

**RAYTHEON COMPANY**

**GOVERNANCE PRINCIPLES**

Revised as of November 14, 2018

# Raytheon Company

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## Governance Principles

### 1. *Responsibilities of the Board; Composition of the Board; Board Operation*

Responsibilities. The Board of Directors is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served. The basic responsibility of the directors is to exercise their business judgment and act in what they reasonably believe to be the best interests of the Company and its stockholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors recognize that the long-term interests of the stockholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, customers, suppliers, government officials and the public at large.

Board Size. The Board believes that, given the size and breadth of the Company and the need for diversity of Board views, the size of the Board should be in the range of nine to fourteen directors. The Governance and Nominating Committee periodically reviews the Board's size and recommends to the Board the most effective size for the Company.

Board Selection. We seek to have a balanced and collegial board whose members have the diverse set of skills and background necessary to ensure that we maximize stockholder value in a manner consistent with legal requirements and the highest ethical standards. In considering potential directors for our board, we look for candidates who possess a wide range of experience, expertise, and business judgment. In considering possible candidates for election as a director, the Governance and Nominating Committee, after consultation with the Board, should be guided by the following principles and criteria: (1) each director should be an individual of the highest character and integrity; (2) each director should have substantial experience which is of particular relevance and importance to the Company in the performance of his or her duties as a director, including (a) relevant professional experience and expertise (including business, industry, financial and/or technical expertise) to be able to offer advice and guidance to senior management and contribute in a meaningful and consistent way to the deliberative process of the Board, (b) a high degree of recognition and accomplishment, including superior credentials, in his or her respective field, and (c) substantial experience and personal reputation outside the business community - in the public, academic or scientific communities, for example; (3) each director should have sufficient time available to devote to the affairs of the Company; (4) each director should represent the interests of the stockholders as a whole rather than special interests or groups; (5) each director should be chosen without regard to gender, race, religion, age, sexual orientation or national origin; and (6) a substantial majority of directors should be independent (as more fully described below). The Governance and Nominating Committee periodically shall assess the composition of the Board, and potential director candidates, in the context of supporting the Company's long-term strategy and the Board's needs, and promoting the diversity of the Board regarding backgrounds, skill sets and life experiences. To facilitate this process, the Committee periodically will identify desired experiences, qualifications, attributes and skills which should be represented on the Board and consider anticipated director retirements and the desired attributes for their successors.

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Invitation to Join Board. The Chairman and the Chair of the Governance and Nominating Committee, on behalf of the entire Board, extend invitations to join the Board.

Voting For Directors – Failure to Receive Majority Vote. Any nominee for director in an uncontested election who receives a greater number of votes “against” his or her election than votes “for” his or her election shall tender his or her resignation to the Governance and Nominating Committee. The Governance and Nominating Committee shall recommend to the Board the action to be taken with respect to the resignation. The Board shall either accept or not accept the resignation, taking into account the Governance and Nominating Committee’s recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Governance and Nominating Committee in making its recommendation, and the Board in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director whose resignation is under consideration shall abstain from participating in the recommendation of the Governance and Nominating Committee or the decision of the Board with respect to his or her resignation. If such incumbent director’s resignation is not accepted by the Board, such director shall continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal.

Independence of Directors. The Board will consist of a substantial majority of directors who meet the New York Stock Exchange independence criteria. The Board considers all relevant facts and circumstances in making determinations of independence. To assist it in making such determinations, the Board has adopted independence guidelines. Those guidelines are contained in Exhibit A to these Principles. The basis for independence determinations will be disclosed in the Company’s annual proxy statement.

Former Chairman and/or Chief Executive Officer. When the Chairman and/or CEO resigns or retires, he or she should tender his or her resignation from the Board to the Secretary. Such individual shall not continue to serve as a director after retirement as Chairman and/or CEO except that the Board may choose not to accept such resignation on a case-by-case basis during periods of transition or in other extenuating circumstances.

Change of Responsibility of Director. A director who retires from his or her employment, or whose position of employment materially changes, should volunteer to resign from the Board. The Board will review the continued appropriateness of Board membership under such changed circumstances.

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Outside Board, Consulting or Advisory Arrangements. The number of public company boards on which a director may serve, including the Company's board, is limited to (a) four in the case of a director who is not also an executive officer of a public company and (b) two in the case of a director who is an executive officer of a public company (including the board of the company at which the director is employed). The latter limitation also applies to the Company's Chief Executive Officer. A director who is considering joining the board of another public company should promptly notify the Chairman and the Chair of the Governance and Nominating Committee regarding such proposed board service, and should not accept service on such other board until being advised that service on such other board has been approved by the Governance and Nominating Committee. A director also shall notify and obtain preapproval from the Governance and Nominating Committee of any proposed service on the board of a privately-held, for-profit company and before accepting any paid consulting or advisory engagement. The Governance and Nominating Committee also shall periodically review each director's service on non-profit boards and similar positions. The Governance and Nominating Committee shall consider (a) whether any proposed or ongoing service or engagement would conflict with a Company policy or service on the Company's board, (b) the impact on the time required for Company board and committee attendance, preparation and participation, and (c) other factors it deems appropriate. The Committee, in its discretion, may, on an individual case-by-case basis or otherwise, establish parameters and other requirements relating to a director's outside board service and other engagements.

Term Limits. There are no term limits for directors. The Governance and Nominating Committee periodically reviews the continued tenure of directors, with special attention — based on the composition and needs of the Board at that time and other considerations the Committee deems appropriate — to those directors who have served on the Board for 15 or more years.

Retirement. Directors shall retire at the expiration of their term following attaining age 74.

Board Agenda. The Chairman of the Board, in consultation with the Lead Director, if a Lead Director has been designated pursuant to Section 3 of these Principles, sets the agenda for Board meetings with the understanding that certain items necessary for appropriate Board oversight, such as annual budgets and long range plans, must appear periodically on the agenda. Board members are encouraged to recommend items to be placed on the agenda.

Frequency of Meetings. The Board has six regularly scheduled meetings per year. In addition, special meetings may be called as needed.

Corporate Strategy. The Board periodically reviews the Company's long-term strategic and business plans and fundamental financial and business strategies.

Meeting Attendance and Materials. It is the responsibility of the directors to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their duties. Directors should review in advance of any meeting all preparatory meeting materials distributed in writing to directors. It is also expected that directors will attend the annual meeting of stockholders.

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Confidentiality. The proceedings and deliberations of the Board are confidential. Each director shall maintain the confidentiality of these proceedings and deliberations. Each director shall also maintain the confidentiality of all proprietary, privileged or otherwise protected information obtained in connection with his or her service as a director and may use such information only for the purpose of his or her service as a director.

Access to Advisors. The Board and board committees may hire independent legal, financial or other advisors.

### **2. *Selection and Responsibilities of the Chairman and the CEO***

The Board selects the Chairman and the CEO in accordance with the by-laws of the Company and upon the criteria that the Board deems appropriate. The Board may designate the same person to serve as both the Chairman and the CEO. The Chairman presides at all meetings of the stockholders and of the Board, except instances in which the Lead Director (if a Lead Director has been designated by the Board) presides as otherwise provided in these Principles. The CEO is responsible for the general management of the affairs of the Company and shall perform all duties which may be required by law and such other duties as are properly required by the Board. The CEO shall make reports to the Board and the stockholders, and shall see that all orders and resolutions of the Board and of any committee of the Board are carried into effect.

### **3. *Lead Director***

The non-management directors may, upon recommendation of the Governance and Nominating Committee, designate a Lead Director. The Lead Director shall be independent as determined by the Board in accordance with these Principles. The Lead Director's duties include the duties set forth on Exhibit B to these Principles. The initial term for a Lead Director shall be two years, and may be extended for up to three successive one-year terms thereafter. Each year, other than during the first year of an initial two-year term, the Governance and Nominating Committee shall review, and subsequently make a recommendation to the other non-management directors as to the continuation of the designation of the Lead Director. In formulating its recommendation to the Board on any Lead Director designation, the Governance and Nominating Committee shall consider, among other considerations it deems appropriate, the periodic rotation of the Lead Director role among the independent directors. The Governance and Nominating Committee shall engage in Lead Director succession planning, including periodic review of individual director development in relation to the desired attributes and experience identified by the Committee for the Lead Director role.

### **4. *Board Committees***

Number and Structure. The Board has established six standing committees to assist it in effectively discharging its responsibilities: Audit; Executive; Governance and Nominating; Management Development and Compensation; Public Policy and Corporate Responsibility, and Special Activities. The Board may establish additional committees as it deems appropriate. The Governance and Nominating Committee periodically reviews the committee structure and recommends any changes to the full Board.

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The Audit Committee, the Governance and Nominating Committee and the Management Development and Compensation Committee each consists solely of independent directors.

The Executive Committee consists of the Chairman, the CEO, the Lead Director (if a Lead Director has been designated by the Board) and the chairs of the other committees.

The Special Activities Committee consists solely of independent directors who possess applicable security clearances.

Assignment of Committee Members and Committee Chairs. The Governance and Nominating Committee recommends to the Board the assignment of directors to the Board's committees, including the assignment of committee chairs. The Governance and Nominating Committee periodically reviews committee structure and assignments. The Governance and Nominating Committee also shall engage in committee leadership planning, including periodic review of individual director development in relation to the desired attributes and experience identified by the Committee for the role of each committee chair. In formulating its recommendations to the Board on committee assignments, the Governance and Nominating Committee shall consider, among other factors it deems appropriate, an objective of rotating committee chairs and members at least every five years.

Frequency and Length of Committee Meetings. The chair of each committee, in consultation with committee members, determines the frequency and length of committee meetings.

Committee Agenda. The chair of each committee, in consultation with other committee members and appropriate members of management, develops the committee's agenda. Each Board member may recommend agenda items for any committee meeting. Committee chairs report the highlights of each committee meeting to the full Board.

Committee Charters. Each committee has its own charter. The charters set forth the purposes, goals and responsibilities of the committees. The charters are published on the Company's web site.

### **5. *Executive Sessions of Non-Management Directors***

The non-management directors periodically meet in executive session. The Lead Director (if a Lead Director has been designated by the Board) presides at such sessions. In his or her absence, the Chair of the Governance and Nominating Committee shall preside at such sessions.

### **6. *Executive Succession Planning***

The Board plans for the succession to the position of CEO. To assist the Board, the CEO periodically provides the Management Development and Compensation Committee with an assessment of senior managers and their succession potential. The CEO also provides the Management Development and Compensation Committee with an assessment of persons considered potential successors to certain senior management positions, including a review of any

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development plans recommended for such individuals. The results of these reviews are reported to and discussed with the Board.

### 7. *Board Access to Management*

General. Board members have complete access to management.

Attendance of Non-Directors at Board Meetings. The Board encourages the CEO to bring members of management from time to time into Board meetings to:

- (a) provide management insight into items being discussed by the Board that involve the manager;
  - (b) make presentations to the Board on matters which involve the manager; and
  - (c) bring managers with high potential into contact with the Board.
- Should the CEO desire to add additional members of management as attendees on a regular basis, the CEO should suggest this to the Board for its concurrence.

### 8. *Board Materials Distributed in Advance of Meetings*

Information and data is important to the Board's understanding of the business and is essential to prepare Board members for productive meetings. Presentation materials relevant to each meeting should be distributed in writing to the Board in advance of the meeting, unless doing so would compromise the confidentiality of competitive information. Under normal circumstances, materials should be delivered at least five days in advance of the meeting. In the event of a pressing need for the Board to meet on short notice, written materials may not be available in advance of the meeting. Management will make every effort to provide presentation materials that are brief and to the point, yet communicate the essential information.

### 9. *Board Evaluation; CEO Evaluation*

Board Self-Assessment. The Governance and Nominating Committee periodically sponsors an assessment of the Board's performance, the results of which are discussed with the full Board. The assessment includes a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company. The purpose of the review is to improve the performance of the Board as a unit. The Governance and Nominating Committee utilizes the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board. In addition, the Governance and Nominating Committee leads each committee in reviewing its performance. The Committee also may periodically ask each director to complete an individual director self-assessment to solicit input on, among other things, the director's interest in future committee chair/Lead Director roles and recommendations on fellow directors to serve in those roles, as well as his or her current skills and experience and educational and development objectives.

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Annual Evaluation of CEO. The Management Development and Compensation Committee (“MDCC”) is charged with leading and implementing the annual CEO evaluation, doing so in consultation with the Lead Director (if a Lead Director has been designated by the Board) and the other independent directors. At the beginning of a review period, the MDCC recommends, and the Board approves, a statement of the CEO's objectives. When the CEO's annual evaluation is to commence, the CEO provides to the MDCC and the Lead Director a written self-appraisal, assessing his or her performance against these objectives. The self-appraisal is discussed with the CEO and then distributed to all of the independent directors. Each independent director is given an opportunity to contribute his or her assessment of the CEO's performance, and these individual assessments are then consolidated by the Chair of the MDCC and Lead Director into a statement from the Board to the CEO. The Lead Director and Chair of the MDCC discuss the summary with the independent directors, and then meet with the CEO to deliver and discuss the evaluation. If a Lead Director has not been designated by the Board, the Chair of the MDCC will solely undertake the foregoing responsibilities.

### 10. *Director Orientation and Development*

Director Orientation. The Governance and Nominating Committee shall review and approve an orientation plan for each new director. Each orientation plan shall be customized to address substantive areas where the new director may not have significant experience. Such plans shall include corporate briefings on Raytheon-specific topics, visits and briefings at Company operations sites, and access to director education programs and other resources.

Director Development. Ongoing education for directors shall include visits to Raytheon facilities, periodic education regarding the Company's Code of Conduct and other policies and practices relevant to the Company's business and operations, and access to director education programs and other resources. Directors shall regularly be provided with descriptions of a variety of director education programs offered throughout the year. Additionally, directors shall be encouraged to identify development goals, experiences and resources that will aid their effectiveness serving on the Board. Individual director development shall serve as a key consideration by the Governance and Nominating Committee in its committee chair and Lead Director succession planning.

### 11. *Board Oversight of Risk*

The Board oversees various risks potentially affecting the Company both directly and indirectly through its committees. The Company has in place an enterprise risk management (“ERM”) process that, among other things, is designed to identify risks across the Company with input from each business unit and function. Under the ERM process, various business risks are identified, assessed and prioritized. The top risks to the Company, including information on the management and mitigation of those risks, are reported to the full Board. Management may address such risks with the full Board directly or with an appropriate Board committee in accordance with the responsibilities of Board committees under their charters. The ERM process is reviewed with the Board from time to time. The Company also manages risk through numerous controls and processes embedded in its operations. Such controls and processes also are reviewed from time to time with the Board and/or the appropriate Board committees.

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### 12. *Share Ownership and Retention Guidelines for Directors and Officers*

Non-Employee Directors. The Board believes that directors should be stockholders and have a financial stake in the Company. Each director should develop a meaningful ownership position in the Company over time. In furtherance of this belief, non-employee directors are paid a substantial portion of their annual compensation in shares of Raytheon Common Stock. In addition, the Board has adopted stock ownership guidelines for non-employee directors. Each director is expected to own shares of stock with a market value of at least five times the annual cash retainer applicable to all non-employee directors. Directors have five years to achieve the target ownership threshold. A director shall not dispose of any of his or her Company Stock until such time as he or she attains the requisite ownership threshold, and thereafter shall maintain such equity ownership threshold.

Elected Officers. The Board also has adopted stock ownership guidelines applicable to officers of the Company. The Chief Executive officer is expected to own shares of stock with a market value equal to six times his or her annual base salary. Other officers, depending upon seniority, are expected to own shares of stock with a market value between two and four times their annual base salaries. Each elected officer is expected to meet the applicable target ownership threshold within five years. An officer shall not dispose of any of his or her Company Stock until such time as he or she attains the requisite ownership threshold, and thereafter shall maintain such equity ownership threshold.

### 13. *Director Compensation*

The Governance and Nominating Committee conducts periodic reviews of director compensation. In connection with these reviews, it should receive periodic reports from outside consultants on the status of the Company's director compensation practices in relation to other companies of comparable size and the Company's competitors. The Governance and Nominating Committee's consideration of the form and amount of director compensation should be in accordance with the principles set forth in its charter and those set forth in Exhibit C to these Principles.. Changes in director compensation, if any, should come upon the recommendation of the Governance and Nominating Committee, but with full discussion and concurrence by the Board.

### 14. *Board Interaction with Third Persons*

The Board looks to management to speak for Raytheon Company. Individual Board members should avoid making public comments or communicating with the press, securities market professionals, stockholders or customers concerning matters involving the Company without the prior authorization of the CEO or Lead Director.

### 15. *Ethics and Conflicts of Interest*

Ethics. The Board expects all directors, officers, employees and representatives to act ethically at all times and to avoid conflicts of interest or the appearance of a conflict of interest. The Company has adopted a Code of Business Ethics and Conduct and a Conflicts of Interest Policy which apply to all directors, officers, employees and representatives. The Code, as well as the Policy, form the basis for the Company's ethics and compliance procedures and cover a wide range of areas. The

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Code is available on the Company's web site. The Company engages in annual ethics education for all directors, officers and employees.

Conflicts of Interest. In addition to complying with the Code of Conduct and other applicable Company policies, directors are required to bring to the attention of the Senior Vice President and General Counsel any actual or potential conflict of interest. Officers and employees are expected to report actual or potential conflicts of interest to the Vice President of Ethics. Directors, officers and employees may report matters of concern through the Company's anonymous, confidential toll-free hotline. Anyone may report accounting, internal controls or auditing matters by mail or a secure web-based communication method to the Chair of the Audit Committee. These matters will be investigated in due course by the Ethics Office with assistance from the Office of the General Counsel unless otherwise instructed by the Audit Committee. Other matters may be reported in writing by mail or a secure web-based communication method to the Lead Director on behalf of the non-management directors. These matters will be referred to the Lead Director (or the non-management directors if a Lead Director has not been designated by the Board) and tracked by the Office of the General Counsel.

### 16. *Policy on Shareholder Rights Plans*

The Company does not have a shareholder rights plan. The Board shall obtain shareholder approval prior to adopting a shareholder rights plan unless the Board in the exercise of its fiduciary duties determines that under the circumstances then existing, it would be in the best interest of the Company and its shareholders to adopt a rights plan without prior shareholder approval. If a rights plan is adopted without prior shareholder approval, the plan must provide that it shall expire unless ratified by shareholders within one year of adoption.

### 17. *Restatement Clawback Policy*

In addition to any other remedies available to the Company (but subject to applicable law), if the Board determines that it is appropriate, the Company may recover any cash bonus (RBI) payment, any LTPP award and any other award pursuant to any stock plan, whether or not deferred, (any such payment or award referred to as an "incentive payment") made on or after January 1, 2009 to an elected officer where: (1) the incentive payment was predicated upon achieving certain financial results that were subsequently the subject of a restatement of Company financial statements filed with the Securities and Exchange Commission; (2) the Board determines the executive engaged in knowing or intentional fraudulent or illegal conduct that caused or substantially caused the need for the restatement; and (3) a lower incentive payment would have been made to the executive based upon the restated financial results. In any such instance, the Company will, to the extent practicable, seek to recover from the individual executive the amount by which the individual executive's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results.

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### 18. *Periodic Review of Principles*

The Governance and Nominating Committee periodically reviews these Principles and considers other corporate governance principles that may merit consideration by the Board.

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Exhibit A

### *Independent Director*

Pursuant to applicable NYSE standards, the Board has adopted the following guidelines to assist it in determining whether a director has a direct or indirect material relationship with the Company.

A director will not be considered independent if he or she:

- (i) has been employed by, or whose immediate family member has been an executive officer of, the Company within the past three years;
- (ii) (a) is, or has an immediate family member who is, a current partner of an internal or external auditor of the Company; (b) is a current employee of an internal or external auditor of the Company; (c) has an immediate family member who is a current employee of an internal or external auditor of the Company who personally works on the Company's audit; or (d) was, or has an immediate family member who was, a partner or employee of an internal or external auditor of the Company who personally worked on the Company's audit within the past three years;
- (iii) has, or has an immediate family member who has, within the past three years, been an executive officer of a public company that has on the compensation committee of its board an executive officer of the Company;
- (iv) has, or has an immediate family member who has, during any twelve-month period within the past three years, been a paid advisor or consultant to the Company receiving in excess of \$ 120,000 per year in direct compensation from the Company (other than fees for service as a director or pension or deferred compensation for prior service);
- (v) is an employee or has an immediate family member who is an executive officer, of a company that does business with the Company and the annual payments to or from the Company exceeded the greater of \$1 million or 2% of the other company's annual gross revenues in any of the past three fiscal years; and
- (vi) is an executive officer of a tax-exempt entity that receives contributions in any fiscal year from the Company exceeding the greater of \$1 million or 2% of its gross revenues (the Company's matching of employee charitable contributions is not included in the amount of the Company's contributions for this purpose.).

An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

*Lead Director Role and Responsibilities*

The Board believes that a Lead Director can be an integral part of a Board structure that promotes strong, independent oversight of the Company's management and affairs. If the Board determines in its discretion to designate a Lead Director, it shall select the Lead Director from among the independent directors of the Board, as determined by the Board in accordance with the criteria included in these Principles consistent with the New York Stock Exchange listing standards. The designation of a Lead Director is not intended to inhibit communication among the directors or between any of them and the Chairman.

The Lead Director's duties include:

- Working with the Chairman to develop and approve Board agendas;
- Developing and approving meeting schedules with the Chairman to ensure there is sufficient time for discussion of agenda topics;
- Advising the Chairman as to the quality, quantity and timeliness of the information sent to the Board by management;
- Developing agendas for and chairing executive sessions of the Board (in which the independent directors meet without management);
- Communicating periodically on an individual basis with each of the other independent directors;
- Acting as a liaison between the Chairman and the independent directors;
- Serving as Chairman of the Board when the Chairman is not present;
- Convening meetings of the independent directors as necessary or appropriate;
- Attending, to the extent feasible, the regularly scheduled meetings of each of the standing committees; and
- Performing such other duties as the Board may determine from time to time.
- Serving as a liaison for consultation and communication with shareholders. The Lead Director is available to meet with shareholders upon request. The request may be made care of the Corporate Secretary, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. The request also may be made through the Company's corporate governance web site at [www.raytheon.com](http://www.raytheon.com) under the heading "About Us/Corporate Governance/Contact the Board."

*Non-Employee Director Compensation Principles*

1. The independent compensation consultant retained by the Management Development and Compensation Committee (the “Consultant”) shall biennially provide the Governance and Nominating Committee (the “Committee”) with a director compensation market assessment (to be updated by the Consultant in each intervening year) and a report on director compensation trends and developments.
2. The level and composition of director compensation shall be consistent with and supportive of director independence.
3. Average total director compensation should be set using the median of the Company’s peer group as a reference point.
4. To promote the alignment of director and shareholder interests from a long-term perspective, a director’s annual compensation should include a significant equity component and each director should be subject to a meaningful stock ownership requirement.
5. Compensation, particularly the cash component, should appropriately reflect differing degrees of responsibility and time commitment assumed by individual directors through additional compensation for the Lead Director and committee chairs and other directors who serve on the board of other Raytheon entities or special committees, as well as the payment of meeting fees.
6. A director who leaves Board service before the end of the director’s term shall be paid, on a pro-rata basis, cash compensation and, at the discretion of the Committee, equity compensation.
7. Perquisites, if any, should be limited to customary items which confer de minimus personal benefits that do not raise potential concerns related to independence.