

What Stewardship Means to Raytheon

Corporate Governance

Good stewardship begins with good governance. The Board of Directors and the company look for opportunities to continually improve governance practices and benchmark against the best. The Board is committed to being a leader in corporate governance. It believes that a commitment to good governance enhances shareholder value and goes beyond simply complying with legal requirements. It means adhering to the highest standards of ethics and integrity. Raytheon's Board of Directors oversees stewardship and corporate governance primarily through the following committees: the Public Affairs Committee, the Audit Committee, the Governance and Nominating Committee, and the Management Development and Compensation Committee.

The Public Affairs Committee reviews policies and practices of the company and monitors compliance in the areas of legal and social responsibility, including environmental protection, health and safety, employment practices, charitable contributions, government relations, community and university relations, product quality, crisis management and emergency preparedness, in addition to monitoring ethics and regulatory compliance, litigation and enforcement actions.

The Audit Committee assists the Board with overseeing the company's compliance with legal and regulatory requirements. In particular, the Audit Committee monitors the integrity of the company's financial statements and disclosures. The Audit Committee receives regular reports regarding concerns that are communicated to the company with respect to accounting, internal control or auditing matters. The Audit Committee also reviews potential Code of Conduct issues related to financial misconduct and financial controls, as well as certain conflict of interest issues.

The Governance and Nominating Committee monitors the corporate governance landscape and recommends best practices. The committee periodically reviews the company's governance principles and recommends revisions as appropriate. It also has primary responsibility for communications with shareholders regarding corporate governance matters, including shareholder nominations of director candidates and the process for shareholders and others to communicate directly with the Board's independent lead director through the company's website.

The Management Development and Compensation Committee (MDCC) oversees compensation plans and programs, including the company's equity compensation plans, which are designed to attract, retain, motivate and reward executive leadership of a caliber and level of experience necessary to achieve the overall business objectives of the company. The MDCC approves the corporate objectives used in establishing compensation, and reviews and recommends to the Board for approval the actual compensation for the chief executive officer and the four other most highly compensated executive officers as reported in the company's proxy statement. The MDCC also reviews and approves compensation for other officers and key employees, as well as director compensation. It receives periodic assessments from the chief executive officer regarding succession planning for senior management positions.

Ethics

Stewardship is about making good decisions, and decisions at Raytheon are governed by an ethics program with a long-standing history of excellence. Exemplary ethical behavior is critical to the stewardship of our company's reputation, as well as the stewardship of 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.

Stewardship at Raytheon is more than a philosophy. It is a pervasive policy to which we adhere, measurable goals we aspire to exceed and bold initiatives that impact decision-making at every level of the enterprise.

Global Health Resources

Stewardship of our most important resource — our people — includes caring for their health through a number of health and wellness initiatives. We define health broadly as an optimal state of well-being that balances the mental, physical, emotional, spiritual and social aspects of life. Our stewardship in this area involves monitoring the health trends of our employee population and offering a variety of programs and services to improve their health and prevent disease. We also strive to help employees find a more effective balance between their work and personal lives.

Environmental, Health & Safety

In the area of Environmental, Health & Safety (EHS), good stewardship means protection and prevention. We seek to be a good steward by protecting the environment from pollution and waste emissions, striving to exceed regulatory compliance standards, and creating our own goals for reduced solid and hazardous waste. In addition, we are dedicated to becoming an injury-free workplace by preventing injuries and protecting the health and safety of our employees.

Energy

Using energy efficiently and reducing our energy consumption are critical aspects of our stewardship of natural resources. We are committed to being good stewards of energy by tracking energy data, devising energy-reduction strategies and sharing best practices with other enterprises. Our energy stewardship has evolved in recent years into an award-winning program of continuous improvement in savings, benchmarking and awareness.

Supply Chain Diversity

Our stewardship of diversity has led us to commit to developing opportunities for minority- and women-owned businesses in our supply chain. In addition to including these businesses in our supply chain, Raytheon engages in formal and informal mentoring and developing relationships with our diversity suppliers.

Diversity

Diversity at Raytheon goes far beyond our award-winning hiring initiatives and communications campaigns. It is the centerpiece of our stewardship of the workplace culture. Diversity is a vital part of our ability to remain competitive. With a diverse workforce at every level of the company, we can solve problems more creatively, adapt to changing markets with greater agility, and better understand and serve our diverse customer base. At Raytheon, diversity is about inclusiveness, providing an atmosphere where everyone feels valued and empowered to perform at peak level, regardless of age, race, gender, sexual orientation, family history or physical condition.

Corporate Giving

Enriching the communities in which we live and work is the goal of our corporate giving program. At both the local level and nationwide, our grantmaking is governed by our corporate values, community needs and employee interests. We focus on education and disaster relief and our community relations programs support the needs of local neighborhoods. And because we feel a strong sense of stewardship for the future of our industry, we have invested heavily in programs that encourage students to consider careers in math and science. Our current efforts reach out to students in middle schools and universities.

Ethics

Our Ethics and Compliance program is committed to embracing the highest ethical standards and sharing ethics and compliance best practices with other companies and institutions in support of good corporate governance and integrity in the government contracting process.

Raytheon has continued to build a dynamic Ethics and Compliance program on a solid foundation laid more than 20 years ago. We have a values-based Ethics program, which means that while legal compliance is required as a precondition of all our actions, employees are further expected to ensure that their behavior aligns with the ethical principles set forth in the company's values of People, Integrity, Commitment and Excellence. Our leaders, starting with the Board of Directors and senior leadership team and including all levels of management, are fully committed to maintaining the highest standard of ethical business practices. That same commitment extends to every employee, and each of us is responsible to abide by and uphold our values, supported by our Code of Conduct.

The Ethics Office at Raytheon helps us ground our daily actions with guidance, direction and accountability. We have ethics officers at the corporate level and in each company business who are readily accessible and who routinely provide assistance to those seeking advice before taking a course of action. Most contacts with the Ethics Office ask for guidance and advice about how to handle potential conflicts of interest, gifts and gratuities, rules concerning the hiring of former government employees, as well as a wide range of other issues. The Ethics Office also provides a safe haven for employees to report potential violations of our Code of Conduct and be protected from retaliation for doing so. The Ethics Office is charged with investigating alleged violations of the code and, when misconduct is substantiated, ensuring that appropriate corrective action is taken, such as issuing discipline and strengthening internal controls.

Raytheon has long provided ethics training to make our employees aware of ethical issues they may encounter in their jobs, and to take action and get help from resources available within the company effectively to address those issues. Building on this foundation, initiatives to move our program from ethics training to ethics education are now underway. Ethics education helps employees build an ethics check into their decision-making process, and thereby make decisions consistent with our values. In addition to our annual awareness training, Raytheon employees now routinely access online modules covering a wide variety of risk and compliance topics related to our business. This enables employees to spot issues and seek guidance proactively, before a problem arises. As part of our ethics education plan, in 2006 managers will receive ethical leadership tools focused on their special obligation to promote an ethical culture in the company.

Employees also learn more about their ethical obligations through ongoing communications. Messages from leaders reinforce the competitive advantage of ethical vigilance and commitment, and encourage employees to forward any concerns for resolution. Our 2005 employee opinion survey reflects that 79 percent of all our employees recognize the company's commitment to integrity and to conducting business ethically — one of the most positive responses to all the questions in the survey. While we have achieved much, we are continuing to drive change to build a culture of ethical decision-making where each of our employees treats the Raytheon name as his or her own.

Global Health Resources

We ensure that our entire employee base receives the proper attention regarding health. As such, we partner with international programs to address the unique needs of our employee population worldwide.

Promoting Healthy Lifestyles

Being overweight or obese is a major issue in the United States. In 2005, we launched an effort to counteract that trend by offering weight-loss programs to employees. In all, 348 employees in 11 locations joined together for Weight Watchers at Work meetings during the lunch hour and lost a total of 4,347 pounds in 26 weeks. Each employee had his or her own reasons for joining, but the majority wanted to lose weight to look and feel better. Others said their weight was affecting their quality of life, while some cited the need to address health-related issues such as high blood pressure, high cholesterol and diabetes. At the end of the initial 26-week session, participants experienced higher energy levels, higher self-esteem, lower cholesterol, reduced blood pressure, and less stress and pain on bones and joints.

Flu Immunization

Seasonal influenza affects worldwide populations with decreased productivity and increased medical claims, both of which can be largely prevented by influenza vaccinations. Seasonal influenza claims 36,000 lives in the United States and 250,000 to 500,000 lives worldwide each year due to complications such as pneumonia. Three to five million cases of severe influenza-like illnesses occur each year.

40%

In 2005, 40 percent of Raytheon employees participated in the company's flu immunization program.

For these reasons, we provide education and guidance about the potential influenza pandemic. We provide accurate and useful information to employees regarding international travel and preparedness at home and work.

We sponsor an annual immunization drive for employees at Raytheon health centers. In 2005, despite vaccine availability issues, domestic and international employees received influenza immunizations. The average annual participation rate for domestic employees has been 40 percent. Vaccines were also provided to employees in Russia and the Middle East for the first time.

Environmental

We are committed to reducing all waste, emissions and environmental incidents through pollution prevention and achieving zero waste generation at the source. We are also committed to resolving problems caused by past chemical use and waste disposal practices.

Our Environmental, Health & Safety (EHS) program continues to pursue the highest standards for the safe operation of company facilities and the preservation of natural resources. Integrated into all aspects of Raytheon's business, EHS is guided by six principles:

- Reduce injuries toward our goal of an injury-free workplace
- Prevent pollution and preserve natural resources
- Continuously improve processes, products and services
- Protect facility and equipment infrastructures
- Encourage employee participation and community outreach
- Demonstrate management leadership

Solid and Hazardous Waste Reductions

Since 1998, Raytheon has reduced hazardous waste by 74 percent and solid waste by 66 percent. In 2005, 53 percent of the waste the company generated was recycled — the highest rate ever. Our central chemical management concept — in which we use a top-tier supplier for chemical procurement and delivery across the company — continues to make our operations more efficient by minimizing chemical usage and reducing the volume of expired shelf-life materials that require disposal.

Pollution Prevention

Raytheon continually evaluates its processes and operations for opportunities to reduce waste at its source and recycle commodities to the greatest extent possible. In 2005, over 80 pollution-prevention projects were completed at sites across the company.

As part of our pollution-prevention initiative, Raytheon installed an ionized air system at one company site to significantly reduce the use of a chemical containing hydrofluorocarbon (HFC) 134a — a potent greenhouse gas. The project reduced 427 metric tons per year of carbon dioxide-equivalent emissions.

An emissions-free, vacuum-based cleaning system was deployed on several products. The system is not only faster and more affordable, but also superior for precision cleaning.

Ten Raytheon sites in New England implemented a solid waste resource management program in 2005 to further promote innovative solid waste management. The program establishes waste-reduction goals and involves incentivized partnering with a third-party solid waste service supplier. Raytheon was awarded the Innovative Waste Reduction Leadership Award by the U.S. Environmental Protection Agency (EPA) WasteWise in connection with this project.

Other ongoing projects include the recycling of plastics, electronic scrap, cables, cardboard, wood, metals, chemicals, expanded polystyrene and all types of paper.

Vehicle Air Emissions

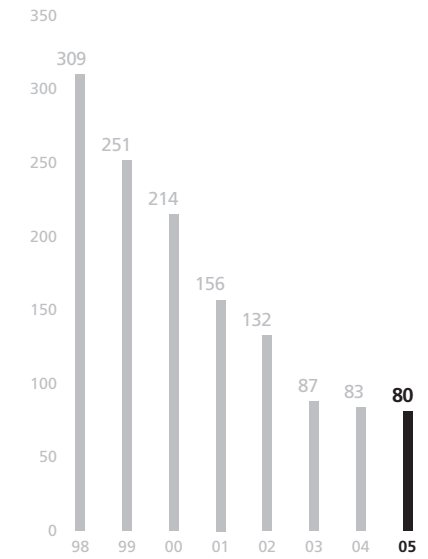
Raytheon recognizes the importance of controlling the air pollution that results from employees' daily commutes. The company has established programs to encourage employees to carpool, vanpool and use mass transit. A flexible spending account program has been implemented at several sites as a commuter incentive. For the second year in a row, Raytheon was recognized as one of the Best Workplaces for Commuters by the EPA in 2005.

We are also exploring the use of hybrids and other alternative fuel vehicles in our fleet. Such vehicles have been added as an option in the enterprise-wide agreement for fleet vehicles; they are currently in use at several Raytheon locations, including Portsmouth, R.I., and Tucson, Ariz.

Environmentally Responsible Restoration

Raytheon invests significant resources in the responsible management of environmental cleanups associated with historical contamination. Remediation managers continually explore and implement new remediation technologies to limit the risks to human health or the

HAZARDOUS WASTE: TONS/\$B SALES



SOLID WASTE: TONS/\$B SALES

ENVIRONMENTAL

Household Hazardous Waste and Motor Vehicle Emissions

Almost every home contains hazardous waste — leftover household products that can harm human health or the environment if improperly handled. These include paints, cleaners, oils, batteries and pesticides. In fact, Americans generate 1.6 million tons of household hazardous waste per year. The average home can accumulate as much as 100 pounds in the basement or garage. Improper disposal of these wastes can pollute the environment and pose a threat to human health.

Motor vehicles are a major source of air pollution. In particular, motor vehicle emissions increase the amount of ground-level ozone, a precursor to smog. There are many health problems brought on or exacerbated by air pollutants. Many states, but not all, have mandated the operation of state-administered vehicle emission inspection and maintenance programs as part of their strategy to achieve clean air.

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Raytheon Aircraft Company's household hazardous waste collection and vehicle emissions testing day.

Raytheon Aircraft Company in Wichita, Kan., hosted a household hazardous waste collection and voluntary vehicle emissions testing day at its location on June 18, 2005. The event was coordinated with the Wichita Air Quality Improvement Task Force and the Sedgwick County Department of Household Hazardous Waste. The event was open to the public as well as Raytheon employees; approximately half of the participants were from the local community. The project provided convenient public access to free environmentally acceptable disposal of hazardous and toxic materials that might otherwise end up in landfills or discharged down sanitary or

storm sewers. The event collected a record-setting 13.5 tons of waste. In addition, Raytheon made it possible for people to have their vehicle emissions tested to determine if their vehicle emitted excessive amounts of air emissions. Over 66 vehicles had emissions tested at the event. The automobile owners were educated about air pollution prevention. They were also given a report detailing the results of their emissions test. Owners could then follow through with the recommended repairs as warranted.

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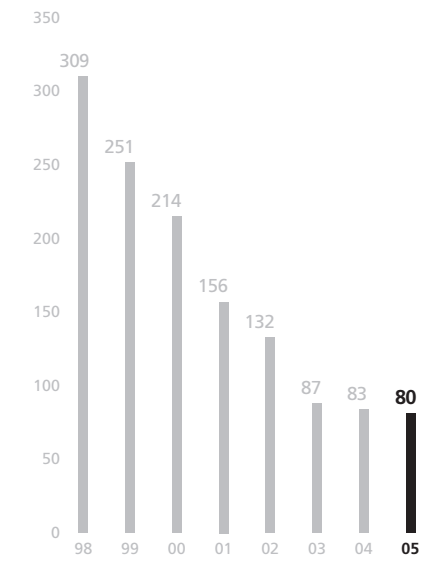
EHS Compliance

During 2005, a total of 109 inspections of operating locations were conducted by federal, state and local regulatory agencies. These inspections resulted in the issuance of six notices of violation (NOVs) related to environmental issues, two related to improper packaging of hazardous materials and one related to an out-of-date site manager being listed on an emergency plan. A fine of \$1,615 was paid for one of these NOVs. In addition, a fine of \$224,300 was paid for alleged 2003 and 2004 violations of air regulations promulgated by the South Coast Air Quality Management District in California. As part of Raytheon's commitment to EHS compliance, a Web-based next-generation compliance management software tool is being implemented at major operating locations.

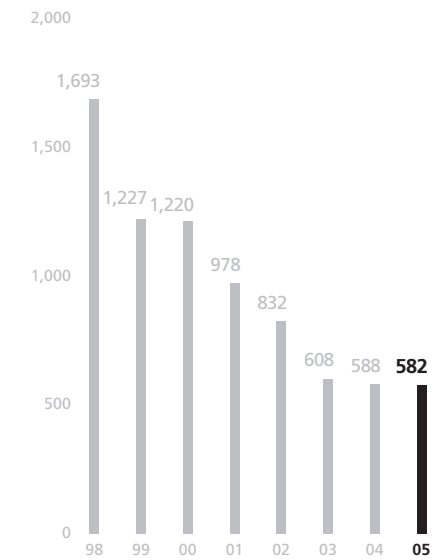
Global Warming/Greenhouse Gas Emission Reductions

In 2002, Raytheon joined the EPA's Climate Leaders program, a voluntary industry-government partnership that encourages companies to develop comprehensive long-term climate change strategies. More than 90 percent of the company's greenhouse gas emissions result from energy consumption. Raytheon has reduced its emissions by 6.7 percent since 2002, down to 966,590 metric tons of carbon dioxide-equivalent emissions. Our energy initiatives will strive to continue to reduce greenhouse gas emissions.

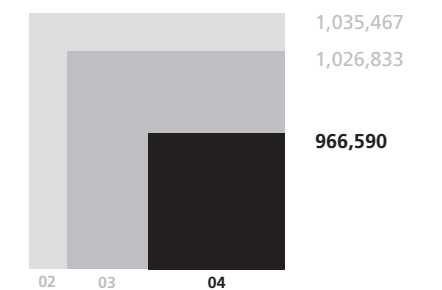
HAZARDOUS WASTE: TONS/\$B SALES



SOLID WASTE: TONS/\$B SALES



GREENHOUSE GAS EMISSIONS (metric tons of CO₂)



Health & Safety

Valuing people starts with providing a healthy and safe work environment. We are committed to the highest standards for the safe operation of our facilities. We have challenged all employees to create an injury-free workplace in order to make Raytheon the “safest place in the world to work.”

To achieve our goal of creating an injury-free workplace, we have developed a strong safety program with top-level commitment. Leaders at all levels are engaged in the program and lead by example. They regularly participate in safety committees, discuss safety at their staff meetings and communicate the importance of safety to employees. In addition, mechanisms have been established to hold employees accountable for safety. One example is the inclusion of safety metrics in employees’ performance evaluations.

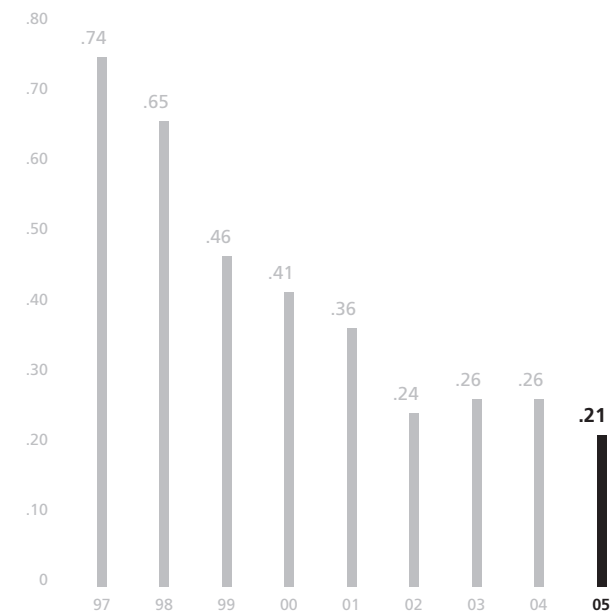
Safety Awareness

Safety awareness education plays a key role in the journey to an injury-free workplace. It goes beyond required training, focusing on the value of people and how unsafe acts drive injuries. In 2005, employees attended 71,000 safety awareness classes. Supervisors held monthly safety meetings at which they discussed safety issues on various topics. To keep safety in the forefront, safety tips were communicated to employees, safety signs were posted, articles on safety were issued in newsletters and websites were developed with safety information.

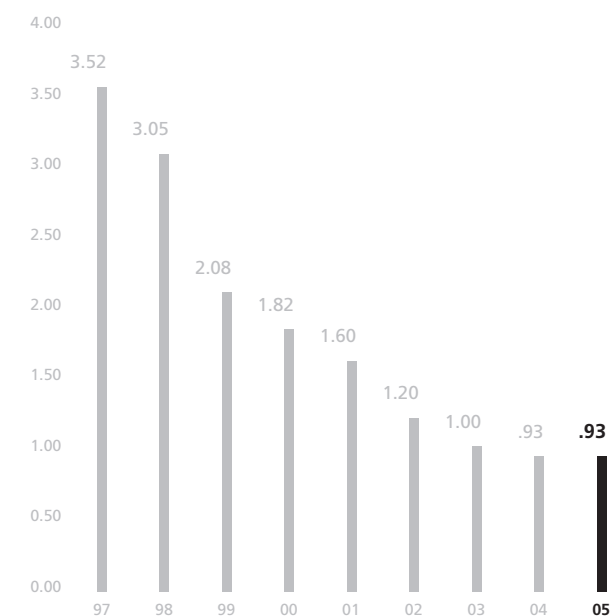
Employees were actively involved in safety awareness programs; many attended the monthly EHS Council meetings held at their sites. Employees who volunteered to be the safety point persons in their area received additional education and involvement in the awareness program. Employees were encouraged to report unsafe conditions and behaviors and to make safety suggestions. To encourage this behavior, we implemented the EHS Star Program, which is based on rewards and recognition. Star tickets were given to employees who participated in various safety or environmental activities, submitted improvement suggestions, or reported unsafe behaviors or conditions. Monthly prizes were awarded.

We also implemented EHS walkabouts. Walkabouts involve various levels of management walking their areas of responsibility looking for safety issues and discussing safety with employees. They ask employees if there are things that could be done to improve safety; if issues are identified, follow-up actions are taken.

LOST WORKDAY INJURIES PER 100 EMPLOYEES



OSHA-RECORDABLE INJURIES PER 100 EMPLOYEES



Safety Performance

Since 1998, we have reduced our OSHA-recordable injury rate by 74 percent and our lost workday injury rate (which measures more severe injuries) by 72 percent. Today our rates are at their lowest levels ever. By implementing leading-edge safety programs and processes, the company has prevented over 13,500 employees from being injured. We are not satisfied, however. In 2005, there were 761 recordable injuries, 172 of which resulted in lost workdays. Our ultimate goal is a completely injury-free workplace.

Ergonomics

Ergonomics is a key focus area of health and safety, since roughly 35 percent of our injuries are ergonomics-related, with the majority occurring in the manufacturing environment. Ergonomic injuries include all those caused by pushing, pulling, lifting, lowering, carrying or engaging in repetitive motion. Ergonomics blitzes, which consist of intense assessments by a cross-functional team, have been conducted at several locations. Many design and operational changes were made as a result. We also provide ergonomics education to employees. The programs not only increase awareness of risk factors, but also detail the skills people need to solve ergonomic problems. Online workstation evaluations and self-assessments have been developed for both office and manufacturing.

We recognized the need for better methods of reducing manual material-handling risks; as a result, company criteria have been established. Sites are required to actively conduct hazard assessments of manual material-handling tasks, assess risk, prioritize and seek ways to minimize risk during the design of tasks and operations.

Energy

We are committed to energy efficiency and conservation through voluntary partnerships with the federal government, sponsorship of energy industry activities, and participation in various state and local initiatives.

We encourage all 80,000 of our employees to take responsibility for conserving energy at work and at home, and to help our company become a role model for energy conservation and efficiency.

During 2005, Raytheon achieved more than \$3.8 million in energy cost savings due to a wide variety of initiatives at facilities across the United States. This saved approximately 37 million kilowatt hours of electrical consumption — the equivalent of providing power for 3,700 homes for one year or removing the emissions from 4,672 vehicles from U.S. roads.

Once again, Raytheon was very active as an Energy Star® partner in 2005. We helped the EPA develop the Energy Star guide titled “Teaming Up to Save Energy,” a how-to guide to building an energy management team.

Raytheon’s contribution to Energy Star is part of a broader national effort in which more than 7,000 organizations participate. In 2004, Americans, with the help of Energy Star, saved about \$10 billion on their energy bills and helped avoid 24,000 megawatts of peak power — enough energy to power 24 million homes while reducing the greenhouse gas emissions equivalent to those of 20 million cars. The Energy Star label has become the national symbol of energy efficiency and is

37M kWh

Raytheon saved approximately 37 million kilowatt hours in 2005.

recognized by more than 60 percent of the American public. Raytheon has been an Energy Star partner since 1999 and continues to be recognized by the EPA as a strong leader in energy management.

In September 2005, Raytheon was recognized as the Blue Star Corporate Leader at the annual World Energy Engineering Congress (WEEC) in Austin, Texas. The 15 Raytheon employees who attended the WEEC event were able to gather knowledge and best practices from the conference proceedings. The attendees also participated in a preconference Enterprise Energy Team meeting, which allowed team members to share best practices and develop companywide energy-reduction strategies and objectives.

Supply Chain Diversity

Our integrated supply chain is committed to fostering the inclusion of small businesses and businesses owned by minorities and women. This commitment to building relationships with strategic suppliers helps us create a diverse supplier base, giving us a strong competitive advantage and helping us provide superior solutions to our customers.

ENERGY

Global Warming

One of the major contributing factors to greenhouse gas emissions is carbon dioxide from the production of energy. When we drive our vehicles, use electricity generated by a coal- or oil-fired power plant, or heat our homes with natural gas or oil, carbon dioxide is released into the earth’s atmosphere. Carbon dioxide and other so-called greenhouse gases are a global concern.

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Energy Star is a government-backed program helping businesses and individuals protect the environment through superior energy efficiency. Raytheon has been a proud Energy Star partner since 1999.

During 2005, Raytheon was involved with many community outreach programs encouraging others to conserve energy. This outreach program reached the international level. Members of the United Kingdom Carbon Trust were referred to Raytheon to ascertain how some of the most admired U.S. companies manage their energy utilities. Three leaders of the U.K. Carbon Trust participated in a face-to-face conference with

members of the Raytheon Enterprise Energy Team to exchange ideas, best practices and lessons learned related to the reduction of carbon emissions from utility company power plants. The conference provided an open forum of exchange among the participants, bearing testimony to the fact that energy conservation and pollution reduction are truly global issues.

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Diversity Supplier Development

Continuous improvement is a cornerstone in Raytheon's quest for customer success and "no doubt" when it comes to the performance of our products and services. Recognizing the vital role suppliers play in our ability to deliver on our promise, Raytheon engaged in 26 Raytheon Six Sigma supplier programs. The company also participated in supplier development by providing developmental assistance to nine protégé companies under the Department of Defense Mentor-Protégé Program.

Formally Recognizing Partnerships

Each year, Raytheon hosts a supplier diversity celebration to recognize the importance of these partnerships and honor the individual Raytheon employees who helped make them possible. The 2005 event, which was held in Boston, Mass., was hosted by John Harris, vice president of Contracts and Supply Chain, and Benita Fortner, director of Corporate Supplier Diversity. Louise Francesconi, president of Raytheon Missile Systems and Raytheon diversity champion, served as chairperson and provided the keynote address.

39%

In 2005, Raytheon committed 39 percent of all purchase order dollars to small businesses for a total of \$1,964,945,723.

A further breakdown of Raytheon's spending:

- 7% of total purchase order dollars with minority-owned businesses for a total of \$334,499,235, of which \$75 million were awarded to Native American businesses
- 5% of total purchase order dollars with women-owned businesses for a total of \$255,679,570
- 4% of total purchase order dollars with veteran-owned businesses for a total of \$215,702,396 (of which \$24,585,988 was spent with service-disabled veteran-owned businesses)
- 2% of total purchase order dollars with small businesses certified as HUB Zone companies for a total of \$100,008,502

Diversity

Diversity is the centerpiece of our stewardship of the workplace culture. Diversity at Raytheon goes far beyond our award-winning hiring initiatives and communications campaigns. We view diversity as a vital part of our ability to remain competitive.

Raytheon is committed to an inclusive culture that fully engages all employees and stakeholders to deliver superior business performance, where:

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

The Importance of an Inclusive Culture

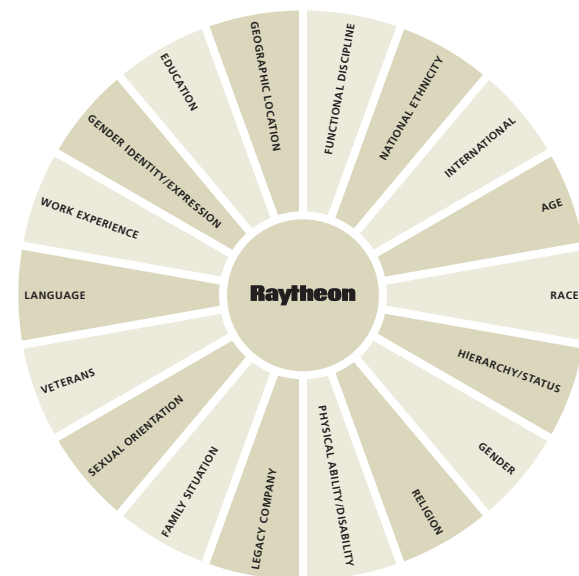
Raytheon has facilities, businesses and customers in nearly every corner of the globe. Every day, members of our team interact with people from a diverse range of backgrounds. For this reason, diversity of talent and thought is the cornerstone of our ability to provide solutions to the global market. Our people are our greatest resource. Ultimately, if we are to achieve and sustain business success, our organization and our people must reflect the world in which we live.

Today, diversity and inclusion are more than just a competitive *advantage* — they're a competitive *imperative*. The next steps in our companywide journey to inclusiveness will be critical. We will focus on talent retention, talent acquisition, internal diversity education and leveraging strategic goals that bring us closer to achieving a culture of inclusiveness.

A Matter of the Heart

Raytheon's focus on customer success, growth and shareholder value would not be possible without talented people across the entire company. To retain and attract the best talent, it is essential that we continue our journey of inclusiveness. Nevertheless, we can't all walk around with a 1,000-page book detailing how to get inclusiveness right — it simply isn't realistic. Achieving inclusiveness therefore needs to be natural and intuitive, a matter not just of the head, but also the heart.

RAYTHEON DIVERSITY — BUILDING AN INCLUSIVE CULTURE



Integrating Diversity Promotes Inclusion

Raytheon's 2005 Rdiversity Summit was designed to illustrate the power of an inclusive culture, enhance internal support for diversity and help participants become agents of change. The summit represented a significant turning point for the company. Designed as an engine to drive this transformation, the event took on new challenges and illustrated the power of active, inclusive engagement. To accomplish this, the company took the following steps:

Successes to Date

We are pleased to have received recognition for our diversity efforts thus far. Individually, Bill Swanson, Raytheon Chairman and Chief Executive Officer, and Louise Francesconi, Raytheon vice president and president of the company's Missile Systems business, were among those honored for their contributions to diversity in 2005. Bill Swanson was recognized at the Black Engineer of the Year Awards for his outstanding leadership and personal support in developing a strong culture of

DIVERSITY

Building a Culture of Inclusiveness on a Foundation of Diversity

Raytheon's fundamental objective is to create an inclusive culture that allows every employee to participate in our mission of customer success. To cultivate a sense of inclusiveness and cultural pride and to tap into vital productive resources, the company embraces diversity councils and numerous employee resource groups. Inside our walls and out, we're seeking, embracing and promoting diversity as a core value.

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Left to right: American Cancer Society Mountain Walk; Black History Month Scholarship Celebration; PIMA County Corporate Award AIDS Walk; and the Future Scientists and Engineers of America Program — Huerta Elementary School Mentor/Tutoring Partnership.

Raytheon employees represent our talent, our identity and our future. To advance an inclusive culture at the company, employee resource groups (ERGs) have been formed. A Raytheon ERG is composed of employees that have traditionally been underutilized in the workforce or have experienced barriers against their full participation. Groups that Raytheon recognizes as ERGs include: African-American, Asian-Pacific, gay/lesbian/bisexual/transgender, Hispanic, Native American, persons with disabilities and women.

Employee resource groups have been formed for two primary reasons: 1) to undertake projects within Raytheon and in our greater communities (see examples above); and 2) to serve as forums in which employees can network and communicate openly about diversity issues. Raytheon ERGs have open membership and encourage all employees to join. Together, our people help support ERGs as strategic business partners and by doing so support Raytheon's journey to achieve an inclusive culture.

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INTEGRATED — Combined the Women's Forum and Diversity Forum into one annual event under the common theme of inclusion.

VALIDATED — Through the use of interactive theater, brought to life how we integrate diversity into the fabric of our company to provide a more inclusive and more effective work environment.

EDUCATED — Prepared participants and supported their work as diversity change agents to help Raytheon realize the ultimate goal: "For all to see, own and deliver the vision of diversity and inclusion and Raytheon's success."



Hayward Bell, chief diversity officer, speaking at the 2005 Rdiversity Summit.

Successes to Date

We are pleased to have received recognition for our diversity efforts thus far. Individually, Bill Swanson, Raytheon Chairman and Chief Executive Officer, and Louise Francesconi, Raytheon vice president and president of the company's Missile Systems business, were among those honored for their contributions to diversity in 2005. Bill Swanson was recognized at the Black Engineer of the Year Awards for his outstanding leadership and personal support in developing a strong culture of diversity within Raytheon, and Louise Francesconi received a Lifetime Achievement Award from the Women in Aerospace organization.

On the companywide level, Raytheon was awarded a perfect score by the Human Rights Campaign Foundation for its policies affecting gay, lesbian, bisexual and transgender employees, making it the first defense contractor to be so recognized by the foundation. The company also received two Nunn-Perry Awards for our work with small, disadvantaged businesses.

Improving Our Workforce Diversity

Raytheon is committed to building an inclusive culture at the workplace. We continue to strive to build a culture around recognizing, respecting and accepting individual differences. We must retain, attract and develop world-class people to be successful in our companywide journey to inclusiveness. This must be apparent from the leadership to every individual contributor.

Corporate Giving

We are committed to focusing our annual giving to make a greater and lasting impact on two areas of major interest and national importance: natural disaster recovery and math and science education.

Disaster Relief

In 2005, Raytheon responded to the devastation inflicted by the South Asian tsunami, the U.S. hurricanes and the Pakistan earthquake.

In addition to our commitment to the American Red Cross of \$1 million over five years, Raytheon and its employees gave nearly \$100,000 to the International Red Cross in 2005 to support the South Asian tsunami recovery efforts.

The 2005 hurricane season, the most active in recorded history, brought 26 named storms, 13 hurricanes, three Category 5 hurricanes and four major hurricanes to the United States. Raytheon employees responded by making one of the largest commitments of financial support to a single cause in the company's history. Employees committed \$790,000 to relief efforts, which the company pledged to match in our first-ever matching gifts initiative for disaster relief. Total Raytheon giving from all sources in support of the hurricane victims will surpass \$1.8 million.

Raytheon and its employees also supported the rescue and recovery efforts after the disasters with technology. Three of Raytheon's First Responder vehicles, donated to the American Red Cross in 2004, assisted with hurricane relief efforts. The vehicles enabled a coordinated rescue effort among different agencies in areas that had seen communications virtually knocked out. Raytheon employees

on the ground in New Orleans also provided valuable satellite uplink capability to U.S. task force efforts dedicated to Katrina disaster recovery. A company-led team implemented global broadcast service satellite technology to provide surveillance video and images of the disaster area to leaders of the recovery mission, including the U.S. Joint Task Force Katrina commander; U.S. Northern Command commander; the U.S. Army, Navy and Air Force; and other civilian and public service agencies.

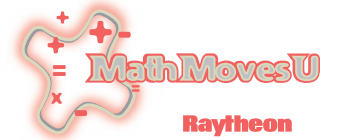
The company also raised the grant limit of the Raytheon Employee Disaster Relief Fund from \$2,500 to \$10,000 in response to the personal and financial loss many Raytheon employees suffered from the hurricanes. As a result, the fund distributed 83 grants totaling more than \$300,000 to aid employee families affected by the hurricanes. The Raytheon Employee Disaster Relief Fund makes grants for general disaster relief and to employees who have faced catastrophic events. Through this fund, Raytheon and its employees join together to alleviate suffering caused by devastating events.

In the fourth quarter, Raytheon and the Employee Disaster Relief Fund pledged another \$100,000 in relief efforts, this time to support those affected by the Pakistan earthquake. Additionally, all new gifts made between Dec. 15, 2005, and Feb. 1, 2006, to the Raytheon Employee Disaster Relief Fund were contributed to the Pakistan earthquake relief effort.

Math and Science Education

As a company of scientists, engineers and mathematicians, Raytheon has an obligation and a responsibility to share our enthusiasm for innovation and nurture this drive for discovery in the next generation. Currently, American middle school students have the opportunity to perform better in math. A Raytheon-sponsored survey shows that a majority of America's sixth-to-eighth grade students (67 percent) want to do better in math, while an overwhelming number (94 percent) say doing well in math is important to them. This presents an opportunity for Raytheon to make a difference.

We are taking a positive, proactive approach to increasing the interest in math and science at the middle school level in the United States through our new national education initiative, MathMovesU. This is a long-term commitment that we believe will have lasting effects on our industry. MathMovesU invites America's middle school students to look at math from exciting perspectives and through activities that interest them the most, such as skateboarding, video gaming and roller coaster physics. This student-focused campaign, which uses



MathMovesU

To launch MathMovesU, Raytheon partnered with BMX bike champion Dave Mirra to show middle school students how math is used in unexpected ways. With a mayoral proclamation making Nov. 10, 2005, "Make Math Fun Day," Mirra surprised 200 students at the Manhattan Lab School in New York City. He showed them his bike tricks and explained how math figures into his sport. Mirra walked the students through a math problem related to BMX biking and encouraged them

CORPORATE GIVING

Hurricane Katrina

Katrina was possibly the largest hurricane of its strength to approach the United States in recorded history. Its enormity resulted in devastation many miles from its center. The storm surge from Katrina caused major damage along the coastlines of Mississippi, Louisiana and Alabama, including the cities of Mobile, Biloxi, Gulfport and Slidell. Levees separating Lake Pontchartrain from New Orleans were breached by the surge, ultimately flooding about 80 percent of the city and many neighboring parishes. Wind damage was reported well inland, impeding relief efforts. Katrina is estimated to be responsible for \$75 billion in damages, making it the costliest hurricane in U.S. history. The storm killed an estimated 1,600 people, becoming the deadliest hurricane since the 1928 Okeechobee Hurricane.

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Raytheon has been a dedicated supporter of Hurricane Katrina relief efforts through corporate giving and employee volunteerism. Left to right: IDS senior engineer Paul Plante helps save a structurally sound home in Mississippi, and Raytheon volunteers set up a shelter in Texas for Katrina evacuees.

Raytheon's Global Health Resources responded to the aftermath of Hurricane Katrina by deploying resources to sites in both Mississippi and Louisiana. Health care professionals met with employees and helped individuals and families address their specific health care needs. Our nurses provided immunizations and health counseling, assisted employees in getting prescription medications

and facilitated consultations with physicians. They conducted educational sessions about hand hygiene, food handling and disease prevention. They also conducted debriefing sessions at two sites in Mississippi and one site in Louisiana. Individuals and family members were able to meet with a psychologist to discuss their feelings and receive ongoing psychological support.

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Separately, Raytheon awarded more than \$400,000 in college scholarships to 350 children of Raytheon employees and 40 students of the FIRST Robotics program. The Raytheon Scholars program supports a wide range of educational options, including vocational and technical training, and associate and bachelor's degrees. Scholarships are offered for full-time study at an accredited institution of the student's choice. The FIRST Robotics scholarships are awarded to students who participate on FIRST Robotics teams.

Raytheon Systems Limited (RSL) in the U.K. is also seeking to increase interest among schoolchildren in math and science with the 2005 launch of its RESET (Raytheon Elementary School Engineering) initiative designed to improve science, technology, math and engineering education in schools surrounding Raytheon's U.K. facilities. Additionally, RSL sponsors the *Professor Bonkers Science Show*, a theater production that visits schools around the U.K. to teach children that "science rocks."



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Education Alley

For young scholars, their parents and teachers, Education Alley was *the* place to be at the American Institute of Aeronautics and Astronautics Space 2005 Conference and Exposition from Aug. 30, 2005, to Sept. 1, 2005, in Long Beach, Calif. Sponsored by Raytheon, Education Alley featured science experiments, space technology demos and exhibits, a virtual visit to the South Pole, games and celebrity guests to make math cool to students.

Raytheon kicked off Education Alley activities on Aug. 30 with special guest Boston Celtics basketball legend Bill Russell. The 11-time NBA champion shared with the kids why he thinks math is cool. Other celebrities who lent their support to the event were actor Nicholas Gonzalez of *The OC*, Anthony Miller of the San Diego Chargers football team and Fuzzy Fantabulous, Los Angeles Power 106 FM radio personality.

A highlight of the Aug. 30 learning activities was the introduction of Raytheon's Lunar Penguin — a small, unmanned vehicle that could be exploring the moon by 2009. As part of the exhibit, live Arctic penguins visited the Raytheon booth and were a big hit with the kids. Also featured was "Marvels of Motion," a presentation by Mad Science of Los Angeles that demonstrated Newton's laws of motion.