

2007 Stewardship Report

**Raytheon**

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Photo (cover): Raytheon employee volunteers help to clean up the Assabet River in Massachusetts.

# Dear Raytheon Stakeholder,

With a history of innovation spanning 86 years, Raytheon is a company of enduring value that has been entrusted to our stewardship. What does stewardship mean to us?

- It means dedication to sound corporate governance, to a framework that emphasizes accountability and transparency.
- It means a strong commitment to ethics, to an ethical culture that encourages outstanding behavior. The company's ethics and compliance program is now more than 20 years old, and our ethics education tools are constantly being refreshed. The program's importance and success have repeatedly been reaffirmed by our employees.
- It means technology excellence, which plays a pivotal role in supporting the critical needs of our customers around the world — and when our servicemen and women see the Raytheon name, we want them to have “no doubt” about our systems and services doing what they are supposed to do.
- It means caring for the safety of our 72,000 employees. Since 1998, we have reduced our employee injury rates by substantial margins — as we continue to strive toward our ultimate goal of an injury-free workplace.
- It means reducing waste and conserving energy, which are good for the environment and for our business. We're committed to being a good corporate citizen.

At its heart, we believe strongly that stewardship is ultimately about *people*. To this end, we are focused on retaining, attracting and developing the best talent. Valuing diversity helps us to draw on the largest pool of good talent — and to benefit from different perspectives that encourage the best ideas. In this manner, and with our clearly defined vision, strategy, goals and values, we continue to build a welcoming, inclusive environment for our employees.

With all of these efforts, it would be easy to assume that our focus is on the “here and now,” but, as stewards of our company, we are committed to securing Raytheon's *future* as well. So, just as we invest in R&D funding for our technical future, so too are we investing in the math and science education of today's youth to help secure a strong talent pipeline for the future.

Raytheon's MathMovesU® program reaches out to middle school students on their own terms to inspire

them to develop and sustain an interest in math and science. We encourage student innovation and competition through our financial and employee volunteer support of *FIRST* Robotics and MATHCOUNTS®, and we provide scholarships through vehicles such as the Raytheon Scholars program for the children of employees.

In the pages that follow, you will have the opportunity to read more about these and other efforts we have undertaken over the past year to strengthen and expand our stewardship programs — efforts that have resulted in both external recognition and employee pride.

Stewardship is a *journey*, one that both teaches and inspires us to do our best every day for our customers, employees, shareholders and communities. We know a great legacy has been entrusted to us — and that we will someday entrust it to others. On behalf of all 72,000 employees worldwide, we thank you for your confidence in our company. We will do our utmost to continue to earn it.

As I get ready to start my 37th year with Raytheon, I am a very proud member of the Raytheon team,



William H. Swanson  
Chairman and  
Chief Executive Officer



Raytheon is a global technology company that provides innovative solutions to customers in 80 nations. With 72,000 employees and 2007 revenues of \$21.3 billion, we are a leader in aerospace, defense and homeland security, providing integrated systems and complete life-cycle support.

Our vision is to be the most admired defense and aerospace systems supplier through world-class people and technology. Our strategy is to leverage our domain knowledge to deliver NoDoubt™ performance in the four core defense markets of Sensing, Effects, C3I (Command, Control, Communications and Intelligence) and Mission Support. Through strategic focus, process discipline and absolute commitment to our customers' success, we provide industry-leading solutions to each of these markets.

Every day, Raytheon customers undertake missions vital to the security and well-being of people all over the world. We are proud to help them succeed today while preparing for the missions of tomorrow.

# Raytheon Businesses

Six Raytheon businesses deliver world-class products, systems and support for government and defense customers and partners worldwide:

## 1 Integrated Defense Systems

2007 sales: \$4.7 billion  
Headquarters: Tewksbury, Mass.

Integrated naval, missile and air defense, and domain awareness systems and homeland security solutions

## 3 Missile Systems

2007 sales: \$5.0 billion  
Headquarters: Tucson, Ariz.

Advanced missile systems and solutions for the armed forces of the U.S. and allied nations

## 5 Space and Airborne Systems

2007 sales: \$4.3 billion  
Headquarters: El Segundo, Calif.

Integrated sensing solutions for advanced applications in aviation and space technology

## 2 Intelligence and Information Systems

2007 sales: \$2.7 billion  
Headquarters: Garland, Texas

Information solutions spanning intelligence, surveillance and reconnaissance for defense and homeland security

## 4 Network Centric Systems

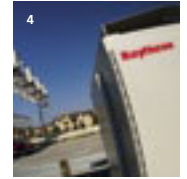
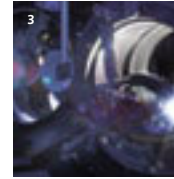
2007 sales: \$4.2 billion  
Headquarters: McKinney, Texas

Net-centric solutions for sensing, command and control, communications, air traffic management and homeland security

## 6 Technical Services

2007 sales: \$2.2 billion  
Headquarters: Reston, Va.

Mission Support, counter-proliferation and counter-terrorism, integrated training solutions, base and range operations and customized engineering services



# Raytheon Core Markets

Our domain knowledge, technological leadership and global experience have created expanding opportunities in four core defense markets:

## 1 Sensing:

Technologies that acquire data and create accurate, reliable information for effective battlespace decisions. Raytheon sensing technologies span the full electromagnetic spectrum, including electro-optical, radio frequency, hyperspectral, acoustic and ultraviolet systems.

## 3 C3I (Command, Control, Communications and Intelligence):

Integrated real-time systems that optimize operational planning and execution. Raytheon C3I solutions cover ground, sea, air and space operations with comprehensive capabilities built on advanced network architectures and global combat experience.

## 2 Effects:

Technologies that achieve specific military actions or outcomes. Raytheon solutions span the spectrum of current and next-generation effects, including striking targets and disabling hostile information systems.

## 4 Mission Support:

Total life-cycle solutions that ensure NoDoubt performance. Raytheon's customized Mission Support solutions draw on the full breadth of Raytheon and third-party technologies to ensure flawless performance under an extraordinary range of conditions.



# Vision, Strategy, Goals and Values: One Company

Raytheon's Vision, Strategy, Goals and Values are the foundation of our company. They focus and unify Raytheon's 72,000 people across six businesses, a multitude of markets and more than 350 locations around the world. They influence our product

development, inspire our employees and strengthen our relationships with customers, partners, shareholders and communities. They provide our roadmap for direction and our benchmarks for measuring performance.



## Vision

To be the most admired defense and aerospace systems supplier through world-class people and technology.



## Strategy

- Focus on key strategic pursuits, **Technology and Mission Assurance** to protect and grow our position in our four core defense markets: Sensing, Effects, C3I and Mission Support.
- Leverage our domain knowledge in these core defense markets to develop opportunities in adjacent markets and expand our **Mission Systems Integration** position.
- Leverage our expertise to expand and serve our international customers.
- Be a **Customer Focused company** based on: Performance, Relationships, Solutions.



## Goals

- **Customer** — Be regarded as a Customer Focused company.
- **Growth** — Grow revenue faster than the market. Build on good performance in improving cash flow. Execute well and with predictability.
- **People** — Retain and attract world-class talent while providing superior opportunities for employee development. Treat all employees with respect. Leverage our diversity efforts as a competitive advantage, continuing Raytheon's leadership in diversity.
- **Productivity** — Improve Return On Invested Capital (ROIC) for Raytheon Company. Take Raytheon Six Sigma™ to the next level, further engaging customers and partners. Deliver greater value and predictability through the Integrated Product Development System (IPDS), Earned Value Management System (EVMS) and Capability Maturity Model® Integration (CMMI®).



## Values

- **People** — Treat people with respect and dignity. Welcome diversity and diverse opinions. Help our fellow employees improve their skills. Recognize and reward accomplishment. Foster teamwork and collaboration.
- **Integrity** — Be honest, forthright and trustworthy. Use straight talk; no hidden agendas. Respect ethics, law and regulation.
- **Commitment** — Honor commitments to customers, shareholders, the community and each other. Accept personal responsibility to meet commitments; be accountable.
- **Excellence** — Improve performance continually. Stress quality, productivity, growth, best practices and measurement. Always strive to be the best.



At Raytheon, respect is everyone's responsibility. We recognize that respect is the foundation for trust, a quality that is important to all of Raytheon's stakeholders. In early 2008, we launched a new company-wide educational campaign, called *Respect*, to reinforce this core value among all of Raytheon's 72,000 employees. Campaign elements include printed materials, video modules and classroom discussions focused on how respect strengthens our company, helps our customers and improves life for everyone around us. Colorful posters and lobby displays bring the campaign's message to visitors as well as employees, underscoring the company's commitment to accountability.

# Governance: Ensuring Independence, Accountability and Transparency

Sound corporate governance provides the structure for overseeing the company's business and operations, and also establishes a foundation for effective stewardship. Raytheon's governance framework emphasizes active and independent Board oversight, accountability to shareholders, highly transparent financial reports and disclosures, and compliance with complex and changing regulatory responsibilities. Raytheon's focus on progressive governance enhances our company's ability to advance the interests of shareholders, customers, employees and the broader community.

Independent leadership is a central element of Raytheon's approach to governance. Under the company's Governance Principles, a substantial majority of the Board should be comprised of independent directors; and the Audit, Governance and Nominating, and Management Development and Compensation committees must consist entirely of independent directors. Each of Raytheon's outside directors qualifies as independent under New York Stock Exchange standards. And since 2002 the company has been led by an independent Lead Director who has clearly defined roles and responsibilities, including working with the Chairman to develop and approve Board meeting agendas.

Accountability to shareholders is another key component of Raytheon's governance framework. Raytheon has enhanced accountability by implementing majority voting in uncontested director elections and requiring the entire Board to stand for election each year. In addition, Raytheon has eliminated its "poison pill" barrier to hostile takeover. The Lead Director is directly accessible to shareholders and other interested persons by e-mail and through the company's website. And Raytheon's stock ownership guidelines for company leaders ensure that directors and officers will identify with shareholder concerns and perspectives.

Robust transparency controls have been established in response to the Sarbanes-Oxley Act of 2002. These controls ensure that information required to be disclosed is appropriately documented, processed, summarized and reported in a timely manner. Raytheon's Disclosure Committee assists senior management in helping to ensure that the company's

disclosures are accurate and complete, fairly reporting Raytheon's financial condition and results of operations in all material respects.

In recognition of its exemplary corporate governance practices, our Board of Directors was named the 2008 "Board of the Year" by the National Association of Corporate Directors — New England Chapter.

## STEWARDSHIP AND SOCIAL RESPONSIBILITY

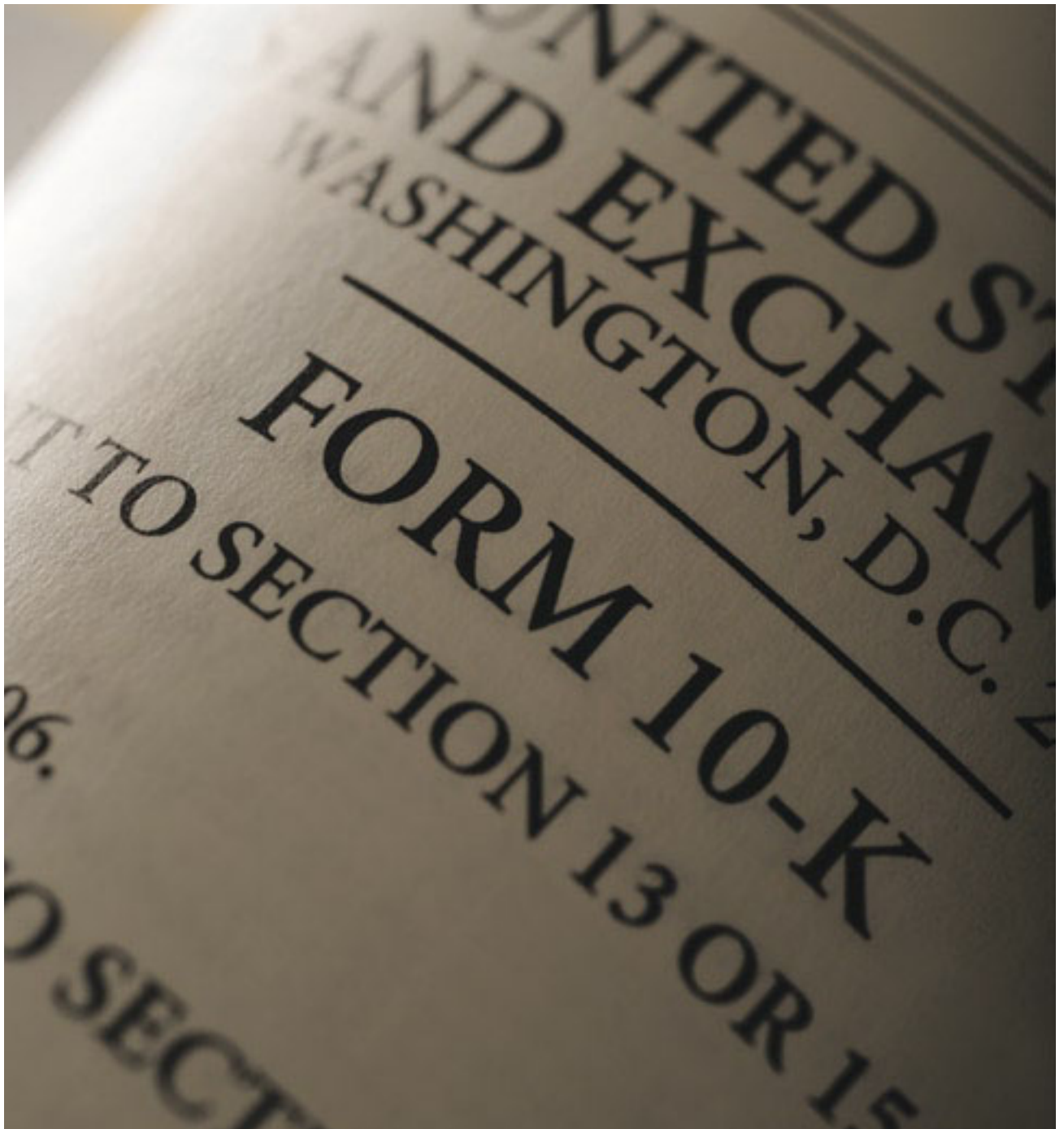
Among the committees of our Board of Directors, the Public Affairs Committee plays a central role in matters relating to social responsibility and stewardship. Unlike the Board committees responsible for matters related to audit, executive compensation and governance, the Public Affairs Committee is not a mandated committee. It was established in 2002 at the discretion of the Board to review policies and practices, and monitor compliance, in areas of legal and social responsibility. These areas include environmental protection, health and safety, ethics, export-import operations and compliance, and emergency preparedness.

At each of its meetings, the Public Affairs Committee also receives detailed reports containing Company performance metrics in these areas. These reports provide consolidated performance metrics for the Company as a whole, as well as data corresponding to the individual business units. Examples of information provided in these reports include:

- > *Environment, Health and Safety*: recordable injuries, lost workdays due to injuries, hazardous waste, solid waste and waste recycling
- > *Export-Import*: licenses applied for and granted, incident reports, voluntary reports submitted to regulators and corrective actions taken
- > *Ethics*: nature and volume of contacts, investigation results, disciplinary actions, financial impact and education units completed

We encourage you to visit our website, [www.raytheon.com](http://www.raytheon.com), to learn more about our corporate governance practices.





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The U.S. Securities and Exchange Commission's Form 10-K provides a comprehensive overview of a publicly held company's business operations and financial performance. Raytheon's Form 10-K for 2007 is included in its 2007 Annual Report, which provides additional information for shareholders, customers, employees, analysts, community audiences and other stakeholders. Raytheon's 2007 Annual Report can be found at [www.raytheon.com](http://www.raytheon.com).

# 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.

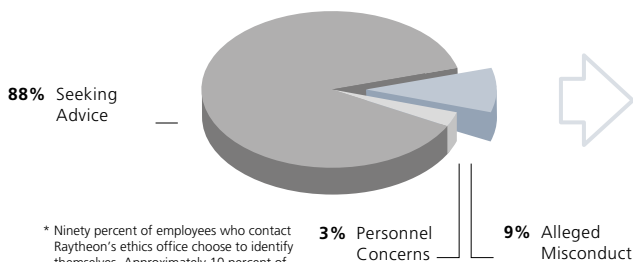
## EMPLOYEE FEEDBACK

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.

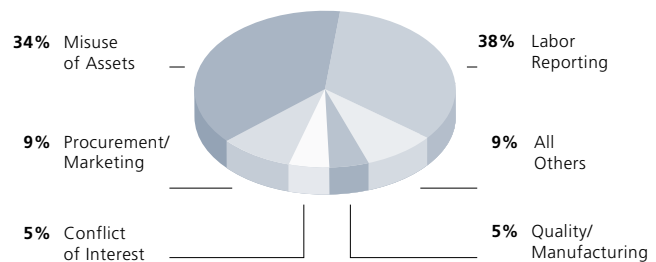
## INVESTIGATIONS AND RESULTS

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.

# Excellence in Engineering: NoDoubt Performance

Raytheon products perform vital, complex functions in times of war and peace. Their mission-critical roles require them to work flawlessly across an extraordinary range of operating conditions, so Raytheon customers will be able to deploy them with absolute confidence in their effectiveness. This is the meaning and purpose of Raytheon's commitment to NoDoubt Mission Assurance. It is also the focus of a comprehensive set of process management disciplines built on decades of Raytheon leadership in engineering, manufacturing and customer service. Our entire Mission Assurance team, consisting of groups focused on Engineering, Technology and Research, and Operations and Performance Excellence, works aggressively to ensure the best possible products and processes.

## INTEGRATED SYSTEMS, TOOLS AND METRICS

In every mission, multiple systems must work seamlessly together to meet a common goal. Through Mission Systems Integration, Raytheon uses its broad domain knowledge and advanced systems engineering capabilities to identify, synthesize and deliver all the elements to meet customers' urgent mission needs. In the same way, we take an integrated approach to the internal challenges of developing, manufacturing and supporting the systems and solutions our customers will depend on. We drive this approach by utilizing our core Integrated Product Development System process and a combination of proprietary tools and internal and external metrics, including:

> *Capability Maturity Model Integration (CMMI)*: This process improvement model established by the government, industry and the Software Engineering Institute provides a framework for organizations to create common processes that can drive consistent, predictable,

cost-effective results. In 2007, Raytheon's Network Centric Systems became the first organization in Raytheon and one of the first organizations in the world to receive the highest maturity rating of CMMI Level 5 on an enterprise-wide basis.

> *Raytheon Certified Architect Program*: Since 2004, Raytheon has been training and certifying system architects to meet the emerging design challenges of next-generation, net-centric mission-based solutions. Raytheon's Information Architecture curriculum exposes students to the full range of military, civilian and industry frameworks for developing and evaluating system architecture, giving them new ways of thinking about systems in support of customers' long-term transformational goals.

> *Raytheon Six Sigma (R6σ®)*: This integrated knowledge-based management system is our primary vehicle for increasing productivity, growing the business and creating a customer-focused culture that embraces teamwork and continuous improvement. Through benchmarking, cultivation of best practices and bringing people together for training and transformation, R6σ empowers Raytheon businesses to maximize value to customers.

Where appropriate, we encourage employees to apply their expertise to challenges outside our organization. In 2007, a Raytheon team brought R6σ disciplines to a Rhode Island retreat focused on helping people with disabilities overcome barriers to employment. The event was hosted by Rhodes to Independence, a regional nonprofit, in conjunction with the University of Rhode Island's College of Pharmacy. Participants included educators, service providers and policy makers, among them the first and only quadriplegic elected to Congress, a representative from Rhode Island.



The Engineering, Technology and Mission Assurance insignia reflects the organization's vision — a highly efficient, innovative, accountable and diverse group integrating technology, engineering, operations and performance excellence within the businesses and across Raytheon to enable value creation and Mission Assurance for our customers.



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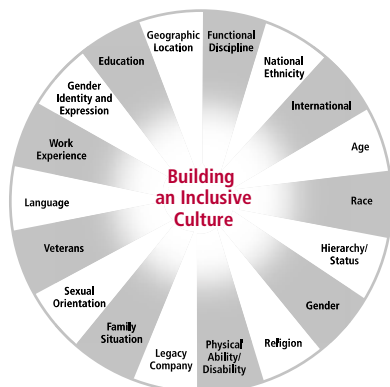
Since 2004, Raytheon has been honored eight times with the Shingo Prize, one of the premier manufacturing recognition programs in North America. In 2007, two Raytheon businesses won Shingo awards, one national and one regional. The tall obelisk in the photograph above represents the national Shingo Prize for Excellence in Manufacturing, awarded to Missile Systems' Louisville, Ky., facility.

# Diversity: Instrument of Innovation

## BUILDING AN INCLUSIVE CULTURE

At Raytheon, increasing diversity is a natural outgrowth of a culture of respect. It is also a top corporate priority and an important instrument of competitive advantage. At every level, we strive to create an atmosphere in which people feel valued and empowered to perform at their peak regardless of age, race, gender, sexual orientation, family history or physical condition. We believe that our inclusive culture is a key factor in our ability to retain and attract the best talent. Our objective is not just to accept our differences, but to make sure everyone understands the value of our differences.

We use the Diversity Wheel to symbolize the breadth of the qualities that make our culture vibrant and distinctive. By embracing and drawing on our differences, we encourage innovative thinking and create a broader foundation for future growth.



## 2007 HIGHLIGHTS

In 2007, our diversity journey continued to gain momentum. We released Diversity 7.0, our newest generation of resources and tools to support the

integration of diversity and leadership competencies throughout the company. As part of that release, we launched a new diversity intranet and expanded our enterprise-wide education and communication programs.

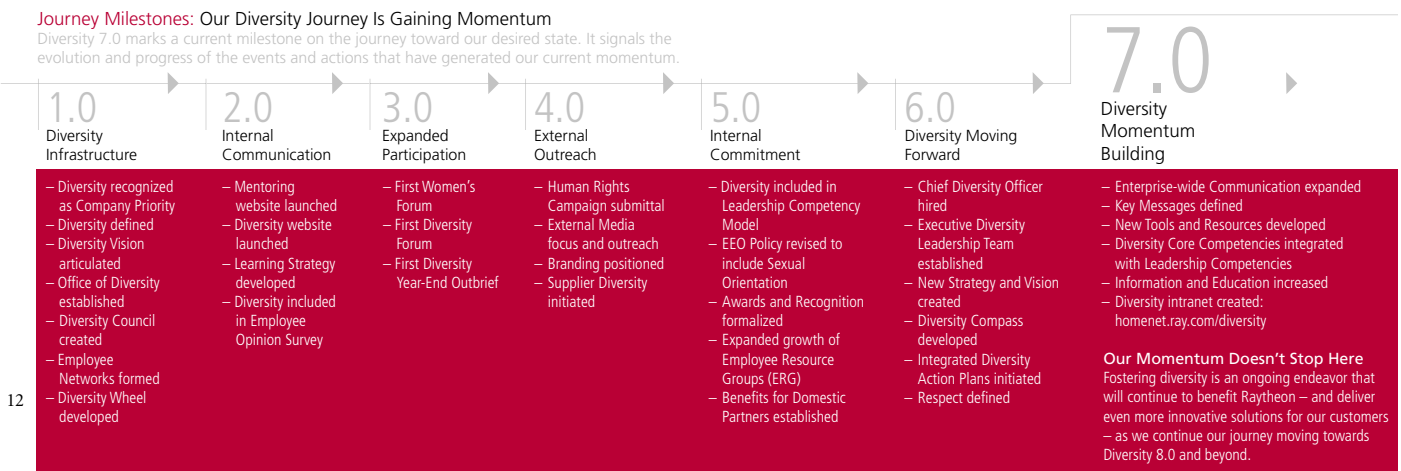
We also introduced a national advertising campaign portraying Raytheon's commitment to diversity. Each ad in the campaign shows Raytheon employees in a real-life situation where diversity enriches their perspective and sparks innovative thinking. The campaign appears in a range of top-tier business, minority and engineering publications.

Even more important, we continued to make progress in achieving a more diverse workforce. Since 2003, the number of women in our leadership ranks has increased by 15 percent, and the number of people of color in leadership roles has risen 27 percent. In 2007, all six Raytheon businesses exceeded their internal hiring targets in under-represented groups with respect to both new college graduates and professional hires. Extending this progress further is fundamental to our concept of stewardship.

## SUPPLIER DIVERSITY

In an effort to expand the reach of our diversity efforts, Raytheon has also worked diligently to increase the ranks of its diverse suppliers. We have sought to enhance opportunities for service-disabled, small-, minority-, women-, and veteran-owned businesses. In 2007, Raytheon's purchases from service-disabled businesses totaled \$33 million; its purchases from small disadvantaged businesses totaled \$257 million; and its purchases from veteran-owned businesses totaled \$214 million. By encouraging supplier diversity, Raytheon strengthens its access to the widest possible range of resources to meet customer needs.

**Journey Milestones:** Our Diversity Journey Is Gaining Momentum  
Diversity 7.0 marks a current milestone on the journey toward our desired state. It signals the evolution and progress of the events and actions that have generated our current momentum.





Members of the Raytheon American Indian Network (RAIN) at a MathMovesU (MMU) event in Albuquerque, N.M. This is one of many that Raytheon sponsored in 2007 to showcase “cool” things people can do with math and science. Studies show that many students lose interest in math in middle school, a dangerous trend for our nation’s economy. In the last two years, Raytheon has invested more than \$5 million to turn the tide through programs such as MathMovesU, MATHCOUNTS, *FIRST* Robotics Competition and *FIRST* LEGO.

# Safety and Wellness: Improving Life for Employees and Their Families

Nowhere is Raytheon’s principle of respect more evident than in its comprehensive array of programs to ensure employees’ safety, promote health and wellness, and help employees and families balance work and home commitments. The goal of these programs is to enhance the quality of life for the entire Raytheon community. Internal studies, employee survey responses and external benchmarks show that the programs are achieving this goal.

## PROTECTING PEOPLE

Worker safety is critically important in everything we do. Raytheon’s safety programs are driven by a strong commitment from top-level management, and safety practices are a core component of every business. Leaders and employees at all levels are actively involved and held accountable for fulfilling their safety responsibilities.

Raytheon has made significant progress toward the ultimate goal of an injury-free workplace by implementing world-class safety programs and processes. Since 1998, we have reduced our Occupational Safety and Health Administration (OSHA) recordable injury rate by 75 percent and our lost workday injury rate by 66 percent. For 2007, our OSHA recordable injury rate was 0.77 per 100 employees, and our lost workday injury rate was 0.22 per 100 employees. In 2007, we had 564 recorded injuries and of those, 160 were categorized as lost workday injuries. We are determined to continue to improve these numbers. Steps taken in 2007 included:

> **Hazard Risk Assessments:** Musculoskeletal or “soft tissue” injury is by far the most common type of injury. These injuries typically result from repetitive motion, lifting, lowering, carrying or pushing/pulling.

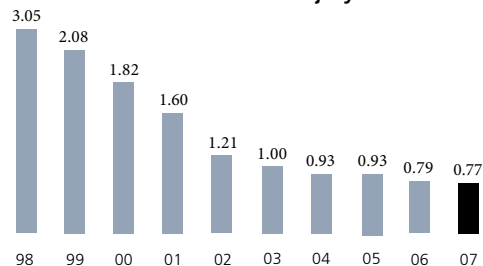
In 2007, online ergonomic risk assessment surveys were conducted spanning 15,000 computer workstations and 1,300 industrial tasks. To assess other risks, we undertook a web-based, enterprise-wide Job Hazard Analysis process based on internally developed protocols. More than 1,700 Job Hazard Assessments were conducted in 2007. In addition, we partnered with Liberty Mutual to conduct Qualitative Risk Assessments of certain chemical processes. More than 1,900 Qualitative Risk Assessments were completed in 2007 with the potential to reduce chemical exposure risks for over 12,000 employees.

We are now working to resolve risks identified in all three types of assessments, and we are tracking mitigation measures for review by senior management and the Board of Directors.

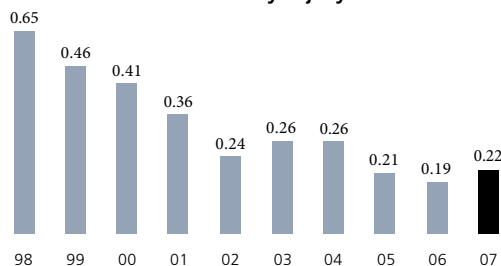
> **Employee Opinion Survey:** In the 2007 Employee Survey, 87 percent of all respondents agreed that safety is a priority at Raytheon. We are pleased with the result, but we are not yet satisfied. We feel participating in OSHA’s Voluntary Protection Program (VPP) will help us drive continuous improvement in our safety performance.

> **OSHA Voluntary Protection Program:** A new dimension of our safety program is the pursuit of OSHA VPP certification for selected locations, which entails a rigorous process and proactive employee involvement. In 2007, we achieved OSHA VPP Star Certification at our third company site, the Missile Systems Rita Road facility in Tucson, Ariz. The first two sites are the Raytheon Technical Services Company site at the Houston Space Center and the Intelligence and Information Systems Facility in Aurora, Colo.

OSHA Recordable Injury Rate



Lost Workday Injury Rate







Children can be powerful advocates for responsible conduct, as shown by two poster contests sponsored by Raytheon businesses in 2007. Workplace safety was the focus in Krasnoyarsky Krai, Siberia, where a Raytheon Technical Services team partnered with local school children to promote safe practices at the construction site for a new power plant. The program proved so successful that it is now expanding to all the schools in the surrounding area. A separate environmental poster campaign in the U.S. drew more than 250 entries from children of Raytheon Integrated Defense Systems employees, which were then made available for viewing on an external website.

> **Ensuring compliance:** Our global responsibility is to ensure full compliance with all environmental, health and safety laws and regulations, as well as internal Raytheon policies and standards. In 2007, federal, state and local regulatory agencies conducted 79 environmental and safety inspections of Raytheon operating locations. Eighteen notices of violations (NOVs) were issued, 11 related to environmental management and seven related to safety issues. Two of the safety NOVs resulted in fines totaling \$2,600 and an environmental NOV resulted in a fine of \$12,000. Corrective actions for all the NOVs have been completed. We perform a thorough root-cause analysis for each NOV and share “lessons learned” across the company to prevent recurrence.

## RESOURCES FOR A HEALTHIER LIFE

Raytheon Wellness is a comprehensive health and wellness initiative offered to Raytheon employees and their families to encourage healthy lifestyle choices. Our wellness solution has three components: Assess, Act, Achieve.

> **Assess:** All employees have access to a free, confidential health risk assessment, *HealthQuotient™ (HQ)*, which includes an in-depth report on their personal health risks and the potential benefits of new choices in areas such as nutrition, exercise and weight management.



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Active for Life is a 10-week program that promotes health awareness and physical fitness. It's designed for people at all levels of activity — from someone who is inactive to someone who goes to the gym regularly. Active for Life combines individual and group strategies to help people make lifestyle changes.

> **Act:** Once participants have assessed their health risks, they have access to numerous programs and resources to help them take charge of their health. Examples include:

**FITNESS** - On-site fitness centers and off-site discounts, walking routes, online exercise programs, Active for Life and other annual campaigns.

**NUTRITION** - Healthy choices in dining centers and vending machines plus an online nutrition program.

**WEIGHT MANAGEMENT** - Many sites offer Weight Watchers® At Work, as well as At Home kits, local meeting vouchers and online weight management through WebMD®.

**STRESS MANAGEMENT** – LifeResources coaching and counseling, and online tools through WebMD.

**TOBACCO CESSATION** – The Quit for Life™ program combines telephonic counseling and nicotine replacement therapy for employees and their spouses.

**GENERAL PREVENTION** - The WebMD *health manager*® website offers a free online HealthQuotient risk assessment, which can be completed in just 15 minutes and provides guidance to targeted wellness programs in the areas of stress management, weight management, exercise, nutrition and tobacco cessation. With prize incentives for participation, WebMD *health manager* makes it easier than ever for employees to make healthy lifestyle choices. In addition to employees, family members may also be eligible for coverage under several popular programs, including the American Cancer Society Quitline® and Weight Watchers as well as WebMD *health manager*.

> **Achieve:** Raytheon offers a variety of incentives to promote participation and employee engagement in managing their health. In 2007, six employees won special awards for participating in HealthQuotient.

## INTERNATIONAL TRAVEL AND DEPLOYMENT

Through the Travel Health Program, Raytheon Global Health Resources (GHR) consults with employees traveling internationally and recommends preventive measures. In 2007, GHR provided travel counseling to over 800 employees, with additional counseling to those traveling to high-risk countries.

GHR provides support to Raytheon businesses that deploy employees internationally to ensure fitness for duty and access to high standards of care while they are abroad, as well as meeting contract medical requirements. GHR also actively manages international cases involving disability or medical evacuations—including, in 2007, 37 international disability cases and four medical evacuations. All totaled, GHR handled 622 international deployments last year.

## EXPANDED WORK/LIFE PROGRAMS

Raytheon's robust offering of work/life resources and services has grown over the past year with new programs addressing the diverse needs of employees and their families.

*LifeResources Coaching* has rapidly become a very popular program, as employees have embraced its easy access and flexible array of free services to help manage personal and professional concerns.

September 2007 marked the debut of *Connect and Join*, a new online resource for families of military personnel deployed overseas. Features include secure e-mail, journals, a secure web page for posting photos, and other convenient services to help families stay in touch. To date, 140 families have participated.

Finally, in cooperation with Bright Horizons, Raytheon launched the *Back-Up Care Advantage Program*, with a New England pilot in 2007 and a companywide rollout in early 2008. Back-Up Care provides subsidized emergency care for families whose regular arrangements for children or elders break down. The program provides replacement care within three to four hours so that employees don't have to use personal time off when their regular care arrangements aren't available. The pilot study surpassed its goal of a 90 percent success rate.

# Energy and the Environment: Reducing Consumption and Waste

At Raytheon, stewardship starts in the workplace but extends far beyond. We show respect for our external environment by eliminating pollution and waste, minimizing the use of water and other natural resources, maximizing reuse and recycling and working steadily to reduce our carbon footprint. We work regularly with customers, suppliers, partners, industry and government leaders, academic researchers and neighbors to devise and implement solutions that work for the business and protect the world around us. We strive to integrate energy efficiency and environmentally friendly behavior into the daily practice of every Raytheon business.

In 2007, we pursued a variety of infrastructure and process improvements to fulfill these responsibilities. Among them were innovations in information technology and environmental education and a new requirement that energy metrics be incorporated into all future building proposals. Our progress led to local, regional and national recognition, including the 2007 ENERGY STAR® Partner of the Year Award from the U.S. Department of Energy and the U.S. Environmental Protection Agency. We also ranked #1 among aerospace and defense companies on *Corporate Responsibility Officer* magazine's list of the "100 Best Corporate Citizens."

## MAKING MANUFACTURING LEAN AND GREEN

Economy of production and good stewardship go together in lean manufacturing practices, which minimize waste, cost and energy consumption. One measure of Raytheon's success as a lean manufacturer is that since 2004, we have been honored eight times with the Shingo Prize, one of the premier manufacturing recognition programs in North America. In 2007, Raytheon received two Shingo

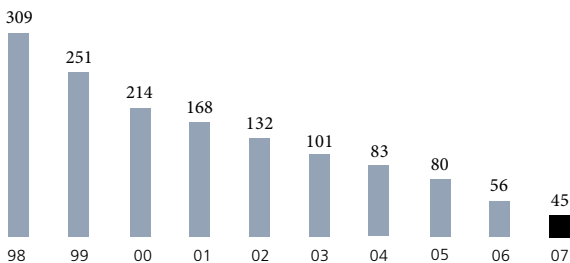
awards: Missile Systems' Louisville, Ky., facility received a national Shingo Prize for Excellence in Manufacturing, and Integrated Defense Systems' Seapower Capability Center in Portsmouth, R.I., received a Northeast Shingo Gold Prize for Excellence in Manufacturing.

In addition to efficiency gains, we also rigorously pursue ways to eliminate the use of potentially harmful chemicals in our products and manufacturing processes. In 2007, Raytheon teams held internal summits on lean manufacturing and energy. Insights from these summits have resulted in improved measures to eliminate materials restricted or prohibited by European Union standards. Raytheon also continues to invest in alloys and processes to implement greener manufacturing methods. By using powder coatings to provide corrosion resistance instead of traditional wet coatings, we have avoided the production of volatile organic compounds and hazardous waste.

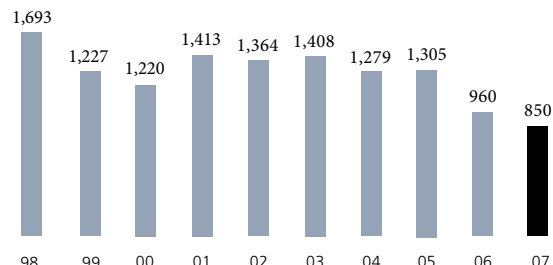
## POLLUTION PREVENTION AND WASTE REDUCTION

In our companywide effort to prevent pollution and preserve natural resources, we continue to work toward zero waste generation and the recycling or reuse of waste we cannot eliminate. Since 1998, Raytheon has reduced hazardous waste by 85 percent per billion dollars of revenue. In 2007 alone, we reduced hazardous waste by 20 percent to 45 tons per billion dollars revenue. We generated approximately 1,200 tons of hazardous waste, of which 82 percent was recycled, blended into fuels, treated or incinerated.

Tons of Hazardous Waste Generated / \$B Revenue



Tons of Solid Waste Generated / \$B Revenue





Raytheon's Warfighter Protection Center in Huntsville, Ala., has lived up to its environmental promise — and then some. The 143,000 square-foot facility became a symbol of earth-friendly design when it achieved a Silver rating from the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED®) program. This is the first building in Alabama to receive this rating. Equally important, after a year of use, employees have discovered that it's also a great place to work, with innovative workspaces and state-of-the-art systems that provide a welcome break from traditional "cubicle-farm" layouts. As a result, while saving energy every day, it's unleashing new energy on the part of the people inside.

Since 1998, Raytheon has reduced its solid waste per billion dollars of revenue by 50 percent, with an 11 percent reduction last year. In 2007, we generated approximately 19,550 tons of solid waste and recycled 58 percent, or 11,300 tons. By recycling that waste rather than placing it in landfills, we saved approximately 30,000 metric tons of carbon dioxide equivalent greenhouse gas (GHG) emissions (using the Environmental Protection Agency's "Waste Reduction Model").

We continually seek ways to reduce waste. For example, we are currently working with dining centers at our major locations to develop waste reduction and recycling plans. We have partnered with our dining center supplier to implement organic waste recycling programs at several New England locations. We intend to expand this partnership across the company.

Waste metrics are collected monthly and reported quarterly to our Board of Directors.

**ENVIRONMENTAL, HEALTH AND SAFETY AUDITS**

Raytheon's robust internal Environmental, Health and Safety (EHS) audit program performs an average of 25 audits per year to assess compliance with governmental and company EHS requirements. Major operating locations are typically audited every three to five years. Sites are assessed based on five established protocols: EHS Management Systems, Asset Protection, Industrial Hygiene, Environmental and Safety. Locations are prioritized for audits based upon risk and the complexity of their operations. A corporate staff member leads each audit team, which includes members from multiple operating locations. Audit results are reported up through the business presidents and to the CEO.

**ENVIRONMENTAL SUSTAINABILITY PROJECTS**

To encourage environmental sustainability activities throughout the company, we established a companywide goal to perform over 160 environmental sustainability projects during 2008. Information regarding the projects will be collected monthly and reported quarterly to senior management and our Board of Directors. There are many types of sustainability projects, including: procurement of green products (recycled paper, eco-friendly cleaning supplies, computers, etc.), reducing the use of GHG chemicals, improving fuel efficiency and increasing the use of alternative fuels.

**ENVIRONMENTALLY RESPONSIBLE RESTORATION**

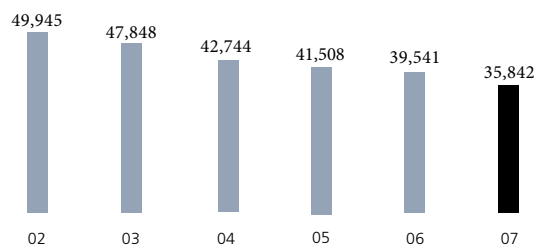
Raytheon invests significant resources in the responsible cleanup of past environmental contamination. An established remediation leadership team of company professionals continually evaluates remediation technologies to limit the risks to human health and the environment and to reduce program costs. Raytheon is involved in 45 active remediation sites, with a future combined cost estimate of \$149 million (present value of \$99 million before recovery). The 45 sites include 25 former and ten current operating locations, as well as ten third-party landfill or recycling locations. Eight of the 45 sites are classified as Federal Superfund sites, one is a former operating location and seven are third-party landfill or recycling operations.

**CLIMATE AND GREENHOUSE GAS EMISSIONS**

Climate change and the role of GHG emissions are important environmental, economic and social issues that have gained worldwide attention. Raytheon has been tracking its GHG emissions since 2002 and has



**Metric Tons of Greenhouse Gas Emissions / \$B Revenue\***



\* Revenue dollars are adjusted for inflation.

taken actions to reduce them. In 2002, Raytheon joined the U.S. EPA's Climate Leaders program as a charter member. Climate Leaders is a voluntary industry/government initiative that requires participating companies to set long-term GHG reduction goals and develop comprehensive GHG inventories based on standards developed by the World Resources Institute and the World Business Council for Sustainable Development. Raytheon set an aggressive goal to reduce GHG emissions by 33 percent from 2002 to 2009, normalized by revenue. By the end of 2007, we achieved a 28 percent reduction toward this goal. Since 2002, we have avoided cumulatively over 140,000 metric tons of carbon dioxide equivalent GHG emissions.

Raytheon owns or leases approximately 200 facilities in the United States. Of those, ten generate over 60 percent of total company GHG emissions. More than 90 percent of Raytheon's GHG emissions are attributable to its energy consumption, primarily from purchasing electricity from third-party power plants, and the burning of natural gas to heat buildings. Raytheon has had a vigorous energy conservation program since the 1970s and continues to accelerate its efforts.

#### **ENERGY CONSERVATION FOR A COMPETITIVE ADVANTAGE**

Raytheon's enterprise-wide *Energy Conservation for a Competitive Advantage* program achieved higher levels of participation and exceeded all goals established in 2007. We curbed electricity consumption by approximately 10 percent adjusted for business growth, saving approximately \$9 million or enough electricity to power some 10,000 homes for a year. Since 2002, Raytheon has reduced overall energy consumption 11.7 percent while revenues have risen 45 percent. Highlights in 2007 included:

- > Developing a new Energy Citizen program and qualifying 1,400 people
- > Increasing our Energy Champion network to 1,500 members
- > Applying Six Sigma focus to energy challenges through our Enterprise Energy Team



Raytheon Space and Airborne Systems' Energy Team celebrates Earth Day in El Segundo, Calif.

- > Engaging 300 of our largest suppliers and vendors in energy conservation programs
- > Encouraging suppliers to become ENERGY STAR and Climate Leaders partners
- > Working with internal organizations to design, develop and manufacture more energy-efficient processes and products
- > Winning an Energy Efficiency Award in California's fifth annual Flex Your Power Awards and a U.S. EPA New England Environmental Merit Award

Through our Energy Champion training, we encourage employees to embrace an energy conservation culture and become change agents both at work and at home. Energy Champions continually seek out energy reduction opportunities, implement concepts that work, share their enthusiasm and challenge others to be equally proactive.



#### **ENERGY CONSERVATION SUMMIT 2007**

Raytheon Chairman and CEO William H. Swanson gave the opening remarks at the company's Energy Conservation Summit 2007. The summit profiled each business's programs and progress in energy management and highlighted additional opportunities in the areas of supplier engagement, energy procurement, green buildings and facility upgrades, renewable energy applications and employee engagement.

# Supporting Our Communities: Strategic Giving for a Stronger Impact

Raytheon has a long history of community service and charitable giving. We take an expansive view of community, including the places where we live and work and strategic constituencies that complement our business. To maximize our impact, we focus our contributions on these areas and encourage employees to align their volunteerism with corporate giving priorities.

## MATH AND SCIENCE EDUCATION

As a provider of world-class technology, we have a special interest in nurturing innovation and discovery in future generations. Raytheon-sponsored math and science initiatives address needs at every level from elementary to college and beyond. In addition to grants, scholarships and matching gifts, they include signature programs that have captured the imaginations of thousands of students nationwide:

- > **MathMovesU:** Launched in 2005, this Raytheon program was created to help improve math scores among American middle school students. This year *MathMovesU.com* took on added functionality and a new look, integrating education, music, sports and fashion into a dynamic interactive experience. Raytheon also staged nearly 100 live MathMovesU events in cities and towns across America and awarded over \$1 million in scholarships and grants in 2007.
- > **FIRST Robotics:** This high-profile competition offers high school students a real-world engineering challenge, leading to moments of high drama at regional and national tournaments. In 2007 Raytheon supported 23 FIRST Robotics Competition teams, helped by 75 employee volunteers. For middle school students, Raytheon-sponsored FIRST LEGO tournaments, creating comparable excitement.

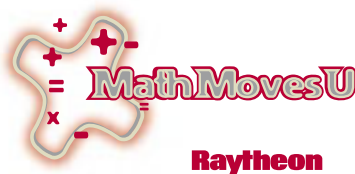
- > **MATHCOUNTS:** Raytheon sponsors MATHCOUNTS competitions at the local and national levels. Employee volunteers also participate as coaches, judges and event coordinators.

## SUPPORT FOR THE ARMED FORCES

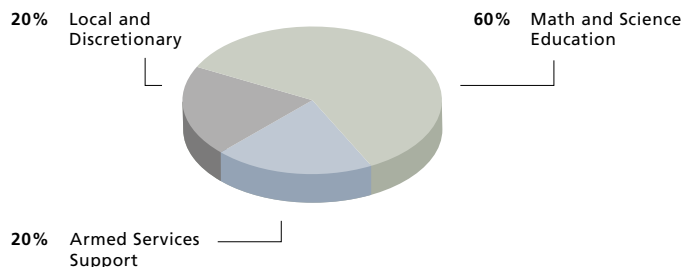
Raytheon's support for active-duty military personnel, veterans and families draws on a long tradition of service and admiration. In 2007 Raytheon's Fund in Support of Our Troops added the Veterans of Foreign Wars and the Armed Forces Emergency Services of the American Red Cross to its list of grantees. Working enterprise-wide, we collected goods and prepared more than 1,000 packages for warfighters through *AnySoldier.com*; conducted a toy drive for families of deployed soldiers; dispatched "Welcome Home!" teams to greet returning troops at airports; and helped to create scholarships for the children of U.S. Marines.

## LOCAL DISCRETIONARY PROJECTS

Raytheon targets a portion of our philanthropic support to the communities where we live and work to provide funding and resources to numerous organizations, from local branches of national programs such as Walk for Hunger, Relay for Life and Special Olympics to neighborhood food banks and school volunteering programs. We also host events that enable communities to draw on specialized Raytheon expertise including first-responder emergency preparedness exercises and workshops that utilize Six Sigma disciplines to help address career barriers faced by people with disabilities.



2007 Raytheon Strategic Giving







For more than ten years as part of Raytheon's commitment to education, the company's engineers throughout the U.S. have mentored teams of 10 to 20 high school students to design and build remote-controlled robots for the *FIRST* Robotics Competition. To help students discover how interesting the life of engineers can be, Raytheon engineers contribute hands-on guidance and encouragement as teams prepare for regional and national competitions. In 2007, Raytheon supported more than 20 FRC teams including the TorBots from Torrance, Calif. (pictured), who competed in the Raytheon-sponsored Los Angeles FRC Regional.

# Building for the Future: Integrating Stewardship and Success

We are proud of our 2007 achievements in stewardship. We believe they not only support Raytheon's strategy and values, but demonstrate that good stewardship is good for business. At the same time, we recognize that our progress to date marks only one stage on the path of continuous improvement. To build on it, we must also build for the future of the company by cultivating the next generation of leadership at every level. We do this through a multi-pronged approach that combines formal and informal training of Raytheon employees with systematic outreach to colleges and universities through research partnerships and special projects.

## LEADERSHIP DEVELOPMENT PROGRAM



Nearly 500 current Raytheon managers and professionals are graduates of our Leadership Development Program (LDP). This two-year program constitutes a strategic early-career component of an integrated talent and leadership development architecture reaching all the way from new hires to top business leaders. In a typical year, 135 employees enter the LDP program with a focus on one of eight key functions, from engineering and finance to communications and information technology. Armed with enhanced leadership, networking and functional skills, graduates bring Raytheon values, Raytheon Six Sigma disciplines and a heightened sense of purpose to company operations all over the world.

## RESEARCH PARTNERSHIPS

Hiring and nurturing the best is easier if you already work with the best. From MIT's Institute for Soldier Nanotechnologies to Caltech's Microelectronics Center, Raytheon is partnering with more than 30 academic institutions to advance new technologies and learn from outstanding graduate engineers. An example is Raytheon's work with the Product Realization Network (PRN) at Stanford University, which seeks to accelerate future product flow by integrating commercial and defense-industry development models with next-generation manufacturing methods. Raytheon is the only aerospace and defense company to be a PRN member.

## BUSINESS HIGHER EDUCATION FORUM



Raytheon also partners with advocacy groups committed to expanding the talent pool in science, technology, engineering and mathematics, known collectively as the STEM disciplines. Raytheon Chairman and CEO William H. Swanson serves on the executive committee of the Business Higher Education Forum (BHEF), an organization of CEOs, college and university presidents and foundation leaders working to enhance U.S. competitiveness through innovations in education. In 2006, as co-chair of BHEF's STEM committee, Mr. Swanson helped to launch a two-year project to apply systems engineering methods to model the U.S. education system and develop ways to double the number of STEM graduates in the next ten years. The initial modeling was completed in May 2007; final recommendations are expected in May 2008.

## RAYTHEON SCHOLARS FUND AT THE CITADEL



In early 2008, Raytheon announced another initiative to help increase the ranks and job prospects of talented engineering and science students, with an added focus on diversity. A \$500,000 company contribution marked the establishment of a permanent endowment at The Citadel, South Carolina's renowned military college, to be known henceforth as the Raytheon Scholars Fund. Proceeds from the endowment will support scholarships to women and minorities in a range of engineering and science fields. In announcing the program, Raytheon Chairman and CEO William H. Swanson cited the importance of diversity in meeting the engineering and scientific needs of both Raytheon and the nation.



Volunteerism may be an extracurricular activity, but it's an integral part of Raytheon's Leadership Development Program. In March, members of the Finance Leadership Development Program (FLDP) visited the Boys & Girls Clubs of Tucson, Ariz., to participate in basketball, relay races and games with the children. The opportunity to mentor young members of the community is just one way the FLDP program helps create well-rounded leaders for the company. It not only stimulates an interest in volunteering, but it adds a personal dimension to the company's relationship with its neighbors and commitment to corporate citizenship.

## Awards and Highlights

*Most Admired Companies, Aerospace and Defense* – Raytheon placed #3 on this annual *Fortune* list, and received a third-place ranking overall in the sub-group “Massachusetts Most Admired” list.

*Best Managed Company, Aerospace and Defense* – Raytheon won the top spot in its category on *Forbes* magazine’s tenth annual survey of the “400 Best Big Companies.”

*Board of the Year* – The Raytheon Board of Directors was recognized for exemplary corporate governance practices by the National Association of Corporate Directors — New England Chapter.



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Raytheon was honored with numerous awards in 2007, including recognition as ENERGY STAR Partner of the Year by the United States Environmental Protection Agency and U.S. Department of Energy. Capping this achievement, in April 2008 the company received a 2008 ENERGY STAR Sustained Excellence Award, the highest honor given to ENERGY STAR partners, and the fourth time in eight years that Raytheon has received ENERGY STAR recognition.

## DIVERSITY



*America's Best Places to Work* – In naming Raytheon to this list, The Human Rights Campaign Foundation (HRC) cited the company's perfect score on HRC's Corporate Equality Index.



*Div50* – Raytheon was a repeat winner in *DiversityBusiness.com's* seventh annual salute to the top 50 U.S. organizations for multicultural business opportunities.

## CAREERS & the disABLED

*Private-Sector Employer of the Year* – Raytheon won this distinction from *CAREERS & the disABLED* magazine for its commitment to recruiting, hiring and promoting people with disabilities.



*Secretary of Labor's Opportunity Award* – Raytheon won this prestigious award from the U.S. Department of Labor for its commitment and success in promoting workforce diversity and opportunity.

## ENVIRONMENT



*Waste Wise Partner of the Year* – Integrated Defense Systems' New England-wide solid waste recycling and pollution prevention efforts won this award from the U.S. Environmental Protection Agency after achieving an overall recycling rate of 66 percent.

## INFORMATION TECHNOLOGY AND SECURITY



*CIO 100* – Raytheon was honored as one of *CIO Magazine's* "100 Companies Transforming Business."



*James S. Cogswell Award for Outstanding Industrial Security Achievement* – Intelligence and Information Systems facilities in State College, Pa., and Aurora, Colo., received this award from the Defense Security Service, placing them in the top one percent of nearly 12,000 cleared contractors in the United States.

## OPERATIONAL EXCELLENCE



*Shingo Prize* – Raytheon won two Shingo Prizes in 2007: Missile Systems' Louisville, Ky., facility earned a National Shingo Prize for Excellence in Manufacturing, and Integrated Defense Systems' Maritime Mission Center in Portsmouth, R.I., received a Northeast Shingo Gold Prize for Excellence in Manufacturing.



*CMMI<sup>®</sup> Level 5* – Network Centric Systems became one of the first organizations in the world to receive this prestigious process improvement award on an enterprise-wide basis. Capability Maturity Model Integration (CMMI) is a government/industry framework for engineering process development; Level 5 is CMMI's highest level of recognition for process maturity.

## SAFETY



*VPP Star Award* – In 2007, the Missile Systems Rita Road facility in Tucson, Ariz., became the third Raytheon facility to achieve Star Certification from the Voluntary Protection Program of the U.S. Occupational Safety & Health Administration.



*Occupational Excellence Achievement Award* – Network Centric Systems' Towson, Md., facility won this National Safety Council award for achieving a lost-workday injury rate less than half the industry average.

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