



Focusing on Ethics

Stewardship is about making good decisions with the highest degree of integrity. Companies that have integrated the highest ethical standards into their culture are better run — better for their employees, better for their customers and better for their shareholders.

We are proud of the ethical commitment of Raytheon employees worldwide. Exemplary ethical behavior is

critical to the stewardship of our company's reputation, as well as the relationships we have with a multitude of stakeholders.

Ethics awareness is actively encouraged through a variety of educational initiatives with our Board, our employees, our suppliers and our customers.

Ethics in Our Workplace

Building and maintaining a culture of integrity is highly valued at Raytheon. We reinforce the critical significance of ethical leadership at all levels. Our Board of Directors and senior leadership team receive regular briefings on the ethics program and participate in focused ethics discussions to reflect upon and inspire our culture of integrity. In support of this leadership, we have had a well-recognized ethics and compliance program in place for more than 20 years. The primary program elements of education, counseling and investigation help employees learn and obtain advice on the proper courses of action, while holding each of us accountable for adhering to high ethical standards.

The importance of ethics in the daily work of our employees is emphasized through our extensive ethics education program. The foundation of the program is our Code of Conduct, which articulates rules and policies consistent with our company values. The Code of Conduct was updated and issued to all employees this year, and is being reinforced with a regular series of Web-based “Know the Code” articles designed to explore the real-life application of the code in our workplace.

Ethics Connection

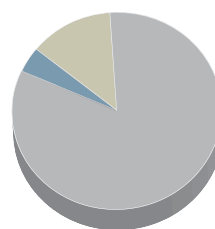
Our Ethics Connection classroom sessions provide an opportunity for all employees to discuss video vignettes based on actual ethics cases, to spot issues and guide ethical decision-making. Our ethics education program also features online compliance modules, which employees are required to access to gain more in-depth knowledge in a variety of topics, many directly related to the defense industry. We have deployed an online ethical leadership education module, which is a required course of study for all levels of supervisors, managers and leaders. This course helps define ethical leadership, illustrates behaviors that demonstrate ethical leadership, and features Raytheon employees discussing their ethical expectations of our leaders.

Ethical Business Conduct

At Raytheon, ethical leadership is a core performance competency and is measured on a regular basis. Our business leaders report ethics program activity, employee opinion survey results and related metrics to review successes, identify areas for improvement and share best practices. In the 2006 sample employee opinion survey, 85 percent agreed that Raytheon is committed to ethical business conduct and 83 percent agreed that top management talks about the importance of ethics and that supervisors set a good ethical example; these were some of the most favorably rated responses in the survey.

Being ethical was rated the top “optimal Raytheon engineer attribute” by 76 percent of 1,100 recently hired Raytheon engineers surveyed in 2006.

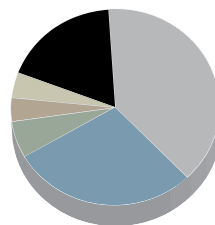
The emphasis we continuously place upon ethical business conduct squarely aligns with Raytheon’s important role supporting our country’s defense and homeland security missions.



1,741 Total Contacts in 2006*

- 83% Seeking Advice
- 13% Alleged Misconduct
- 4% Personnel Concerns

* Ninety percent of employees who contact Raytheon’s ethics office choose to identify themselves. Approximately 10 percent of the calls received remain anonymous.



140 Investigations with Substantiated Allegations in 2006

- 39% Labor Reporting
- 29% Misuse of Assets
- 6% Conflict of Interest
- 4% Records Falsification
- 4% Quality/Manufacturing
- 18% All Others

85%

Eighty five percent of employees polled in our 2006 sample employee opinion survey agreed Raytheon is committed to ethical business conduct.