RAYTHEON CO/
Form PRE 14A
April 12, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Raytheon Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

April [ ], 2016

Dear Raytheon Shareholder,

I am pleased to invite you to attend Raytheon s 2016 Annual Meeting of Shareholders on Thursday, May 26, 2016. The meeting will be held at 11:00 a.m. Eastern Time at Westfields Marriott Washington Dulles, 14750 Conference Center Drive, Chantilly, Virginia 20151. For your convenience, we are pleased to offer a live webcast (audio only) of the meeting at www.raytheon.com/ir.

As reflected in this proxy statement, Raytheon continues to demonstrate its commitment to sound governance practices. Under the Board s oversight, the Company continues to take meaningful measures to engage with our shareholders and promote Board accountability and transparency. As discussed in more detail in this proxy statement, these measures include the recent adoption of a proxy access by-law, expansion of our website disclosure regarding political expenditures and lobbying activities, and enhancement of executive compensation and other disclosures, as well as significant Board refreshment over the past several years, with two new directors added in 2015.

I look forward to sharing information with you about Raytheon at the Annual Meeting. Whether or not you plan to attend, I encourage you to vote your proxy as soon as possible so that your shares will be represented at the meeting.

Thank you.

Sincerely,

THOMAS A. KENNEDY

Chairman and Chief Executive Officer

Table of Contents

RAYTHEON COMPANY

870 Winter Street, Waltham, Massachusetts 02451

PROXY STATEMENT FOR 2016 ANNUAL MEETING OF SHAREHOLDERS

PROXY SUMMARY

The Board of Directors of Raytheon Company is soliciting your proxy for the 2016 Annual Meeting of Shareholders. This section summarizes certain information contained elsewhere in this proxy statement. The proxy statement contains all of the information that you should consider and we encourage you to read it in its entirety. This Proxy Summary provides an overview of the following:

- *Annual Meeting logistics, the matters to be voted upon, and the Board s recommendation on each matter*
- *Governance Highlights*
- *Executive Compensation*

Annual Meeting of Shareholders

Time:	11:00 a.m. Eastern Time
Date:	Thursday, May 26, 2016
Place:	Westfields Marriott Washington Dulles, 14750 Conference Center Drive, Chantilly, Virginia 20151
Record Date:	Shareholders of record at the close of business on Tuesday, April 5, 2016 are entitled to notice of and to vote at the meeting.
Proxy Voting:	You can vote your shares by completing and returning the proxy card or voting instruction form sent to you. Most shareholders can also vote their shares over the Internet or by telephone. Please check your proxy card or the information forwarded by your broker, bank, trust or other holder of record to see which options are available to you. You can revoke a proxy at any time prior to its exercise by following the instructions in the proxy statement.

Meeting Agenda and Voting Matters

Proposal		**Board s Voting Recommendation**	**Page Reference** (for more detail)
No. 1	*Election of ten directors nominated by the Company s Board.*	FOR (each nominee)	pp. 17 22

Table of Contents

Governance Highlights

Major elements of our governance profile are enumerated below and discussed in greater detail in this proxy statement.

Recent Developments:

- *Adoption of Proxy Access By-Law (3% ownership/3 year holding period/cap of 20% of Board, not less than two)*
- *Significant expansion of website disclosure on Company political expenditures and lobbying activities*
- *Board refreshment with two new directors added in 2015 (with a total of six added and four retired in the last five years)*

Independence	All directors are independent other than the Chairman and CEO
	Independent directors meet in executive session at the end of Board and committee meetings
	Rigorous compensation consultant independence policy
Independent Lead Director	Fully independent and empowered Lead Director with broadly defined leadership authority and responsibilities
Accountability	Annual election of all directors and majority voting in uncontested elections
	Annual shareholder advisory vote to approve named executive officer compensation
	Annual Board evaluation of CEO performance led by the Management Development and Compensation Committee (MDCC)
	Restatement Clawback Policy
	No poison pill
	Periodic Board review of the Company s ethics program
Alignment with Shareholder Interests	Pay-for-performance executive compensation program
	Contemporary stock ownership and retention guidelines for directors and officers
	Prohibition on director and officer hedging and derivative transactions
Shareholder Access	Multiple channels to communicate with the Board and the Audit Committee
	Active Company outreach and engagement with shareholders throughout the year
	Shareholders may include nominees in the Company s Annual Meeting proxy materials (Proxy Access)
	Shareholders authorized to call special meetings of shareholders

	Shareholders authorized to take actions by written consent
Board Practices	Robust annual Board and committee self-evaluation process, including a mid-year review and independent director discussions in executive session Mandatory director retirement at age 74 Periodic MDCC and full Board review of executive succession planning Balanced and diverse Board composition Regular refreshment of the Board, with the addition of six directors and departure of four directors in the last five years Limits on outside public company board service
Risk Oversight	Regular Board oversight of the Company s risk management generally, including its enterprise risk management process Certain risks overseen by each Board committee based on the committee s role and responsibilities, including, by way of example, review by the Audit Committee of risks related to financial reporting, internal audit, auditor independence and related legal areas, by the MDCC of compensation program related risks, and by the Public Affairs Committee of areas of regulatory compliance, social responsibility and environmental matters
Transparency	Clear and understandable disclosure regarding the Company s executive compensation program and governance, as well as detailed and accurate financial reporting Robust voluntary website disclosure regarding Company political expenditures and lobbying activities Annual Corporate Responsibility Report highlighting the Company s values, culture and commitment to corporate responsibility, including governance, sustainability, ethics and business conduct, safety and wellness, and community support

Executive Compensation

2015 Named Executive Officers (NEOs). For 2015, our NEOs were:

- Thomas A. Kennedy, Chairman and Chief Executive Officer;
- Anthony F. O Brien, Vice President and Chief Financial Officer;
- David C. Wajsgras, Vice President, and President of our Intelligence, Information and Services (IIS) business;
- Frank R. Jimenez, Vice President, General Counsel and Corporate Secretary;
- Richard R. Yuse, Vice President, and President of our Space and Airborne Systems (SAS) business; and
- Taylor W. Lawrence, Vice President, and President of our Missiles Systems (MS) business.

Mr. Wajsgras served as CFO prior to Mr. O Brien s appointment as CFO in March 2015.

Our Compensation Objectives. Our executive compensation program reflects a commitment to:

- Retain and attract highly-qualified executives;
- Motivate our executives to achieve our overall business objectives;
- Reward performance; and
- Align our executives interests with those of our shareholders.

How We Determine and Assess Executive Compensation. The MDCC oversees, approves and assesses the effectiveness of our compensation program in relation to our compensation philosophy and the market. In setting our executive compensation program and practices, the MDCC considers input from its independent compensation consultant, Pearl Meyer & Partners, shareholders and management. The MDCC also considers other factors including market data, risk considerations, executives experience levels and macroeconomic and organizational considerations.

Elements of Our Compensation Program. Our program consists primarily of the following total direct compensation elements:

Base salary;

Annual cash incentive awards (Results-Based Incentive, or RBI, awards); and

Long-term equity incentive awards consisting of performance-based restricted stock units (under our Long-Term Performance Plan, or LTPP) and time-based restricted stock/restricted stock units (Restricted Stock).

The executive compensation program is rounded out with certain perquisites and other executive benefits.

The table below illustrates how each element of the program addresses our compensation objectives:

Retain & Attract Talent		**Pay for Company Performance**	
ü Base Salary			
ü RBI	ü Restricted Stock	ü RBI	ü LTPP
ü LTPP	ü Perks & Other Benefits		

Pay for Individual Performance	**Align with Shareholder Interests**	
ü RBI	ü LTPP	ü Restricted Stock

Under our program, a significant portion of our executives compensation is at risk, and that risk increases with each executive s level of responsibility. We also balance the short- and long-term focus of our executives and align their interests with those of our shareholders by ensuring that a significant portion of their compensation is equity-based and subject to stock price performance. See pages iv and 29 for a discussion of our total direct compensation mix. In addition, to reinforce this direct link with shareholders interests, we require our executive officers to own and retain a meaningful amount of our stock. See page 37 for a discussion of our Stock Ownership and Retention Guidelines.

Table of Contents

2015 Total Direct Compensation Mix. Of the three primary categories of total direct compensation, our executive compensation is heavily weighted towards the variable, performance-based elements, and towards the long-term and equity-based elements, as illustrated by the tables below, which set forth the percentage of total target compensation corresponding to each compensation element s target levels and the total direct compensation opportunities for 2015.

Total Direct Compensation Opportunity CEO[1]	
Fixed 11%	**Variable 89%**
(Base Salary)	(RBI + Long-Term Incentive Value[2])
Short-Term 32%	**Long-Term 68%**
(Base Salary + RBI)	(Long-Term Incentive Value[2])
Cash 32%	**Equity-Based 68%**
(Base Salary + RBI)	(Long-Term Incentive Value[2])

(1) Total direct compensation opportunity does not include perquisites and other benefits.
(2) Long-Term Incentive Value consists of LTPP and Restricted Stock.

Total Direct Compensation Opportunity Other NEOs[1]	
Fixed 20%	**Variable 80%**
(Base Salary)	(RBI + Long-Term Incentive Value[2])
Short-Term 39%	**Long-Term 61%**
(Base Salary + RBI)	(Long-Term Incentive Value[2])
Cash 39%	**Equity-Based 61%**
(Base Salary + RBI)	(Long-Term Incentive Value[2])

(1) Average allocation for the NEOs other than the CEO. Total direct compensation opportunity does not include perquisites and other benefits.
(2) Long-Term Incentive Value consists of LTPP and Restricted Stock. Restricted Stock excludes a one-time Restricted Stock award to Mr. Jimenez in 2015. See Summary Compensation Table on page 40 for more information.

2015 Company Performance. In 2015, we returned to growth and delivered strong operating performance. The Company achieved:

Strong bookings of $25.2 billion, up from $24.1 billion the prior year;

Solid operating cash flow from continuing operations of $2.3 billion for the year, after a $200 million pretax discretionary pension plan contribution; and

A book-to-bill ratio of 1.09 for the year;

Full-year net sales of $23.2 billion, up 2% from the prior year;

Full-year diluted earnings per share from continuing operations of $6.75;

Continued strong growth in the Company s international business, which increased by 9% over the prior year and represented 31% of our total annual sales.

We focused on topline growth in 2015 while continuing to maintain our strong operating margins. Our bookings and revenue performance in 2015 was driven by strong global demand for the Company s innovative products and services. We also successfully executed on our strategy to extend our significant cyber capabilities into the commercial markets by creating Forcepoint, a new commercial cybersecurity joint venture company, formed by acquiring Websense from Vista Equity Partners, combining it with Raytheon Cyber Products and selling a minority interest in the combined company to Vista Equity Partners. In addition, we continued our focus on operational performance and enhancing our competitiveness through program execution, cost reduction efforts and efficiencies, while also continuing to make investments to develop discriminating technologies and differentiated capabilities. Our performance drove significant shareholder value in 2015, with total shareholder return for 2015 of 17.54%, considerably outperforming the S&P 500.

Table of Contents

2015 RBI and LTPP Results. The following table illustrates the results of our 2015 RBI and 2013-2015 LTPP programs, which closely tie each individual executive s compensation with the Company s performance. See pages 30 to 35 for a discussion of these plans.

Compensation Element	Performance Metrics/Weightings	Results Achieved
2015 RBI	Bookings (20%); net sales (30%); free cash flow (FCF) (20%); and operating income from continuing operations (30%).	We exceeded our pre-established 2015 targets on all RBI metrics, resulting in an overall funding level of 112.4% of target.
2013-2015 LTPP	Average return on invested capital (ROIC) (50%); cumulative FCF (CFCF) (25%); and total shareholder return (TSR) (25%).	We exceeded our pre-established three-year targets on all LTPP metrics, resulting in a payout equal to 179.2% of target.

2015 Total Direct Compensation. Our 2015 executive compensation program successfully met our pay-for-performance objectives. In addition, our executives compensation reflects market competitiveness as discussed in more detail beginning on page 28. The table below summarizes the 2013-2015 compensation provided to our NEOs and reflects the view of the MDCC with respect to their annual compensation decisions for those executives during those years. The table differs from the Summary Compensation Table required by the Securities and Exchange Commission (SEC), which appears on page 40, and is not a substitute for that table.

TOTAL DIRECT COMPENSATION[1]

NEO	Year[2]	Salary	Annual Cash Incentive RBI[3]	Long-Term Equity Incentives Restricted Stock[4]	Long-Term Equity Incentives LTPP[5]	Total
Thomas A. Kennedy	2015	$ 1,196,467	$ 3,046,500	$ 3,400,004	$ 4,500,016	$ 12,142,987
	2014	1,057,698	2,500,000	2,999,961	4,000,034	10,557,693
	2013	644,017	1,200,000	1,999,970	1,250,020	5,094,007
Anthony F. O Brien	2015	$ 485,686	$ 608,400	$ 800,033	$ 1,000,027	$ 2,894,146
David C. Wajsgras	2015	$ 952,887	$ 1,114,400	$ 1,300,040	$ 1,250,034	$ 4,617,361
	2014	929,694	1,100,000	1,549,968	1,300,032	4,879,694
	2013	901,434	1,100,000	1,200,023	1,300,013	4,501,470
Frank R. Jimenez	2015	$ 627,706	$ 764,300	$ 800,033	$ 1,000,027	$ 3,192,066
Richard R. Yuse	2015	$ 747,763	$ 887,100	$ 1,300,040	$ 1,250,034	$ 4,184,937
	2014	678,268	800,000	1,600,006	1,250,016	4,328,290
	2013	631,138	700,000	1,200,023	1,250,020	3,781,181
Taylor W. Lawrence	2015	$ 693,474	$ 810,900	$ 1,300,040	$ 1,250,034	$ 4,054,448

[1] This table reflects the elements of total direct compensation under our program and excludes (a) amounts based on the change in the actuarial present value of the executives accumulated pension benefits and (b) the value of perquisites and personal benefits (as defined by the SEC), the amount of tax-gross ups, the amount of Raytheon

contributions to qualified and nonqualified defined contribution plans, and the value of insurance premiums paid by Raytheon, which are required to be included in the Summary Compensation Table on page 40. While the MDCC considers pension benefits, perquisites and other executive benefits in the context of its assessment of the overall competitiveness of the Company s compensation, it generally focuses on total direct compensation and the elements thereof in making compensation decisions. In addition, the amounts set forth under the Restricted Stock and LTPP Award columns in the above table represent the full intrinsic values of such awards on the date the Board or MDCC made the formal determination for such grant (e.g., target number of shares times the closing price of our common stock on the determination date), since that is the basis upon which the MDCC considers these awards in proposing, recommending and approving annual compensation. In contrast, the Stock Awards column in the Summary Compensation Table represents the grant date fair value of such awards for financial statement reporting purposes, which differs from the intrinsic value of the LTPP awards. These awards are discussed in more detail under Long-Term Equity Incentives LTPP and Restricted Stock LTPP beginning on page 33. In addition, this table excludes the value of a one-time cash payment and restricted stock award granted by the Company to Mr. Jimenez in consideration of his forfeiture, at the time he joined Raytheon, of a cash bonus from his prior employer relating to 2014 and equity awards from his prior employer. See Summary Compensation Table on page 40 for more information.

(2) This table sets forth compensation information for each of the NEOs for the fiscal years ended December 31, 2015, 2014 and 2013, other than Messrs. O Brien and Jimenez, who became NEOs in 2015 and Mr. Lawrence, who was not an NEO in 2013 or 2014.

(3) Annual RBI cash award. RBI awards are discussed under Annual Cash Incentives RBI beginning on page 30.

(4) Restricted stock/restricted stock unit awards. Restricted Stock is discussed under Long-Term Equity Incentives LTPP and Restricted Stock Restricted Stock Awards beginning on page 35.

(5) LTPP award. LTPP awards are discussed under Long-Term Equity Incentives LTPP and Restricted Stock LTPP beginning on page 33.

v

Table of Contents

Say on Pay. Since 2011, our shareholders have voted, on an advisory basis, on our executive compensation. We have consistently received strong shareholder support, as illustrated below:

Annual Meeting	2015	2014	2013	2012	2011
Votes Cast FOR Say on Pay Vote	96.5%	95.1%	96.1%	94.2%	93.3%

Table of Contents

RAYTHEON COMPANY

870 Winter Street, Waltham, Massachusetts 02451

PROXY STATEMENT FOR 2016 ANNUAL MEETING OF SHAREHOLDERS

TABLE OF CONTENTS

Table of Contents

Table of Contents

CORPORATE GOVERNANCE

The Board of Directors is committed to being a leader in corporate governance. The Board believes that good governance enhances shareholder value and goes beyond simply complying with applicable requirements. It means an integrated and collaborative approach to governance promoting integrity, accountability, transparency and the highest ethical standards. To that end, the Board has adopted a number of policies, processes and practices to ensure effective governance. Our key governance documents are available on our website at www.raytheon.com under the heading Investor Relations/Corporate Governance. Major elements of our governance profile are enumerated on page ii and discussed in greater detail in this section.

Governance Principles

Our Governance Principles provide a framework for oversight of the Company s governance and address a number of the topics enumerated above. The Governance Principles are available on our website at www.raytheon.com under the heading Investor Relations/Corporate Governance/Governance Principles and are also available in print to any shareholder who requests them by writing to Raytheon Company, Investor Relations, 870 Winter Street, Waltham, Massachusetts 02451 or by emailing invest@raytheon.com.

Director Nomination Process and Availability of Proxy Access for Shareholder Director Nominations

Under our By-Laws, nominations for director may be made only by the Board or a Board committee, or by a shareholder or shareholders entitled to vote who comply with the relevant provisions in our By-Laws. All director nominations should be made in accordance with the provisions set forth in our By-Laws, which are published on our website at www.raytheon.com under the heading Investor Relations/Corporate Governance. You also may obtain a copy of our By-Laws by writing to the Corporate Secretary at the address set forth above.

Shareholder Nominations via Proxy Access By-Law (Section 2.11). On March 23, 2016, the Board amended the Company s By-Laws, setting forth conditions under which shareholders may include nominees in the Company s Annual Meeting proxy materials (proxy access by-law). This proxy access by-law represents the culmination of consideration by the Governance and Nominating Committee and the full Board over time and the detailed feedback elicited by the Company through its annual outreach process outside of proxy season from representatives of institutional shareholders owning approximately 40% of the Company s stock. Key elements of the proxy access by-law are as follows:

- Available to shareholders who have beneficially owned 3% or more of the Company s outstanding stock continuously for at least three years;
- Loaned stock is counted as owned, provided that the eligible nominating shareholder has the power to recall such loaned shares on no more than five business days notice, such shareholder recalls the loaned shares within five business days of being notified that its nominee will be included in the Company s proxy materials for the relevant Annual Meeting, and such shareholder holds the recalled shares through the Annual Meeting;
- Nominating shareholders are not required to continue to hold their Company shares for any period after the Annual Meeting for which nominees are to be voted upon;
- The 3% ownership threshold can be satisfied by no more than 20 shareholders, with multiple funds under common management and investment control, and a group of investment companies (as defined in the Investment Company Act of 1940), treated as a single shareholder;

A cap on the number of nominees equal to the greater of 20% (rounded down) of all directors or 2 (20% or 2);

The cap on the number of proxy access nominees is not reduced by the number of previous proxy access nominees elected and re-nominated by the Board;

However, the cap on the number of proxy access nominees is reduced by the number of other nominees nominated by shareholders under the Company s standard advance notice by-law;

No disqualification of a proxy access nominee based on the nominee receiving third-party compensation, but the specifics of any such compensation must be disclosed;

A proxy access nominee is barred from re-nomination for two years if such nominee was included in the proxy materials and failed to receive support of at least 25% of the shares voting;

Notice from eligible shareholders of nominees, subject to the provisions of the proxy access by-law, must be received by the Company no earlier than the 150th day, and no later than the 120th day, prior to the first anniversary of the date that the prior year s Annual Meeting proxy statement was first sent to shareholders.

Table of Contents

Shareholder Nominations other than via Proxy Access By-Law. Shareholders may also nominate persons for election to the Board at an annual or special meeting of shareholders in accordance with the standard advance notice provisions (By-Law Section 2.7). For our 2017 Annual Meeting of Shareholders, we must receive this notice between January 26, 2017 and February 25, 2017. However, in no event are we obligated to include any such nomination in our proxy materials.

Shareholder Recommendations for Consideration by the Board s Governance and Nominating Committee. Shareholders wishing to propose a director candidate for consideration by the Governance and Nominating Committee may do so by sending the candidate s name, biographical information and qualifications to the Committee Chair, in care of the Corporate Secretary, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. The Committee reviews each candidate s qualifications in accordance with the director qualification criteria contained in our Governance Principles and determines whether the candidate should be nominated for election to the Board.

Director Candidate Consideration and Board Refreshment

The Governance and Nominating Committee s Consideration Process. The Committee s frame of reference for considering director candidates is set forth in the Board Selection section of the Governance Principles, which identifies diversity of experience, expertise and business judgment as key objectives. The Governance Principles also provide that the Committee, in consultation with the Board, will be guided by a number of other criteria, including that each director candidate should be chosen without regard to gender, race, religion, age, sexual orientation or national origin. The Committee seeks to have a balanced, engaged and collegial board whose members possess the skills and background necessary to ensure that shareholder value is maximized in a manner consistent with all legal requirements and the highest ethical standards. The Committee utilizes a matrix that reflects the key attributes, skills and experience possessed by Board members and identifies areas where the composition of the Board might best be complemented. From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates.

Board Refreshment. Informed by the Governance and Nominating Committee, the Board has, on an ongoing basis, assessed its profile in terms of attributes, skills and experience and sought to enhance the Board s capabilities in a complex and evolving business environment. In 2015, the Board added two new directors who are candidates for election at the 2016 Annual Meeting, Letitia Long, former Director of the National Geospatial-Intelligence Agency, and Robert Beauchamp, Chairman, President and CEO of BMC Software, Inc. During the last five years, a total of six directors have joined the Board, while four have retired.

Majority Voting for Directors

Our By-Laws contain a majority of votes cast standard for uncontested elections of directors. Under the majority of votes cast standard, a director nominee is elected if the number of votes cast for the nominee exceeds the number of votes cast against the nominee. In contested elections (that is, those in which the number of nominees exceeds the number of directors to be elected), the voting standard is a plurality of votes cast.

Our Governance Principles also provide that any incumbent director in an uncontested election who fails to receive the requisite majority of votes cast for his or her election will tender his or her resignation to the Governance and Nominating Committee. The Governance and Nominating Committee will make a recommendation to the Board as to whether to accept or reject the director s resignation. The Board will act on the resignation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of results. The director whose resignation is under consideration will abstain from participating in both the Governance and Nominating Committee s recommendation and the Board s decision with respect to the resignation. If a resignation is not accepted by the Board, the director may continue to serve.

Board Independence

The Governance Principles include criteria adopted by the Board to assist it in making determinations regarding the independence of its members. The criteria are consistent with the New York Stock Exchange (NYSE) listing standards regarding director independence. To be considered independent, the Board must determine that a director does not have a material relationship, directly or indirectly, with Raytheon. A director will not be considered independent if he or she is a current partner or employee of an internal or external auditor of Raytheon, or if his or her immediate family member is a current partner of an internal or external auditor of Raytheon, or if he or she, or an immediate family member, has been within the last three years:

- an executive officer of Raytheon;
- a partner or employee of an internal or external auditor of Raytheon who personally worked on a Raytheon audit;

2

- an executive officer of a public company that has an executive officer of Raytheon on its compensation committee;

- a paid advisor or consultant to Raytheon receiving in excess of $120,000 per year in direct compensation from Raytheon (other than fees for service as a director); or

- an employee (or in the case of an immediate family member, an executive officer) of a company that does business with Raytheon and the annual payments to or from Raytheon exceeded the greater of $1 million or 2% of the other company s annual gross revenues.

A director will also not be considered independent if, in the prior year, he or she, or an immediate family member, was an executive officer of a tax-exempt entity that received contributions from Raytheon exceeding the greater of $1 million or 2% of the entity s gross revenues.

The Board has considered the independence of its members in light of its independence criteria, and has reviewed Raytheon s relationships with organizations with which our directors are affiliated. In this regard, the Board considered the following relationships:

- Subsidiaries of Tyco International, where Mr. Oliver serves as CEO, provide products and services to Raytheon in the ordinary course of business including fire protection and security system equipment and services;

- State Street Global Markets, LLC (SSGM), a subsidiary of State Street Corporation, where Ms. Atkinson serves as Executive Vice President and Treasurer, provides purely transactional processing services to Raytheon pension plans in the ordinary operation of the plans; and

- BMC Software, Inc. (BMC), where Mr. Beauchamp serves as Chairman, President and CEO, provides software and related services to Raytheon in the ordinary course of business.

In all three cases, the amounts paid to Tyco International, SSGM and BMC were well below the relevant thresholds referenced above. Based on the foregoing, the Board concluded that neither Mr. Oliver, Ms. Atkinson, nor Mr. Beauchamp directly or indirectly has a material interest in the respective transactions with Tyco International, SSGM and BMC.

The Board also has determined that Mses. Atkinson and Long, and Messrs. Beauchamp, Cartwright, Clark, Hadley, Oliver, Ruettgers, Skates and Spivey, do not directly or indirectly have a material relationship with the Company, nor do they directly or indirectly have a material interest in any transaction involving the Company, and each of them satisfies the independence criteria set forth in the Governance Principles and the NYSE standards.

Board Leadership Structure and the Role of the Lead Director

The Board believes that while no single leadership model is universally or permanently appropriate, the most effective leadership structure for the Company at this time is one with a combined Chairman and CEO, coupled with an independent Lead Director. A combined Chairman and CEO structure promotes a cohesive vision and strategy for the

Company and strong execution ability. The Company has found that this structure is particularly advantageous for our international business with foreign government customers who value unified leadership and a single ultimate executive decision maker.

The Board has created the Lead Director role as an integral part of a Board leadership structure that promotes strong, independent oversight of Raytheon s management and affairs. The Lead Director must be independent as determined by the Board in accordance with the criteria included in our Governance Principles which are summarized above. The Lead Director s duties include working with the Chairman to develop and approve Board agendas and meeting schedules, 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 non-management directors meet without management), acting as a liaison between the independent directors and the Chairman and CEO, and performing such other duties as the Board may determine from time to time. The designation of a Lead Director is not intended to inhibit communication among the directors or between any of them and the Chairman and CEO. Annually, the Board reviews the role and function of the Lead Director. In March 2016, the Board, upon the recommendation of the Governance and Nominating Committee, amended the Governance Principles to provide additional clarity on the term of the Lead Director and promote refreshment of such role. The amendment establishes that the Lead Director will serve an initial two-year term, and may serve up to three additional one-year terms as determined by the Board.

Table of Contents

Succession Planning

The Board s Management Development and Compensation Committee (MDCC) and the full Board periodically review succession planning for the Chairman and CEO and other senior leadership positions. These reviews include consideration and assessment of key leadership talent throughout the Company, and roles in which external candidates may need to be considered. The Board s carefully considered planning is evident in the process by which Thomas Kennedy was ultimately elected as Chairman and CEO. Mr. Kennedy, with over a 32-year career with the Company, previously served in a series of positions of increasing responsibility, including President of the Company s Integrated Defense Systems business, Executive Vice President and Chief Operating Officer, and CEO.

Board and Committee Evaluation Process

The Governance and Nominating Committee leads an annual performance evaluation process of the Board and each Board committee. As part of the process, each director completes a Board self-evaluation questionnaire and a separate questionnaire for each committee on which the director serves. Before distribution to directors each year, the forms of questionnaires for the Board and each committee are reviewed by the Governance and Nominating Committee and revised as necessary or appropriate. Each committee also reviews its own form of questionnaire. The form of questionnaire for each committee is tailored to that committee s specific role and responsibilities and any applicable legal or regulatory obligations. The self-evaluation questionnaires not only request ratings, but are designed to solicit detailed comments for improving Board and committee governance processes and effectiveness.

Self-evaluation questionnaire results are compiled and summarized by the Office of the Corporate Secretary. The summaries include each specific director comment without attribution. The Board self-evaluation summary is provided to each director, while the self-evaluation summary for each committee is provided to all directors serving on that committee, as well as to the Lead Director and the Chairman. As part of the self-evaluation process, directors are able to discuss concerns, including those related to individual performance, separately with the Lead Director. Committee self-evaluation results are discussed by each committee in executive session, while evaluation results for the full Board are discussed among all of the directors, also in executive session. Each committee and the Board identify opportunities for improvement and other areas of focus and implement plans to address them. At mid-year, each committee and the full Board once again convene in executive session to review progress with respect to the identified opportunities and areas.

The Board views self-evaluation of Board and committee performance as an integral part of its commitment to continuous improvement and achieving high levels of performance. A number of the changes to the Governance Principles, committee charters and Board governance practices in general have resulted from the self-evaluation process. Additionally, the Governance and Nominating Committee periodically reviews the process and ways in which it can be enhanced.

The Board s Role in Risk Oversight

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, and any mitigation plans associated with those risks, are reported to the Board. The ERM process is reviewed with the Board from time to time and is the subject of periodic review by the Audit Committee of the Board. 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 relevant Board committees as noted below.

Risk considerations also are raised in the context of a range of matters that are reported by management to the Board or one of the Board s committees for review. For example, elements of risk are discussed by the full Board in presentations concerning annual operating plans, merger and acquisition opportunities, market environment updates, international business activities and other strategic discussions. The full Board also regularly reviews cybersecurity risks, including from the vantage point of the Company s systems and operations, third parties with whom it does business, such as suppliers and subcontractors, and the Company s products and services to customers. Elements of risk related to financial reporting, internal audit, auditor independence and related areas of law and regulation are reviewed by the Audit Committee. Elements of risk related to various aspects of U.S. and international regulatory compliance, social responsibility, environmental matters

Table of Contents

and export/import controls are reviewed by the Public Affairs Committee. Elements of risk related to compensation policies and practices and talent management are reviewed by the MDCC, as further discussed below. Elements of risk applicable to classified business are reviewed by the Special Activities Committee. Elements of risk related to governance issues are reviewed by the Governance and Nominating Committee.

Risk Assessment of Overall Compensation Program

The MDCC has reviewed with management the design and operation of our incentive compensation arrangements for all employees, including executive officers, for the purpose of determining whether such programs might encourage inappropriate risk-taking that would be reasonably likely to have a material adverse effect on the Company. The MDCC considered the incentive award elements of the Company s compensation program and the features of the program that are designed to mitigate compensation-related risk, such as those described on page 27 under the caption Management of Compensation-Related Risk. While risk is inherent in numerous aspects of our business operations, our compensation program does not unduly affect these inherent business risks. The MDCC concluded that the Company s compensation plans, programs and policies, considered as a whole, including applicable risk-mitigation features, are not reasonably likely to have a material adverse effect on the Company.

Communication with the Board

Interested parties may communicate with our Board through our Lead Director in writing, care of the Corporate Secretary, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. Interested parties also may contact the Lead Director electronically by submitting comments on our website at www.raytheon.com in the section entitled, Contact the Board, under the heading Investor Relations/Corporate Governance/Contact the Company. Communications will be referred to the Lead Director and tracked by the Office of the General Counsel.

Anyone who has a concern regarding our accounting, internal controls over financial reporting or auditing matters may communicate that concern to the Audit Committee. You may contact the Audit Committee by writing to Raytheon Audit Committee, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. Interested parties may also contact the Audit Committee electronically by submitting comments on our website at www.raytheon.com in the section entitled, Contact the Audit Committee Regarding Accounting, Internal Controls or Auditing Matters, under the heading, Investor Relations/Corporate Governance/Contact the Company. Communications will be referred to the Audit Committee and will be tracked and investigated in the ordinary course by our Ethics Office with the assistance of the Office of the General Counsel unless otherwise instructed by the Audit Committee.

Service on Other Boards

Our Governance Principles limit the number of public company boards (including Raytheon) on which a director may serve to five, or three in the case of a director who currently serves as a CEO of a public company. This latter limitation applies to the Company s CEO. The Governance Principles provide that a director who is considering joining the board of another public company must notify the Chairman of the Board and the Chair of the Governance and Nominating Committee regarding the proposed board service and shall not accept the position until advised by the Chairman of the Board that service on the other board would not conflict with a Raytheon policy or service on the Raytheon Board. Additionally, in 2015 the Company established a new policy applicable to all officers and employees requiring advance notification, review and written approval before an employee may join the board of another business entity, to ensure that such service is not contrary to the interests of the Company.

Director Education

Our director education program consists of visits to Raytheon facilities, education regarding our Code of Conduct, and other policies and practices relevant to our business and operations. Periodically, we provide updates on relevant topics of interest to the Board. We also encourage directors to attend director education programs sponsored by various educational and other institutions. In advance of each regularly scheduled Board meeting, directors receive an updated list of educational programs sponsored by nationally-recognized institutions, and are offered the opportunity at Company expense to attend any of these or other relevant programs that they may identify.

Policy on Shareholder Rights Plans

We do not have a shareholder rights plan. The Board will 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

Table of Contents

would be in the best interests of Raytheon and our shareholders to adopt a rights plan without prior shareholder approval. If a rights plan is adopted by the Board without prior shareholder approval, the plan must provide that it will expire within one year of adoption unless ratified by shareholders.

Political Contributions and Lobbying Expenditures Disclosure

Raytheon has for a number of years included voluntary disclosure on its website relating to political contributions and lobbying expenditures. In March 2016, the Company significantly expanded this website disclosure to include the following:

- A description of Raytheon policies relating to the Company s political expenditure and lobbying practices;
- The titles of decision makers involved with approvals pertaining to political action committee and direct political activities, as well as lobbying activities;
- Direct links to Company reports, as filed with government agencies, specifying federal PAC and lobbying activities;
- Detailed information regarding direct political contributions from Raytheon funds (which was 0 for 2015), including a statement that Raytheon has no plans to make direct political contributions from Company funds in the future but, in the event of any such contributions in the future, would disclose them;
- A statement confirming that Raytheon does not spend Company funds on communications to the general public in support of political campaigns or ballot initiatives;
- A discussion of the types of reports that the Company files with regulators at the federal, state and local level relating to lobbying;
- The disclosure of trade associations to which the Company has paid annual dues of $50,000 or greater and the dollar amount, if any, used by the association for lobbying as reported by the association as required by the Internal Revenue Code, as well as a statement that no other separate payment at this level was made to a trade association in 2015 with the purpose that such payment be used for lobbying; and
- Reference to the oversight role of the Board s Public Affairs Committee, pursuant to its charter, with respect to political and lobbying activities.

This disclosure is available on our website at www.raytheon.com under the heading Investor Relations/Corporate Governance/Political Contributions and Lobbying Expenditures.

Shareholder Access and Engagement

In recent years the Company has taken significant steps to enhance shareholder access. As discussed in detail on page 1, earlier this year, the Board amended the Company s By-Laws, to make available a meaningful proxy access process by which shareholders may, subject to certain conditions, include nominees in the Company s Annual Meeting proxy materials. In 2014, shareholders voted in favor of a proposal, recommended by the Board, to amend the Certificate of Incorporation to allow shareholders to take action without a meeting by written consent, subject to certain procedural safeguards intended to protect the best interests of all of our shareholders. In 2010, shareholders voted in favor of a proposal, recommended by the Board, to amend the Certificate of Incorporation to permit shareholders owning 25% or more of the Company s stock to call a special meeting of shareholders.

The Company has also made a concerted effort to engage with shareholders outside of proxy season to solicit their views on governance and executive compensation matters. We have engaged in such outreach for each of the last six years. In 2015, these outreach efforts resulted in dialogue with shareholders representing over 40% of the Company s outstanding shares to solicit their input on a range of topics related to executive compensation and governance matters. In addition to outreach with institutional shareholders, the Company has also engaged in conversations and correspondence with a number of other investors and corporate governance organizations.

Restatement Clawback Policy

Our Governance Principles contain a Restatement Clawback Policy which gives the Board the right to recover Results-Based Incentive Plan payments, Long-Term Performance Plan awards and restricted stock awards made on or after January 1, 2009 to any elected officer, to the extent that such payments or awards were inflated due to erroneous financial statements substantially caused by the executive s knowing or intentionally fraudulent or illegal conduct. The policy is designed to increase the likelihood that the Company will be successful if it seeks to recover the portion of an executive s incentive compensation attributable to inflated financial results caused by the executive s malfeasance.

Table of Contents

Code of Conduct and Conflict of Interest

We have adopted a Code of Conduct and Conflict of Interest policies which apply to all officers, directors, employees and representatives. The Code of Conduct and the Conflict of Interest policies are the foundation of our ethics and compliance program and cover a wide range of areas. Many of our policies are summarized in the Code of Conduct, including our policies regarding conflict of interest, insider trading, discrimination and harassment, confidentiality and compliance with laws and regulations applicable to the conduct of our business. All officers, directors, employees and representatives are required to comply with the Code of Conduct and are subject to disciplinary action, including termination, for violations. We provide ethics education for directors, officers and employees. The Code of Conduct is published on our website at www.raytheon.com under the heading Investor Relations/Corporate Governance/Code of Conduct and is also available in print to any shareholder who requests it by writing to Raytheon Company, Investor Relations, 870 Winter Street, Waltham, Massachusetts 02451 or by emailing invest@raytheon.com. Any amendments to the Code of Conduct or the grant of a waiver from a provision of the Code of Conduct requiring disclosure under applicable SEC rules will be disclosed on our website.

Under our Conflict of Interest policy, directors, officers and employees are expected to bring to the attention of the Vice President, General Counsel and Secretary or the Vice President Ethics and Business Conduct any actual or potential conflict of interest. Anyone may report matters of concern to Raytheon s Ethics Office through our anonymous, confidential toll-free EthicsLine at 1-800-423-0210, by writing to the Ethics Office, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451, or by submitting comments on our website at www.raytheon.com in the section entitled, Contact the Ethics Office, under the heading Investor Relations/Corporate Governance/Contact the Company.

Transactions with Related Persons

Our Board has adopted a written Related Party Transactions Policy. Related party transactions include all transactions and relationships involving amounts in excess of $120,000 between (a) the Company (including subsidiaries) and (b) any director, executive officer or 5% shareholder, including immediate family members and certain entities in which they have a significant interest. Under the policy, the General Counsel (or the CEO, in the case of a matter involving the General Counsel) provides information regarding any related party transaction or relationship to the Governance and Nominating Committee based on information solicited by the General Counsel (or the CEO, in the case of a matter involving the General Counsel). The Governance and Nominating Committee reviews the material facts of all related party transactions and determines whether to approve, disapprove or ratify the transaction or relationship involved. Certain transactions and relationships have been pre-approved by the Governance and Nominating Committee for purposes of the policy, including (a) executive officer compensation approved by the Board, (b) director compensation, (c) certain relatively small transactions between the Company and other companies, (d) certain charitable contributions made by the Company, and (e) matters considered by the Board in its director independence determinations. With respect to our directors, Messrs. Cartwright, Hadley and Kennedy served as members of boards of, or were otherwise affiliated with, charitable or other non-profit organizations to which the Company made contributions (other than through our matching gift and charitable awards program) in 2015. These contributions were consistent with all Company policies, with no organization receiving, in the aggregate, greater than $200,000.

In a Schedule 13G filing made with the SEC, BlackRock, Inc., including its subsidiaries (BlackRock), reported beneficial ownership of 8.1% of our outstanding common stock as of December 31, 2015. Under a previously established business relationship, BlackRock has provided investment management services for the benefit of the Raytheon Master Benefit Pension Trust. For providing such investment management services, BlackRock received fees of $3.2 million in 2015. In accordance with the Related Party Transactions Policy referenced above, the

Governance and Nominating Committee has reviewed this relationship. The Committee approved the relationship on the basis that BlackRock s ownership of Raytheon stock plays no role in the business relationship between the two companies and that the engagement of BlackRock has been on terms no more favorable to it than terms that would be available to unaffiliated third parties under the same or similar circumstances.

7

Table of Contents

THE BOARD OF DIRECTORS AND BOARD COMMITTEES

Our business, property and affairs are managed under the direction of the Board. The Board has a separately designated Audit Committee established in accordance with the Securities Exchange Act of 1934, as well as a standing Governance and Nominating Committee, Management Development and Compensation Committee, Public Affairs Committee, Special Activities Committee and Executive Committee. Each committee s charter (other than the Executive Committee) is published on our website at www.raytheon.com under the heading Investor Relations/Corporate Governance/Committees and is also available in print to any shareholder who requests it by writing to Raytheon Company, Investor Relations, 870 Winter Street, Waltham, Massachusetts 02451 or by emailing invest@raytheon.com.

The table below provides current membership information regarding the Board and Board committees as of the date of this proxy statement. During 2015, the Board met 9 times. The Board and certain committees also engaged in other discussions and actions during 2015 apart from these meetings. During 2015, the average attendance for directors at Board and committee meetings was 95.4%; no director attended less than 75% of the total of all Board and applicable committee meetings. All directors are expected to attend the 2016 Annual Meeting of Shareholders. In 2015, all of the directors who were members of the Board and standing for election at that time attended the Annual Meeting.

The non-management directors, all of whom are independent, meet in an executive session chaired by the Lead Director at the conclusion of regularly scheduled Board meetings. In addition, committee members generally meet in executive session, without management present, at the conclusion of regularly scheduled committee meetings. Each of the committees, except for the Executive Committee, is comprised solely of independent directors. The current membership of each committee and the number of times each committee met in 2015 are set forth below.

	Audit Committee	Governance and Nominating Committee	Management Development and Compensation Committee	Public Affairs Committee	Special Activities Committee	Executive Committee
Independent Directors						
Tracy A. Atkinson	X			X		
Robert E. Beauchamp			X			
James E. Cartwright		Chair	X			X
Vernon E. Clark					Chair	X
Stephen J. Hadley	X			Chair	X	X
Letitia A. Long	X			X	X	
George R. Oliver	X		X	X		
Michael C. Ruettgers		X			X	
Ronald L. Skates	Chair		X	X		X
William R. Spivey		X	Chair			X
Inside Director						

Thomas A. Kennedy						Chair
Number of Meetings in 2015	9	6	6	5	8	

Audit Committee

The Audit Committee:

- Oversees the integrity of our financial statements;
- Evaluates the independent auditors qualifications, performance and independence;
- Oversees our internal audit function;

8

Table of Contents

- Meets with management to consider the adequacy of our internal controls and the objectivity of financial reporting;
- Reviews the independent auditors audit of the effectiveness of the Company s internal controls;
- Prepares the Audit Committee Report found on page 57;
- Meets with the independent auditors, internal auditors and appropriate financial personnel;
- Appoints the independent auditors;
- Pre-approves all audit fees and terms for, as well as all non-audit engagements with, the independent auditors;
- Reviews annual and periodic reports and earnings press releases and recommends to the Board whether the annual audited financial statements should be included in the Company s Form 10-K;
- Reviews and discusses with management the Company s risk assessment and risk management policies, including ERM, the Company s major financial risk exposures and steps to monitor and control such exposures;
- Reviews the performance of the Company s pension plans and risks related to those plans;
- Has established a process for employees and others to confidentially and anonymously report concerns or complaints regarding accounting, internal control or auditing matters. More information regarding this process is available on page 5 under the heading Corporate Governance Communication with the Board ;
- Reviews compliance with our Code of Conduct with respect to certain financial reporting, controls and allegations of financial misconduct; and
- Has the authority to hire independent counsel and other advisers.

The Board has determined that each member of the Audit Committee is independent in accordance with the rules of the NYSE and the SEC applicable to audit committee members. The Board also has determined that each of Ronald L. Skates, the Chair of the Committee, Tracy A. Atkinson and George R. Oliver is an audit committee financial expert, as defined by SEC rules, and that each of the other members of the committee, Stephen J. Hadley and Letitia A. Long, are financially literate, based upon each individual s respective experience and training.

Management Development and Compensation Committee

The Management Development and Compensation Committee (MDCC):

Reviews and oversees compensation and benefits, as well as personnel plans, policies and programs;

Reviews and recommends to the Board the compensation of the CEO and the other four most highly compensated executive officers;

Reviews and approves the compensation of other officers and key employees;

Reviews peer company practices to ensure competitiveness and seeks to align compensation with the performance of the Company;

Periodically reviews succession plans for the CEO, the other named executive officers (NEOs) and elected officers of the Company;

Periodically reviews career development plans for elected officers and other key employees;

Administers and makes awards, other than to directors, under our equity compensation plans;

Reviews and discusses with management the Compensation Discussion and Analysis section of this proxy statement beginning on page 25;

Prepares the Management Development and Compensation Committee Report found on page 39;

Has the sole authority and responsibility for the appointment, compensation and oversight of any outside compensation consultant, outside legal counsel or other committee adviser, who may only be selected after the MDCC considers all factors relevant to such adviser s independence from management, including those specified in the NYSE listing standards; and

Table of Contents

Annually assesses the independence of its outside compensation consultants or advisers, considering all relevant factors, including those specified in the NYSE listing standards, and pre-approves any services proposed to be provided by such consultants or advisers to the Company.

While the Board bears the ultimate responsibility for approving compensation of our NEOs, the MDCC assists the Board in discharging these responsibilities. The Chair reports the MDCC s actions and its recommendations on NEO compensation to the Board. The agenda for MDCC meetings is determined by its Chair, with the assistance of our Vice President Human Resources and Global Security and our Vice President, General Counsel and Secretary, who also regularly attend MDCC meetings. At each meeting, the MDCC meets in executive session. Using its authority to hire independent advisers, the MDCC has retained Pearl Meyer & Partners (PM), an independent compensation consulting firm, to assist it in evaluating executive compensation and to assist the Governance and Nominating Committee in evaluating director compensation. For more information on the MDCC and the services provided to the MDCC by PM, see the section entitled Executive Compensation Compensation Discussion and Analysis beginning on page 25.

The Board has determined that each member of the MDCC is independent in accordance with NYSE rules applicable to compensation committee members.

Governance and Nominating Committee

The Governance and Nominating Committee:

Reviews and reports to the Board on a periodic basis with regard to matters of corporate governance;

Establishes procedures for the nomination of directors and recommends candidates for election to the Board;

Considers director nominees proposed by shareholders;

Reviews and assesses the effectiveness of our Governance Principles and recommends proposed revisions to the Board;

Reviews and approves or ratifies transactions and relationships under our Related Party Transactions Policy;

Reviews proposals by shareholders in connection with the Annual Meeting of shareholders and makes recommendations to the Board for action on such proposals;

Makes recommendations to the Board regarding the size and composition of the Board;

Oversees the orientation program for new directors and the continuing education program for existing directors;

- Approves director compensation with the concurrence of the Board; and

- Has the authority to hire independent counsel and other advisers.

Public Affairs Committee

The Public Affairs Committee:

- Reviews, identifies and brings to the attention of the Board political, social and legal trends and issues that may have an impact on our business, operations, financial performance or public image;

- Reviews our policies and practices in the areas of legal, regulatory and social responsibility, and recommends to the Board such policies and practices, including those involving:

  - environmental protection;

  - health and safety of employees;

  - ethics;

  - export control;

  - regulatory compliance (except financial matters);

  - charitable contributions and community relations;

Table of Contents

- government relations and legislative policy;
- political contributions and lobbying;
- anticorruption and foreign and domestic consultants and representatives; and
- government contracting and defense procurement policies;

Reviews, monitors and makes recommendations to the Board on corporate policies and practices that relate to public policy; and

Has the authority to hire independent counsel and other advisers.

Special Activities Committee

The Special Activities Committee:

- Reviews Company programs, activities and potential acquisitions involving classified business activities which involve special performance, financial, reputational or other risks;
- Reviews policies, processes, practices, procedures, risk management and internal controls applicable to the Company s classified business;
- Reviews any Company critical technology gaps and how the Company is addressing such gaps; and
- Supports the MDCC, as required, in the review of talent development/succession planning for key technology positions in the Company.

Executive Committee

The Executive Committee is empowered to act for the full Board during intervals between Board meetings, with the exception of certain matters that by law may not be delegated. The Executive Committee did not meet in 2015.

Compensation Committee Interlocks and Insider Participation

Directors who served as members of our MDCC during fiscal year 2015 were Robert E. Beauchamp, James E. Cartwright, George R. Oliver, Ronald L. Skates and William R. Spivey. None of these members is or has ever been an officer or employee of the Company. To our knowledge, there were no relationships involving members of the MDCC or our other directors which require disclosure in this proxy statement as a compensation committee interlock.

DIRECTOR COMPENSATION

Set forth below is information regarding the compensation of our non-employee directors for 2015.

Determination and Assessment of Director Compensation

The Governance and Nominating Committee annually reviews non-employee director compensation with the aid of an assessment provided by Pearl Meyer & Partners (PM), an independent compensation consulting firm, and makes cash and equity compensation determinations subject to the concurrence of the Board. The PM assessment takes into account the director compensation practices of the same peer group used as a frame of reference in assessing executive compensation, as well as the broader market.

Elements of Director Compensation

The principal features of the compensation received by our non-employee directors for 2015 are described below.

Annual Retainers. All of our non-employee directors are paid an annual cash retainer and an annual stock retainer (as further discussed below) for service on the Board. The Lead Director is also paid an additional annual cash retainer and receives a larger annual stock retainer for his service as Lead Director, and each of the committee chairs are also paid an additional annual cash retainer for their service in such roles. A director who is first elected to the Board between Annual Meetings receives a prorated annual cash retainer. Directors may elect to receive their annual retainers in shares of our common stock in lieu of cash. We pay the cash retainers quarterly and the stock retainer, including stock in lieu of cash, annually.

Annual Cash Retainers	2015
Board of Directors	$ 90,000
Lead Director	$ 24,000
Governance and Nominating Committee Chair	$ 10,000
Audit Committee Chair	$ 20,000
Management Development and Compensation Committee Chair	$ 10,000
Public Affairs Committee Chair	$ 10,000
Special Activities Committee Chair	$ 10,000

Meeting Fees. Our non-employee directors receive a $1,500 meeting fee for each Board or committee meeting attended in person or held by teleconference. Non-employee directors who are not members of the Audit Committee are invited each year to attend the February Audit Committee meeting, for review of the draft Annual Report on Form 10-K, and receive a meeting fee for such attendance.

Equity Awards. In May of each year (concurrent with the Company s Annual Meeting), each non-employee director receives an annual stock retainer in the form of a grant of $140,000 ($191,000 for the Lead Director) in restricted stock under the Raytheon 2010 Stock Plan (2010 Stock Plan) which is entitled to full dividend and voting rights. A director who is first elected to the Board between Annual Meetings receives a prorated annual stock retainer upon election. Unless otherwise provided by the Board, the restricted stock vests (becomes non-forfeitable) on the date of the Annual Meeting of shareholders in the calendar year following the year of grant, or upon the earlier occurrence of the director s termination as a director after a change-in-control of Raytheon or the director s death. Upon a director s termination of service on the Board for any other reason, his or her unvested restricted stock award will be forfeited to Raytheon. Regardless of the vesting date, the shares will remain subject to transfer restriction for at least six months after the grant date.

An assessment by PM showed that total direct compensation (the sum of the annual retainer, Board meeting fees, average committee fees and the annual equity award) for our non-employee directors in 2014 was positioned between the 50th and the 75th percentile relative to the Company s core and broader peer groups. For more information on the Company s core and broader peer groups, see the section entitled Market Data beginning on page 28.

Forcepoint Board Compensation. In May 2015, following Raytheon s acquisition of Websense, Inc., the Company created Forcepoint, a new cybersecurity joint venture company (with a minority owner, Vista Equity Partners). At the request of the Raytheon Board, three non-employee directors were asked to participate on the Forcepoint board of directors, Messrs. Cartwright and Ruettgers as members, and after he joined the Board in July 2015, Mr. Beauchamp as an observer. In connection with this special assignment, the Board approved a separate annual cash retainer of $75,000 and a meeting fee of $1,500 for each meeting attended.

Table of Contents

Benefits. We reimburse our non-employee directors for actual expenses incurred in the performance of their service as directors, including attendance at director education programs sponsored by educational and other institutions. We also maintain a business travel accident insurance policy which provides non-employee directors with up to $1,000,000 of coverage per incident when traveling on Raytheon business. In addition, all directors are eligible to participate in our matching gift and charitable awards program available to all employees. We match eligible gifts up to $10,000 per donor per calendar year.

Pursuant to our Deferred Compensation Plan, directors may defer receipt of their cash retainers and/or meeting fees until retirement from the Board. Directors also may elect to receive their cash retainers in shares of our common stock, which must be received currently and cannot be deferred.

Non-Employee Director Total Compensation

Name	Fees Earned or Paid in Cash[1] ($)	Stock Awards[2] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Tracy A. Atkinson	$ 115,500	$ 139,950				$ 1,874[6]	$ 257,324
Robert E. Beauchamp*	84,136	116,970[3]				10,000[6]	211,106
James E. Cartwright	224,000	139,950					363,950
Vernon E. Clark	148,000	191,021[4]				10,000[6]	349,021
Stephen J. Hadley	140,500	139,950					280,450
Letitia A. Long**	94,500	164,961[5]					