



Governance and Guiding Principles

Sound corporate governance provides the foundation for effective stewardship and begins with the Board of Directors. The Raytheon Board operates within a progressive governance framework that promotes our company's ability to advance the interests of shareholders, customers, employees and the broader community. Each of Raytheon's outside directors qualifies as independent under standards established by the New York Stock Exchange and set forth in Raytheon's governance principles. All four of the Board's key committees are composed entirely of independent directors.

Since 2002, we have had a strong lead director elected by the Board who has clearly defined roles and responsibilities and works closely with the Chairman and CEO. Our lead director helps formulate Board agendas, leads executive sessions of the Board, and is directly accessible to shareholders by e-mail or through the company website.

These touchstones of progressive governance, coupled with the directors' commitment to transparency and ongoing participation in hands-on ethics and compliance education, set the tone for Raytheon's strong stewardship performance.

Independence and Accountability

Raytheon believes that maintaining contemporary governance practices is a continuing process. In recent years, the Board has adopted a number of best practices to enhance accountability to shareholders. Recent improvements in governance include the elimination of both Raytheon's "poison pill" barrier to hostile takeover and the segmentation of the Board into classes of directors elected to staggered terms. Currently, Raytheon has no "poison pill" and the entire Board is elected annually. In addition, in 2006, we implemented a new by-law providing for majority voting in uncontested elections. Under this by-law, the shareholder votes cast "for" an uncontested Board nominee must exceed the votes cast "against," or the director must submit his or her resignation to the Board. These and other improvements, including robust stock ownership guidelines for directors and executive officers, have established Raytheon as a leader in contemporary governance practices. In recognition of our efforts, Raytheon has received increasingly high scores from leading corporate governance groups, including a recent governance performance rating of outperforming 87.1 percent of companies in the S&P 500 and 98 percent of the companies in our industry grouping.

Transparency

We have also enhanced our transparency procedures in response to the passage of the Sarbanes-Oxley Act of 2002 to 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 company disclosures are accurate and complete and fairly report Raytheon's financial condition and results of operations in all material respects.

Stewardship

Among the Board's committees, the Public Affairs Committee plays the leading role on corporate stewardship issues. The Committee monitors compliance and, when appropriate, recommends new policies to the full Board in the following areas: environmental protection, health and safety, ethics, regulatory compliance, charitable contributions and community relations, government relations, crisis management and emergency preparedness. Additionally, the Committee identifies and brings to the attention of the Board current and emerging public policy trends and issues affecting Raytheon and our various constituencies.

Raytheon constantly strives to ensure contemporary, balanced and transparent corporate governance, and thereby sets the stage for exemplary corporate stewardship.



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** positions.
- 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 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.