



Putting People First

The talent of our people is one of Raytheon's major strengths. Valuing our employees begins with providing a safe, healthy and dynamic work environment. Our goal is to have an injury-free workplace and to make Raytheon one of the safest places in the world to work. Our responsibilities also extend beyond workplace safety to the health and well-being of our employees and their families. We offer a variety of health and wellness programs to assist with the mental, physical, emotional and social aspects of life, and we help employees find a more effective balance

between the demands of work and home in order to enhance the quality of life for the entire Raytheon community.

We also strive to create an atmosphere where everyone feels valued and empowered to perform at peak level. We are mindful of the many ways people are different, including but not limited to age, race, gender, sexual orientation or physical ability. To retain, develop and attract the best talent, it is essential that we continue our journey of inclusiveness. Over the past decade, we have made progress toward our goal to be a global leader in diversity.

Health and Wellness

Raytheon's Health and Wellness program is designed to encourage healthy lifestyles while helping employees and family members stay healthy, avoid risk and manage disabilities and illnesses. With these issues in mind, we have targeted wellness programs in five areas:

Physical Activity: We offer numerous programs and facilities to promote physical activity among our employees. Our onsite fitness centers, onsite health centers and walking routes are used regularly by thousands of employees worldwide.

Nutrition: A variety of Raytheon programs offer advice on good nutrition. In 2007, we will launch a health risk assessment program. All employees will be invited to participate in this confidential, Web-based program. The goal is to help employees and their families understand their major health risks and periodically measure their status.

Weight Management: Raytheon has joined forces with Weight Watchers® to bring employees special savings on weight loss solutions. During 2006, approximately 800 Raytheon employees who participated in the Weight Watchers at Work program lost a combined total of 8,360 pounds.

Tobacco Cessation: Our tobacco cessation program offers employees access to counseling and nicotine replacement therapy to assist them in quitting tobacco habits. Many of our employees said they wanted to quit smoking but could not because their spouse or domestic partner also smoked. In response, we added spouses and domestic partners to the program.

Stress Management: We offer a variety of services to our employees to help reduce stress and enhance productivity and happiness, both on and off the job. Designed to meet diverse employee needs, these services range from onsite workshops and webinars to a robust work/life program.

Work/Life Resources

Juggling commitments at work and home is no easy task. Raytheon's Work/Life program offers employees support in relieving stress, coping with loss or change, finding child or elder care resources, managing personal or work relationship problems, and dealing with legal and financial concerns. Ongoing efforts to support our employees in better balancing their work and personal lives include telecommuting, compressed work weeks and flex time.

In 2006, we introduced an online personal coaching pilot program, LifeResources, for employees and family

members. This pilot program was very successful; a follow-up survey showed that 90 percent of participants rated their experience as either "excellent" or "very good." As of January 2007, LifeResources personal coaching is available to all eligible Raytheon employees and their family members.

In addition, professional counselors are available any time, day or night, either over the phone or face-to-face, to consult with employees and family members about all kinds of issues. Employees and family members can receive up to eight counseling sessions per issue, per year, at no charge. All services are confidential.

Raytheon Garners the Gold for Promoting Health Efforts

In 2006, the National Business Group on Health selected Raytheon as one of 33 companies that promote a healthy workplace.

Winners of the Best Employers for Healthy Lifestyles Awards were honored in one of three categories: Platinum, Gold and Silver. Raytheon was honored in the Gold category for creating cultural and environmental changes that support employees who are committed to long-term behavior changes. These efforts to promote healthy living are just another way Raytheon aims to be an employer of choice.

90%

Ninety percent of survey participants rated Raytheon's online personal coaching pilot program as either "excellent" or "very good."

Safety First

(See adjacent charts and related notes.)

Raytheon's safety programs are driven by a strong commitment from top-level management. Safety practices are a core component of every business and throughout the entire organization. Leaders and employees at all levels are actively involved in the programs and are held accountable for fulfilling their safety responsibilities.

We have made significant progress toward our goal of an injury-free workplace by implementing world-class safety programs and processes. Since 1997, we have reduced our Occupational Safety and Health Administration (OSHA) recordable injury rate by 78 percent and our lost workday injury rate by 74 percent. For 2006, our OSHA recordable injury rate was 0.79 per 100 employees, and our lost workday injury rate was 0.19 per 100 employees. These metrics are among the best we have ever achieved, but we are still not satisfied. In 2006, we had 591 preventable injuries, 144 of them serious enough to keep an employee out of work the next day.

Safety Risk Assessments: The most common injuries are ergonomic-related, slips and trips, and hand lacerations. In 2007, we will use additional tools to assess risk and reduce injuries, including a Web-based process to assess job hazards across the company.

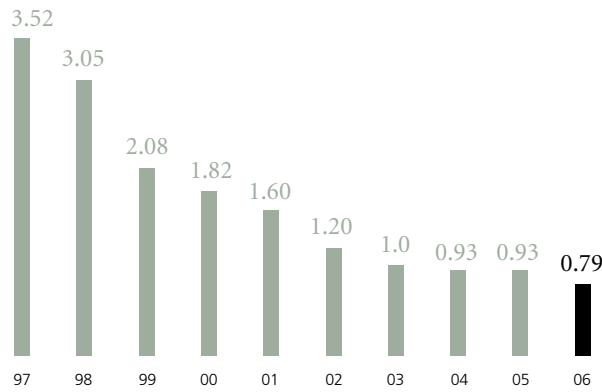
Ergonomics: Ergonomic injuries include those caused by pushing, pulling, lifting, lowering, carrying or engaging in repetitive motion. Since roughly one-third of our injuries are ergonomic-related, reducing these injuries will continue to be a major focus during 2007. An internal team has developed online tools and surveys for assessing ergonomic risks associated with workstations, and we will roll out the assessment program at all major locations.

Asset Protection Program: Raytheon has a comprehensive program to protect company equipment, infrastructure, buildings — and the employees who work in them — from fire, natural disaster, business interruption and other losses. The program includes proactive processes and regular facility inspections by third-party loss control engineers and by internal company experts. Raytheon's asset protection program has enabled us to maintain a "Highly Protected Risk Status" with our property insurers for many years.

Ensuring Environmental and Safety Compliance:

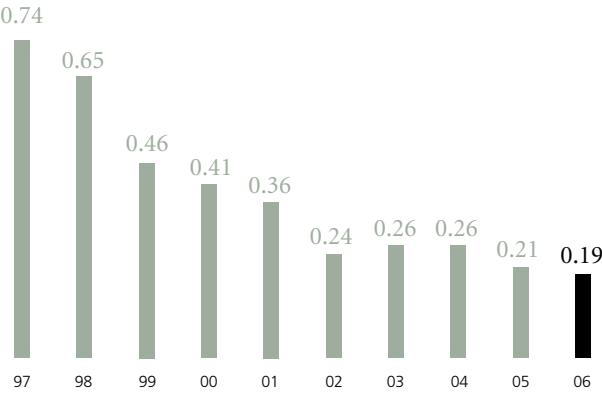
Our global responsibility is to ensure full compliance with all environmental, health and safety laws and regulations, as well as internal Raytheon standards. In 2006, federal, state and local regulatory agencies conducted 107 environmental and safety inspections of Raytheon operating locations. Seven notices of violations (NOVs) were issued — four related to environmental management and three related to safety issues. Two of the safety NOVs resulted in fines totaling \$16,200. Corrective actions have been completed. For all NOVs, we performed thorough root-cause analyses and shared "lessons learned" across the company to prevent recurrence.

OSHA Recordable Injuries Per 100 Employees*



* Does not include Raytheon Aircraft Company (RAC) data for 2006. With RAC included, the rate for 2006 is 0.95. RAC data is included for the years 1997-2005.

Lost Workday Injuries Per 100 Employees*



* Does not include Raytheon Aircraft Company (RAC) data for 2006. With RAC included, the rate for 2006 is 0.20. RAC data is included for the years 1997-2005.

Building an Inclusive Culture

At Raytheon, diversity is about inclusiveness. We strive to create an atmosphere where everyone feels valued and empowered to perform at peak level. We are "One Company" despite our many differences.

To retain and attract the best talent, it is essential that we continue our journey of inclusiveness. Over the past decade, we have continued to progress toward our goal of being a global leader in diversity.



Raytheon Diversity

The Raytheon diversity insignia represents the multitude of people that create our diversity of talent, joining together and supporting each other. We are able to provide more innovative and powerful ideas through a diversity of backgrounds, thoughts, beliefs and experiences. The red star at the center of the insignia reflects the common values that are shared by every Raytheon employee.

Diversity Vision

Raytheon's diversity vision is to build an inclusive culture that fully engages all employees and stakeholders to deliver superior business performance and to execute a strategy that ensures:

- the company retains, attracts and develops world-class people
- people are treated with dignity and respect
- difference is valued as a company core competency
- employees have the opportunity to reach their full potential and make their maximum contribution
- we enjoy world-class partnerships with our customers, suppliers, partners and other stakeholders

Workforce Diversity

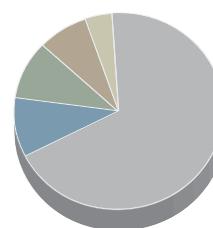
Our diversity initiatives are driven by members of Raytheon's Executive Diversity Leadership Team, who report directly to Raytheon's CEO. The initiatives are management-led and data-driven. In 1999, when we first surveyed employees about our commitment to diversity, they ranked us in the 50th percentile of companies across a range of industries. This rating climbed to the 84th percentile in 2005 and reached the 92nd percentile in 2006.

Our annual diversity summit is a pinnacle event where we focus our business leaders on being accountable for diversity actions. The event provides an opportunity for participants to learn both from each other and from outside experts. In 2006, we focused on including white males as full diversity partners.

Following the 2006 summit, each business and function developed action plans describing initiatives to strengthen diversity competency, communication, engagement and education. Another example of how we create inclusion is Raytheon's global mentoring program, which is available to all employees.

Supplier Diversity

We strongly value and encourage diversity in our suppliers. Diversity of suppliers enhances our access to the widest range of talent and solutions to meet customer needs. Our supplier diversity program focuses on establishing and growing strategic business relationships with small-, minority-, women-, and veteran-owned businesses, as well as businesses located in a Historically Underutilized Business (HUB) zone.



Raytheon Diversity Purchase Order Procurements for 2006

\$ 1.6B	Small Businesses
\$241M	Minority-owned Businesses
\$199M	Women-owned Businesses
\$199M	Veteran-owned Businesses
\$ 99M	HUB Zone Businesses

We regularly recognize outstanding performance in promoting supplier diversity. At our most recent supplier diversity ceremony, we honored 41 employees for their work in providing procurement opportunities to diverse businesses. The awards recognized employee excellence in introducing new or competing technology, reducing costs and delivery schedules, and improving quality — all helping to ensure that we provide the best possible solutions to our customers.

In addition to internal recognition, our commitment to supplier diversity has been recognized by customers, industry and advocacy groups. Two Raytheon-nominated small businesses were named 2006 Regional Subcontractors of the Year by the U.S. Small Business Administration. In 2006, we also committed \$35 million in contract awards to 11 protégé companies under the U.S. Department of Defense Mentor-Protégé Program.