auto components and waste directives for electronic components. The benefit of these Councils is very apparent in Asia Pacific, where many of our businesses are new to ITT Industries and the idea-sharing between ESH professionals can have an immediate and profound impact.

Also in 2003, we welcomed Fern Fleischer Daves as our new Environmental Counsel. She succeeds Jane Dobson, who was appointed Associate General Counsel for our Fluid Technology business. Daves brings 15 years of extensive environmental experience as an attorney with a private law firm and in-house counsel for a leading company in the mining and metals sector.

As Environmental Counsel, Daves assists our businesses with Environment, Safety & Health issues, providing counsel and updates on new developments and regulatory compliance and litigation matters. When our company is involved with an acquisition or divestiture, Daves is part of the team that performs due diligence and advises on contract language. Finally, she manages some of our environmental legacy sites, where ITT Industries is addressing environmental issues at sites which our company – or its predecessor, ITT Corporation – formerly operated. Daves is an active member of several professional organizations, and serves in leadership positions on The Auditing Roundtable and American Bar Association.



Our ESH Organizational Chart

ITT Industries

Usha Wright, ESH Director
Fern Daves, ESH Counsel

Defense Electronics & Services

Alan Leibowitz, ESH Director

Advanced Engineering & Sciences (AES)

Dan Dameron, ESH Manager

Aerospace/Communications Division (A/CD)

Dave Koepper, ESH Manager

Avionics

Don Polzo, ESH Manager

Gilfillan

Chuck Taylor, ESH Manager

Night Vision

Rosann Kryczkowski, ESH Manager

Systems

Kurt Urquhart, ESH Manager

Electronic Components

Nirmal Singh, ESH Director

Fluid Technology

Donna Dawson, ESH Director
Anne Wilmot, ESH Manager

Engineered Process Solutions Group

Bob Boulden, ESH Manager

Fluid Handling Division

Bill Dempsey, ESH Manager

Flygt

Patrick Camusat, ESH Manager

Industrial Pumps

Rob Molloy, ESH Manager

Sanitaire

Chris England, ESH Manager

Water Technology

Scott Bain, ESH Manager

Motion & Flow Control

Bennett Leff, ESH Director

Aerospace Controls

Steve Gedalje, ESH Manager

Conoflow

Kathy Pace, ESH Manager

Fluid Handling Systems

John Kabo, ESH Manager

Galfer

Franco Dutto, ESH Manager

Hydro Air Worldwide

Laila Hansen, ESH Manager

Jabsco

Jeff Melo, ESH Manager

KONI

Johan van Dam, ESH Manager

Each of our four management
companies – Fluid Technology,
Defense Electronics & Services,
Electronic Components and
Motion & Flow Control – has an
ESH Director

Progress Against Our Strategic Plan

ITT Industries' Environment, Safety & Health (ESH) organization operates like our other businesses. Each year, we develop operating and strategic agendas, and conduct year-end reviews to gauge our performance against defined goals. In 2003, ITT Industries made strong progress against our operating and strategic agenda items.

2003 Agenda Item: Incorporate ESH into product development

One of our key strategic goals for 2003 was to incorporate Environment, Safety & Health much earlier into the product and process design processes. This effort was aided tremendously by our company's introduction of Value-Based Product Development (VBPD). VBPD training teaches our engineers, researchers, sales people and marketers how to better incorporate the voice of the customer into product design, and as part of the roll-out, we developed a training module that focuses on ESH considerations such as product performance standards, packaging and disposal, and mandatory and voluntary labeling.

In 2003, 75 percent of our businesses completed VBPD training, and we achieved our goal of developing and implementing the accompanying ESH training and guidelines. In 2004, the remaining sites will receive VBPD training, and the ESH training module will be expanded to include a comprehensive product safety component.

2003 Agenda Item: Use metrics to improve ESH performance

To strengthen our company's overall ESH efforts, it's vital that all our businesses are being measured against the same standards and using the same collection and reporting tools.

In 2003, we completed a company-wide survey of our units that indicated they are satisfied with the current set of metrics. We introduced a web-based metric system that allows our units to input ESH data onto a

standardized electronic database. Training for this new tool was completed at most of our sites and pilot tests were conducted at some of our Fluid Technology and Defense management companies.

2003 Agenda Item: Improve worldwide implementation of ESH programs

As a global company with headquarters in the U.S., we need to make every effort to ensure that we are effectively communicating our ESH goals and policies to all our worldwide sites, and providing tools that can be utilized easily in all parts of the world.

In 2003, we established and implemented a procedure for systematic translation of all key ESH documents. These documents are available in seven languages: English, French, Italian, German, Spanish, Chinese and Swedish. We also completed the training of key ESH contacts by region, designating these people as "consultants" for the ESH personnel in their geographic area.

2004 Agenda Items

For 2004, we have identified a number of agenda items that support our ESH Strategic Plan and move us closer to our mission of achieving a world-class Environment, Safety & Health culture. These include:

- Development of a worldwide Material Safety Data Sheet program in seven languages that encompasses requirements and languages of our many global sites.
- Completion of pilot-testing for web-based ESH metrics collection system and training for all ITT Industries units.
- Completion of benchmarking study of ESH training methods for non-ESH personnel, and improvement of ESH training based on these results.

ESH Policy Manual: Our ESH policy manual is available in seven languages on the password-protected ESH website. It spells out the policies in more than 50 areas – from wastewater management to metrics collection – and includes the essential elements all our businesses must have to be in compliance with these policies.



Code of Conduct: ITT Industries' Code of Conduct was updated in 2004 and is available in nine languages on our company web-site: <http://www.itt.com>



ITT Industries' Environment, Safety & Health (ESH) Mission and Strategy

Mission

ITT Industries is committed to developing a culture of ESH excellence throughout its global operations.

Strategy

To achieve our mission, we will:

- Make ESH a part of all of our business processes.
- Insist on continuous improvement in ESH performance.
- Promote the ESH aspects of our operations and products both internally and externally.
- Build a team of ESH professionals committed to quality and competence.
- Provide the resources needed at all business levels.

Moving closer to our mission of achieving a world-class Environment, Safety & Health culture.

For our internal and external customers, we will:

- Enhance the quality of life for all employees.
- Provide tangible benefits by incorporating ESH concerns into our products and services.
- Reduce ESH risks associated with our businesses and our products.
- Be alert to new opportunities for improving ESH performance in our businesses and our products.

For our businesses, we will:

- Integrate ESH management into the Value-Based Six Sigma approach to business management.
- Educate and train employees to apply this ESH management approach.

For our ESH professionals, we will:

- Provide a challenging and rewarding work environment.
- Build competence in the ESH aspects of our businesses.

Key Metrics and Indicators



Five years ago, when ITT Industries introduced Value-Based Six Sigma as our new continuous improvement initiative, we became a more metrics-driven company. VBSS gives us the tools and discipline we need to make fact-based decisions, to solve problems and find solutions in a systematic and measurable way.

Our increased reliance on robust metrics extends to our Environment, Safety & Health (ESH) organization. We have always tracked our progress in key areas, and three years ago we developed a new set of ESH metrics that provided more detail and more consistency of information. Our philosophy is that metrics and measurements are only useful if they can lead to behavior modification. We do not collect data for the sake of collecting, but instead measure ourselves in areas where we can manage the results and work toward predetermined goals.

In 2003, we took another important step in strengthening our ESH metrics. First, we surveyed all our sites to assess the value of our current metric data, and the results showed that we are measuring ourselves in the appropriate areas.

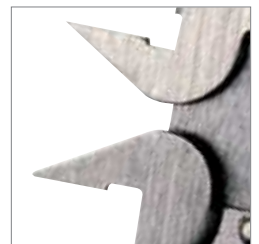
Second, we developed a web-based metrics collection system to replace the more unwieldy spreadsheet tool now in use throughout our company. The new electronic tool allows ESH personnel at all our sites to more easily input, review and approve their monthly ESH metric data.

The new tool was tested at a number of pilot sites in late 2003, and the system – and accompanying training – is being updated in 2004 based on feedback from the pilot users.

By March 2004, nearly 75 percent of all ITT Industries sites were using the tool, and the goal is to implement the new web-based metric collection tool at all ITT Industries sites by the end of the year. To read an interview with the project manager and designer of this new tool, see page 16.

We are also changing how we report our results – both internally and externally. Rather than combining all results into one corporate-wide metric, we will present results for the four management companies that make up ITT Industries: Fluid Technology, Defense Electronics & Services, Motion & Flow Control and Electronic Components. We believe this reporting method provides a better tool for quickly identifying areas where we have made strong progress and areas where we are in need of improvement.

This Report reflects our new metric reporting method.

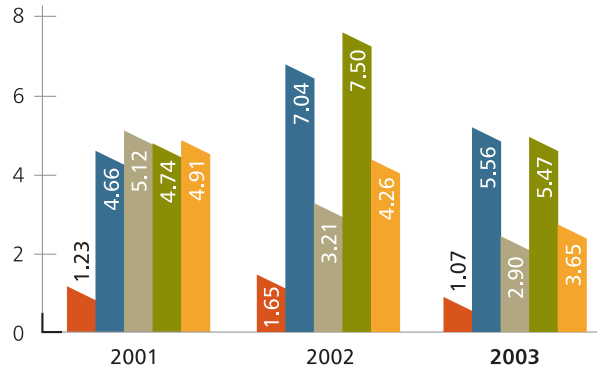


Key Metrics and Indicators



Injury Frequency

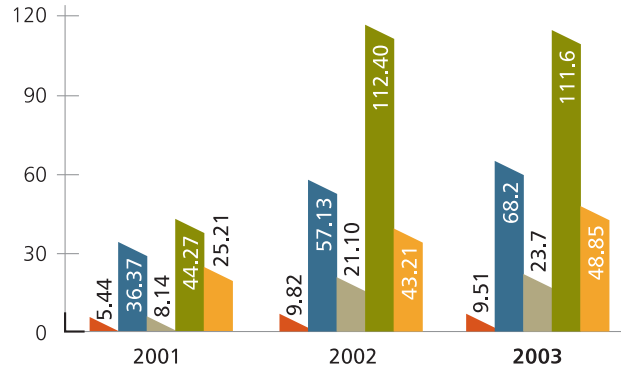
(Medical + Lost Workday Cases x 100 / Average # Employees)



ITT Industries improved Injury Frequency performance by 14 percent over the prior year. This reflects success in accident prevention efforts on the part of all operating units.

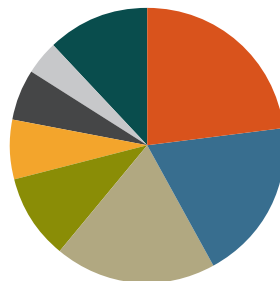
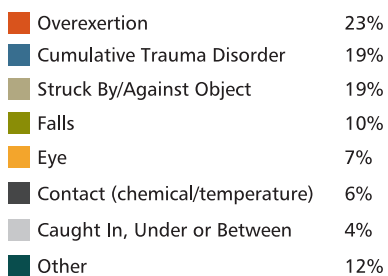
Injury Severity

(Lost Workdays x 100 / Average # Employees)

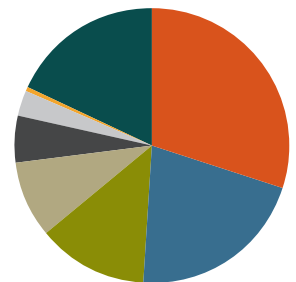
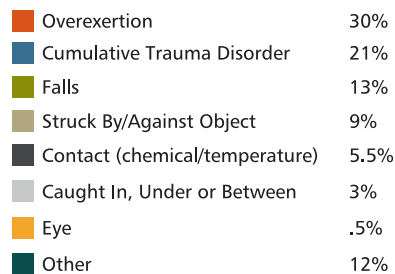


ITT Industries experienced a 13 percent increase in Injury Severity over the prior year. The primary driver was a 19 percent increase in our Fluid Technology segment, caused by a change in OSHA reporting requirements that requires restricted workdays to be recorded as lost workdays.

Loss Frequency By Type



Loss Severity By Type



ITT Industries' Environment, Safety & Health (ESH)

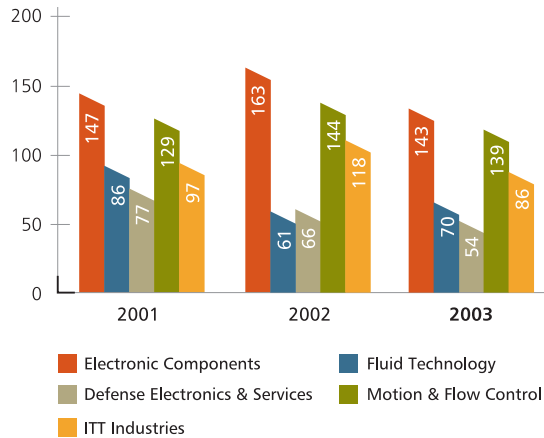
program is a global effort and reflects the contribution of our 39,000 employees in manufacturing and service units in more than 50 countries. As a highly decentralized company, we place responsibility and accountability for ESH issues at the local management level and strongly believe that setting and achieving goals at the facility level is the best way to achieve overall success.

For us, success in ESH performance is defined as continuous improvement. And the overall improvement achieved this year, as reflected in the following charts, is the result of active, careful management of ESH issues worldwide.

Key Metrics and Indicators

Consumption of Natural Resources and Energy: Electricity (kWh/hr)

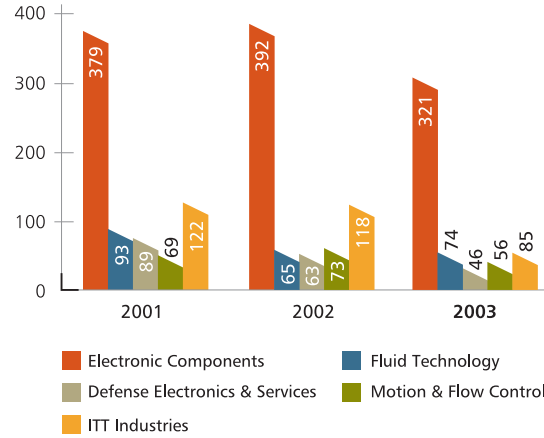
(Normalized by Sales – \$M)



Overall company performance improved 27 percent over the prior year.

Consumption of Natural Resources and Energy: Water (gallons)

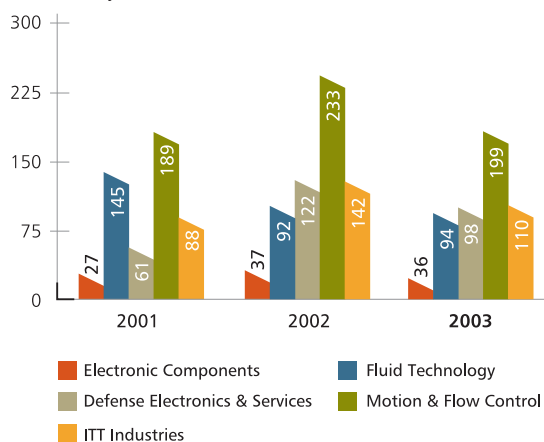
(Normalized by Sales – \$M)



Overall company performance improved 27 percent over the prior year. Electronic Components has much higher consumption than the other management companies because in China, where a majority of its facilities are located, the units include dormitories as part of their operations.

Consumption of Natural Resources and Energy: Natural Gas (cubic ft)

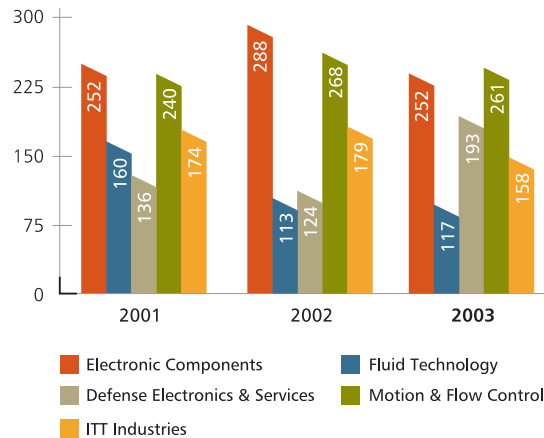
(Normalized by Sales – \$M)



Overall company performance improved 22 percent over the prior year.

CO₂ Generated from Energy Consumption

Pounds / Sales (\$M)

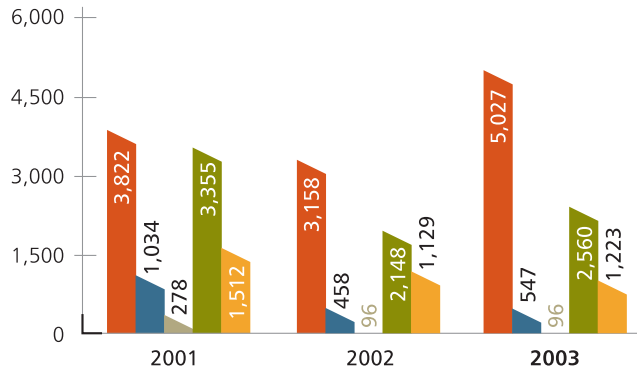


Overall company performance improved 12 percent over the prior year.

Key Metrics and Indicators

Quantity of Hazardous Waste

Pounds / Sales (\$MM)

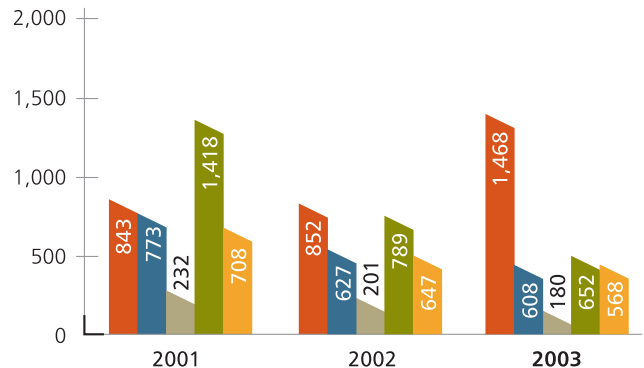


- Electronic Components
- Fluid Technology
- Defense Electronics & Services
- Motion & Flow Control
- ITT Industries

The overall quantity of hazardous waste at ITT Industries increased by 8 percent over the prior year. This increase can be attributed to isolated issues at individual units that are not expected to continue going forward. Electronic Components experienced challenges installing a new wastewater treatment system at its U.S. facility in California. Motion & Flow Control was impacted by a change in the European Waste Code that affected one unit in Italy. Fluid Technology saw its quantity of hazardous waste increase because of a one-time disposal of waste at a U.S. facility; and a change to a long-life coolant that requires less frequent (but slightly larger) discharges.

Cost of Managing Process Waste

Waste Handling Costs / Total Sales (\$MM)

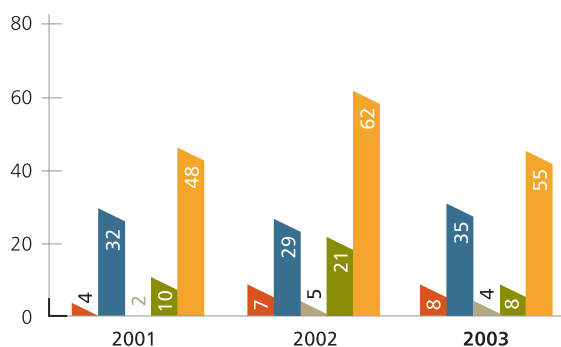


- Electronic Components
- Fluid Technology
- Defense Electronics & Services
- Motion & Flow Control
- ITT Industries

The overall cost of managing waste was reduced by 12 percent over the prior year. This decrease was accomplished despite a large increase in waste handling costs at Electronic Components, caused primarily by installation challenges at a new wastewater process at its California operating unit.

Environment, Safety & Health Audits

Number of Audits

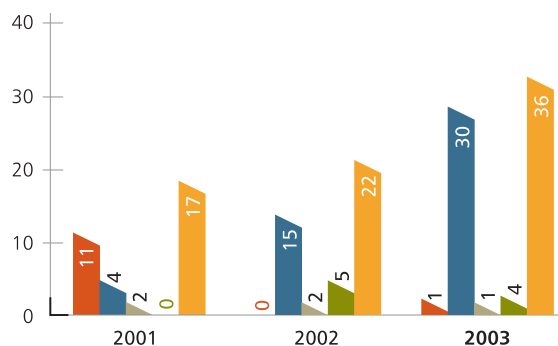


- Electronic Components
- Fluid Technology
- Defense Electronics & Services
- Motion & Flow Control
- ITT Industries

This metric is subject to fluctuations caused by scheduling. This can result in audits scheduled for one year being performed in the succeeding year.

Action Plan Delinquency (APD)

Number of Delinquent Action Items at ITT Industries companies worldwide



- Electronic Components
- Fluid Technology
- Defense Electronics & Services
- Motion & Flow Control
- ITT Industries

This metric indicates whether or not units have completed corrective actions – in response to an ESH audit – according to schedule. It is not a measure of a unit's ESH program performance. In 2003, the high number of delinquencies for Fluid Technology can be attributed primarily to delinquencies at a single facility. The unit is now under the new management, and considerable progress is being made to ensure this performance is not repeated.



ITT Industries New Web-Based ESH Metrics Collection Tool

An Interview with the Architect: John Schinski, PC Applications Specialist, Fluid Technology

How does the new tool work?

The Environment, Safety & Health (ESH) on-line metrics system is a web-based system that allows all of ITT's companies to input, review and approve the monthly ESH metric data. The data is then consolidated and totaled for each level of the company: business unit, value center, management company and ITT corporate. The resulting data can be displayed and analyzed in a variety of ways.

The system has a series of color charts that show the historical and current performance for each business level. There is also a monthly ESH Report that allows them to compare their current performance against their stated goals for the year. In addition to the charts and reports, the program also has a feature for exporting the data to an Excel file so that it can be further analyzed, graphed or inserted into a management report.

What data is being collected?

The users, who are the ESH coordinators at the business units and their sub-locations, enter data for up to 31 different categories. The data includes: work-related injuries; the number of employees and hours worked; ESH training hours; the disposal of hazardous and non-hazardous waste and any accidental spills; fires and other damage; ESH agency visits, issues discovered and fines; and utility (gas, water, and electricity) expenses.

The program totals the data on a yearly basis and calculates how well they are performing against specific indexes and their planned goals. It also has a feature for converting the numbers entered in the metric measurement format (liters, kilos and meters) to the U.S. measurement standard.

How is this an improvement over the Excel spreadsheets that were used before?

The primary benefit of this system is in the consolidation of the data. Under the old system there was a lot of manual manipulation. Each site had to input their data, attach the spreadsheet to an e-mail and then send it to the next level. Each of the business levels (Management Company, Value Center, Business Unit) would then have to cut and paste the spreadsheets from their reporting sites into a consolidation spreadsheet. If the submitted spreadsheets had been modified in any way the consolidation calculations often wouldn't work. Once, the consolidated spreadsheets were completed, they would then e-mail them to the next level.

What are the challenges involved in rolling this out globally?

Dealing with these regional challenges has been the toughest part of this project. The program is designed to reference the regional language and numeric format settings that are built into the Windows operating system and then adjust itself to the local norms. This has worked fine in 99% of the cases. However, certain regions of the world (parts of China, Korea, Thailand and Hungary) require settings that are not listed within Windows "standard" settings. Therefore, these sites customize the Windows settings to suit their needs. Initially, these custom settings tripped us up. Fortunately, the programmer was able to come up with a work-around and those sites are now able to access and use the on-line system. I also did some additional training to insure that some of the sites understood how to use the program.

What kind of feedback have you gotten from the field?

The original intent was to just convert the old manual system to an on-line system and improve on some of its functionality. However, after we did the initial pilot test, with Fluid Technology's IPG value center, we realized that if we added some additional features we could greatly improve the capabilities of the system. Ever since then, I have been soliciting the users for their feedback and then working with our programming vendor to design additional system enhancements.

The vendor and I also designed and developed an on-line training system so that anyone, from anywhere, at anytime, could train themselves on the system. I have also been doing Webex sessions to train all the value center ESH managers so that they, in turn, can support their people in the use of the program. I have been doing all I can to promote the use of the program and have been on the phone with people from all over the world. It has been a pleasure working with all the ESH people, and they seem grateful for this new system.

Awards and Recognition

In 2003, ITT Industries earned a number of awards recognizing our performance in the areas of environment, safety, health and social responsibility.

Business Ethics magazine named our company one of the Top 100 best corporate citizens, and we were once again a top-five presence in *Fortune* magazine's list of Most Admired Companies (Industrial and Farm Equipment category) with a leading rating in the area of Social Responsibility. In 2003, ITT Industries also earned the award for "Best Disclosure Policy" from *Investor Relations* magazine, a direct reflection of our company's focus on providing transparent and understandable financial information to our shareholders and the entire investment community.

Our various businesses were also honored at the national, state and local level.

At the national level, the Italian Association of Safety Practitioners named our Lowara fluid technology business as one of the safest companies in the country, with a management team and staff dedicated and committed to environment, safety and health practices.

On a regional level, our Cannon Switches facility in Nantong, China, took home the Blue Enterprises award, presented by the Nantong Environmental Protection Bureau to companies that have met or exceeded the requirements of regional and national laws, and that have an effective environmental system in place. And our Systems Division operation in Kaiserslautern, Germany, was honored as one of the top "environmentally friendly" companies in Rheinland Pfalz.

At the state level, two of our fluid technology operations – Bell & Gossett and McDonnell & Miller – earned the coveted Illinois Governor's Pollution Prevention Award. Bell & Gossett was recognized for a project that reduced the company's wastewater stream by 60 percent. By setting up a system to recycle coolant and extend cleaner life, the company was able to eliminate 120,000 gallons per year of aqueous waste and save \$60,000 in waste hauling and chemical use cost. McDonnell & Miller, which won the award for the fourth time in six years, reduced coolant volume by 77 percent, paint usage and VOC emissions by 88 percent, lead usage by 13 percent and energy consumption by 13 percent.

In Virginia, our Night Vision business was chosen from among 600 companies to receive the Department of Defense's Pro Patria award, honoring outstanding support of the National Guard and Reserves. And in New York, ITT Industries operations statewide were presented with a certificate of achievement from the Ozone New York Action Plan in recognition of a poster campaign focused on reducing ground-level ozone and improving community air quality.

ITT Industries' individuals earned their fair share of awards, too. In 2003, Pat DePalma, president of our Fluid Handling Division, was named head of the Hydraulic Institute, which sets product standards and promotes life-cycle costing in the pumping industry. And Jason Murray at our HiSan automotive tubing business in Ohio was selected as "Safety Person of the Year" by the Knox County Safety Council, for his willingness to "go that extra mile" to ensure a safe workplace and act as a safety mentor to new employees.



Energy: Flygt's energy ambassador, Leif Rydell (see Natural Resources section)



Ergonomics: Fluid Handling Systems' Bend Fixture Task Force (see Workplace Health & Safety section)



Waste Management: Cannon Connectors Plating Team (see Waste Management section)



Business Continuity: Night Vision's Tornado Response Team (see ESH Priorities section)

2003 Chairman's Environment, Safety & Health (ESH) Leadership Awards:

In 2003, three teams and one individual were selected to receive our annual Chairman's ESH Leadership Awards. The awards recognize outstanding performance in the areas of Environment, Safety & Health, and their stories (as well as those of the 30-plus nominees) can be found in this Report.

ISO 14000 is a series of environmental management standards for organizations, developed and published by the International Organization for Standardization (ISO). The standards provide a guideline for organizations to systematize and improve their environmental management efforts. ISO 14001 is the most important standard in the ISO 14000 series because it specifies the requirements of an environmental management system and is the only ISO 14000 standard that allows an organization to be “certified.”

ISO 14001 certification is voluntary, but more than 60 ITT Industries businesses have voluntarily developed and installed environmental management systems that meet the ISO 14001 standards. In 2003 and early 2004, eight more businesses achieved this international certification, including one company that did it in record time.

For most companies, the timeframe for creating an ISO 14001 certified EMS program is nine to 18 months, but when Jim Moser, program director for our Systems Division space launch facilities, challenged his Environment, Safety & Health (ESH) team to do it in six months, they

did just that. By creating a spirit of collaboration between all levels of management and key contractors, the company, which oversees scientific and government space launches from Air Force bases in Florida and California, received ISO 14001 certification in November 2003.

At ITT Industries, we realize that striving for ISO 14001 certification is good for our businesses. It helps us evolve from simply maintaining regulatory compliance to a position of improved productivity and enhanced competitive advantage. Continuous improvement is a key element of an ISO-certified environmental management system. The ISO 14001 framework channels the creativity of our ESH personnel and operations people, making them active agents of change who proactively promote environmental protection, resources conservation and improved efficiencies. It's a powerful tool, and one that all our units will continue to pursue.



International
Organization for
Standardization



A complete list of
ITT Industries sites
that have achieved
ISO 14001 certification
through January 2004.

Defense Electronics & Services Systems Division

Ft. Sill, Laughton, Oklahoma	February 1999
Kaiserslautern, Germany	December 1999
Ft. Carson, Colorado Springs, Colorado	July 2002
Patrick AFB, Florida	November 2003
Vandenberg AFB, California	November 2003

Fluid Technology Engineered Process Solutions Group

Amory, Mississippi	December 1999
Lancaster, Pennsylvania	June 2001

Flygt Group

Lindas, Sweden	April 1997
Gothenburg, Sweden	March 1998
Kristianstad, Sweden	March 1998
Malmo, Sweden	March 1998
Norrkoping, Sweden	March 1998
Solna, Sweden	March 1998
Sundsvall, Sweden	March 1998
Uppsala, Sweden	March 1998
Grindex, Sweden	May 1999
Sam McCoy-Malaysia	February 2001
Werk, Germany	July 2002

McDonnell & Miller/Hoffman

Chicago, Illinois	November 1997
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Electronic Components

ITT Industries, Cannon

Meaux, France	December 1998
Berlin, Germany	February 2000
Tianjin, China	December 2001
Basingstoke, U.K.	February 2002
Tianjin, China (MMI)	December 2002
Xiamen, China	January 2003
Milan, Italy	February 2003
Nantong, China	August 2003
Weinstadt, Germany	September 2003
Xinglin, China	January 2004

Motion & Flow Control

Fluid Handling Systems

New Lexington, Ohio	November 1999
Leonard, Michigan	November 2000
Mt. Vernon, Ohio	July 2000
Guaymas, Mexico	February 2001
Orangeville, Ontario	January 2001
Scottsboro, Alabama	November 2000
Glencoe, Ontario	December 2000
Creutzwald, France	February 2001
Searcy, Arkansas	February 2001
Findlay, Ohio	May 2001
Archbold, Ohio	May 2001
East Tawas, Michigan	November 2001
Oscoda, Michigan	November 2001
Marsberg, Germany	November 2001
Rochester, New York	January 2001
Saltillo, Mexico	February 2002
Hockenheim, Germany	December 2002

Galfer

Termoli, Italy	February 2002
Vauda Canavese, Italy	July 2003
Barge, Italy	January 2004

Jabsco Worldwide

Foothill Ranch, California	December 2002
Hoddesdon, U.K.	December 2003

KONI

Oud-Beijerland, Netherlands	June 2001
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ESH Priorities: Business Continuity Plans and Product Safety

In 2003, one of our top Environment, Safety & Health (ESH) priorities was the roll-out of a formal, company-wide business continuity planning process. The Y2K “millennium bug” computer scare of 2000 and the terrorist attacks on the World Trade Center in 2001 had prompted many of our companies to develop a business continuity plan, but an audit revealed a wide disparity in the level of planning and uncovered some pockets where no plans existed.

Today, all of ITT Industries major sites have full-fledged business continuity plans in place, outlining significant potential risks – from natural disasters to anthrax attacks – and step-by-step responses and actions. The plans cover all aspects of recovery, including equipment and data back-up, establishing internal and external response procedures and teams, securing sites and communicating to the community.

This was accomplished through intensive training in 2003, led by Peter Voelkl at our Avionics business and facilitated by Alan Leibowitz, Bennett Leff, Carl Smith and Janice Johnson at their respective management companies. The centerpiece of the training was a business continuity software program that enabled each business to identify their key risks and develop a realistic and effective response plan.

This year, the businesses are running their plans through practices and trial runs, including four- and five-hour “tabletopping sessions” where they walk through scenarios and act out what would have to happen at each stage.

This year, as our business continuity efforts move into the “maintaining” stage, we have launched another company-wide effort aimed at improving our performance in the area of product safety.

Having seen too many companies blindsided and even bankrupted by unanticipated safety issues – most notably asbestos-related lawsuits – ITT Industries CEO Lou Giuliano challenged the organization to build a comprehensive product safety process that covers products on the market, in the pipeline, and even looks ahead 10 and 20 years and identifies possible product safety issues that aren’t on the horizon today.

Spearheading this effort is a new Product Safety task force, led by Usha Wright, vice president and director of Environment, Safety & Health. The 20-person task force includes product development, engineering, legal and ESH personnel and has a mission to “design, implement and validate a ‘beyond compliance’ process to evaluate the safety all new products and conduct periodic safety reviews of existing products.”

While the team conducted fruitful benchmarking studies of Eli Lilly, Mattel, Rockwell and other safety-conscious companies, it also borrowed the blueprints used by two of our most progressive product safety operations – Bell & Gossett and Flygt – to create the template for the organization as a whole.

The team’s recommendations – many of which will be put into place in 2004 – include naming product safety representatives and review boards for each management company, product safety training for all design engineers, a product safety website and an annual self-audit process and bi-annual ESH audit for all sites.

Going forward, ITT Industries design engineers, product development people and marketers will consider all aspects of product development and usage – not just intended use, but any foreseeable use – to ensure that they are safe for customers, employees, the general public and the environment.

ESH Priorities: Business Continuity Plans and Product Safety



Tornado recovery. When a tornado ripped part of the roof off our Night Vision facility in Roanoke, Virginia, the company's new business continuity plan was given its first test. The team cordoned off the damaged portion of the building, purchased additional hard hats, secured alternative work sites for displaced workers, salvaged office equipment and documents, erected temporary building cover and brought in contractors to repair the roof. Workers were back in business in one day, the site was operational in three weeks, and there were no injuries from either the tornado or clean-up operations.



Safer connectors: No one has ever been injured using our VEAM robotic welding connectors, but that didn't stop Field Application Engineer Doug Merriman and Marketing Manager Joe Rieger from redesigning the product to eliminate any chance of it ever happening. They equipped the "hot" pins on the power plug with safety tips and housed it in a female insert so the primary users – auto manufacturing employees – couldn't be injured if their finger or screwdriver accidentally slipped into the connector's large socket and came in contact with the 200+ ampere current.

ESH Efforts in China



In just five years, our presence in China has grown substantially. Today, ITT Industries has 7,600 employees working in 11 different facilities, and we generated more than \$200 million in revenues from this country in 2003. Spurred by expansion of our existing facilities and acquisitions, including our purchase of Hengtong water treatment business in early 2004, China now represents more than 20 percent of our total employee population.

China brings a unique set of challenges to our Environment, Safety & Health (ESH) efforts. As a relatively new participant in the global economy, the country and its businesses are often behind the curve in terms of human rights, working conditions and compliance. At ITT Industries, we are making every effort to ensure that our Chinese facilities and employees are as safe, healthy and compliant as their sister sites in other countries.

Every facility has an ESH Coordinator who oversees their company's work in the areas of industrial hygiene. Di Yan, the ESH Coordinator for our Cannon Switch plant in Xiamen is typical of these talented, dedicated employees. With a university degree in Environmental Engineering, she has made huge contributions since joining the company in 2000 – piloting the plant's successful OSHAS 18001 certification for its occupational health and safety system and ISO 14001 certification for its environmental management system. Now she's working to improve Xiamen's performance in the area of industrial hygiene, occupational disease prevention, fire protection and ESH awareness, with the goal of making her business "the ESH model facility in the ITT China region."

In support of Di Yan and all our other China ESH personnel, in 2003 we rolled out Safe Actions for Everyone (SAFE) accident prevention

program and introduced them to the tenets of root cause analysis. We also provided training on business continuity planning, and this year will provide comprehensive product safety training.

Language is becoming less of a barrier. Our Environment, Safety & Health policy is translated into Mandarin Chinese, and we are currently translating other vital documents, including ESH sample programs and resource documents. Interpreters are on-hand during our annual ESH Council meetings to keep the dialogue going between English-speaking trainers and presenters and the Chinese management and participants.

The forward momentum generated by our ESH efforts in China is tremendous. In 2003, our Nantong switches facility earned its ISO 14001 certification and decreased water consumption by 30 percent. In Tianjin, we installed safety sensors and interlock devices on our 10 punch press machines, totally eliminating accidents on these machines in 2003, and provided additional training on laser safety and lockout/tagout. In Xiamen, two chemicals — hexavalent chromium and cadmium nickel — were eliminated from the production process, and the employee dormitories were upgraded to include libraries, common areas, an exercise room and even a karaoke/party room.

Our ESH commitment even extends to suppliers in China. In September 2003, Jeff Melo, ESH manager for our Jabsco Worldwide pumps business, visited Shenzhen to conduct an ESH assessment of a large ITT Industries supplier of engineered plastic parts, sub-assemblies and complete products. As an ISO 14001 certified company, Jabsco is known for the strength of its environmental management system and Melo wanted to verify that its vendors were upholding the same standards.

ESH Efforts in China



For three days, Melo evaluated the supplier's ergonomic practices, waste disposal processes, employee living conditions and overall environmental management system. Melo also provided the local management team with training on ISO 14001 and ITT Industries' ESH practices, and prepped them for a product life cycle assessment project that is underway at Jabsco Worldwide. "If Jabsco Worldwide is going to be considered to have a world-class ESH management system, we need to make sure it's a true statement all the way up and down our supply chain," says Melo. "Our ESH reputation is only as strong as the weakest link."



Safe from SARS: China was ground zero for the 2003 outbreak of a new, deadly disease called severe acute respiratory syndrome, or SARS. Two weeks after the first case was reported, China management and ESH personnel had created and implemented 25 preventive measures: cleaning public areas every three hours, wiping down door knobs and elevator buttons every two hours, requiring employees to wear face masks and measuring their body temperatures twice a day. SARS education — via pamphlets, posters and PowerPoint presentation — was also a priority. The results of these thorough and quick actions? Not one single case was reported at any of our 11 facilities or among our 7,600 employees in China.



Bringing the Junior Water Prize to China: China is an important new addition to the Stockholm International Junior Water Prize, which rewards global research by high school students. In 2003, ITT Industries sponsored this country's first-ever competition. The winners were three schoolmates — Chen Ning, Ou Yugang and Huang Yanyi — who proved towns could help revitalize their rivers by substituting plants for pavement.



Our quest to become a world-class Environment, Safety & Health (ESH) organization cannot be accomplished in a vacuum. We recognize the importance of establishing dialogues and relationships with other organizations that are dedicated to the same goals.

In this spirit, ITT Industries has aligned itself with a number of organizations and associations that can help us further our Environmental, Safety & Health efforts, and who can benefit from our expertise and involvement. These include:

International Water Academy
<http://www.thewateracademy.no>

As part of its dedication to raising global awareness of vital water management issues, ITT Industries is a founding member of the Water Academy in Oslo, Norway, an independent research foundation and a leader in global water diplomacy. The Academy promotes the preservation of global water resources through awareness-building and conflict resolution.

National Association for Environmental Management (NAEM)
<http://www.naem.org>

NAEM is a non-profit educational association composed of professional private and public sector environmental managers. The association connects environmental managers with a network of professionals who have an overriding interest in doing a first-class job as environmental managers and in building national recognition for their profession.

The Organizational Resources Council (ORC)
<http://www.orcinc.com>

ORC is a U.S. organization that provides a valuable two-way communication link between members and federal safety and health agencies, and facilitates the exchange of information among members about trends and developments in corporate safety and health management. It provides a key source of regulatory and best-practices information for more than 125 Fortune 500 member companies.

Stockholm Water Prize
<http://www.siwi.org>

ITT Industries is a founding member of the Stockholm Water Prize. Founded in 1990, the \$150,000 Stockholm Water Prize is presented annually to an institution, organization, individual or company that has made a substantial contribution to the preservation, enhancement or availability of the world's water resources. The Prize recognizes outstanding research, action or education that increases knowledge of water as a resource and protects its usability for all life.

Water Environment Federation
<http://www.wef.org>

ITT Industries is a member of the Water Environment Federation (WEF). The WEF is the preeminent organization dedicated to the preservation and enhancement of the global water environment.

Memberships and Alliances



Stockholm International Water Institute: ITT Industries is a member of this organization and a sponsor of its annual Stockholm Junior Water Prize. The competition is open to students under the age of 20 who have completed a water environment project that focuses on a local problem or global topic. The 2003 winner, Claire Reid from South Africa (above center with Bob Ayers, president of ITT Industries Fluid Technology business and Sweden's Crown Princess Victoria), developed a seed-planting system that cuts water usage by as much as 80 percent.

The Coalition for Environmentally Responsible Economies (CERES): CERES is the leading U.S. coalition of environmental, investor, and advocacy groups working together for a sustainable future. CERES creates venues and occasions at which leaders from diverse communities can gather to discuss critical issues facing companies, society, and the environment. As a member company, ITT Industries has committed to continuous environmental improvement by endorsing the CERES Principles, a 10-point code of environmental conduct.





ITT Industries is a socially responsible company.

When making decisions, we consider the impact on employees, communities and the environment – balancing the need to make a profit with the need to contribute to social and environmental goals.

Measuring “social performance” is not an exact science. But in 2003, we received validation from three external sources that we are among the top companies in this area.

Fortune featured ITT Industries as one of its Most Admired Companies of 2003, based in large part on our score in the area of Social Responsibility. (We are on the list again in 2004.)

For the fourth year in a row, we were included in the *Dow Jones Sustainability Index* (DJSI), which measures the economic, environmental and social performance of companies. The Index noted that “In the social dimension, ITT’s performance is above the industry average, especially in knowledge management structures and organizational learning.

This is a direct reflection of our substantial investment in training. New employees, current employees and workers at newly acquired companies receive training on continuous improvement, leadership development, product development, environment, safety, health and ethics. On the DJSI ratings, we also scored near the top in terms of “Labor Practice Indicators.”

Business Ethics magazine included ITT Industries on its list of the Top 100 Best Corporate Citizens of 2003. The magazine considered the performance of the 1,000 largest public companies in the following areas:

Environment: pollution reduction, recycling, energy saving measures

Community Relations: philanthropy, community service projects, education outreach

Employee Relations: wages, benefits, parental leave, employee empowerment

Diversity: minorities and women, diversity programs, EEOC complaints

Customer Relations: quality management programs, quality awards, customer satisfaction measurements

Our company received its highest scores in the area of Environment, and tied with six other companies – Intel, Hewlett-Packard, Herman Miller, Modine Manufacturing, Adolph Coors, Thermo Electron – for the top Environment score overall. We were in the middle of the pack in terms of Diversity and Customer Relations, and behind the leaders in the areas of Community Relations and Employee Relations.

“This is the first year we have made the list, which shows we have improved our performance in the areas of social responsibility measured by the magazine. We will continue to work to improve our performance across all areas,” says Usha Wright, vice president, ITT Industries, and director of Environment, Safety & Health (ESH).

As an example, she points to an expansion of the company’s ESH audits to include employee residences – most notably the growing number of employee dormitories in China. These residence audits will begin in 2004.

Social Responsibility: Dow Jones Sustainability Index Ratings

Sustainability Leader
Member of DJSI World

ITT Industries Inc.
Industrial, Diversified



Company

Country	United States of America
Number of Employees	38'000
Web	www.ittind.com

Share

Market cap (mil)	5'875
Currency	USD
High 52 week	70.2
Low 52 week	50.1
Last Price	63.6

Key Data

	2002	2003E
Sales (mil)	4'985	N/A
EPS	4.17	3.85
P/E Ratio	16.78	16.52

Source: Bloomberg / August 11, 2003

Sales in

Alcohol	No
Armaments	No
Firearms	No
Tobacco	No
Gambling	No

Source: IRRIC, SAM Research

Company Description

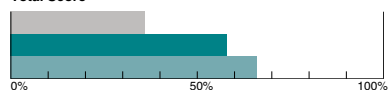
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Sustainability Performance

ITT has successfully integrated its sustainability strategy into corporate thinking, and its performance is positioned among the best in the industry. In the economic dimension, ITT scores above the industry average with a steady performance across all assessed criteria and outperforming especially in its comprehensive codes of conduct and compliance systems. ITT's management capabilities in the environmental dimension are strong. It performs particularly well in product stewardship, increasingly incorporating environmental considerations at all stages of product life cycle. However, the individual group companies seem to advance with different speed and firmness with ITT Flygt leading the way. In the social dimension, ITT's performance is above industry average, especially in knowledge management structures and organizational learning. When it comes to workforce related criteria - human capital development, talent attraction and retention # data consolidated on corporate level is fragmentary.

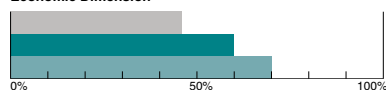
Sustainability Scores

Total Score

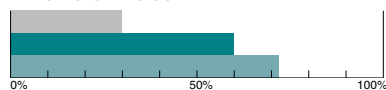


■ Industry Average on a Global Basis
■ ITT Industries Inc.
■ Best Company on a Global Basis within Industry Group

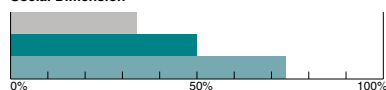
Economic Dimension



Environmental Dimension



Social Dimension



SAM Research Inc.

Analyst:

Carl-Johan Francke

Tel. +41 1 397 10 35

carl-johan@sam-group.com

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Social Responsibility: Dow Jones Sustainability Index Ratings

Sustainability Leader
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Industrial, Diversified



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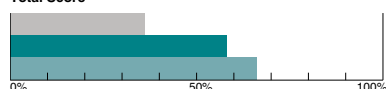
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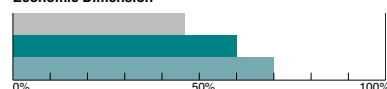
Sustainability Scores

Total Score

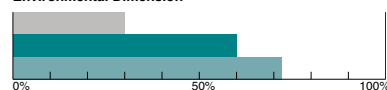


■ Industry Average on a Global Basis
■ ITT Industries Inc.
■ Best Company on a Global Basis within Industry Group

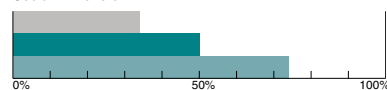
Economic Dimension



Environmental Dimension



Social Dimension



SAM Research Inc.

Analyst:

Carl-Johan Francke

Tel. +41 1 397 10 35

carl-johan@sam-group.com

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Social Responsibility: Dow Jones Sustainability Index Ratings

Sustainability Leader
Member of DJSI World

ITT Industries Inc.

Industrial, Diversified



United States of America
Employees 38'000
www.ittind.com

(mil) 5'875
USD
70.2
50.1
63.6

2002	2003E
4'985	N/A
4.17	3.85
16.78	16.52

omberg / August 11, 2003

No
No
No
No
No

IC, SAM Research

Company Description

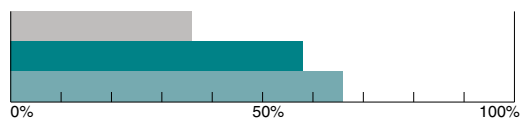
ITT Industries Inc.'s (ITT) principal activities are to design and manufacture engineered products and the provision of related services. Its principal segments are Fluid technology, Defense electronic services, Motion and flow control and Electronic components. Fluid technology offers product and system solutions for the water, wastewater, building trades and industrial and process market areas. Defense electronics consists of aerospace and communications business, night vision, radar and avionics business. Motion and Flow Control consists of Fluid Handling Systems, Aerospace Controls, HydroAir and Conoflow. Electronic Components consists of products and services for communications, industrial, transportation, military/aerospace, commercial aircraft and computers. In August 2002, the Group acquired Xybion Electronic Systems and Flowtronex PSI Inc. Fluid technology accounted for 39% of revenues 2002; Defense services, 30%; Motion & flow control, 19%; and Electronic components, 12%.

Sustainability Performance

ITT has successfully integrated its sustainability strategy into corporate thinking, and its performance is positioned among the best in the industry. In the economic dimension, ITT scores above the industry average with a steady performance across all assessed criteria and outperforming especially in its comprehensive codes of conduct and compliance systems. ITT's management capabilities in the environmental dimension are strong. It performs particularly well in product stewardship, increasingly incorporating environmental considerations at all stages of product life cycle. However, the individual group companies seem to advance with different speed and firmness with ITT Flygt leading the way. In the social dimension, ITT's performance is above industry average, especially in knowledge management structures and organizational learning. When it comes to workforce related criteria - human capital development, talent attraction and retention # data consolidated on corporate level is fragmentary.

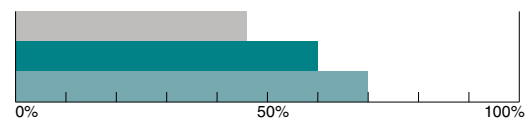
Sustainability Scores

Total Score

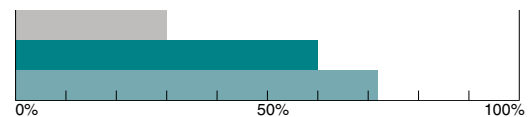


■ Industry Average on a Global Basis
■ ITT Industries Inc.
■ Best Company on a Global Basis within Industry Group

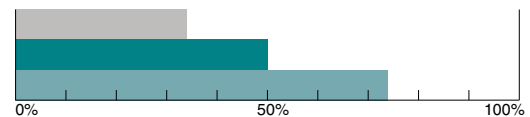
Economic Dimension

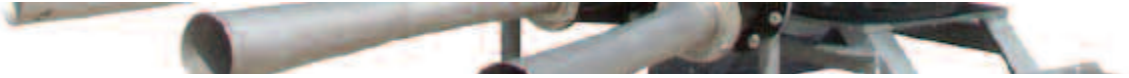


Environmental Dimension



Social Dimension





Given the nature of our operations, ITT Industries does not generate significant or unacceptable levels of noise, pollution or emissions that might cause concern for local communities. For that reason, we do not have Community Advisory Panels or other formal mechanisms in place for interacting with local communities.

We do, however, always strive to be a good neighbor wherever we are located, and are always open to engagement if anyone has a concern about our operations. At our Flygt factory in Emmaboda, Sweden, for example, continuous discussions and meetings are held with local and regional authorities, and we directly address any concerns about noise or emissions from neighbors. Community members are encouraged to contact the Environment, Safety & Health (ESH) coordinator at their local ITT Industries site with questions or to establish an ongoing dialogue. For a full list of coordinators, see page 9.

In addition to being responsive to our neighbor's concerns, we also actively support many activities in our local communities. For the seventh straight year, we served as sponsors and judges of the Stockholm Junior Water Prize, which encourages high school scientists around the world to pursue solutions to the global water crisis. And, as a company, we donated nearly \$1.5 million dollars to worthy organizations, associations and scholarship programs in 2003, including the Red Cross, United Way, Ecological Management Foundation, Stockholm Water Prize and the Susan B. Komen Breast Cancer Fund.

This doesn't begin to reflect the untold time and effort our employees donated toward volunteer activities. Toys for Tots. Make A Wish Foundation. Habitat for Humanity. Blood drives and charity walk-a-thons. It would be impossible to include all the ways our employees extended helping hands in 2003,

but the list extends from the top levels of the company down to individuals at our smallest local units.

In April, ITT Industries CEO Lou Giuliano agreed to serve as honorary chairperson of a local Red Cross effort in Westchester, New York, to relay messages between armed forces personnel and their family members. The ability to communicate important news is a comfort to the soldiers on the front-line as well as their relatives on the homefront.

In September, our company's highest honor, the Harold S. Geneen Award, went to Travis Murray, an information systems administrator for our Engineered Product Solutions Group in Amory, Mississippi, who has done an incredible amount of work with inmates. From running a prison ministry to housing recently released convicts, he's given a second chance – and hope – to hundreds of young men and women.

Our employees' good works extend around the globe. In Djibouti City, Africa, our Systems Division personnel make weekly visits to an orphanage to help with the feeding and caring of 60 orphans, many who have contracted the HIV virus or are suffering from malaria or tuberculosis. In Costa Rica, employees from our Cannon Switches operation visit the local school to speak about ways students could avoid violence in their homes and on the streets. And in Axminster, U.K., Lisa Cowling from our Goulds Pumps facility, became that city's first-ever volunteer female firefighter in 2003. Her desire to make a difference gave her the courage and determination she needed to make history.

Each and every action – no matter how small – matters greatly to the people on the receiving end. After assembler Jo Banks led a drive at our A/CD operation in Fort Wayne, Indiana, to send food and toiletry items to U.S. soldiers stationed in Iraq and Europe, the plant received a personal and emotional thank you visit from Staff Sergeant Jeffrey Banks. And Milagros Espericueta, an assembly line worker

Community Involvement

for our automotive tubing facility in Guaymas, Mexico, still chokes up when recalling how her coworkers donated the money she needed for doctor's visits and an orthopedic device that allows her to walk without crutches for the first time in her life. "Now, when I'm walking, I can take my children by the hand. That means everything."

Two tons of food: Our Flowtronex facility in Dallas, Texas, wanted to collect 250 pounds of food for the North Texas Food Bank, so it created a competition between different parts of the company. The result: 4,200 pounds of non-perishable food items, the most the Food Bank ever collected from one company.



Preserving a community's past: In Marsberg, Germany, Frank Gerhard and Hubertus Bickmann from our Fluid Handling Systems operation, have taken it upon themselves to restore and exhibit antique agricultural equipment. "In this way," says Hubertus, "we can help the people in our area gain a better understanding and appreciation of our history – and hopefully carry on the traditions that make us strong."



Saving a historic schooner: For the fourth year in a row, our Rule Industries leisure marine business donated its winnings from an annual regatta to a local Gloucester, Massachusetts, charity. Past monies went to build a monument to all the local fishermen who have lost their lives at sea. In 2003, Rule donated \$10,000 to help restore a historic dory-fishing schooner, enabling it to sail again and serve as a floating educational center.



Conservation of natural resources is an important part of being a responsible corporate citizen. As a company with hundreds of facilities and many manufacturing sites around the world, we are a resource-intensive operation and, as such, recognize that we can contribute greatly to the global conservation effort by focusing on resource reduction efforts, recycling and reuse, and trying to produce more with less.

At ITT Industries, we closely monitor and carefully manage our usage of electricity, natural gas and water at a corporate-wide level and at a local level. Our goal in all cases is sustainable development, meaning we want to do our business in a manner that meets the needs of the present without compromising the ability of future generations to meet their own needs.

In 2003, we consumed 22 percent less gas, 28 percent less water and 27 percent less electricity than the year before.

This company-wide improvement was helped in large part by the efforts of our Energy Council, which includes representatives from all our major U.S. divisions. The Council promotes energy-saving ideas through a "best practices" website and an energy-facts poster campaign. It also oversees our participation in the Environmental Protection Agency's "Energy Star" program, designed to improve the energy efficiency of commercial and industrial businesses.

Finally, the Council conducts an annual energy review of our sites, evaluating the performance of our businesses in 10 key areas such as lighting, fans, pumps, motors and the use of environmentally sound energy sources. Tapping into the tools and resources of the Energy Council, and adding their own conservation creativity to the equation, sites around ITT Industries achieved notable energy and water reductions in 2003.

As an example, our Cannon Switches operation in Berlin, Germany, installed a closed system which uses recycled water – rather than public water – for cooling its equipment, achieving a 50 percent reduction in water consumption in 2003. In addition, it installed a state-of-the-art burner which requires less heating oil and a new computer-controlled air compressor system which has reduced electricity consumption by 15 percent.

And at our Flygt facility in Emmaboda, Sweden, "energy ambassador" Leif Rydell has worked tirelessly since 1999 to create one of the most energy efficient operations imaginable. Yet, even after five years of improvements, he continued to find innovative conservation projects in 2003. These included:

Installation of sun panels to heat the water for the building showers.

Reuse of heat from the foundry, meaning the facility does not need to buy energy for heating until the temperature reaches 0 degrees Celsius.

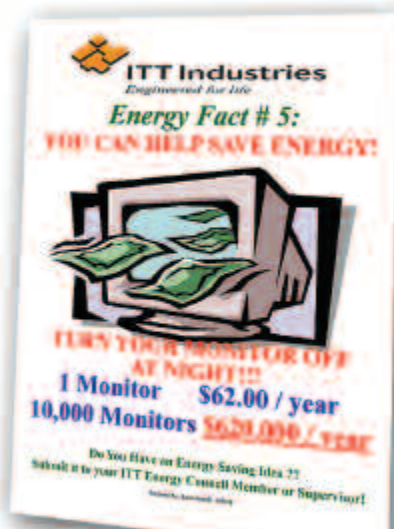
Installation of a new refrigerating machine in the foundry and a change in the hardening process for the N-impeller production, both of which have led to significant decreases in the need for water.

Natural Resources

Just this handful of improvements at one ITT Industries plant means we have reduced our annual consumption of energy by nearly 4,000 MWh and our consumption of water by more than 2.6 million gallons. In the process, our business is saving more than \$175,000 a year, strong proof that energy and water conservation is a win-win situation. Businesses can strengthen their bottom line without depleting the Earth's resources.



Focusing on water conservation: In 2003, our Cannon Switches facility in Nantong, China, reduced water consumption by 30 percent by recycling the cooling water for its rubber-roller machines, improving maintenance of its water pipes and cooling tank, and raising awareness of water management through employee training.



Posters promote energy efficiency: ITT Industries Energy Council created a series of "Energy Facts" posters to remind employees to buy efficient motors, turn off computer monitors at night, watch their water use. The posters are available to all sites on the company's ESH website.



Flygt focuses on CO₂ reduction: Over the next three years, our Flygt pump business has set a goal of reducing CO₂ emissions by 1 percent, or 430 tons. As part of this effort, Flygt will begin using alternative bio-fuels for heating, and is educating their fleet and delivery drivers in Eco-Driving practices.



ITT Industries purchases a significant amount and a wide variety of raw materials – from iron and aluminum to steel and copper – to build our products and fuel our manufacturing processes. While we are not among the world's largest consumers of any one material, we recognize that we can have a positive impact in many different areas by reducing our usage of raw materials and using more recycled materials wherever and whenever possible.

Our number one priority is reducing and eliminating the use of hazardous materials which are capable of jeopardizing people's health or safety. As a company, we have created a list of 80 chemicals targeted for reduction. They include chromium, mercury, lubricating oil, lead, zinc and organic solvents.

This chemical reduction effort was formally introduced in 2002. Each of our businesses is charged with finding ways to cut back on their use of hazardous chemicals with a focus on the ones they use the most.

The chemical reduction effort is localized, and we do not roll-up results to the corporate level. Our company is very diverse and no two sites are using the same kinds or quantities of chemicals, but all ITT Industries companies adhere to the Precautionary Principle and are working to reduce our use of materials that show some evidence of being bad for the environment or humans.

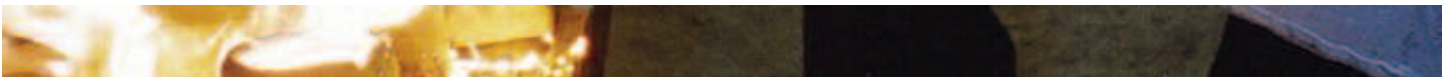
Guided by this chemical reduction charter, ITT Industries facilities and plants continue to find creative ways to minimize or eliminate hazardous materials from their worksites and work processes.

When a team at our Systems Division operation in Fort Carson, Colorado, recommended switching to a paint for Army vehicles that had lower levels of hazardous Volatile Organic Compounds (VOC), it ran into military bureaucracy. The Army didn't want to make the move until a large inventory of the existing, higher VOC paint was exhausted. Rather than expose paint shop employees to higher VOCs any longer than necessary, the team found a large-scale painting project that limited employee exposure and totally depleted the more-hazardous paint supply in December 2003. Beginning in 2004, all military vehicles at Fort Carson are now painted with the new low-VOC paint.

In Weinstadt, Germany, our Cannon Connectors operation totally eliminated the use of two hazardous chemicals – perchloroethylen and hexavalent chrome – in its barrel-plating process. By switching to safer, more environmentally sound solutions for degreasing and passivation (contaminant removal), they not only created a safer work environment, but improved the end-product and reduced waste disposal costs.

In addition, following through on the European legislation that calls for the long-term elimination of cadmium, the Weinstadt workers identified and qualified a zinc-cobalt alternative – in both green and black – that performs as well as cadmium but is its superior in the environmental area. A new automated plating line is in place, and high volume production began in January 2004. And, for a new high-speed train project, they also qualified and introduced an elastomeric insulator material that provides flame retardant capabilities without using soon-to-be-banned halogen (brominated) materials.

Materials



Fuzzy logic leads to sharp decrease in materials: To make brake pads, our Galfer operation in Italy presses friction materials onto steel back plates. With 300,000 brake pads being made a day, material waste was built into the process, until the company developed software that allows machines to use fuzzy logic to better estimate the correct distribution of the friction materials on the fast-moving presses. Today, Galfer is using 450,000 pounds less of this material each year and saving \$500,000.



Putting a hazardous material on the hit list:

The industrial safety team at our Cannon Switches facility in Xiamen, China, has set a goal of eliminating Cyclohexanone from its operations because it's harmful to the environment and humans. Currently, there is no substitute for this solvent used to clean silk screens, but the team is actively experimenting with alternatives, and has changed its standard-operating procedures to decrease daily usage nearly 20 percent – from 6 kg to 5 kg.



Waste minimization has been one of ITT Industries primary goals since the company became an independent entity nearly 10 years ago. By reducing waste, we diminish our environmental impact, even as we become more efficient and cost-effective.

Value-Based Six Sigma (VBSS) has greatly accelerated our efforts in this area. Many VBSS projects center on ways to drive out costs and waste from our processes, and with more than 10 percent of our 39,000 employees now certified as VBSS champions, black belts or green belts, we are more focused than ever before on waste management and waste minimization. (Champions focus on company-wide improvement efforts, black belts on department or division projects, and green belts on job-specific projects.) From 2001–2003, we reduced our quantity of hazardous waste by nearly 20 percent and our cost of waste management by the same amount.

In Lancaster, Pennsylvania, for example, Gary Zimmerman, a manufacturing engineering manager for our Engineered Process Solutions Group, earned his VBSS green belt in 2003 and made his first project a waste reduction effort. Green belts are asked to find more efficient ways to perform their day-to-day jobs, and Zimmerman used his fact-based training to weigh the pros and cons of installing an evaporator that would reduce the amount of oil, water and coolant shipped off-site. His

project was an unqualified success, enabling Engineered Valves to reduce by 80 percent the amount of waste – and accompanying cost – being generated by Zimmerman's area.

We're seeing similar successes all across ITT Industries. One year ago, our Cannon Connectors facility in Santa Ana, California, was generating more than 5,000 gallons of wastewater and sludge every two days from its cleaning/plating process. This waste stream – containing spent bath chemicals, drag-out and chemical sludge – needed to be treated internally or shipped off-site for further treatment. By completely redesigning the wastewater system, the company is now using 80 percent recycled water and re-using cleaning and plating acids and caustics five times before disposal. The waste stream has been slowed considerably and on- and off-site treatment costs have been reduced by \$600,000 per year.

Localized efforts are under way at all our businesses, but ITT Industries is committed to waste reduction on a macro level as well. Three years ago, Kirt Mitchell, a VBSS black belt for our A/CD company in Fort Wayne, Indiana, undertook a project to find a single waste disposal vendor or broker for all of ITT Industries U.S. sites. In the process, he and his team have been able to streamline and standardize the waste disposal process across as many ITT Industries companies as possible, reduce administrative costs and enhance the collection of corporate metrics, making it easier to compare year-to-year results.

Waste Management



Sand for landfills: Our Flygt foundry in Emmaboda, Sweden, generates nearly 5,000 tons of surplus sand each year, which was disposed as waste until ESH Coordinator Roland Gross saw an alternative. Working with the Swedish Foundry Association, he conducted tests which proved the sand could be used safely as an anti-leaching agent for landfills. The sand is now transported to a local landfill for household and glassworks waste, where it reduces the risk of pollutants leaching into the ground or water.



Recycling paper for internal documents. Our Cannon switch facility in San Jose, Costa Rica, launched a program to create its own office supplies from re-utilized paper. Plant workers now gather once-used paper and deliver it to the Documentation Department, where it was used to print 180,000 forms and nearly 1,500 notebooks, memobooks and self-stick notes in 2003.

ITT Industries is continually looking for more efficient ways to move its people and its products.

Beyond our formal business travel policy, all of our companies are focused on reducing the cost – and accompanying environmental impact – of our employees' trips to customer sites and to other parts of ITT Industries. In this regard, the Internet has become a vital asset.

WebEx broadcasts are now used extensively to bring executives to key conferences and remote team members together for regular meetings. The training modules for our Value-Based Six Sigma green belt program are available online, allowing us to certify thousands of employees each year in this continuous improvement methodology without the need for any travel whatsoever. Additionally, in 2003, we conducted more than 20 Environment, Safety & Health (ESH)-related web-based training sessions and have continued to extensively use video conferencing to reduce costs and the environmental impact of our meetings.

In the past year, we also combined a number of key annual meetings to reduce travel costs and time for our employees, and in the process we have reduced our environmental impact. Rather than six or seven different meetings over the course of the year, we now have three meetings: the Executive Forum and Geneen Awards in the winter, the Best Practices Symposium and Ring of Quality Awards in the spring, and the Value-Based Product Development Program, Tech Fair and Taguchi Symposium in the fall.

Key presentations from these meetings are videotaped and archived on our company intranet, allowing us to share great ideas and memorable messages with more people than ever before without incurring polluting travel miles.

We've made strides in the areas of commuting and fleet cars, as well. In 2003, when our Systems Division won the contract to oversee the network of giant Deep Space Network

antennas in California's Mojave Desert (used to coordinate the historic Mars landing in January 2004), we established a van pool program to transport 200 communications and support employees on the 100-mile daily roundtrip from the nearest town of Barstow, and a bus system to navigate the 65-square-mile complex. Through these measures, we have reduced carbon monoxide emissions by nearly 4,500 pounds per year and nitrous oxide emissions by nearly 2,200 pounds per year.

And, in the U.K., our Flygt Great Britain business continues to provide employees with fleet cars that are fueled by liquefied petroleum gas (LPG), a butane and propane gas mixture which produces 15 percent less emissions than gasoline and eight percent less than diesel fuel. Another one of our companies, Conoflow, manufactures regulators – now found in more than 10,000 vehicles – that enable cars to run on compressed natural gas, which significantly reduces noxious emissions and contaminants.

ITT Industries is also focused on achieving efficiencies in our product distribution processes. Through our Shared Services center, we have developed a database of freight carriers for our North American parts and products. Using this list, we have been able to consolidate shipments. For example, our Fluid Handling Systems operation successfully streamlined shipments of parts into its North American facilities, eliminating many of the less-than-full loads that had been arriving at its dock doors, and saving \$600,000 in annual transportation costs.



Transportation



More efficient product delivery: Our Cannon Switches operation in San Jose, Costa Rica, used to ship all U.S.-bound products to company headquarters in Massachusetts. Now they go to a freight forwarder in Florida, eliminating hundreds of miles of unnecessary travel for the nearly one hundred packages that leave the plant every day.



Green commuters: Three employees at our A/CD facility in San Diego, California, get to work without adding to pollution and congestion. Ed Wrench rides his bike, Dave Vermilyea commutes on an electric scooter and Larry Ross drives a gas-electric hybrid car, which can travel nearly 600 miles between fill-ups. In all cases, they like the extra green they are bringing – to the world's air quality and to their wallets.



In 2003, product safety was identified as one of the key priorities for all of our businesses moving forward. (To read more about this effort, go to the ESH Priorities section of this report.)

In addition to product safety, ITT Industries continues to make life-cycle costing an integral part of our product development process, particularly in the Fluid Technology business. The Hydraulic Institute reports that pumping systems account for nearly 20 percent of the world's electricity demand and can account for anywhere from 25–50 percent of the energy usage in certain industrial plant operations. With life-cycle costing (LCC), our products are manufactured to be more durable and use less energy over their entire lives, thereby saving maintenance and operations costs for our customers.

Since 1997, our Flygt pump business alone has conducted more than 150 life-cycle assessments (LCA) to document the environmental impact of its products during their three key phases of existence: production, usage and end-of-life. In 2003, the company achieved its goal of performing life-cycle assessments on every product type that comes off the manufacturing line.

Under a new program at our Goulds Pumps business, company representatives like Jorge Calderon and Mike Pemberton are conducting energy audits of customer's pump systems, looking at everything from the pumps and motors to the piping layout and transformers. During a recent audit at a paper mill, Pemberton conducted a one-day study of five pumps and recommended a number of changes that will save the company more than \$400,000 a year in electricity and maintenance costs.



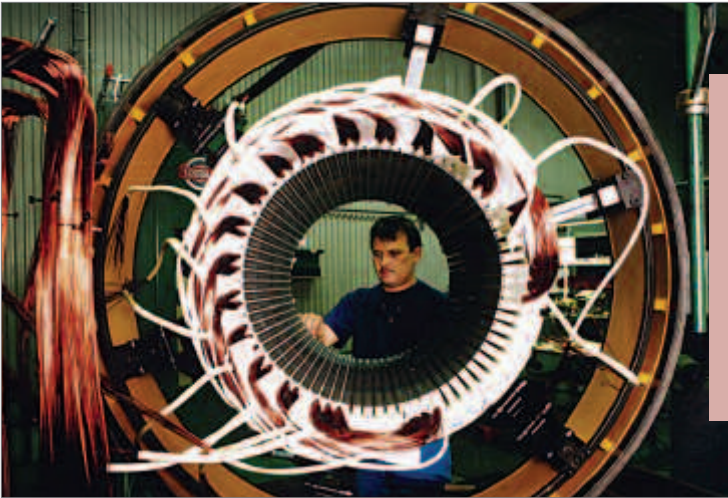
In many cases, our products themselves – and not just their performance – are helping to make the world cleaner and safer. In early 2004, we acquired WEDECO to further strengthen our fast-growing water treatment business. WEDECO uses high-intensity, energy-efficient UV lamps to disinfect drinking, process and sewage water. UV light zaps pathogens like bacteria and parasites without negatively affecting the taste, odor or clarity of water or generating any unwanted by-products. As countries enact tougher water treatment regulations, non-chemical cleaning of water becomes an increasingly attractive alternative over less environmentally compatible methods.

Another recent acquisition of Remote Sensing Systems makes us the world's leading supplier of high-resolution satellite imaging systems and services. This technology is a key component in many space-based scientific missions, including climate research and weather forecasting, and in intelligence missions for government customers.

We also build regulators that allow cars to run on clean-burning fuel, software that enables pump systems to run at their optimum speeds, night vision equipment that enhances security at the local and national level, pumps that power wastewater treatment plants, and structured cabling and networking systems that run today's energy-efficient and secure "smart buildings."

We believe strongly that the world is a better place because our products exist. They perform vital jobs in the areas of clean water, homeland security, transportation and telecommunications – and, wherever possible, we are working to make sure they are performing these jobs in the most energy-efficient, safe and environmentally sound way possible.

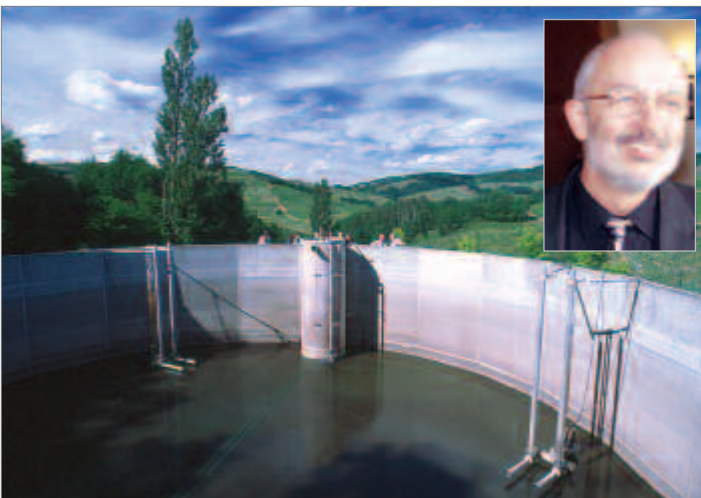
Products and Services



Value-Based Product Development. In 2003, ITT Industries rolled out VBPD training, which revamps our product development process to be more customer-focused. As part of the training, engineers, designers and marketers are reminded to incorporate ESH and customer protection considerations – from labeling to ergonomics – into the design process. By mid-2004, all sites will have completed phase one of VBPD training, and phase two will incorporate an enhanced product safety component.



The green facts: In 2003, ESH Coordinators Christian Wiklund (left) and Cathrin Vagbrink created an Environmental Product Declaration (ISO 14025) form for one of our Flygt pump products, providing an overview of the product's environmental impact. Customers can easily compare the environmental impact between pumps and make educated – and environmentally sound – decisions about their pump purchases.



Helping winemakers clean their waste stream. France produces more than 20 percent of the world's wine, but each glass leaves behind an equal amount of wastewater. During the harvest season, France's winemaking industry produces as much pollution as a city of 10 million people. As part of a European Union-funded project called "clean oenology," our Flygt France engineers such as Alain Keonigs (left) are working with the wine industry to create treatment solutions to ensure that the effluent is clean enough for discharge into the rivers and onto fields for irrigation. Our Flygt pumps are a central part of the solution, because they are capable of handling the high organic matter in the wine effluent, as well as the high volumes of wastewater generated during peak harvest season.



Compliance is not a goal – it's a starting point for ITT Industries. Wherever we operate, compliance with local, state and national laws is the “ground floor.” We start there and continue building the best possible Environment, Safety & Health (ESH) operation – day after day, year after year.

The foundation of our compliance effort is our Environment, Safety & Health Audit Program. In 2003, we conducted 55 internal audits. An ESH team – trained in ISO audit theory, techniques and skills – tours and inspects a facility, interviewing personnel and checking relevant documentation to ensure the business is in compliance with ITT Industries policies and applicable government regulations. In most cases, our audit criteria go beyond regulatory requirements and help position our businesses as environment, safety and health leaders.

In addition to the ITT Industries internal audit program, all ISO 14001 certified facilities are externally audited on an annual basis.

The growing number of ITT Industries facilities that have voluntarily pursued and achieved ISO 14001 certification is further evidence that compliance is simply a cornerstone for our company. To learn more about our ISO 14001 efforts, go to the ISO 14001 Certification section of this report.

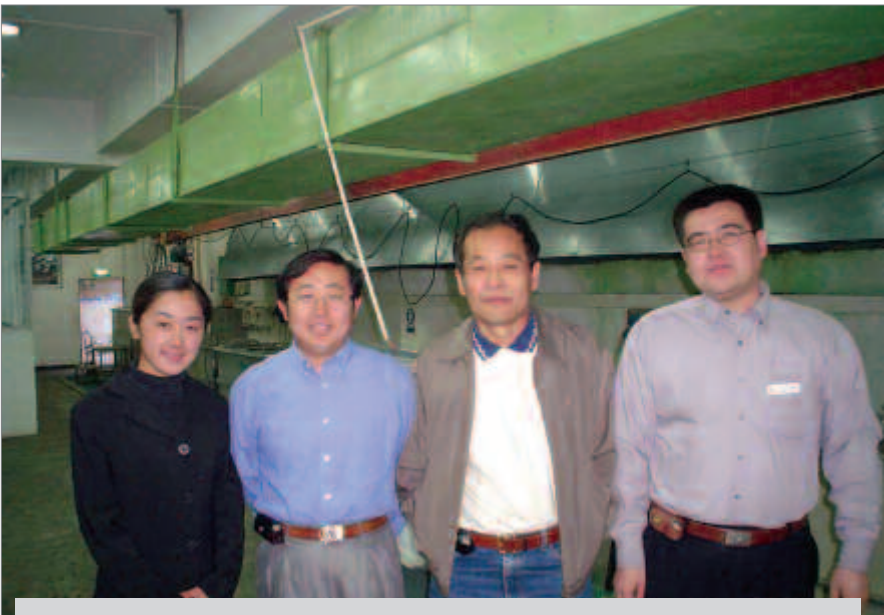
Externally, our businesses work closely with our customers to ensure we understand and exceed their compliance criteria. For our Defense businesses, that means meeting the stringent requirements set forth by the Department of Defense, Air Force, Army, Navy, Federal Aviation Association and NASA. For our Fluid Technology companies, our products must meet maritime rules and regulations, and throughout ITT Industries, our businesses have taken the necessary steps to be in compliance with industrial and construction codes.

In 2003, the willingness to go “beyond compliance” was on display at our Cannon Connectors business. In the United Kingdom, facility risk assessments have been a regulatory requirement for more than a decade, and our Basingstoke operation has always been in compliance. However, ESH Coordinator Nick Sawyer wasn't satisfied. He saw an opportunity to develop a more robust risk assessment process to ensure that all risks are being identified and being addressed in a like manner. His detailed, but easy-to-use form leads the risk assessor through the process, outlines all the key questions that need to be answered and provides a standardized rating system. The plant was in compliance before, but now it's further reducing the number and severity of its risks.

Compliance



Real-time soil testing: When it comes to underground storage of oil and oil/water separator projects, our Systems operation in Kekaha, Hawaii, is already in compliance with U.S. EPA regulations. But ESH Manager John Burger (left) and Safety Specialist Danny Canon went one step further, purchasing field test equipment to monitor petroleum hydrocarbons in the soil, thereby ensuring real-time compliance with EPA codes.



Complying with a ban on cadmium: When Europe introduced long-term legislation banning the use of cadmium, our Weinstadt, Germany, connectors facility had already come up with an alternative zinc-cobalt coating. On the other side of the globe, a team (above) at our Cannon switches operation in Xiamen, China, found a way for the facility to begin using cadmium alternatives to meet the needs of its European Union customers, despite an increase in production costs.

In 2003, ITT Industries experienced its third straight year of declines in Injury Frequency rates. This means we are incurring fewer work-related injuries and illnesses, a result of our corporate focus on accident prevention coupled with our local units' continuing efforts to find safer ways of doing business.

Two years ago, we introduced our Safe Actions for Everyone (SAFE) program. The key component of SAFE is its reliance on Root Cause Analysis to help our plant and office personnel identify the true causes of accidents or incidents. Rather than jumping to conclusions, our on-site Environment, Safety & Health (ESH) professionals are now trained to dig deeper, conduct factual investigations and uncover the real reasons behind accidents. In this way, they can ensure that similar incidents don't happen again.

Our sites have become increasingly proactive in their pursuit of a safe and healthy work environment.

When our Aerospace/Communications Division began designing its new Engineering Lab in Fort Wayne, Indiana, the company's Environment, Safety & Health representatives were part of the planning team. Their recommendations in the areas of fire protection, means of egress, location of electrical sources and elimination of tripping hazards helped make the modular design a reality, enabling A/CD to build a lab that could accommodate different types of projects and set-ups without creating workplace hazards.

In Costa Rica, our Cannon Switch facility has developed a risk analysis map that helps detect potential problems in the areas of equipment maintenance and machine guarding. As a result of this preventive program, 62 pieces of equipment were modified in 2003 to improve operator safety, and another 150 machines are scheduled for safety makeovers in the near future. The benefits in terms of employee safety are already apparent. In 2003, the facility experienced one-third the number of accidents as the year before and saw its Accident Index (number of accidents divided by number of work hours) drop to 5 percent.

Finally, in Xiamen, China, our Cannon Switch operation elected to reduce in-plant emissions of the hazardous chemical cyclohexanone, even though concentration levels were already below the limits established by the Chinese government. Cyclohexanone is the only solvent available for cleaning silk screens used in the printing process, but at high levels it can create a foul, acrid odor and cause headaches and nausea in employees. (Work is underway in Xiamen to find an alternative solvent; go to the Materials section of this report for more about this effort.)

Determined to protect its employees from the affects of the cyclohexanone smoke, the industrial safety team rebuilt the ventilation system in the molding workshop. This improvement cut cyclohexanone concentrations nearly in half, but the team didn't stop there. It also installed covers and exhaust fans on every printing machine, which further reduced levels from 25 mg/m³ to 5.4 mg/m³. Overall, the team reduced emissions of this unpleasant substance by nearly 90 percent and greatly improved working conditions and employee comfort levels.



A man dedicated to machine guarding: Many of the production machines for our Fluid Handling Systems facility in Hockenheim, Germany, use parts from the 1960s and 1970s. On his own initiative, fitter Georg Schneider has designed, crafted and installed a number of additional machine guards for these older machines. In the process, he helped Hockenheim reduce injury frequency by 75 percent and injury severity by 45 percent between 2001–2003.



Bending tubes, not backs: Occupational injuries at our automotive tube facility in Oscoda, Michigan, have dropped 82 percent since 2000, in large part due to ergonomic improvements developed by the Bend Fixture Task Force. A 2.5 pound reduction in the weight of the fixtures that need to be hung on conveyor belt hooks means employees are lifting 600,000 fewer pounds per year. The team also eliminated five million unnecessary wrist actions, installed adjustable work tables and reconfigured the plant floor so employees don't have to reach over work stations to hang up their finished parts.



At ITT Industries, we understand that education is the key to an effective Environment, Safety & Health (ESH) program. Our team of ESH professionals cannot by themselves oversee every aspect of our operations; our employees, too, must be as knowledgeable and vigilant as possible about the latest regulations and advances in machine guarding, fire protection, waste removal and all other aspects of workplace and personal safety.

To this end, our Environment, Safety & Health website includes a number of downloadable training programs, links to online educational presentations and a lending library where our businesses can find videos with modules on a wide variety of subjects, from accident prevention and bloodborne pathogens to lockout/tagout and respirators. The site is continually being updated to include more information and to be more user-friendly and efficient.

We held more than 20 web-based metrics training sessions for our ESH team members in 2003 to better familiarize them with our ESH strategic plan, our new ESH metrics collection tool, business continuity planning and SARS prevention measures. In 2004, product safety training is a key priority for our company, and a training program will be rolled out to all our companies around the globe. Attendees for this training will include employees from our operations, development, legal, human resources and ESH departments.

And at the local level, we continue to see the benefits of effective, up-to-date workplace training and education.

In Kaiserslautern, Germany, our Systems Division ESH personnel designed a series of innovative training folders for their various work centers. By continually organizing and updating the necessary safety training materials

for managers, the company was able to achieve a 100 percent award fee (no safety defects) from the local government regulators in March 2003, and a 98 percent award fee in September 2003.

On February 3, 2003, when an early morning fire broke out in the plating shop of our Basingstoke, U.K. Cannon Connectors facility, our emergency response team was able to assist fire department personnel and return the factory to a sense of normalcy in less than 12 hours. Their quick, professional actions – including shutting down the sprinkler system, removing damaged machinery and contaminated chemicals, and neutralizing acid that had leaked out from a damaged pipe – were possible because of their ongoing emergency response training.

The impact of a strong training program – and strong trainers – is also on display in Bosnia, where Nathan Eggleston, a force protection specialist for our Systems Division business, oversees both CPR instruction and range safety. A licensed emergency medical technician, Eggleston has trained over 150 Systems “students” in the practice of CPR, always taking the time to ensure everyone understands the material and can successfully perform the required practical applications. He has also qualified 300 personnel on the shooting range, without one single safety incident and zero injuries. His quick action in ordering a ceasefire when a local resident inadvertently wandered into the range earned him a safety award from the base commander.

In this case, our trainer was directly responsible for saving a life. The connection isn’t always that clear cut, but our training programs have prevented countless, unnecessary accidents, incidents and fatalities, and we will continue strengthening our educational efforts to create the safest work environment possible.

Workplace Training and Education



An ESH e-learning experience: A team at our Cannon Switch business in Dole, France, developed their own ESH software that enables employees to train themselves in electrical safety, chemical risks, noise avoidance and plating risks. The program allows more employees to be trained in a shorter period of time and features active learning features and testing that help make the key messages memorable. The training program was selected as an “exemplary practice” in the ESH Audit conducted in November 2003.



Ergonomics teacher: Karen Townsend, the on-site nurse for our Cannon Connectors & Switches facility in Santa Ana, California, has developed an effective ergonomics education program for employees, focused on preventing repetitive stress injuries. As a result, the company’s workers’ compensation costs were reduced by 94 percent between 2002 and 2003.

2003: Responding to Accidents, Incidents and Code Violations

At ITT Industries, we strive for perfection in our Environment, Safety & Health (ESH) efforts – zero accidents, total elimination of waste streams and 100 percent compliance with Personal Protective Equipment requirements. But even at our best-run facilities, unforeseen circumstances, a lack of time or manpower, or simple human error can lead to unfortunate results.

In 2003, we experienced several such incidents.

- Our Conoflow facility in St. George, South Carolina, was fined \$1,250 by OSHA because its eyewash/shower unit was not as accessible as it should be. The problem has been remedied.
- Our Night Vision facility in Roanoke, Virginia, received a notice of non-compliance from OSHA for exceeding the lead limits in our sanitary sewer discharge. Follow-up monitoring showed we were in compliance, so there was no monetary penalty.
- Our Systems Division operation in Ft. Sill, Oklahoma, was fined \$1,500 by OSHA for five non-serious citations, including a roof leak, missing fire extinguisher and small modifications to a forklift. ITT Industries remedied all the issues, and the U.S. Army – the customer – took direct responsibility for all of the findings (except the forklift), reimbursed ITT for the fine and sent a letter to OSHA absolving our company for any responsibility related to the findings and fines.
- Our Pure-Flo Precision plant in Springfield, Missouri, was fined \$1,200 by OSHA for machine guarding violations that have since been addressed.

- Our Goulds Pumps facility in Salt Lake City, Utah, was fined \$1,200 by OSHA for industrial hygiene and housekeeping issues associated with improper lead use. The facility is now in compliance.
- Our Bell & Gossett facility in Morton Grove, Illinois, was cited by the Illinois Environmental Protection Agency for exceeding allowable volatile organic material (VOC) emission limits from its varnish coating operation. The company addressed the issue in a timely matter and was not fined.

Most seriously and sadly of all, there was a fatality in 2003. Only one month after completing ladder safety training, a maintenance technician at our AES facility in Colorado Springs, Colorado, fell from an eight-foot step ladder while preparing to install a piece of conduit. The OSHA investigation report cited our company for improper ladder use – leaning a folded step ladder against a wall for use – and issued a \$4,300 fine.

While we are working very hard to avoid similar occurrences in the future, we also take pride in our ability to respond to these situations in a professional, proactive and rapid way.

After our Avionics business received a non-compliance notice from the New Jersey Environmental Protection Agency – for discharge of non-contact cooling water – it took immediate action. The company spent more than \$1 million on equipment upgrades, including a new cooling system that uses liquid nitrogen and produces no water discharges. In June 2003, the state restored Avionics compliance status.



A safe rescue mission.

When our Aerospace/Communications Division warehouse was flooded in Fort Wayne, Indiana, a team of company volunteers – led by three ESH professionals – performed a by-the-book rescue mission of materials and equipment. Wearing full tyvek suits, shoe protection, nitrile gloves, safety glasses and half-face respirators, they braved high temperatures and poor lighting to remove, clean, HEPA vacuum, inventory and re-skid every item in the warehouse. Amazingly, they accomplished their task in less than one month.

2003 Timeline

January

Usha Wright conducts Environment, Safety & Health (ESH) Strategic Plan webcast with ESH directors, managers and coordinators from around the company.

February

Usha Wright conducts Crisis Management tabletop drill for ITT Industries executives at corporate headquarters. (Drill is repeated again in July 2003.)

March

Usha Wright serves as panelist at the 32nd Annual Conference on Environmental Law, sponsored by the American Bar Association. The topic: "Globalization and Environmental Law: The Evolving Role of In-House Counsel."

Alan Leibowitz chairs the American National Standards Institute's meeting devoted to developing a U.S. safety and health management system standard (ANSI Z10).

Usha Wright serve as a judge for the National Environmental Law Moot Court Competition held at Pace University School of Law.

May

Alan Leibowitz presents two papers at the American Industrial Health Conference and Exposition in Dallas, Texas, on web-based metrics data collection and environmental management systems.

Alan Leibowitz conducts Toxic Substances Control Act training for the Government Institutes organization in Washington, D.C.

July

Usha Wright presents overview of ITT Industries ESH performance to the company's board of directors.

August

ITT Industries sponsors the Stockholm International Junior Water Prize, recognizing outstanding water research by high school students around the globe. Bjorn von Euler serves as judge.

September

Alan Leibowitz leads session on "Integration of ESH into Corporate Value-Based Six Sigma Program" at the Academy of Industrial Hygiene conference.

October

Jeff Melo speaks at the National Association for Environmental Management's annual conference in Baltimore, Maryland, about how ITT Industries' Jabsco Worldwide business is using the Life Cycle Assessment tool.

November

Jeff Melo speaks at the Envirotech Conference in Squaw Valley, California, on the topic of "ITT Industries, ESH and Sarbanes-Oxley."

December

Usha Wright presents the status of the "Product Safety Review Board Task Force" to the ITT Industries Executive Council.

Fern Fleischer Daves serves as panelist at the Association of the Bar of the City of New York, for a program entitled "Is there a Gap in GAAP? How Effective Estimating and Disclosing Contingent Liabilities will Save Your Business from Liability."

Fern Fleischer Daves serves a co-chairperson of the Auditing Roundtable, New York/New England region, and moderates a discussion on "Natural Resource Damages Developments."

Who's Who

Usha Wright:

Vice President and Director of Environment, Safety & Health, ITT Industries

Alan Leibowitz:

ESH Director, Defense Electronics & Services

Fern Fleischer Daves:

Environmental Counsel, ITT Industries

Jeff Melo:

ESH Manager, Jabsco Worldwide

Bjorn von Euler:

Director of Communications, Fluid Technology



ITT Industries

Engineered for life

ITT INDUSTRIES, INC.
4 WEST RED OAK LANE
WHITE PLAINS, NY 10604

914.641.2000

WWW.ITT.COM