

# Ethics: Embracing Integrity

While governance provides the legal framework for protecting stakeholder interests, culture and values form the crucial link between policies and the actual behavior of company employees. We are proud of Raytheon's strong culture of integrity. Our ethics and compliance program has been in place for more than 20 years, and its importance and success have repeatedly been validated through employee survey responses. The program is comprehensive in scope, spanning education, counseling and investigation. It integrates a wide range of education tools and techniques, including classroom sessions, online learning, videos and e-mail campaigns. It also provides safe, confidential avenues of inquiry and resolution about ethics matters. Program elements are regularly evaluated and updated to ensure accessibility and effectiveness, and Raytheon's senior leadership and Board of Directors are actively involved in guiding the program and ensuring that the company lives up to the high standards it sets.

## 2007 HIGHLIGHTS

Our 2007 ethics initiatives included:

- > Production of 12 video vignettes for use in our "Ethics Connection" awareness program
- > An online Ethical Leadership program featuring Raytheon managers discussing seven leadership skills that support a culture of integrity
- > The *EthicSpace* miniseries, with videos delivered by e-mail to tell a continuing story about ethics issues over the course of several weeks
- > Continued expansion of our online education offerings, with more than 135,000 sessions completed in 2007

We also produced a new pocket edition of our Code of Conduct, which provides a roadmap to help employees adhere to ethical standards and policies. It also points out resources to help resolve ethical questions. To reinforce it, we published a series of articles on our internal website, profiling actual ethics investigations and their outcomes to emphasize individual accountability.

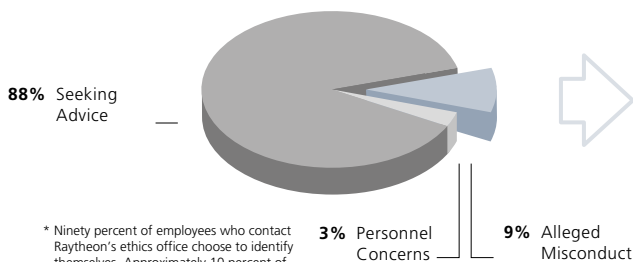
## EMPLOYEE FEEDBACK

Raytheon employees continue to rate our ethics education approach highly. In 2007, 78 percent of Employee Opinion Survey respondents agreed that ethics education is useful in guiding their conduct and decisions at work, up five points from 2005. Survey results are useful not only in shaping ethics education, but also in alerting leadership to issues and trends. They are an integral part of top-level operating reviews of Raytheon businesses.

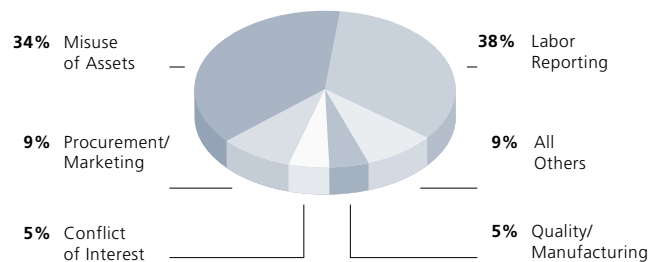
## INVESTIGATIONS AND RESULTS

The year 2007 saw a substantial increase in requests for information on ethics issues, which were up 44 percent over 2006. At the same time, the number of alleged instances of misconduct was down 9 percent. We believe these statistics demonstrate employees' growing awareness of the resources available to help resolve ethics issues. We will continue to develop and promote these resources as part of the larger task of maintaining the highest possible ethical standards throughout the company.

2,358 Total Contacts in 2007\*



131 Investigations with Substantiated Allegations in 2007





Since 2007, Raytheon has been distributing *EthicSpace* videos by e-mail to convey valuable information about how to handle ethical dilemmas on the job. Their dramatic content has made them a hit, and surveys show their lessons hit home. The *EthicSpace* miniseries is just one of many education and outreach tools used by Raytheon to underscore the importance of ethical behavior and to reinforce that open and honest communications are integral to our work environment.