

Governance Principles and Charters

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

1. *Role and Responsibility of the Board of Directors*

The Board of Directors (the "Board") of ITT Corporation, an Indiana corporation, is elected by the Company's shareholders to oversee the actions and results of management. In discharging its responsibilities, the Board will act in the best interests of the Company and its shareholders. Indiana law also provides that the Board may consider, among other pertinent factors, the effect of its actions on the Company's employees, customers, suppliers and communities in which the Company operates. In this oversight role, the Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the stockholders.

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

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

The Board is responsible for assuring that:

- *There is continuity of leadership;*
- *Management develops sound business strategies;*
- *Adequate capital and managerial resources are available to implement the strategies adopted;*
- *The Company's systems of financial and internal controls are adequate;*
- *Overall oversight of the Company's risk profile and management control;*
- *The Company's businesses are conducted in conformity with applicable laws and regulations; and*
- *The assets of the Company and its subsidiaries are utilized most effectively and capital expenditures and appropriations are reviewed.*

2. Board of Directors Selection and Composition

Board members should possess such attributes and experience as are necessary to provide a broad range of personal characteristics, including diversity, management skills, and technological, business and international experience.

The Articles of Incorporation of the Company provide that in a contested election of directors (i.e. any election where the number of nominees exceeds the number of directors to be elected), directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

The by-laws of the Company provide that in an uncontested election, Directors shall be elected by a majority of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Any Director nominee that does not receive the requisite votes shall not be elected, but shall remain a Director until a successor shall have been elected and qualified (a "Holdover Director") as provided by Indiana law. A Holdover Director shall promptly provide a written resignation to the Chairman of the Board or the Secretary of the Company.

Directors must be able to devote the requisite time for preparation and attendance at regularly scheduled Board and Board Committee meetings, as well as be able to participate in other matters necessary for good corporate governance. Directors who are chief executive officers of publicly traded companies shall not serve on more than two public company boards in addition to service on their own board. Other Directors shall not serve on more than four boards of publicly traded companies.

- 1. Membership Criteria*
- 2. Election of Directors*

- *The Nominating and Governance Committee shall promptly consider the resignation and all relevant facts and circumstances concerning the vote and the best interests of the Company and its shareholders. After consideration, the Nominating and Governance Committee shall make a recommendation to the Board whether to accept or reject the tendered resignation or whether other action should be taken.*
 - *The Board will act on the Nominating and Governance Committee's recommendation no later than its next regularly scheduled Board meeting or within 90 days after certification of the shareholder vote, whichever is earlier.*
 - *The Board will promptly publicly disclose its decision (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) and the reasons for its decision.*
 - *Any Holdover Director who tenders a resignation shall not participate in the Nominating and Governance Committee recommendation or Board action regarding whether to accept the resignation offer.*
 - *If each member of the Nominating and Governance Committee receives less than a majority of the votes cast at the same election, then the Board shall appoint a committee composed of three Independent Directors (defined below) who received more than a majority of the votes cast to consider the resignation offers and recommend to the Board whether to accept the offers. However, if there are fewer than three Independent Directors who receive a majority or more of the votes cast in the same election, then the Board will promptly consider the resignation and all relevant facts and circumstances concerning the vote and the best interests of the Company and its shareholders no later than its next regularly scheduled Board Meeting or within 90 days after certification of the shareholder vote, whichever is earlier.*
 - *If all Directors receive less than a majority of the votes cast at the same election, the election shall be treated as a contested election and the majority vote policy shall be inapplicable.*
3. *Service on Other Boards*
4. *Inside and Outside Directors*

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

1. *Independence*

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

2. *Former Chief Executive and Other Senior Officers*

If the Chief Executive Officer or other senior officer retires, resigns or tenders a resignation to the Company, he or she shall resign as a Director effective as of the same date he or she resigns, retires from, or otherwise ceases to be an employee of the Company.

3. *Change of Outside Director's Current Position or other Change in Status*

Outside Directors are required to tender their resignation to the Board, via the Chairman of the Nominating and Governance Committee, when there is a material change in the Director's principal occupation or affiliation, including retirement, or if the Director seeks to join the Board of another for-profit company.

The Chairman of the Nominating and Governance Committee shall present the resignation letter to the full Nominating and Governance Committee for review. The Committee shall consider the continued appropriateness of membership on the Board prior to determination as to acceptance or rejection of the tendered resignation. The resulting decision shall be presented to the full Board for approval.

Directors are expected to be sensitive to any change in affiliations, and advise the Corporate Secretary in advance of any potentially relevant affiliation or as soon thereafter as reasonably possible.

The Corporate Secretary shall evaluate any affiliation or proposed affiliation and advise the Chair of the Nominating and Governance Committee, and any other Director, as necessary, with respect to conflicts, potential conflicts or other concerns.

The Chairman of the Nominating and Governance Committee shall keep the Chairman of the Board apprised, as appropriate.

4. *Employee Directors*

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

3. *Expectations of Directors*

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with state and other applicable laws and regulations. In performing their duties, the primary responsibility of the Directors is to exercise their business judgment in the best interests of the Company. The Board has developed a number of specific expectations of Directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

0. *Commitment and Attendance*

All Directors are expected to make every effort to attend all meetings of the Board, meetings of the Committees of which they are members and the annual meeting of stockholders. Members are encouraged to attend Board meetings and meetings of Committees of which they are members in person but may also attend such meetings by telephone or video conference.

1. *Participation in Meetings*

Each Director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each Committee on which he or she serves. Management will make appropriate personnel available to answer any questions a Director may have about any aspect of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its Committees and should arrive prepared to discuss the issues presented.

2. *Loyalty and Ethics*

In their roles as Directors, all Directors owe a duty of loyalty to the Company. The Company has adopted a Code of Conduct (the "Code"), which includes a compliance program to enforce the Code, and Directors are expected to adhere to the Code.

3. *Confidentiality*

The proceedings and deliberations of the Board and its Committees are confidential. Each Director shall maintain the confidentiality of information received in connection with his or her service as a Director.

4. *Board Operation and Structure*

0. *Executive Sessions*

Non-management Directors (those Directors who are not executive officers of the Company) shall meet in executive sessions on a regular basis during the year with no members of management present. The Non-management Directors will then brief the Chief Executive Officer regarding the private session discussions. In addition, an executive session including only Independent Directors will be held at least once a year.

1. *Board Performance Assessment*

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

2. *Term Limits; Retirement Age*

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

3. *Board Compensation Review*

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

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

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

5. *Director Share Ownership*

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

6. *Director Orientation and Continuing Education*

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

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

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

5. *Meeting Procedure*

0. *Selection of Items for Board Agenda*

The Chairman of the Board, with input from the Chief Executive Officer and/or Corporate Secretary, establishes the Board agenda for Board meetings. Agenda items include those items required for necessary corporate governance and operational oversight such as strategic plans and budgets. All Directors are encouraged to suggest topics for the agenda.

1. *Board Material Distributed in Advance*

Information and materials that are important to the Board's understanding of the agenda items and business-related topics will be distributed sufficiently in advance of the meeting to permit prior review. Management should structure material provided to the Board to assure it is concise and to the point. Highly confidential or sensitive matters may be presented and discussed without prior distribution of background material. It is desired that material be distributed one calendar week prior to the Board meeting.

2. *Board Meeting Frequency and Schedule*

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

3. *Annual Corporate Strategy Meeting*

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

4. *Board Presentations and Management Attendees*

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

6. *Board Leadership and Relationship to Senior Management*

0. *Selection of Chairman of the Board of Directors and the Chief Executive Officer*

The Board is responsible for selecting the Chairman of the Board and the Chief Executive Officer in any way it considers in the best interests of the Company. Therefore, the Board does not have a policy on whether the role of Chairman and Chief Executive Officer should be separate or combined and, if it is to be separate, whether the Chairman should be selected from the Independent Directors or should be an employee of the Company. The Chief Executive Officer is accountable to the Board for the overall performance of the Company.

1. *Board Involvement with Regard to Compensation Matters for the Chief Executive Officer and Other Senior Management*

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

2. *Formal Evaluation of Chief Executive Officer*

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

3. *Succession Planning*

The Chief Executive Officer, working with the Board, is responsible for developing and maintaining a process for succession planning with respect to the position of Chief Executive Officer and senior management positions. The Board regularly reviews succession planning and management development in an annual briefing provided by the Chairman, President and Chief Executive Officer and Senior Vice President and Director, Human Resources. This briefing includes discussion of assessments, leadership development plans and other relevant factors, as well as policies regarding succession in the event of an emergency, resignation, incapacity or retirement of the Chief Executive Officer or senior management.

4. *Management Development*

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

7. *Board Committees*

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

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

1. *Independence of Committee Members*

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

2. *Committee Agendas*

The Chair of each Committee, in consultation with the Chief Executive Officer, Corporate Secretary and management liaison, establishes the Committee Agenda. Each Committee shall report regularly to the Board summarizing the Committee's actions and any significant issues considered by the Committee.

3. *Assignment and Rotation of Committee Members*

The Nominating and Governance Committee shall be responsible for identifying Board members qualified to fill vacancies on any Committee and recommending that the Board appoint the identified member or members to the applicable Committee. Committee chairs and membership should be rotated periodically to provide fresh points of view. Committee Chairs and members will be reviewed and approved by the full Board. A Director may serve on more than one Committee.

4. *Frequency and Length of Committee Meetings*

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

8. *Director Independence*

A majority of the Board shall be composed of Independent Directors meeting the independence requirements of the New York Stock Exchange (the "NYSE"). The Board shall make an affirmative determination at least annually as to the independence of each Director. The Company defines an "Independent" Director in accord with Section 303A.02 of the NYSE's Listed Company Manual. The NYSE independence definition includes a series of objective tests, such as that the Director is not an employee of the Company and has not engaged in various types of business dealings with the Company.