RAYTHEON CO/
Form DEF 14A
April 27, 2015
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:

¨ Preliminary Proxy Statement

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

x 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 24, 2015

Dear Raytheon Shareholder,

I am pleased to invite you to attend Raytheon s 2015 Annual Meeting of Shareholders on Thursday, May 28, 2015. The meeting will be held at 11:00 a.m. Eastern Time at The Ritz-Carlton, Pentagon City, 1250 South Hayes Street, Arlington, Virginia 22202. For your convenience, we are pleased to offer a live webcast (audio only) of the meeting at www.raytheon.com/ir.

This booklet includes a formal notice of the meeting and the proxy statement. It also provides information on, among other things, Raytheon s corporate governance, the Company s executive compensation program, and the matters to be voted on at the meeting. As reflected in the proxy statement, Raytheon s approach to corporate governance is guided by fundamental principles of integrity, accountability, transparency and engagement, and driven by a culture of continuous improvement.

Raytheon is committed to maintaining sound governance practices. Our Board, comprised entirely of independent directors other than the Chairman and CEO, actively reviews and considers governance issues facilitated by our Governance and Nominating Committee. For a number of years, we have had annual elections with majority voting for directors, a clearly defined and empowered Lead Director role, regularly scheduled executive sessions of our outside directors, no poison pill, a clawback policy, limits on the number of public company boards on which a director may serve, and robust stock ownership requirements applicable to directors and executives. The Board s Management Development and Compensation Committee (MDCC) has established a rigorous, transparent, performance-based compensation program aimed at promoting a strong alignment between the interests of our executives and shareholders. In pursuing its pay-for-performance approach, the MDCC implemented a formal compensation consultant independence policy in 2009, years in advance of the New York Stock Exchange s adviser independence rules.

We have actively engaged with shareholders on governance and executive compensation matters for a number of years. Shareholder input garnered from these efforts has been considered periodically by the Governance and Nominating Committee, the MDCC and the full Board, and been instrumental in their ongoing consideration of the Company s governance profile and executive compensation program. In recent years, we have implemented a special meeting measure, added new website disclosure on political contributions and lobbying activities, adopted a statement on human rights and adjusted the metrics used for our incentive compensation program to improve pay-for-performance alignment. In 2014, based on shareholder input, the Board proposed, and shareholders approved, an amendment to the Company s charter to provide shareholders with the right to act by written consent subject to certain procedural safeguards.

During 2014, we continued to engage in a dialogue with many of our shareholders to solicit their input on a range of topics related to governance and executive compensation, with outcomes reported to our directors. Our outreach efforts in 2014 resulted in discussions outside of proxy season with representatives of institutional shareholders that in the aggregate owned more than 40% of the Company s outstanding shares.

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

NOTICE OF 2015 ANNUAL MEETING OF SHAREHOLDERS

Time:	11:00 a.m. Eastern Time
Date:	Thursday, May 28, 2015
Place:	The Ritz-Carlton, Pentagon City 1250 South Hayes Street Arlington, Virginia 22202
Record Date:	Shareholders of record at the close of business on Tuesday, April 7, 2015 are entitled to notice of and to vote at the meeting.
Purpose:	(1) Elect ten directors nominated by the Company s Board to hold office until the next annual shareholders meeting or until their respective successors have been elected. (2) Consider an advisory vote on the compensation of the Company s named executive officers. (3) Approve the Raytheon Company 2010 Stock Plan for purposes of Internal Revenue Code Section 162(m). (4) Ratify the selection of PricewaterhouseCoopers LLP as the Company s independent auditors. (5) Consider and act upon such other business, including shareholder proposals if properly presented, as may properly come before the meeting or any adjournment thereof.
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.

By Order of the Board of Directors,

FRANK R. JIMENEZ
Secretary

Waltham, Massachusetts

April 24, 2015

Table of Contents

RAYTHEON COMPANY

870 Winter Street, Waltham, Massachusetts 02451

PROXY STATEMENT FOR 2015 ANNUAL MEETING OF SHAREHOLDERS

TABLE OF CONTENTS

	Page
Proxy Statement	1
Proxies and Voting Procedures	1
Shareholders Entitled to Vote	1
Quorum and Required Vote	2
Tabulation of Votes	3
Multiple Copies of Annual Report to Shareholders	3
Householding Information	3
Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting	3
Electronic Delivery of Future Proxy Materials and Annual Reports	3
Cost of Proxy Solicitation	4
Shareholder Account Maintenance	4
Corporate Governance	5
Governance Highlights	5
Governance Principles	6
Board Independence	6
Director Nomination Process	6
Majority Voting for Directors	7
Board Leadership Structure and the Role of the Lead Director	7
Succession Planning	8
The Board s Role in Risk Oversight	8
Risk Assessment of Overall Compensation Program	8
Communication with the Board	9
Service on Other Boards	9
Director Education	9
Board and Committee Evaluation Process	9
Policy on Shareholder Rights Plans	10
Political Contributions and Lobbying Expenditures Disclosure	10
Shareholder Access and Engagement	10
Restatement Clawback Policy	10
Code of Conduct and Conflict of Interest	10
Transactions with Related Persons	11
The Board of Directors and Board Committees	12
Audit Committee	13
Management Development and Compensation Committee	13
Governance and Nominating Committee	14
Public Affairs Committee	14
Special Activities Committee	14
Executive Committee	15
Compensation Committee Interlocks and Insider Participation	15
Director Compensation	16
Determination and Assessment of Director Compensation	18
Elements of Director Compensation	18
Director Stock Ownership and Retention Guidelines	18
Policy Against Hedging with Respect to Company Stock	19
Election of Directors	20
Nominees for Election	20

Stock Ownership	25
Five Percent Shareholders	25
Management and Directors	25
Section 16(a) Beneficial Ownership Reporting Compliance	26

Table of Contents

Executive Compensation	27
Compensation Discussion and Analysis	27
Management Development and Compensation Committee Report	46
Summary Compensation Table	47
2014 Grants of Plan-Based Awards	51
Outstanding Equity Awards at 2014 Fiscal Year-End	55
2014 Option Exercises and Stock Vested	57
Pension Benefits	58
Nonqualified Deferred Compensation	61
Potential Payments Upon Termination or Change-in-Control	62
Advisory Vote on Executive Compensation	66
Approval of Raytheon Company 2010 Stock Plan for Section 162(m) Purposes	67
Equity Compensation Plan Information	71
Audit Committee Report	72
Independent Auditors: Audit and Non-Audit Fees	73
Ratification of Appointment of PricewaterhouseCoopers LLP	73
Shareholder Proposals	74
Other Matters	79
Appendix A Raytheon Company 2010 Stock Plan	A-1

Table of Contents

RAYTHEON COMPANY

870 Winter Street, Waltham, Massachusetts 02451

PROXY STATEMENT FOR 2015 ANNUAL MEETING OF SHAREHOLDERS

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Raytheon Company (Raytheon or the Company) of proxies to be voted at our 2015 Annual Meeting of Shareholders and at any meeting following adjournment thereof.

You are cordially invited to attend Raytheon s Annual Meeting on Thursday, May 28, 2015, beginning at 11:00 a.m. Eastern Time. Shareholders will be admitted beginning at 10:30 a.m. The meeting will be held at The Ritz-Carlton, Pentagon City, 1250 South Hayes Street, Arlington, Virginia 22202.

We are first mailing this proxy statement and accompanying forms of proxy and voting instructions on or about April 24, 2015 to holders of shares of our common stock as of Tuesday, April 7, 2015, the record date for the meeting.

If you are a shareholder of record as of the record date for the meeting, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the meeting in person, please detach the admission ticket from the proxy card and bring it with you to the meeting. For security purposes, to enter the meeting, you will be asked to present a valid picture identification, such as a driver s license or passport, with your admission ticket.

If your shares are held through a broker, bank, trust or other holder of record and you plan to attend the meeting in person, we will admit you only if we are able to verify that you are a Raytheon shareholder as of the record date. You should bring a letter or account statement demonstrating that you are the beneficial owner of our common stock on the record date, along with a valid picture identification to be admitted to the meeting. To vote your shares at the meeting, please see below.

Proxies and Voting Procedures

Your vote is important. Because many shareholders cannot attend the meeting in person, it is necessary that a large number of shareholders be represented by proxy. Most shareholders have a choice of voting over the Internet, by using a toll-free telephone number, or by completing a proxy card or voting instruction form and mailing it in the envelope provided. 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. The Internet and telephone voting facilities for shareholders of record will close at 11:59 p.m. Eastern Time on Wednesday, May 27, 2015. The Internet and telephone voting procedures have been designed to authenticate shareholders, to allow you to vote your shares and to confirm that your instructions have been properly recorded. If your shares are held through a broker, bank, trust or other holder of record and Internet or telephone facilities are made available to you, these facilities may close sooner than facilities for shareholders of record.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote) or by voting by ballot at the meeting. By providing your voting instructions promptly, you may save the Company the expense of a second mailing and help avoid unnecessary resource expenditure.

The method by which you vote will not limit your right to vote at the meeting if you later decide to attend in person. If your shares are held in the name of a broker, bank, trust or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

All shares entitled to vote and represented by properly executed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with your instructions. If you sign and return your proxy but do not indicate how your shares should be voted on a matter, the shares represented by your proxy will be voted as the Board of Directors recommends.

Shareholders Entitled to Vote

Shareholders of our common stock at the close of business on the record date are entitled to notice of and to vote at the meeting. On April 7, 2015, there were 305,938,306 shares of our common stock outstanding.

If you are a participant in our Dividend Reinvestment Plan, shares acquired under the plan may be voted in the same manner as the shares that generated the dividends for reinvestment. Thus, these shares may be voted by following the same procedures as those described above.

If you are a participant in the Raytheon Savings and Investment Plan, your vote will serve as the voting instruction to the trustee of the plan for all shares you own through the plan. If you own shares through this plan and do not provide voting instructions to the trustee, the trustee will vote those shares at the meeting in the same proportion as shares for which instructions were received under the plan.

Quorum and Required Vote

Quorum

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote for the election of directors is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner (i.e., in street name) does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. We believe that nominees only have discretionary voting power with respect to the ballot item on ratification of auditors described in this proxy statement.

Required Vote Election of Directors

In uncontested elections of directors (as is the case for this annual meeting), each nominee must receive a majority of votes cast to be elected. That means that the number of votes cast for that nominee must exceed the votes cast against that nominee. An abstention does not count as a vote cast. Our Governance Principles require any incumbent nominee who fails to receive such a majority to tender his or her resignation to our Governance and Nominating Committee. For more information, see Corporate Governance Majority Voting for Directors on page 7. A nominee holding shares in street name does not have discretionary voting power with respect to the election of directors and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the election of directors.

Required Vote Advisory Vote on Executive Compensation

The affirmative vote of the holders of a majority of shares of our common stock, present in person or represented by proxy and entitled to vote, is required for approval with respect to the advisory vote on executive compensation. An abstention is treated as present and entitled to vote and therefore has the effect of a vote against the advisory vote on executive compensation. A nominee holding shares in street name does not have discretionary voting power with respect to this proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the advisory vote on executive compensation.

Required Vote Approval of the Raytheon Company 2010 Stock Plan for Purposes of IRC Section 162(m)

The affirmative vote of the holders of a majority of shares of our common stock, present in person or represented by proxy and entitled to vote, is required to approve the Raytheon Company 2010 Stock Plan for purposes of IRC Section 162(m). An abstention is treated as present and entitled to vote and therefore has the effect of a vote against the proposal. A nominee holding shares in street name does not have discretionary voting power with respect to this proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the proposal.

Required Vote Ratification of Auditors

The affirmative vote of the holders of a majority of shares of our common stock, present in person or represented by proxy and entitled to vote, is required to ratify the selection of our independent auditors. An abstention is treated as present and entitled to vote and therefore has the effect of a vote against ratification of the independent auditors. Because the New York Stock Exchange (NYSE) considers the ratification of the independent auditors to be routine, a nominee holding shares in street name may vote on this proposal in the absence of instructions from the beneficial owner.

Required Vote Shareholder Proposals

The affirmative vote of the holders of a majority of shares of our common stock, present in person or represented by proxy and entitled to vote, is required to approve a shareholder proposal. An abstention is treated as present and entitled to vote on a shareholder proposal and therefore has the effect of a vote against the proposal. A nominee holding shares in street name does not have discretionary voting power with respect to a shareholder proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the shareholder proposals.

2

Table of Contents

Other Matters

If any other matters are properly presented for consideration at the meeting, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the persons named in the proxy card will have discretion to vote on those matters according to their best judgment to the same extent as the person signing the proxy would be entitled to vote. At the date of this proxy statement, we do not anticipate that any other matters will be raised at the meeting.

In accordance with our Restated Certificate of Incorporation, as amended, each share of our common stock is entitled to one vote.

Tabulation of Votes

All votes, whether by proxy or ballot, will be tabulated by an independent business entity, which will not disclose your vote except as:

- required by law;
- necessary in connection with a judicial or regulatory action or proceeding;
- necessary in connection with a contested proxy solicitation; or
- requested or otherwise disclosed by you.

If a comment written on a proxy card is provided to our Corporate Secretary, it will be done so without disclosing your vote unless necessary to an understanding of the comment.

Multiple Copies of Annual Report to Shareholders

A copy of our 2014 Annual Report is enclosed. If you received more than one copy of the annual report and wish to reduce the number of reports you receive to save us the cost of producing and mailing the annual report, we will discontinue the mailing of reports on the accounts you select if you follow the instructions regarding electronic access when you vote over the Internet.

At least one account must continue to receive annual reports and proxy statements, unless you elect to view future annual reports and proxy statements over the Internet. Mailing of dividends, dividend reinvestment statements and special notices will not be affected by your election to discontinue duplicate mailings of the annual report and proxy statement.

Householding Information

We have adopted a procedure approved by the Securities and Exchange Commission (SEC) called householding. Under this procedure, we are permitted to deliver a single copy of our proxy statement and annual report to shareholders sharing the same address. Householding allows us to reduce our printing and postage costs and reduces the volume of duplicative information received at your household.

For certain holders who share a single address, we are sending only one annual report and proxy statement to that address unless we received instructions to the contrary from any shareholder at that address. If you wish to receive an additional copy of our annual report or proxy statement this year, you may obtain one by calling the Raytheon Investor Relations Information Line toll free at 1-877-786-7070 (Option 1) or by writing to the Corporate Secretary at Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. You also may request copies of our annual disclosure documents on our website at www.raytheon.com under the heading Investor Relations/Request Information. If you are a street name holder and wish to revoke your consent to householding and receive additional copies of our proxy statement and annual report in future years, you may call Broadridge Investor Communications Services toll-free at 1-866-540-7095 or write to Broadridge Investor Communications Services, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. If you are a shareholder of record and wish to revoke your consent to householding and receive additional copies of our proxy statement and annual report in future years, you may call Raytheon Shareholder Services toll-free at 1-800-360-4519 or write to Raytheon Shareholder Services, c/o American Stock Transfer & Trust

Company, 6201 15th Avenue, Brooklyn, New York 11219.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on Thursday, May 28, 2015

This proxy statement and our 2014 Annual Report are also available on our website at www.raytheon.com/proxy.

Electronic Delivery of Future Proxy Materials and Annual Reports

Most shareholders can elect to view future proxy statements and annual reports, as well as vote their shares of our common stock, over the Internet instead of receiving paper copies in the mail. This will save the Company the cost of producing and mailing these documents and help avoid unnecessary resource expenditure.

If you are a shareholder of record, you may choose this option by following the instructions provided when you vote over the Internet. You may also elect to receive annual disclosure documents electronically by following the instructions published on our website at www.raytheon.com/proxy. If you choose to view future proxy statements and annual reports over the Internet, you will receive an e-mail message next year containing the Internet address to access our annual report and proxy statement. Your choice will remain in effect until you cancel your election at www.raytheon.com/proxy. You do not have to elect Internet access each year.

If you hold our common stock through a broker, bank, trust or other holder of record, please refer to the information provided by your broker, bank, trust or other holder of record regarding the availability of electronic delivery. If you hold our common stock through a broker, bank, trust or other holder of record and you have elected electronic access, you will receive information from your broker, bank, trust or other holder of record containing the Internet address for use in accessing our proxy statement and annual report.

Cost of Proxy Solicitation

We will pay the cost of soliciting proxies. Proxies may be solicited on behalf of Raytheon by directors, officers or employees of Raytheon in person or by telephone, facsimile or other electronic means. We have retained D.F. King & Co., Inc. (DF King) to assist in the distribution and solicitation of proxies. Based on our agreement with DF King, we anticipate paying it fees ranging from approximately $30,000 up to approximately $100,000, plus-out-of-pocket expenses, for these services, depending upon the extent of proxy solicitation efforts undertaken.

As required by the SEC and the NYSE, we will also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of our common stock.

Shareholder Account Maintenance

Our transfer agent is American Stock Transfer & Trust Company (AST). All communications concerning accounts of shareholders of record, including address changes, name changes, inquiries as to requirements to transfer Raytheon stock and similar issues, can be handled by calling Raytheon Shareholder Services toll-free at 1-800-360-4519 or by accessing AST s website at www.amstock.com.

For other Raytheon information, you can visit our website at www.raytheon.com. We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this proxy statement.

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 below and discussed in greater detail in this section.

Governance Highlights

Independence	All directors are independent other than the Chairman and CEO
	The independent directors meet in executive session at the end of Board and committee meetings
	Compensation consultant independence policy instituted well in advance of regulatory requirements
Independent Lead Director	The Lead Director is, as described in our Governance Principles, fully independent and empowered with broadly defined leadership authority and responsibilities, including leading Board executive sessions
Accountability	All directors stand for election annually
	Majority voting for directors in uncontested elections
	Annual shareholder advisory vote on executive 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	Rigorous pay-for-performance executive compensation program
	Contemporary stock ownership and retention guidelines for directors and officers
	Annual shareholder advisory vote on executive compensation
	Prohibition on directors and officers engaging in hedging and derivative transactions involving Raytheon stock
Shareholder Access	Multiple channels through the Company website to communicate with the Board and the Audit Committee
	Active Company outreach and engagement with shareholders throughout the year
	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 independent director discussions in executive session
	Mandatory director retirement at age 74
	Regular MDCC and full Board review of executive succession planning
	Balanced and diverse Board composition, which has been refreshed over time with the addition of five directors and departure of four directors in the last five years
	Limits on the number of outside public company boards on which a director may serve, with lower limits for chief executive officers
Risk Oversight	Regular Board oversight of the Company s risk management, 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 U.S. and international regulatory compliance, environmental matters and crisis management
Transparency	

Clear and understandable disclosure regarding the Company s executive compensation program and governance, as well as detailed and accurate financial reporting

Voluntary website disclosure regarding Company political expenditures and lobbying activities beyond legal requirements

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

Table of Contents

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.

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 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;
- 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 that 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. The amounts paid to, and received from, Tyco International were well below the relevant thresholds referenced above, and the Board further concluded that Mr. Oliver did not have a material interest, either directly or indirectly, in these transactions.

The Board also considered that State Street Global Markets, LLC (SSGM), a subsidiary of State Street Corporation, where Ms. Atkinson serves as Executive Vice President, Finance, provides purely transactional processing services to Raytheon pension plans in the ordinary operation of the plans. The amounts paid to, and received from, SSGM were well below the relevant thresholds referenced above, and the Board further concluded that Ms. Atkinson did not have a material interest, either directly or indirectly, in the provision of these transactional services.

Although none of our directors or their spouses is an executive officer of a not-for-profit organization, the Board reviewed charitable contributions to not-for-profit organizations with which our directors or their spouses are affiliated. None of the contributions approached the thresholds set forth in our independence criteria.

The Board has determined that Mses. Atkinson, Long and Stuntz, and Messrs. 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.

Director Nomination Process

The Governance and Nominating 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 considers the effectiveness of the framework established in

Table of Contents

the Governance Principles periodically when considering the attributes and experience that might be most valuable in a new Board member. 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 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. There is no difference in the way in which the Committee evaluates nominees for director positions based on the source of the nomination. From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates.

Shareholders wishing to propose a director candidate may do so by sending the candidate s name, biographical information and qualifications to the Chair of the Governance and Nominating Committee, in care of the Corporate Secretary, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. 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.

Under our By-Laws, nominations for director may be made only by the Board or a Board committee, or by a shareholder entitled to vote who complies with the advance notice provision in our By-Laws. For our 2016 Annual Meeting of Shareholders, we must receive this notice between January 28, 2016 and February 27, 2016. However, in no event are we obligated to include any such nomination in our proxy materials.

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.

The Board also maintains the following policies and processes, which it believes represent best practices with respect to the election of directors:

- the annual election of all directors;
- a policy that a substantial majority of the Board shall be independent;
- a rigorous nomination process conducted by the independent Governance and Nominating Committee; and
- disclosure of a process through which shareholders may nominate director candidates.

The Board believes that the foregoing policies and practices help ensure the integrity of the election process by providing shareholders with a meaningful voice in director elections, thereby increasing the Board s accountability to shareholders.

Board Leadership Structure and the Role of the Lead Director

On July 25, 2014, the Company announced that the Board had elected Thomas A. Kennedy as Chairman of the Board of the Company effective October 1, 2014. This action followed notice to the Board by then-Chairman of the Board, William H. Swanson, of his retirement from the Company effective September 30, 2014. The Company had previously announced on January 15, 2014, that Mr. Swanson would step down as CEO effective March 31, 2014, and that the Board had elected Mr. Kennedy to succeed Mr. Swanson as CEO.

Through this transition period, the role of Lead Director has continued in place unchanged. The Board 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.

Table of Contents

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 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.

The position of Lead Director is currently held by Vernon E. Clark. Admiral Clark was first elected Lead Director by the Board in May 2013.

The Board believes that no single leadership model is universally or permanently appropriate, but that the current leadership structure is the most effective and best serves the Company at this juncture. The Board will continue to review and consider whether the roles of the Chairman and CEO should be combined or separated in the future as part of its regular review of the Company s governance structure.

Succession Planning

The Board s 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 the most promising 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, as described above, by which Mr. Kennedy was ultimately elected as Chairman and CEO. Mr. Kennedy, over a 31-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.

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. 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, export/import controls and crisis management 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. Similarly, 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 33 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.

8

Table of Contents

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 2014 the Company established a new policy applicable to all employees, including all officers, requiring advance notification, review and written approval before an employee may join the board of any covered business entity, to assure 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. In addition, we provide updates on relevant topics of interest to the Board. We also encourage directors to attend director education programs sponsored by various educational institutions.

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. Questionnaire forms may be revised due to any of a number of factors including: any changes to the Governance Principles, committee charters or relevant regulations during the prior year; director suggestions; governance and regulatory trends or developments; or practices of other companies. Each committee also pre-reviews its own form of questionnaire for purposes of identifying potential improvements. 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 by the Office of the Secretary in the form of summaries for the full Board and each committee. 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. The self-evaluation process culminates in a series of discussions of the committee self-evaluation results by each committee and the Board self-evaluation results by all of the directors.

The Board views the annual self-assessment review as an integral part of its commitment to continuous improvement and achieving high levels of Board and committee performance. A number of the changes to the Governance Principles, committee charters and Board governance practices in general have resulted from the annual self-evaluation process.

9

Table of Contents

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 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

We disclose on our website a description of our oversight process for political contributions and a summary of direct corporate contributions, including those to state and local parties and candidates, and, from time to time, to organizations operated in accordance with Section 527 of the U.S. Internal Revenue Code. This section of the website also includes information on lobbying activities at the federal and state level. 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. 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. More recently, the Board carefully considered the interests of shareholders in being authorized to take actions by written consent. 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.

The Company has also made a concerted effort to engage with shareholders outside the proxy season. In 2014, 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, as well as proxy advisory and corporate governance research firms.

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 maximize 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.

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.

10

Table of Contents

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.

In a Schedule 13G filing made with the SEC, BlackRock, Inc., including its subsidiaries (BlackRock), reported beneficial ownership of 8.7% of our outstanding common stock as of December 31, 2014. 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 $7.8 million in 2014. In accordance with the Related Party Transactions Policy referenced above, the Governance and Nominating Committee has reviewed this relationship. The Committee ratified 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.

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, except for Letitia A. Long who was elected as a director by the Board on March 18, 2015 and has not as yet been appointed to any committee. During 2014, the Board met 11 times. The Board and certain committees also engaged in other discussions and actions during 2014 apart from these meetings. During 2014, the average attendance for directors at Board and committee meetings was 98%; no director attended less than 75% of the total of all Board and applicable committee meetings. All directors are expected to attend the 2015 Annual Meeting of Shareholders. In 2014, 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 2014 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		
James E. Cartwright	X	X	X			
Vernon E. Clark					Chair	X
Stephen J. Hadley	X			Chair	X	X
George R. Oliver	X			X		
Michael C. Ruettgers	X				X	
Ronald L. Skates	Chair		X	X		X
William R. Spivey		X	Chair			X
Linda G. Stuntz		Chair	X			X
Inside Director						
Thomas A. Kennedy						Chair
Number of Meetings in 2014	10	6	6	6	6	

Table of Contents

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;
- 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 72;
- 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 9 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 Ronald L. Skates, the Chair of the Committee, is an audit committee financial expert, as defined by SEC rules, based upon Mr. Skates 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 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 27;

Prepares the Management Development and Compensation Committee Report found on page 46;

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

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 named executive officers,

Table of Contents

the MDCC assists the Board in discharging these responsibilities. The Chair reports the MDCC s actions and its recommendations on named executive officer 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&P), 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&P, see the section entitled Executive Compensation Compensation Discussion and Analysis beginning on page 27.

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;
- government relations and legislative policy;
- political contributions and lobbying;
- foreign and domestic consultants and representatives;
- offsets;
- crisis management and emergency preparedness; 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; and

Table of Contents

Reviews policies, processes, practices, procedures, risk management and internal controls applicable to the Company s classified business to the extent that they deviate from those applicable to the Company s non-classified business activities.

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 2014.

Compensation Committee Interlocks and Insider Participation

Directors who served as members of our MDCC during fiscal year 2014 were James E. Cartwright, Ronald L. Skates, William R. Spivey and Linda G. Stuntz. 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.

Table of Contents

DIRECTOR COMPENSATION

Set forth below is information regarding the compensation of our non-employee directors for 2014.

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*	$ 57,000	$ 140,003[(3)]				$	$ 197,003
James E. Cartwright	138,500	140,025					278,525
Vernon E. Clark	151,500	191,031[(4)]				10,000[(5)]	352,531
Stephen J. Hadley	150,000	140,025					290,025
George R. Oliver	131,000	140,025					271,025
Michael C. Ruettgers	125,000	140,025				10,000[(5)]	275,025
Ronald L. Skates	160,000	140,025				10,000[(5)]	310,025
William R. Spivey	135,000	140,025					275,025
Linda G. Stuntz	139,500	140,025				10,000[(5)]	289,525

* Tracy A. Atkinson was elected to the Board in July 2014. Upon such election, she was granted 1,468 shares of restricted stock and began to receive meeting and retainer fees applicable to all directors.

(1) Detailed information on cash amounts is set forth below under the heading, Cash Amounts.

(2) Detailed information on stock award amounts is set forth below under the heading, Stock Awards.

(3) Upon election to the Board on July 23, 2014, Ms. Atkinson was granted 1,468 shares of restricted stock which represented her 2014 2015 annual stock retainer. Such restricted shares will vest on May 28, 2015, the date of the 2015 Annual Meeting.

(4) This amount includes Mr. Clark s annual stock retainer of $51,000 for serving in the capacity of Lead Director.

(5) Represents Raytheon contributions under our matching gift and charitable awards program, which is available to all employees and directors.

Cash Amounts

Cash amounts consist of the following:

Director	Roles	Annual Board Cash Retainer ($)	Annual Committee Chair or Lead Director Cash Retainer ($)	Meeting Fees ($)
Ms. Atkinson	Director	$ 45,000	$	$ 12,000
Mr. Cartwright	Director	87,500		51,000
Mr. Clark	Chair, Special Activities Committee and Lead Director	87,500	34,000	30,000
Mr. Hadley	Chair, Public Affairs Committee	87,500	10,000	52,500
Mr. Oliver	Director	87,500		43,500
Mr. Ruettgers	Director	87,500		37,500
Mr. Skates	Chair, Audit Committee	87,500	20,000	52,500
Mr. Spivey	Chair, MDCC	87,500	10,000	37,500

Ms. Stuntz	Chair, Governance and Nominating Committee	87,500	10,000	42,000

Table of Contents

Stock Awards

Stock Award amounts represent the aggregate grant date fair value of awards of restricted stock paid as the annual stock retainer in accordance with the accounting standard for share-based payments. The grant date fair value of the restricted stock awards is based on the stock price on the date of grant and the number of shares (or the intrinsic value method). For more information on the assumptions used by us in calculating the grant date fair values for restricted stock awards, see Note 12: Stock-based Compensation Plans to our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2014.

The aggregate number of shares of unvested restricted stock held by each director as of December 31, 2014 was as follows:

Director	Restricted Stock(#)
Ms. Atkinson	1,468
Mr. Cartwright	1,444
Mr. Clark	1,970
Mr. Hadley	1,444
Mr. Oliver	1,444
Mr. Ruettgers	1,444
Mr. Skates	1,444
Mr. Spivey	1,444
Ms. Stuntz	1,444

The following table shows the shares of restricted stock awarded to each director during 2014 and the aggregate grant date fair value for each award.

Director	Grant Date	All Stock Awards: Number of Shares of Stock or Units(#)	Full Grant Date Value of Award($)
Ms. Atkinson	7/23/2014	1,468	$ 140,003
Mr. Cartwright	5/29/2014	1,444	140,025
Mr. Clark	5/29/2014	1,970	191,031
Mr. Hadley	5/29/2014	1,444	140,025
Mr. Oliver	5/29/2014	1,444	140,025
Mr. Ruettgers	5/29/2014	1,444	140,025
Mr. Skates	5/29/2014	1,444	140,025
Mr. Spivey	5/29/2014	1,444	140,025
Ms. Stuntz	5/29/2014	1,444	140,025

Table of Contents

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 PM&P, and makes cash and equity compensation determinations subject to the concurrence of the Board. The PM&P 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 2014 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 and each of the committee chairs are also paid an additional annual cash retainer for their service in such roles. 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	**2014**
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

* Effective July 1, 2014, the Board increased the Annual Cash Retainer for each non-employee director to $90,000 from $85,000.

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. Each non-employee director receives an annual stock retainer in the form of a grant of restricted stock under the Raytheon 2010 Stock Plan (2010 Stock Plan) which is entitled to full dividend and voting rights. 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. In 2014, each non-employee director, other than the Lead Director, was awarded $140,000 of restricted stock, an increase of $20,000 from the prior year. Mr. Clark was awarded $191,000 of restricted stock in his capacity as the Lead Director, which also represented an increase of $20,000 from the prior year.

An assessment by PM&P showed that total direct compensation (the sum of the annual retainer, committee fees, meeting fees and the annual equity award) for our non-employee directors in 2013, before the 2014 increases in the annual cash retainer and annual stock retainer noted above, approximated the 25th 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 Compensation Discussion and Analysis How We Determine and Assess Executive Compensation Market Data beginning on page 32.

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 can be received currently but cannot be deferred.

Director Stock Ownership and Retention Guidelines

As stated in our Governance Principles, the Board believes that directors should be shareholders and have a financial stake in the Company. Accordingly, independent directors are paid a substantial portion of their compensation in equity awards. Further, each director is

18

Table of Contents

expected to own shares of our common stock with a market value of at least four times the cash component of a non-employee director s annual retainer for service on the Board, with five years to achieve the target ownership threshold. In 2011, the Governance Principles were amended to change this threshold from a previous requirement to own two times the aggregate stock and cash retainer amounts. The Governance Principles also provide that a director may not dispose of Company stock until attaining the requisite ownership threshold and thereafter must maintain such equity ownership level.

Policy Against Hedging with Respect to Company Stock

To assure alignment with the long-term interests of our other shareholders, under the Company s Insider Trading Policy, our non-employee directors, as well as officers and other employees, may not engage in:

Short sales of Company stock or transactions in any derivative of a Company security, including, but not limited to, puts, calls and options (other than the receipt and exercise of options that might be granted by the Company pursuant to a Company compensation plan), nor

In any type of hedging or similar monetization transaction involving company securities, including, but not limited to, financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds, nor

Other transactions that would permit the holder to own Company securities without the full risks and rewards of ownership.

Table of Contents

ELECTION OF DIRECTORS

(Item No. 1 on the proxy card)

The Board is subject to annual election by the shareholders. The Board has nominated Tracy A. Atkinson, James E. Cartwright, Vernon E. Clark, Stephen J. Hadley, Thomas A. Kennedy, Letitia A. Long, George R. Oliver, Michael C. Ruettgers, Ronald L. Skates and William R. Spivey to serve one-year terms that will expire at the 2016 Annual Meeting of Shareholders.

One of our current directors, Linda G. Stuntz, is retiring from the Board effective May 28, 2015, and is not a nominee for election at the 2015 Annual Meeting of Shareholders. Ms. Stuntz has served as a distinguished member of the Board for 11 years. We gratefully acknowledge her dedicated service and numerous contributions to the Company.

We have included below the principal occupation and employment during the past five years and other information about the nominees, including a discussion of the specific considerations relating to the experience, qualifications, attributes or skills considered by the Governance and Nominating Committee in support of each individual s nomination to serve as a director. If elected, the nominees will continue in office until their successors have been duly elected and qualified, or until the earlier of their death, resignation or retirement. We expect each of the nominees to be able to serve if elected. If any of these persons is unable to serve or for good cause will not serve, the proxies may be voted for a substitute nominee designated by the Board.

Nominees for Election

TRACY A. ATKINSON

Director of the Company since 2014.

Executive Vice President, Finance, of State Street Corporation (financial services company) since 2010.

Executive Vice President, Chief Compliance Officer, of State Street Corporation from 2009 to 2010; and Executive Vice President, Chief Compliance Officer, of State Street Global Advisors from 2008 to 2009.

Senior Vice President, Treasurer and Chief Financial Officer, Mutual Funds, of MFS Investment Management from 2005 to 2008; and Senior Vice President, Chief Risk and New Product Development Officer of MFS Investment Management from 2004 to 2005.

Partner at PricewaterhouseCoopers LLP from 1999 to 2004.

Affiliations: Director of The Arc of Massachusetts.

Age 50.

Ms. Atkinson s qualifications to serve on the Board include her extensive knowledge, experience and skills in finance, risk management and compliance developed in positions of significant responsibility with a large publicly held financial services institution and an investment management company, coupled with her accounting expertise derived from being a certified public accountant and a partner of a major accounting firm.

Table of Contents

JAMES E. CARTWRIGHT

Director of the Company since 2012.

Harold Brown Chair in Defense Policy Studies, the Center for Strategic and International Studies, since 2011.

General, United States Marine Corps; Vice Chairman of the Joint Chiefs of Staff from 2007 to 2011 (retired in 2011).

40-year career in the United States Marines, serving in a series of staff and operational positions with increasing responsibility including Commanding General, 1st Marine Aircraft Wing (2000 to 2002); Director for Force Structure, Resources and Assessment, J-8, the Joint Staff (2002 to 2004); and Commander, U.S. Strategic Command (2004 to 2007).

Age 65.

General Cartwright s qualifications to serve on the Board include his mastery of defense matters and broad background in military operations and national security, his deep understanding of organizational management in a complex, technologically advanced environment, and practical knowledge of customer needs, based on his varied and challenging assignments in the U.S. Military that culminated in his service as Vice Chairman of the Joint Chiefs of Staff.

VERNON E. CLARK

Director of the Company since 2005.

Chief of Naval Operations, the senior uniformed executive of the United States Navy, and member of the Joint Chiefs of Staff from 2000 to 2005 (retired in 2005).

37-year career in the United States Navy, serving in various positions of increasing responsibility; commanded a patrol gunboat and concluded as the Chief of Naval Operations.

Current Directorship: Rolls Royce North America (aerospace, marine and energy-related manufacturer) since 2006.

Past Directorship: Horizon Lines, Inc. (ocean shipping and integrated logistics company) from 2007 to 2011.

Affiliations: Visiting Professor, Regent University; Director of SRI International (Stanford Research Institute); and served on the Defense Policy Board and the Defense Business Board.

Age 70.

Admiral Clark s qualifications to serve on the Board include his extensive knowledge of, and experience with, the products used by and the needs of our customers based on his extensive career as an officer in the United States Navy, coupled with his organizational acumen and leadership ability illustrated by his service as Chief of Naval Operations.

Table of Contents

STEPHEN J. HADLEY

Director of the Company since 2009.

Principal in RiceHadleyGates, LLC (international strategic consulting firm) since 2009.

Assistant to the President for National Security Affairs from 2005 to 2009.

Assistant to the President and Deputy National Security Advisor from 2001 to 2005.

Partner in the Washington, D.C. law firm of Shea & Gardner and a principal in The Scowcroft Group (international consulting firm) from 1993 to 2001.

Current Directorships: The Bessemer Group, Incorporated (including service on its Compensation Committee since 2012 and its Audit Committee since 2013), Bessemer Securities Corporation (including service on its Audit Committee since 2011 and Asset Allocation Committee since 2010), and certain related entities (all privately held financial services companies) since 2009.

Affiliations: Director (and member of the Executive Committee) of the Atlantic Council of the United States since 2010; Member of the Board of Managers of the John Hopkins University Applied Physics Laboratory since 2011; Member of U.S. Secretary of State s Foreign Affairs Policy Board since 2011; Chairman of the Advisory Board of the RAND Center for Middle East Public Policy since 2011; Member of Yale University s Kissinger Papers Advisory Board since 2011; and Member, Board of Directors, U.S. Institute of Peace since 2013 and Chairman since 2014.

Age 68.

Mr. Hadley s qualifications to serve on the Board include his extensive knowledge and experience relating to national security, international affairs, public policy, legal matters and formulation of strategy, based on his varied high-level roles in government, consulting and the practice of law.

THOMAS A. KENNEDY

Chairman of the Board since October 2014.

Director of the Company since January 2014.

Chief Executive Officer of the Company since March 2014.

Executive Vice President and Chief Operating Officer of the Company from April 2013 to March 2014.

Vice President and President of the Integrated Defense Systems business unit of the Company from June 2010 to March 2013.

Vice President of the Tactical Airborne Systems product line within the Space and Airborne Systems business unit of the Company from 2007 to 2010.

In the 31st year of his career at the Company, which has included a wide range of leadership positions.

Affiliations: Rutgers University School of Engineering Industry Advisory Board.

Age 59.

Dr. Kennedy s qualifications to serve on the Board include his extensive business experience, skills and acumen developed while holding leadership roles of increasing responsibility with the Company overseeing broad and diverse portfolios including weapons, sensors, radar, electronic warfare and integration systems, while gaining a deep understanding of the Company s domestic and international customers and the global marketplace.

Table of Contents

LETITIA A. LONG

Director of the Company since March 2015.

Director, National Geospatial-Intelligence Agency from 2010 to 2014.

Deputy Director, Defense Intelligence Agency from 2006 to 2010.

32-year career in the Department of Defense and the Intelligence Community, serving in various positions of increasing responsibility.

Current Directorships: UrtheCast Corporation (provider of video technology for Earth observation) since February 2015; and Noblis, Inc. (nonprofit science, technology and strategy services provider) since March 2015.

Affiliations: Member, Virginia Polytechnic Institute and State University School of Public and International Affairs Board of Advisors.

Age 56.

Ms. Long s qualifications to serve on the Board include her extensive knowledge and experience regarding intelligence and security matters, as well as her achievements as an organizational leader related to her senior leadership positions in government service.

GEORGE R. OLIVER

Director of the Company since 2013.

CEO and member of the board of directors of Tyco International Ltd. (a provider of fire protection and security solutions) since 2012.

President of Tyco Fire Protection from 2011 to 2012; President of Tyco Electrical and Metal Products from 2007 to 2010; and President of Tyco Safety Products from 2006 to 2010.

President of GE Water and Process Technologies until 2006; prior to this position, held a series of leadership roles of increasing responsibility at several General Electric divisions.

Affiliations: Trustee of Worcester Polytechnic Institute.

Age 54.

Mr. Oliver s qualifications to serve on the Board include his extensive business experience, skills and acumen reflected in his positions as CEO of a large public company and business president at two technology-driven industrial companies.

MICHAEL C. RUETTGERS

Director of the Company since 2000.

Chairman of EMC Corporation (data storage and management products and services provider) from January 2004 to December 2005.

Executive Chairman (from 2001 to 2004) and CEO (from 1992 to 2001) of EMC Corporation; held a variety of senior executive positions at EMC Corporation from 1988 to 1992.

Current Directorship: Director of Gigamon Inc. (computer networking solutions company) since 2010.

Past Directorships: Wolfson Microelectronics plc (manufacturer of semiconductor chips used in audio, video and imaging applications) from 2008 to 2014; and EMC Corporation from 1992 to 2005.

Age 72.

Mr. Ruettgers qualifications to serve on the Board include his extensive business experience, skills and acumen reflected in his positions as chairman and CEO of a large public company operating in the technology sector.

RONALD L. SKATES

Director of the Company since 2003.

Private investor since 1999.

President and CEO of Data General Corporation (data storage and enterprise solutions supplier) from 1989 to 1999; held other positions at Data General Corporation from 1986 to 1989.

Partner at Price Waterhouse (now PricewaterhouseCoopers LLP) from 1976 to 1986.

Current Directorships: State Street Corporation (financial services company) since 2002; Courier Corporation (book manufacturer and specialty publisher) since 2003; and Gilbane, Inc. (privately held real estate development and construction company) since 2002.

Affiliations: Trustee of Massachusetts General Physicians Organization and Trustee Emeritus of Massachusetts General Hospital.

Age 73.

Mr. Skates qualifications to serve on the Board include his extensive business experience, skills and acumen evidenced by his service as president and CEO of a large public technology company, coupled with his accounting expertise derived from being a certified public accountant and partner of a major accounting firm.

WILLIAM R. SPIVEY

Director of the Company since 1999.

President and CEO of Luminent, Inc. (fiber-optic transmission products provider) from 2000 to 2001.

Group President, Network Products Group, Lucent Technologies Inc. from 1997 to 2000.

Vice President, Systems & Components Group, AT&T Corporation from 1994 to 1997.

Group Vice President and President, Tektronix Development Company, Tektronix, Inc. from 1991 to 1994.

Current Directorships: Non-executive Chairman of the Board of Cascade Microtech, Inc. (advanced wafer probing solutions provider) since May 2014 and director since 1998; and Lam Research Corporation (advanced process equipment provider) since 2012.

Past Directorships: Lyondell Chemical Company (manufacturer of basic chemicals and derivatives) from 2000 to 2007; ADC Telecommunications, Inc. (supplier of network infrastructure products and services) from 2004 to 2010; Novellus Systems, Inc. (advanced process equipment provider) from 1998 to 2012; Laird PLC (electronics components and systems provider) from 2002 to 2012; and Luminent, Inc. (fiber-optic transmission products provider) from 2000 to 2001.

Age 68.

Mr. Spivey s qualifications to serve on the Board include his extensive business experience, skills and acumen reflected in his positions as a business unit head at three public technology companies and CEO of another public technology company.

The Board unanimously recommends that shareholders vote FOR each of the nominees for election. Proxies solicited by the Board will be so voted unless shareholders specify otherwise in their proxies.

24

Table of Contents

STOCK OWNERSHIP

Five Percent Shareholders

The following table lists those persons or groups (based solely on our examination of Schedules 13G filed with the SEC or furnished to us) who are beneficial owners of more than 5% of our common stock as of December 31, 2014.

Name and Address of Beneficial Owner	Common Stock	Percent of Class
BlackRock, Inc. 55 East 52nd Street, New York, NY 10022	26,709,816	8.70%
Wellington Management Group LLP 280 Congress Street, Boston, MA 02210	16,965,053	5.50%
The Vanguard Group 100 Vanguard Blvd., Malvern, PA 19355	16,303,667	5.28%

Management and Directors

The following table contains information regarding the beneficial ownership of shares of our common stock as of February 27, 2015 for (a) each director and nominee for director, including our Chairman and CEO, (b) our CFO and our other named executive officers who are not also directors, and (c) the directors, nominees and all executive officers as a group. Except as otherwise noted below, to the Company s knowledge, the named persons possessed sole voting and investment power over their shares, and the shares are not subject to any pledge. No individual director or nominee for director or named executive officer beneficially owns 1% or more of the outstanding shares of common stock. The directors and executive officers as a group own less than 1% of the outstanding shares of common stock.

Name of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership
(a)	
Thomas A. Kennedy	144,674(1)(2)
Tracy A. Atkinson	1,468(3)
James E. Cartwright	6,818(3)
Vernon E. Clark	8,458(3)
Stephen J. Hadley	12,921(3)
Letitia A. Long	0(4)
George R. Oliver	2,146(3)
Michael C. Ruettgers	25,118(3)(5)
Ronald L. Skates	26,913(3)(6)
William R. Spivey	18,675(3)
Linda G. Stuntz	23,175(3)
(b)	
David C. Wajsgras	115,120(1)(2)
Jay B. Stephens	74,873(1)(2)(8)
Richard R. Yuse	65,439(1)(2)(8)
Daniel J. Crowley	93,552(1)(2)(5)
William H. Swanson	504,457(9)
(c)	
All directors, nominees for director and executive officers as a group (22 persons)	880,066(1)(2)(3)(5)(6)(7)(8)(10)

(1) Includes shares owned outright as follows: Mr. Kennedy 66,756; Mr. Wajsgras 60,048; Mr. Stephens 40,415; Mr. Yuse 22,089; Mr. Crowley 42,117; and all executive officers and directors as a group 404,742.
(2) Includes shares of restricted stock over which the beneficial owner has voting power as follows: Mr. Kennedy 77,918; Mr. Wajsgras 55,072; Mr. Stephens 34,458; Mr. Yuse 43,350; Mr. Crowley 47,475; and all executive officers and directors as a group 449,050.
(3) Includes shares of restricted stock over which the beneficial owner has voting power as follows: Ms. Atkinson 1,468 shares; Ms. Stuntz and Messrs. Cartwright, Hadley, Oliver, Ruettgers, Skates and Spivey 1,444 shares each; and Mr. Clark 1,970 shares.

Table of Contents

(4) The Board of Directors elected Ms. Long as a director on March 18, 2015.
(5) Includes vested deferred compensation equivalent to shares of our common stock as follows: Mr. Crowley 3,960; Mr. Ruettgers 497; and all executive officers and directors as a group 18,550.
(6) Includes 2,400 shares held in family trusts as to which Mr. Skates disclaims beneficial ownership.
(7) Includes 2,624 shares indirectly held by certain executive officers through the Raytheon Savings and Investment Plan and the Raytheon Excess Savings Plan.
(8) Does not include unvested restricted stock units awarded to retirement-eligible employees in lieu of shares of restricted stock as follows: Mr. Stephens 9,872; Mr. Yuse 7,863; and all executive officers as a group 23,018.
(9) Includes 471,123 shares of our common stock owned outright by Mr. Swanson and 33,334 vested shares of our common stock held in a deferred compensation trust account with respect to which Mr. Swanson is the beneficiary, but does not include 122,316 unvested restricted stock units awarded to Mr. Swanson as a retirement-eligible employee in lieu of shares of restricted stock.
(10) Does not include Mr. Swanson s share ownership as he retired from the Company effective September 30, 2014 and was not a director, nominee for director or executive officer as of February 27, 2015.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who beneficially own more than 10% of a registered class of our equity securities to file reports of holdings and transactions in our common stock with the SEC and the NYSE. Based on our records and other information, we believe that, in 2014, a Form 4, reporting a July 23, 2014 restricted stock award to Tracy A. Atkinson, and Form 4s, reporting the delivery of shares to satisfy federal tax obligations with respect to previously awarded restricted stock units, for Richard Goglia, Keith Peden, Jay Stephens and Richard Yuse, were filed late due to Company administrative errors.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In the discussion that follows, we provide an overview and analysis of our executive compensation program and policies, material compensation decisions and the factors that we considered in making those decisions. Included within and following this section you will find a series of tables containing specific information about the compensation earned or paid in 2014 to the following individuals, whose positions as of December 31, 2014 are noted below, to whom we refer as our named executive officers:

- Thomas A. Kennedy, Chairman and CEO;
- David C. Wajsgras, Senior Vice President and Chief Financial Officer;
- Jay B. Stephens, Senior Vice President, General Counsel and Corporate Secretary;
- Richard R. Yuse, Vice President, and President of our Space and Airborne Systems (SAS) business;
- Daniel J. Crowley, Vice President, and President of our Integrated Defense Systems (IDS) business; and
- William H. Swanson, former Chairman and CEO, who retired from the Company effective September 30, 2014.

Mr. Kennedy became CEO effective March 31, 2014, succeeding Mr. Swanson, and became Chairman effective October 1, 2014, following Mr. Swanson s retirement from the Company.

Executive Summary

Our executive compensation program reflects a commitment to (1) retain and attract highly-qualified executives, (2) motivate our executives to achieve our overall business objectives, (3) reward performance and (4) align the interests of our executives with our shareholders. Set forth below are highlights of our current executive compensation program as established by the Management Development and Compensation Committee (MDCC) in accordance with our compensation philosophy.

Program Highlights	Page(s)
Ties a significant portion of each executive s compensation to the Company s performance and individual performance against various pre-established financial, operational and other goals, through variable, at-risk short- and long-term incentive awards.	28-41
Aligns closely the interests of executives with those of shareholders by making stock-based incentives a central component of compensation coupled with meaningful stock ownership and retention requirements.	28-31 and 39-42
Establishes a balanced incentives program by providing awards with both significant upside opportunity for exceptional performance and downside risk for underperformance.	28-41
Authorizes recovery or clawback of compensation in certain circumstances where restatement of financial results is required.	45

Maximizes the benefit to the MDCC of its independent compensation consulting firm by adhering to a stringent Compensation Consultant Independence Policy.	32-33
Provides our executives with total compensation opportunities at levels that are competitive for comparable positions at companies with whom we compete for talent.	34-35
Is designed and monitored by the MDCC to avoid risk-taking that might be likely to have a material adverse effect on the Company.	33

Table of Contents

The MDCC, with the assistance of management and the MDCC s independent compensation consultant, oversees, approves and assesses the effectiveness of our compensation program in relation to our compensation philosophy and the market. The table below describes each element of the program and its link to our compensation objectives.

Compensation Element	Retain and attract highly-qualified executive talent	Incentivize achievement of our overall business objectives	Differentiate rewards based on individual performance	Incentivize and reward long-term performance in alignment with shareholders interests
Base Salary (Base)	ü			
Annual Incentive Plan (RBI)	ü	ü	ü	
Performance-Based Restricted Stock Units (LTPP)	ü	ü		ü
Time-Based Restricted Stock/Stock Unit Awards (RSA)	ü			ü
Benefits, Perquisites and Other Compensation, including severance and change-in-control arrangements (Perks & Other)	ü			

Set forth below for the CEO, and separately for the other named executive officers (other than Mr. Swanson who retired mid-year), are charts illustrating the percentage of total target compensation corresponding to the target levels for each element and tables reflecting the total direct compensation opportunities for fiscal 2014.

Total Direct Compensation Opportunity CEO[1]

Fixed 11% (Base Salary)	**Variable 89%** (RBI + Long-Term Incentive Value[2])
Short-term 32% (Base Salary + RBI)	**Long-term 68%** (Long-Term Incentive Value)
Cash 32% (Base Salary + RBI)	**Equity-Based 68%** (Long-Term Incentive Value)

[1] Total direct compensation opportunity does not include perquisites and other executive benefits, including retirement and severance benefits. As a result, the percentages above may vary slightly from the percentages set forth in the pay mix charts which do include perquisites and other executive benefits.

[2] Long-Term Incentive Value consists of LTPP and RSA.

Table of Contents

Total Direct Compensation Opportunity Other Named Executive Officers[1]

(Average allocation for the four Named Executive Officers other than the CEO)

Fixed 19%	**Variable 81%**
(Base Salary)	(RBI + Long-Term Incentive Value[2])
Short-term 38%	**Long-term 62%**
(Base Salary + RBI)	(Long-Term Incentive Value)
Cash 38%	**Equity-Based 62%**
(Base Salary + RBI)	(Long-Term Incentive Value)

[1] Total direct compensation opportunity does not include perquisites and other executive benefits, including retirement and severance benefits. As a result, the percentages above may vary slightly from the percentages set forth in the pay mix charts which do include perquisites and other executive benefits.

[2] Long-Term Incentive Value consists of LTPP and RSA.

According to an analysis performed by Pearl Meyer & Partners, the MDCC s independent compensation consultant, these weightings were in line with what the companies in our peer groups provided to their executives holding comparable positions. The MDCC does not establish any fixed relationship between the compensation of our CEO and that of any other named executive officer. Using market data as a general reference point, we believe that the differences between our CEO s compensation and the compensation of the other named executive officers are consistent with differences that exist at comparable companies and are consistent with our executive compensation philosophy.

Table of Contents

The table below summarizes the 2012-2014 compensation provided to our named executive officers and reflects the view of our Board and the MDCC with respect to their annual compensation decisions for those executives during those years.

TOTAL COMPENSATION FOR 2012 2014

Executive	Year[(1)]	Salary	Non-Equity Incentive Plan Compensation RBI[(2)]	(Stock Awards) Long-Term Incentives Restricted Stock	LTPP Award[(3)/(4)]	All Other	Total
Thomas A. Kennedy	2014	$ 1,057,698	$ 2,500,000	$ 2,999,961	$ 4,000,034	$ 323,136	$ 10,880,829
	2013	$ 644,017	$ 1,200,000	$ 1,999,970	$ 1,250,020	$ 142,436	$ 5,256,443
David C. Wajsgras	2014	$ 929,694	$ 1,100,000	$ 1,549,968	$ 1,300,032	$ 152,328	$ 5,032,022
	2013	$ 901,434	$ 1,100,000	$ 1,200,023	$ 1,300,013	$ 158,674	$ 4,660,144
	2012	$ 871,800	$ 1,000,000	$ 1,099,995	$ 1,300,016	$ 138,098	$ 4,409,909
Jay B. Stephens	2014	$ 813,666	$ 1,300,000	$ 999,955	$ 1,200,001	$ 150,855	$ 4,464,477
	2013	$ 788,926	$ 1,000,000	$ 999,985	$ 1,200,026	$ 120,986	$ 4,109,923
	2012	$ 762,979	$ 950,000	$ 1,000,009	$ 1,199,999	$ 122,096	$ 4,035,083
Richard R. Yuse	2014	$ 678,268	$ 800,000	$ 1,600,006	$ 1,250,016	$ 158,850	$ 4,487,140
	2013	$ 631,138	$ 700,000	$ 1,200,023	$ 1,250,020	$ 164,476	$ 3,945,657
	2012	$ 556,680	$ 675,000	$ 900,024	$ 1,250,008	$ 137,132	$ 3,518,844
Daniel J. Crowley	2014	$ 741,206	$ 675,000	$ 1,200,004	$ 1,250,016	$ 172,957	$ 4,039,183
	2013	$ 717,262	$ 750,000	$ 1,200,023	$ 1,250,020	$ 263,016	$ 4,180,321
	2012	$ 691,028	$ 575,000	$ 900,024	$ 1,250,008	$ 118,595	$ 3,534,655
William H. Swanson	2014	$ 1,178,228	$ 2,300,000	$ 11,999,993	$ 6,499,975	$ 493,844	$ 22,472,040
	2013	$ 1,463,456	$ 3,500,000	$ 4,699,971	$ 6,500,009	$ 627,663	$ 16,791,099
	2012	$ 1,414,421	$ 3,400,000	$ 4,699,989	$ 6,499,980	$ 446,160	$ 16,460,550

(1) The table sets forth the compensation for each of the named executive officers for the fiscal years ended December 31, 2012, 2013 and 2014, other than Mr. Kennedy who became an executive officer in 2013.

(2) Annual Results-Based Incentive (RBI) cash award. RBI awards are discussed under Annual Incentives on pages 36 to 39.

(3) Long-Term Performance Plan (LTPP) award. LTPP awards are discussed under Long-Term Incentives LTPP on pages 39 to 41.

(4) As a result of his retirement from the Company on September 30, 2014, Mr. Swanson is only entitled to a prorated payment based on the Company s performance and the number of months employed during the performance cycle.

The above table differs from the 2014 Summary Compensation Table required by the SEC, which appears on page 47, and is not a substitute for that table. The 2014 Summary Compensation Table includes amounts based on the change in the actuarial present value of the executives accumulated pension benefits. The above table excludes these amounts because the Company and the MDCC consider the pension plan in the context of their assessment of the overall benefit design and the competitiveness of the Company s retirement benefits, and not as an element of their annual compensation decisions. Another difference is that 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 Company, the MDCC and the Board consider these awards in proposing, recommending and approving annual compensation. In contrast, the Stock Awards column in the 2014 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 Incentives beginning on page 39.

We discuss the elements of our compensation program set forth in the above table in detail beginning on page 35 and describe how we set these opportunities and the total compensation of our named executive officers so that they are market competitive and are based on Company and individual performance. While we generally have provided consistent compensation opportunities, the actual

30

compensation earned by our executives has varied reflecting our pay-for-performance approach and market competitiveness. For 2014, the base salaries in existing roles for Messrs. Wajsgras, Stephens, Yuse and Crowley increased between 3.0 % and 4.0%. Mr. Kennedy received a 33.3% increase in base salary effective January 2014 in connection with his election as CEO. Additionally, he received a merit increase of 10% effective in April 2014 (at the same time as other named executive officer merit increases) which brought him closer to, albeit still well below, the 50th percentile of the market for his position. Mr. Swanson s 2014 base salary remained the same as his 2013 base salary. In addition, based on Company, business unit, and individual performances in 2014, Messrs. Kennedy, Wajsgras, Stephens and Yuse received RBI awards that were above the funded RBI target level, while Mr. Crowley s RBI award was below target. Mr. Swanson received an RBI award for 2014 prorated for his employment through September 30, 2014, and based on target level of performance. For a discussion of named executive officer base salaries and RBI awards, see pages 35 to 39.

From a performance perspective, the Company had strong operational results in 2014, including: earnings per share from continuing operations of $6.97, reflecting growth of 16.9% over 2013; strong bookings of $24.1 billion, up from $22.1 billion the prior year; and a book-to-bill ratio of 1.05 for the year. In 2014, the Company generated $2.1 billion in operating cash flow from continuing operations, after a $600 million pretax discretionary pension plan contribution. The Company also continued to grow its international business in 2014. International bookings increased by 26.6% over the prior year and international sales increased by 1.5%, which partially offset the decline in domestic sales which continued to be impacted by a challenging U.S. budgetary environment. The Company s continued focus on reducing costs and improving affordability coupled with strong global demand for the Company s innovative products and services were among the primary drivers of the Company s continued strong operating margin and earnings performance. These results were achieved while the Company also continued to invest to develop discriminating technologies and differentiated capabilities. The Company s performance drove significant shareholder value in 2014, with total shareholder return for 2014 considerably outperforming the S&P 500. In line with our pay-for-performance philosophy, our executives received competitive compensation commensurate with these results, particularly through our performance-based 2014 RBI and the 2012-2014 LTPP. These programs are specifically designed to tie closely the compensation paid to the individual executive with the performance of the Company. A summary of these compensation elements, the applicable performance metrics, their respective weightings, the results we achieved, the overall funding levels and the location of a more detailed discussion of this section, are set forth in the RBI and LTPP Performance Results table below.

On an ongoing basis, the MDCC reviews the compensation program and how the Company measures performance in a changing business environment and incentivizes management based on the Company s strategy. In connection with this process, as of January 1, 2012, the MDCC refined the performance metrics relating to RBI by removing ROIC and revising the weightings on the remaining metrics, as indicated in the table below. The MDCC determined that discontinuing the use of ROIC for RBI, while retaining it for LTPP, was appropriate to further differentiate between long-term and short-term incentives and related performance metrics. We view ROIC as a more meaningful measurement of longer-term value creation, as opposed to short-term performance. This realignment eliminated overlap between the short- and long-term elements and is consistent with the Company s growth philosophy.

RBI and LTPP Performance Results

Compensation Element	**Performance Metrics/Weightings**	**Results Achieved**
2014 RBI	Bookings (20%); net sales (30%); free cash flow (FCF) (20%); and operating income from continuing operations (30%).	We exceeded our pre-established 2014 target for Bookings, FCF and operating income from continuing operations, and nearly achieved target for net sales, resulting in the achievement of an overall funding level of 103.6%. See discussion beginning on page 36.
2012 2014 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 performance targets for ROIC, CFCF and TSR, which resulted in a 173.0% of target payout in shares of our common stock. See discussion beginning on page 39.

Table of Contents

Consideration of 2014 Advisory Vote on Executive Compensation

In 2014, as in the prior three years, the Company asked its shareholders, through an advisory vote, to approve the compensation of the named executive officers as described in the 2014 proxy statement. The 2014 advisory vote received strong support from shareholders, garnering a 95.1% affirmative vote, comparable to the 96.1%, 94.2% and 93.3% for votes in 2013, 2012 and 2011, respectively. The MDCC has considered the strong support conveyed by the vote, other input received from shareholders, as well as other factors and data discussed in this Compensation Discussion and Analysis. It also continued to find its existing executive compensation approach appropriate for the Company and its strategy and business in the then-current market environment. The MDCC will, in consultation with its independent compensation consultant, consider changes to the program as appropriate in response to input from shareholders and evolving factors such as the business environment and competition for talent. The MDCC s decision to discontinue the use of ROIC as a performance metric for RBI beginning in 2012, while continuing its use as a metric for LTPP, illustrates this ongoing process. The MDCC will also continue to monitor future advisory votes carefully and seek input from shareholders in the course of the Company s shareholder outreach efforts.

At the 2011 annual meeting, our shareholders expressed a preference that advisory votes on executive compensation occur annually in accordance with the recommendation of the Board. Based on the results of this vote, the Board implemented an advisory vote on executive compensation annually until the next frequency vote is conducted, which shall occur no later than the Company s annual meeting in 2017.

Shareholder Outreach and Engagement

In 2014, we continued to engage in a dialogue with many of our shareholders to solicit their input on a range of topics related to executive compensation and governance matters. Our outreach efforts in 2014 resulted in discussions outside of the proxy season with representatives of institutional shareholders that in the aggregate owned more than 40% of the Company s outstanding shares. In addition to our outreach to institutional shareholders, we have also engaged in conversations and correspondence with a number of other investors, proxy advisory firms and corporate governance research firms. The Governance and Nominating Committee and the MDCC have been provided with feedback regarding these outreach and engagement efforts. The MDCC considered such feedback in conjunction with its review of the 2014 advisory vote on executive compensation. We plan to continue with these efforts in the coming year.

How We Determine and Assess Executive Compensation

We design our compensation program with a view to retaining and attracting executive leadership of a caliber and level of experience necessary to manage our complex, global businesses effectively. Given the length of our programs, contracts and business cycles, it is especially important for us to retain our executive talent over a number of years to provide continuity of management in a highly competitive industry. Our Board bears the ultimate responsibility for approving the compensation of our named executive officers in our proxy statement for the prior year. The MDCC assists the Board in discharging this responsibility. Information about the MDCC and its composition, responsibilities and operations can be found on page 13 under the heading The Board of Directors and Board Committees Management Development and Compensation Committee.

Independent Compensation Consultant

In 2014, the MDCC retained Pearl Meyer & Partners (PM&P), a compensation consulting firm, to obtain information on compensation levels, programs and practices within certain peer groups and the broader market, provide the MDCC with a report on compensation trends among our peers and the broader market, perform a pay-for-performance assessment and perform related services. PM&P s work product provides one source of input to the MDCC s compensation decision making process, combined with information and analyses the MDCC receives from management and the MDCC s own judgment and experience.

The MDCC has had a formal compensation consultant independence policy since 2009 to ensure that it receives independent and unbiased advice and analysis from its consultant. Additionally, the MDCC s charter has required an annual assessment by the MDCC of the independence of the outside compensation consultant. Both the policy and the charter were amended to incorporate new NYSE standards that became effective on July 1, 2013, establishing specific independence factors which must be considered by the MDCC before selecting any compensation adviser. Applying these factors as reflected in the amended policy and charter, the MDCC has determined that PM&P continues to be independent pursuant to the policy, and that PM&P s work for the MDCC does not raise any conflict of interest. The policy requires the pre-approval of any services proposed to be

Table of Contents

provided by the consultant to the Company. The MDCC s pre-approval review is intended to ensure that the provision of non-MDCC services to the Company will not impair the consultant s independence. As a guideline to avoid any actual or perceived conflict of interest or bias, the policy limits the fees paid by the Company for such non-MDCC services to no more than 1% of the consulting firm s annual gross revenues and prohibits altogether the provision of services to Company officers and directors. In accordance with the policy, the MDCC pre-approved the Company s acquisition from PM&P of certain industry compensation surveys which PM&P makes available generally to companies for a fee. The fees paid to PM&P for these surveys were less than $10,000, and well below 1% of PM&P s 2014 annual gross revenues.

Management of Compensation-Related Risk

We have designed our compensation program to avoid excessive risk-taking. While risk is inherent in numerous aspects of our business operations, we believe our compensation program does not unduly affect these inherent business risks and has been appropriately designed to manage compensation-related risk. The following are some of the features of our program designed to help us appropriately manage compensation-related risk:

- An assortment of vehicles for delivering compensation, both fixed and variable, and including cash and equity-based measures with different time horizons, to focus our executives on specific objectives that help us achieve our business plans and create an alignment with long-term shareholder interests;
- Diversification of incentive-related risk by employing a variety of performance measures;
- A balanced weighting of the various performance measures to avoid excessive attention to achievement of one measure over another;
- Fixed maximum award levels for performance-based awards;
- Guidelines designed to assure the independence of our compensation consultant, who advises the MDCC as described above;
- A clawback policy and equity grant procedures, as described below on page 45; and
- Incentive compensation to named executive officers based on individual performance and overall Company performance.

As discussed beginning on page 8, 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 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.

Key Considerations Related to Executive Compensation

Our determinations and assessments of executive compensation are primarily driven by two considerations:

- Company and individual performance in five areas financial, operational, customer satisfaction, people and Six Sigma ; and
- Market competitiveness of our compensation program.

Company and Individual Performance

In addition to market competitiveness, we use a number of factors to determine our compensation levels and to customize our compensation program to appropriately recognize Company and individual performance and contribution to the enterprise. We consistently review performance in these five areas:

- Financial we focus on financial metrics that are good indicators of whether the Company and our businesses are achieving their annual or longer-term business objectives; bookings, sales, operating income, free cash flow and return on invested capital are measures used to gauge financial performance;

- Operational we evaluate product development and program execution through the use of tools designed to measure operational efficiencies, such as Integrated Product Development Systems and the Earned Value Management System;

- Customer satisfaction we measure customer satisfaction through the use of customer satisfaction surveys, performance against program cost and schedule indices, annual customer performance assessment reports and through customer award fees;

- People we assess our executives development of people, leadership behavior, ethical conduct, employee connect survey results and the development of an inclusive workforce; and

- Six Sigma we look to see how well the Company, a business or an individual has used Raytheon Six Sigma, a continuous process improvement effort designed to reduce costs and improve efficiency.

Table of Contents

Collectively, we consider these five factors to provide a measurable assessment of executive performance that will build value for our shareholders. We look to each of them, to varying degrees, to make the most of our executive compensation decisions, from setting base salaries to providing annual and longer-term rewards.

Market Data

We consider the compensation levels, programs and practices of certain other companies to assist us in setting our executive compensation so that it is market competitive. We use two peer groups for these purposes:

A core peer group, which consists of companies that are either aerospace and defense companies or that have substantial aerospace or defense businesses. We also consider a company s complexity, operations, revenues, net income and market capitalization. We compete to varying degrees for business and talent with the companies in this core peer group. The companies comprising the core peer group are as follows:

The Boeing Company	General Dynamics Corporation
L-3 Communications Holdings, Inc.	Honeywell International, Inc.
Northrop Grumman Corporation	Lockheed Martin Corporation
Textron Inc.	United Technologies Corporation

A broader peer group, comprised of our core peer group and seven additional companies from other industries, which we selected on the basis of the comparability of their complexity, operations, revenues, net income and market capitalization to ours. The broader peer group companies are as follows:

3M Company	Emerson Electric Co.
Caterpillar Inc.	Eaton Corporation
General Dynamics Corporation	Illinois Tool Works Inc.
Honeywell International, Inc.	L-3 Communications Holdings, Inc.
Johnson Controls, Inc.	Lockheed Martin Corporation
Northrop Grumman Corporation	Motorola Solutions, Inc.
Textron Inc.	United Technologies Corporation
The Boeing Company	

We review the peer groups annually to ensure that we have the appropriate marketplace focus. We may change the composition of our peer groups to reflect changes in our strategy and markets, or if significant changes occur to a company or companies within the peer groups. With the benefit of input from PM&P, the MDCC has made certain changes to the peer groups over the last several years. For 2013, Goodrich Corporation was removed from the core peer group after its acquisition by United Technologies Corporation, and Rockwell Collins, Inc. was removed due to size considerations. ITT Corporation was removed from the broader peer group because it spun off its defense business in 2012, while Eaton Corporation and Illinois Tool Works were added given the similarities to Raytheon in their complexity, operations, revenues, net incomes and market capitalizations.

The MDCC obtains information on the compensation levels, programs and practices of the companies within the core and broader peer groups. Statistical techniques, such as regression analysis, typically are used to adjust the data for differences in company size. The MDCC also considers market survey data for companies outside of our core and broader peer groups as a general indicator of relevant market conditions and pay practices and as a broader reference point. This market survey data was developed by national compensation consulting firms and provided to the MDCC by PM&P, its independent compensation consultant.

The MDCC establishes and evaluates compensation levels for our named executive officers based on market data primarily for our broader peer group, as well as other factors, as discussed below. While aggregate target and actual pay levels are analyzed and measured against market data, individual and Company performance can result in compensation for any one individual that varies from the market median. In 2014, PM&P also provided the MDCC with a report on peer compensation trends (levels, mix, vehicles and metrics) which is used to help set pay levels and design programs.

2014 Review of Compensation

PM&P provided the MDCC with a marketplace assessment, except as to Mr. Swanson, of our named executive officers 2014 compensation in comparison to compensation for comparable positions relative to the market comprised of the broader peer group.

PM&P looked at the market in terms of:

- base salaries;

Table of Contents

- total cash compensation (which includes base salary and annual incentive award); and
- total direct compensation (which includes base salary, annual incentive award and long-term incentive opportunity).

This assessment showed that for these executive officers:

- Base salaries, on average, fell between the 50th and the 75th percentiles of the market;
- Total cash compensation, on average, fell between the 50th and the 75th percentiles of the market; and
- Total direct compensation, on average, closely approximated the 50th percentile of the market.

PM&P also assisted the MDCC with a pay-for-performance analysis, which assessed the correlation between our short-term pay (annual incentive award) and short-term performance and our long-term pay and long-term performance relative to the peer groups using 2013 performance data and the 2013 named executive officers. Rather than looking at current compensation opportunities (current salary, target annual incentive award and present value of long-term incentives), this analysis focused on realized or realizable pay in relation to past performance. For 2013, PM&P concluded that Raytheon continued to exhibit alignment between RBI pay- out percentage and relative performance on a short-term basis. It also determined that Raytheon s realizable pay specific to long-term incentive awards provided to all named executive officers as a group was in general alignment with its long-term performance (based on TSR, operating income and net sales growth over the three-year period) relative to its peers, in the aggregate. A similar 2014 pay-for-performance assessment will be performed in 2015 once peer group performance data is available.

The MDCC also periodically reviews the formulas that determine benefits under our retirement plans, perquisites and our severance arrangements so that we can be sure that these plans integrate appropriately into our total compensation strategy. We provide benefits under these plans that are comparable to our peer group companies in order to offer employment packages that attract highly-qualified executives to join us and to keep our compensation competitive in order to retain such executives.

Elements of Our Compensation Program

Our executive compensation program is designed to meet the objectives discussed in the Executive Summary, including tying a significant portion of each executive s compensation to Company and individual performance. As discussed in more detail below, our 2014 program successfully met our pay-for-performance objectives.

Our program consists primarily of the following integrated elements: base salary, annual incentive awards (RBI) and long-term incentives (LTPP and RSAs), which together make up an executive s total direct compensation in a given year or performance period. The program is rounded out with perquisites and other executive benefits, including retirement and severance benefits.

Allocation of Total Direct Compensation

The MDCC annually reviews the relative mix of our compensation elements to those of the market for comparable positions. Specifically, we review the total direct compensation opportunity (i.e., the sum of salary, target annual and target long-term incentives) in the following categories:

- Fixed versus variable

Short-term versus long-term

Cash versus equity-based

The charts and tables on pages 28 and 29 provide a further description of the mix of our compensation elements and the allocations of total direct compensation opportunities for fiscal year 2014.

Just as our shareholders put their money at risk when they invest in our Company, a significant portion of our executives compensation is at risk, and that risk increases with the 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 making sure that a significant portion of their compensation is equity-based and subject to stock price performance. 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 pages 41 and 42 for a discussion of our Stock Ownership and Retention Guidelines.

Base Salary

Base salary is the one fixed component of our executives total direct compensation that is not at risk based on Company performance and/or stock price variations. The MDCC reviews the base salaries of our executive officers annually and whenever an executive changes position. Our CEO makes salary recommendations to the MDCC with respect to his direct reports. To maintain competitive levels, we refer to the market median of base salaries for comparable positions in setting our named executive officers base salaries. However, we also consider the executive s:

Experience for the position;

35

Table of Contents

- Personal contribution to the financial and operational performance of the Company and its businesses; and

- Contribution in the areas of customer satisfaction, people and Six Sigma.

These other factors could cause any one executive officer s base salary to be above or below the market median for a comparable position. Annual merit-based salary increases are an integral part of the annual performance management process and are used to reward and reinforce desired behaviors and maintain competitive marketplace positions.

Based on the MDCC s review of market data and the foregoing individual factors, for 2014, the base salaries for Messrs. Wajsgras, Stephens, Yuse and Crowley increased between 3.0% and 4.0%. Mr. Kennedy received a 33.3% increase in base salary effective January 2014 in connection with his election as CEO. Additionally, he received a merit increase of 10% effective in April 2014 (at the same time as other NEO merit increases) which brought him closer to, albeit still well below, the 50th percentile of the market for his position. Mr. Swanson s 2014 base salary remained the same as his 2013 base salary. The 2014 base salaries for our named executive officers, on average, fell between the 50th and 75th percentiles of the market.

Annual Incentives

Annual incentive awards provide a direct link between executive compensation and the achievement of financial, operational and individual goals over a one-year period. Unlike base salary, which is fixed, our executives annual incentive award is at risk based on how well the Company and the executive perform.

We award annual incentives under our Results-Based Incentive (RBI) Plan to focus our executive officers on attaining pre-established annual performance goals. The RBI award for our named executive officers is variable in two respects:

- First, the funding of an overall RBI incentive pool is dependent on the Company s success in achieving specified financial performance goals, as described below.

- Second, the size of the executive s RBI payout from the funded pool depends on actual performance against pre-established individual performance objectives, which can be below target or, for exceptional individual performance, as much as 200% of target.

Target Opportunities. We generally set the target RBI amount for each executive at the median of our peer groups annual cash incentives for employees in similar positions. In order to encourage and reward extraordinary performance, our RBI awards are structured so that the actual payout under an executive officer s award can approach or exceed the 75th percentile if such executive exceeds individual performance objectives.

We use the sum of target awards to determine the overall funding of the RBI incentive pool, as described below, but the targets are not entirely determinative of what any one participant s actual RBI incentive payout will be.

Funding the RBI Pool. The pool of available funds to pay our RBI awards is based on the extent to which the Company and our businesses meet or exceed predetermined goals under selected financial metrics, which are set by the MDCC at the beginning of the performance year. Beginning in 2012, the MDCC discontinued use of ROIC as a financial metric for RBI, as discussed in the Executive Summary on page 31, and selected the four financial metrics, weighted as identified below, for purposes of funding an overall pool for the RBI plan:

- Bookings 20% a forward-looking metric that measures the value of new contracts awarded to us during the year and an indicator of potential future growth.

- Net Sales 30% a growth metric that measures our revenue for the current year.

- Free Cash Flow (FCF) 20% a measure of the cash that is generated in a given year that we can use to make strategic investments to grow our businesses or return to our shareholders.

- Operating Income from Continuing Operations 30% a measure of our profit from continuing operations for the year, before interest and taxes, and after certain non-operational adjustments.

FCF and Operating Income from Continuing Operations are non-GAAP financial measures and are calculated as follows:

- FCF is operating cash flow from continuing operations less capital spending and internal use software spending, excluding the impact of changes to cash flow from pension and post-retirement benefits-related items and other similar non-operational items.

- Operating Income from Continuing Operations is operating income from continuing operations, excluding the FAS/CAS pension and post-retirement benefits income/expense and, from time to time, certain other items.

36

Table of Contents

Considered in the aggregate for 2014, the four metrics were strong indicators of our overall performance and our ability to create shareholder value. These measures were balanced among long-term and short-term performance, growth and efficiency and have been aligned with our business strategies. For example, we continue to focus on growing our business in core defense and new markets, both domestic and international, and we expect our success in this area to be reflected in our bookings in the shorter-term and net sales in the longer-term. In addition to growing our business, we maintain a strong focus on program execution in order to maximize operating income and cash.

For each financial metric, we set a specific target performance goal and a defined performance range around the target. The performance range consists of a threshold or minimum performance level and a maximum performance level. If the threshold performance level for a financial metric is not achieved, then we do not allocate funds to the RBI funding pool based on that metric. Funding of the pool for any one metric is capped once performance achieves or exceeds the maximum performance level set for that metric. We also establish a funding range around the target for each financial metric of 75% to 150% of target. If Company performance falls within the performance range (e.g., between the threshold and maximum performance levels), the funding amount is based on the corresponding funding range. A total Company RBI funding percentage is determined based on the overall performance of the Company against each of these financial metrics. The RBI payouts to all of our named executive officers, including those who are leaders of individual businesses, are based on the total Company RBI funding percentage. In addition to the financial metrics, the MDCC has given our CEO the authority to increase or decrease funding of the RBI pool based on an assessment of an individual business performance on criteria such as customer satisfaction, growth, people and productivity.

The following table summarizes the performance target, and the corresponding total Company RBI funding percentage, for 2014:

Financial Metric	**Performance Target**	**RBI Funding**
Bookings	$ 23.39B	102.8%
Net Sales	$ 22.86B	99.8%
Free Cash Flow	$ 1.94B	105.8%
Operating Income from Continuing Operations	$ 2.88B	106.5%
Overall Funding Level %		103.6%

The Company had a solid operating performance in 2014. We exceeded target on three of the four metrics, and nearly achieved target for net sales, resulting in an overall funding level of 103.6%.

The RBI financial metric targets for a performance year are based on our annual operating plan for that year. The annual operating plan represents management s view of the expected performance of the Company as a whole and its individual businesses for the coming year based on identified challenges, risks and opportunities. The annual plan is built using a rigorous bottom up approach. Each business proposed plan is carefully considered and scrutinized by management through multiple reviews. Often management requires the businesses to increase or stretch their plan financial targets and incorporate other changes. Based on the annual plans of the businesses, management prepares the Company s annual operating plan which is finalized after review, assessment and approval by the Board. In addition, consistent with past practice, Company performance against these financial metric targets, which are established at the beginning of the year and based on anticipated operational performance during the year, is adjusted to account for the impact of certain matters not factored into the annual operating plan, such as acquisitions and dispositions that occur after the applicable targets are established, and certain non-operational items.

Individual Performance Objectives. Individual performance is directly reflected in an executive s RBI award. While combined Company and individual business performance determines funding of the overall RBI pool, individual RBI awards reflect an assessment of an executive s contribution to our achievement of the financial performance goals, as well as the executive s achievement of individual performance objectives. If an executive under-performs in relation to his objectives, his RBI award could fall below the funded target level or even be zero if threshold performance is not achieved. On the other hand, an executive who exceeds his performance objectives could receive up to 200% of target.

Individual performance objectives are established annually in writing for executive officers and are primarily comprised of quantifiable objectives with some subjective measures also included. In the case of our CEO, the MDCC recommends, and the full Board (excluding the CEO) approves, a statement of the CEO s objectives. In connection with his annual performance evaluation, our CEO provides to the MDCC a written self-appraisal, assessing his performance against these objectives. The MDCC discusses the CEO s performance and provides a preliminary performance evaluation. The MDCC s preliminary evaluation is then discussed with all of the independent directors in an Executive Session of the Board, at which time each Director has an opportunity to provide input. Based on this evaluation, the MDCC recommends, and the full Board (excluding the CEO) approves, the CEO s RBI award and other compensation. The CEO

Table of Contents

receives performance feedback directly from the Lead Director and the Chair of the MDCC.

A similar process was followed in 2014 for Mr. Swanson, as Chairman. In the case of the other executive officers, our CEO provides input to the MDCC both with regard to the establishment of performance objectives and the determination of the extent to which objectives are met.

Examples of individual performance objectives for our named executive officers for 2014 include:

- Financial objectives within the individual s business or functional area;
- Establishing and maintaining strong customer relationships through excellent program performance and providing innovative solutions;
- Successfully managing human resources and developing a more effective organization within the individual s business or functional area;
- Improving employee connect survey results;
- Achieving exemplary regulatory compliance;
- Increasing energy efficiency and successfully implementing workplace safety initiatives;
- Demonstrating effective leadership behaviors; and
- Promoting a culture of innovation through respect and inclusion.

This individual assessment promotes accountability for each executive s performance and helps differentiate our executives compensation based on performance. Thus, while the target incentive award for each executive is set with reference to the marketplace median for his position, in order to encourage and reward extraordinary performance, our RBI awards are structured so that the actual payout under an executive officer s award can approach or exceed the 75th percentile if such executive exceeds his individual performance objectives.

Based on Company, business and individual performance in 2014, our named executive officers, other than Messrs. Crowley and Swanson, received RBI amounts that were above the funded RBI target level. A summary of the individual performance of each named executive officer in 2014 follows:

Thomas Kennedy

Under Mr. Kennedy s leadership as Chief Executive Officer, effective March 31, 2014, Raytheon focused on reducing costs, improving affordability and delivering strong returns, while at the same time investing in its future. As a result, the Company delivered strong performance against its business plan, ending the year with a solid balance sheet and continued global demand across its missile defense, electronic warfare, cybersecurity, C4ISR and training portfolio. This performance drove total shareholder return which surpassed the S&P 500, with the Company s stock price hitting a new all-time high. In 2014, international bookings increased by 26.6%, and international backlog reached 40% of the Company total. International sales grew by 1.5%, comprising 29% of total Company sales. Raytheon continued to be recognized for its achievements by customers, as well as investors. Significant competitive wins during the year included the Family of Beyond Line-of-Sight Terminals strategic military satellite terminal contract and the Launch and Test Range System Integrated Support contract, both with the U.S. Air Force. International competitive wins included the North Warning System, an operations, maintenance and logistics support contract with the Canadian Department of National Defense, and both an Air Defense Operating Center and Patriot Fire Units for the State of Qatar. Under

Mr. Kennedy s leadership, Raytheon continued to excel in the areas of corporate governance and responsibility, diversity and inclusion, health and safety, and sustainability. In 2014, Raytheon was recognized for the tenth year in a row by the Human Rights Campaign (HRC) Corporate Equality Index with a score of 100 percent and received HRC s Best Place to Work designation. Raytheon was awarded the 2014 Corporate Leadership Award by Transparency International USA for its commitment to shaping initiatives that promote high business standards, transparency and anti-corruption in the U.S. and internationally. Raytheon also received the Energy Star Partner Award from the U.S. Environmental Protection Agency and has been recognized as one of the 100 Best Corporate Citizens by Corporate Responsibility Magazine.

David Wajsgras

Under Mr. Wajsgras leadership as Chief Financial Officer, the Company once again delivered solid financial performance in a challenging business environment, exceeding its 2014 goals with respect to operating income and earnings per share from continuing operations, bookings and free cash flow. In 2014, Mr. Wajsgras led and executed on a number of key strategic initiatives of the Company, including the acquisition of Blackbird Technologies, a leading provider of persistent surveillance, secure tactical communications and cybersecurity solutions to the Intelligence Community and special operations market. He also assumed a key leadership role in extending Raytheon s advanced cyber solutions into both government and commercial markets. Additionally, by improving productivity in relation to financial processes, controls and reporting, he enabled the Company s senior business and product line leaders to focus on a wider array of business

Table of Contents

opportunities. Under his leadership, the Raytheon Finance organization has continued to successfully focus on talent development and succession planning to meet current and future talent organizational requirements. Mr. Wajsgras is a member of the Executive Diversity Leadership Team, and the Executive Sponsor of the Raytheon Persons with Disabilities employee resource group.

Jay Stephens

As General Counsel and Corporate Secretary, Mr. Stephens has been instrumental in supporting Raytheon s global business strategy, successfully managing the Company s risk profile, fostering a culture of compliance and business integrity, and building a collaborative team of professional business partners. He contributed significantly to the Company s successful performance in 2014 through his leadership in legal and regulatory affairs, ethics, sustainability, health and safety, and governance areas, as well as broad-based business guidance. He provided counsel, leadership, operational support, and guidance to the Board in support of the Company s organizational changes, including the Company s CEO and Chairman transition and succession. Additionally, under his leadership, Raytheon was publicly recognized for industry-leading practices in the areas of compliance and anti-corruption sustainment processes. In 2014, he was recognized by the National Law Journal as one of America s 50 Outstanding General Counsel.

Richard Yuse

Under Mr. Yuse s leadership as its president, the Company s Space and Airborne Systems (SAS) business unit met or exceeded its 2014 sales, bookings, backlog, operating profit, cash flow and ROIC goals. Mr. Yuse successfully led SAS s strategic efforts to address changing market dynamics, and continued to focus the business on making key technology investments that have positioned SAS for future growth. This success is reflected in SAS s strong competitive win rate and key program wins in the Electronic Warfare segment and classified Space programs. It also has created a program and technology portfolio with synergies across the Department of Defense, the Intelligence Community and international markets. In 2014, Mr. Yuse was a contributing speaker for the Royal United Services Institute series on International Missile Defense, London. Mr. Yuse also serves as a member of the Governing Board of Northeastern University.

Daniel Crowley

Under Mr. Crowley s leadership as its president, the Company s Integrated Defense Systems (IDS) business provided affordable, integrated solutions to a broad spectrum of international and domestic customers in multiple mission areas. With a continued focus on improving competitiveness in the domestic and international marketplace, IDS was awarded several key contracts with long-term financial impact. New international contract awards for a Patriot Missile System and an air defense operations center are examples of quality solutions that met international customer needs in 2014 and positioned IDS for future growth. Mr. Crowley took actions that resulted in over $300 million in cost savings enhancing IDS s competitiveness and ability to invest in its business. Mr. Crowley led five enterprise-wide campaigns, with active collaboration from the other three Raytheon businesses, in support of global growth. Additionally, he championed the formation of the Raytheon Veterans (RAYVETS) Employee Resource Group, which was launched in 2014 with over 2,000 members.

William Swanson

Based on his performance as CEO during a portion of 2014 and his assistance with the successful transition of Mr. Kennedy to CEO, and Chairman thereafter, Mr. Swanson received an RBI award for 2014 prorated for his employment through September 30, 2014 and based on target level of performance.

Long-Term Incentives

Our long-term incentives reward Company leaders and assist with the retention of these leaders. By aligning financial rewards with the economic interests of our shareholders, leaders are encouraged to work toward achieving our long-term strategic objectives. Our named executive officers receive long-term incentive awards in the form of performance-vesting restricted stock units pursuant to our Long-Term Performance Plan (LTPP) and restricted stock or restricted stock unit awards that vest on a specified time schedule (RSAs). While we do not follow a formula allocation as between the two forms of long-term incentives, we more heavily weight the performance-based awards under the LTPP.

We target our named executive officers long-term incentives, on average, between the 50^{th} and 75^{th} percentiles of the market for long-term incentives for employees in similar positions. The 2014 Grants of Plan-Based Awards table on page 51 shows the LTPP and RSAs that were granted to each of our named executive officers for 2014.

LTPP. We award performance-based restricted stock units pursuant to the LTPP under our 2010 Stock Plan to encourage both retention and targeted performance. The LTPP provides awards of restricted stock units that vest at the end of a three-year performance cycle based upon the achievement of specific pre-established levels of Company

39

Table of Contents

performance. Stock units may be settled in our common stock or in cash, at the discretion of the MDCC. The LTPP awards are granted annually in independent over-lapping three-year cycles, which provides continuity of opportunity and marketplace consistency.

The performance goals for the 2014-2016, 2013-2015, and 2012-2014 performance cycles are based on the following weighted metrics:

Performance Cycle	ROIC	CFCF	TSR	Total
2014 2016	50%	25%	25%	100%
2013 2015	50%	25%	25%	100%
2012 2014	50%	25%	25%	100%

We have used the same performance metrics since 2006 and the same weightings since 2007. In each case, the goals are independent and additive, which means that if we miss the threshold performance as to one measure, no credit would apply to that element, but could be made up for by above-target performance in another area.

Return on Invested Capital (ROIC) measures how efficiently and effectively we use capital.

Cumulative Free Cash Flow (CFCF) measures, on a cumulative basis, the cash that is generated over the three-year performance cycle, which we can use to make strategic investments to grow our businesses or return to our shareholders. The calculation of CFCF is essentially the same as the FCF calculation described above under the discussion of the RBI plan.

Total Shareholder Return (TSR) compares our stock price appreciation, including reinvested dividends, over the performance period to our peers stock performance over the same period and provides a percentage ranking.

Like CFCF and TSR, ROIC is a non-GAAP financial measure and is calculated as follows:

ROIC is (a) (i) income from continuing operations, excluding (ii) the after-tax effect of the FAS/CAS pension and post-retirement benefits income/expense and, from time to time, certain other items, plus (iii) after-tax net interest expense plus (iv) one-third of operating lease expense after-tax (estimate of interest portion of operating lease expense) divided by (b) (i) average invested capital after capitalizing operating leases (operating lease expense times a multiplier of 8), adding (ii) financial guarantees, less net investment in discontinued operations, and adding back (iii) the liability for defined benefit pension and other post-retirement benefit plans, net of tax and excluding (iv) other similar non-operational items. Such calculation also includes certain variations due to averaging the metric over the three-year performance cycle.

In 2011, we adjusted the ROIC definition from the prior year s definition to exclude any change from pension contributions. This adjustment eliminates all of the non-operational pension impact from the calculation in order to more clearly reflect the underlying business performance.

We selected these three non-GAAP financial performance measures because they fairly represent the Company s overall performance and, we believe, lead to the creation of long-term value for our shareholders. They also reflect input from our investors. For example, CFCF is a useful measure because our ability to generate cash efficiently will continue to be critical to our ability to fund our operations, grow our business, prudently manage our debt levels, and, going forward, will be useful in making investments in the Company, developing technologies, and making acquisitions to meet our strategic objectives.

We use comparative TSR as one of our metrics because investors recognize it as an appropriate measure to incentivize executives. We use the core peer group rather than the broader peer group for this comparison because the TSR of our peer aerospace and defense companies is more relevant to our performance. However, our comparative TSR performance may be impacted by a number of factors not necessarily related to our performance. For example, the TSR of our peer companies may be impacted by extraordinary events on financial results, or may be impacted differently by economic and business factors due to their different mixes of commercial and defense businesses.

In setting the performance levels for each of these metrics in the LTPP, we start with our five-year financial plan. The five-year plan represents management s long-term view of the potential performance of the Company for such period, based on identified future challenges, risks and opportunities, and is reviewed by the Board of Directors. We take the three relevant years within the five-year strategic plan and derive a three-year set of financial targets. This set of targets is reviewed by the MDCC and is used for setting the three-year LTPP target performance metrics. The LTPP targets are established at the beginning of each three-year cycle when the performance results are uncertain. We do not make changes in the LTPP targets as a result of subsequent revisions to our business projections. However, due to the environment of economic and industry uncertainty over the past several years, and the challenges of setting three-year performance targets in such environment, the MDCC has provided for the possibility of

Table of Contents

adjustments to performance for the 2011-2013, 2012-2014, 2013-2015 and 2014-2016 LTPP performance cycles. Such potential adjustments are intended to take into account differences between the conditions reasonably assumed when metrics were established and the actual conditions that might take place during such performance cycles. The conditions are regarded as largely outside the control of the Company and generally relate to Department of Defense (DoD) budget and contract award uncertainties and, for certain performance cycles, the timing of international contract awards. The potential adjustments were predetermined using clearly articulated objective criteria established at the time of the MDCC s approval of the performance metrics for the respective plan period and made subject to a cap. The performance criteria are not subject to further adjustment, although the MDCC retained discretion to adjust awards downward in compliance with Section 162(m) of the U.S. Internal Revenue Code. Based on management s recommendation and an assessment of overall economic conditions, and the DoD budget and contracting environment, the MDCC determined that similar predetermined potential adjustments to performance were not necessary for the 2015-2017 LTPP performance cycle.

Given that the LTPP financial metric targets are long-term estimates of potential Company performance, it is difficult to predict accurately whether they will be met as the Company s performance during the period will be impacted by a wide range of known and unknown factors, including geo-political events, macroeconomic conditions and other matters beyond our control. As a result of these factors, it is too early to tell how our future financial performance will affect future LTPP awards.

The following table summarizes our performance in the three performance metrics and the corresponding funding for such metrics for the 2012-2014 LTPP award cycle.

Performance Metric and Weighting	**Performance Against Targets**	**Metric Funding**
CFCF (25%)	$5,331 million (pre-established target of $3,893 million and maximum of $5,393 million)	43.8%
TSR (25%)	Ranked third within our core peer group (with funding dependent on our relative rank compared to our core peer group of 9 companies, including ourselves)	41.7%
ROIC (50%)	13.89% (pre-established target of 12.57% and maximum of 14.18%)	87.5%
		173.0%

Target levels on all three metrics were exceeded, resulting in a combined factor of 173.0% of target being earned and paid out in shares of common stock for the 2012-2014 award cycle. The final ROIC and CFCF performance was based on the ROIC and CFCF metrics, without any further adjustment by the MDCC.

Restricted Stock Awards. Restricted stock and restricted stock unit awards with time-based vesting schedules (RSAs) provide a strong retentive complement to the LTPP, while still keeping focus on creating shareholder value. RSAs also encourage executive officers to manage the Company from the perspective of an owner with an equity stake in our business. Generally, restricted stock awards granted to our named executive officers in 2014 vest in three equal tranches on each of the second, third and fourth anniversaries of the grant date, provided, other than as noted below, the executive is then still employed by the Company. The two-year vesting period for the first tranche, and the four-year vesting period for the entire award, are effective ways to promote retention of our executives.

As previously discussed in the 2014 Proxy Statement and other public disclosures, in 2013, the MDCC determined that, beginning in 2014, time-based awards to retirement-eligible employees, who, as of award date, have attained the age of 60 with at least ten years of service with the Company, including eligible executive officers, will generally be in the form of restricted stock units that continue to vest (but do not accelerate) on the scheduled vesting dates into retirement, subject to the employee s compliance with certain post-employment covenants, including non-competition, non-solicitation of employees, non-interference with contractual arrangements, confidentiality and cooperation in certain specified instances. In making this determination, the MDCC received input from PM&P and assessed a number of considerations, including peer company practices, uncertainties in the aerospace and defense industry and considerations associated with organizational change.

Stock Ownership and Retention Guidelines

To reinforce our culture and expectation of long-term share ownership, we have implemented stock ownership guidelines for our elected officers. (See the following table.) In 2013, the guidelines were amended to increase the threshold ownership requirements for our CEO and elected Vice Presidents, and to create a new requirement for our then new COO role. These guidelines are designed to ensure sustained, meaningful executive share ownership, align executive long-term interests with shareholder interests, and demonstrate our officers commitment to enhancing long-term shareholder value. The MDCC regularly reviews the requisite ownership levels, as well as attainment of these ownership levels, by our elected officers. As of December 31, 2014, each of our named executive officers had met or exceeded his stock ownership requirements.

Table of Contents

Stock Ownership and Retention Guidelines for Elected Officers

Ownership Guidelines	CEO:	6 x base salary
	COO:	4 x base salary
	Senior Vice Presidents:	3 x base salary
	Business Presidents:	3 x base salary
	Other Elected Vice Presidents:	2 x base salary
Time to Meet Requirements	5 years from date on which guidelines become applicable to the officer.	
	Officers may not dispose of Company stock until attaining ownership thresholds and thereafter must maintain specified ownership levels.	

Policy Against Hedging with Respect to Company Stock

To assure alignment with the long-term interests of our other shareholders, under the Company s Insider Trading Policy, our officers, as well as other employees and non-employee directors, may not engage in:

- Short sales of Company stock or transactions in any derivative of a Company security, including, but not limited to, puts, calls and options (other than the receipt and exercise of options that might be granted by the Company pursuant to a Company compensation plan), nor
- In any type of hedging or similar monetization transaction involving company securities, including, but not limited to, financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds, nor
- Other transactions that would permit the holder to own Company securities without the full risks and rewards of ownership.

Perquisites and Other Executive Benefits

While a relatively small portion of our executives total direct compensation opportunities, perquisites and other executive benefits are important to ensure competitiveness at the senior leadership level. Under our executive perquisite policy, we provide our executive officers a car allowance, financial planning services, executive physicals and life insurance coverage benefits. We also provide other perquisites to certain executives in limited circumstances due to our security and personal safety requirements. Individually and in the aggregate, the perquisites we provide to our named executive officers are comparable in scope to those provided by the companies in our peer groups, particularly in the core peer group of aerospace and defense companies. In 2012, we changed our perquisites policy to transition all car leases to car allowances as leases terminate. All executives have now transitioned from leased vehicles to car allowances. In 2011, we also eliminated the following perquisites previously provided to executive officers after a separation: car allowances, excess liability insurance, financial planning services and executive physicals.

Retirement Benefits and Deferred Compensation

Retirement Benefits. Retirement benefits also fulfill an important role within our overall executive compensation objective because they provide an element of financial security that promotes retention. Our retirement program, including the amount of benefit, is comparable to those offered by the companies in our peer groups and, as a result, ensures that our executive compensation remains competitive.

We maintain the following broad-based retirement plans:

- the Raytheon Savings and Investment Plan (RAYSIP), a tax-qualified defined contribution retirement plan (401(k) plan) in which all of our executive officers are eligible to participate;

- the Raytheon Company Pension Plan for Salaried Employees, a tax-qualified, defined benefit pension plan that covers most of our salaried employees and executive officers, including Messrs. Wajsgras, Stephens, Yuse and Swanson; and

- the Raytheon Non-Bargaining Retirement Plan, a tax-qualified, defined benefit pension plan that covers most of the people who became Raytheon employees when Raytheon merged with Hughes Aircraft in 1997, including Mr. Kennedy.

We also maintain the Raytheon Excess Pension Plan for employees who qualify, including Messrs. Kennedy, Wajsgras, Stephens and Yuse. The Raytheon Excess Pension Plan is a nonqualified excess pension plan which provides benefits that would have been provided to a participant under the tax-qualified pension plan but for compensation limits imposed under the U.S. Internal Revenue Code (IRC).

We also sponsor the tax-qualified Retirement Income Savings Program (RISP) within RAYSIP. Employees who joined the Company after December 31, 2006 are eligible for RISP, in lieu of one of our defined benefit pension plans. Participation begins after one year of employment. Raytheon contributes from 2.5% to 9% of eligible compensation to the participant s RISP account based on date of hire, age on date of hire and years of service. Participants direct the investment of their RISP account from among RAYSIP s investment options. For participants in the tax-qualified RISP, we also maintain the nonqualified RISP within the Deferred Compensation Plan (as discussed below) for contributions on compensation over the IRC compensation limit. Participants vest in the tax-qualified and nonqualified RISP accounts after three years of service to the Company. Mr. Crowley is the only named executive officer who was not with the Company as of December 31, 2006 and, as such, is the only one who participates in RISP.

In addition, certain senior executives, including our named executive officers, are eligible to participate in the Raytheon Company Supplemental Executive Retirement Plan (SERP). The SERP is designed to replicate, but not exceed, the retirement benefit that a mid-career person joining the Company would achieve under the qualified and excess pension plans had such person begun his or her career with Raytheon. The SERP benefit (up to 50% of final average earnings for a participant who retires after age 60 with at least 15 years of service to the Company) is offset by amounts payable under our other Company pension plans, any prior employer plan and Social Security and, in the case of Mr. Crowley, the annuity value of his account in the RISP.

Mr. Swanson and Mr. Kennedy will not receive a payment under the SERP because of their longstanding service with Raytheon (42 years for Mr. Swanson and 31 years for Mr. Kennedy). Mr. Swanson s pension benefit under the formula in our qualified and excess pension plans exceeds the maximum 50% of final average earnings that the SERP would provide. The same would be true for Mr. Kennedy were he to retire. Because the SERP has offsets for the pension plan benefits, there would be no excess benefit payable under the SERP. Our other named executive officers could be eligible for SERP benefits, depending on when they retire.

Each of the above retirement plans, including the SERP, is described in more detail under the heading Pension Benefits beginning on page 58.

Deferred Compensation Plan. We maintain the Raytheon Deferred Compensation Plan under which a select group of management or highly compensated employees, including our named executive officers, may elect to defer up to 50% of their salary and up to 90% of their annual RBI plan awards and receive tax-deferred returns on those deferrals. The account balances in this plan are unfunded and represent money that the participants have previously earned and voluntarily elect to defer in order to accumulate tax-deferred returns. Plan participants can allocate their account balances among substantially the same investment options available under our qualified RAYSIP, which also accumulate on a tax-deferred basis. We make a matching contribution of up to 4% of deferrable compensation. In addition, for participants in the tax-qualified RISP, we make contributions from 2.5% to 9% of compensation over the IRC compensation limit. The provision of this deferral opportunity is a competitive practice in the marketplace. For more information on our Deferred Compensation Plan, see Nonqualified Deferred Compensation on page 61.

Severance Pay Arrangements

Our employees, including our named executive officers, are employees at-will and do not have long-term employment contracts with the Company. The at-will employment status of our employees affords us the necessary flexibility to remove employees when appropriate under the circumstances. However, in order to retain and attract highly-qualified executives who may otherwise desire the protection of long-term employment contracts, we offer specified severance benefits under our executive severance guidelines. For our named executive officers, the severance benefits under these guidelines provide a multiple of base salary and target annual incentive award of 2.0, except for Mr. Crowley for whom the multiple is 1.0, and continuation of welfare benefit and pension plans, other than the SERP, for two years, except for Mr. Crowley for whom it is one year. In 2009, we changed our guidelines prospectively for new officers first elected on or after January 1, 2010, such as Mr. Kennedy, to reduce these multiples to 2.0 for the CEO and 1.0 for other officers. At the same time, we also eliminated the following post-separation perquisites previously provided to certain executives: car allowances, excess liability insurance, financial planning services and executive physicals.

Separate from our executive severance guidelines, we have change-in-control agreements with our executive officers that have been reviewed and approved by the MDCC. Changes in corporate control are often accompanied by changes in the corporate culture and job losses, especially at executive levels. If a transaction affecting corporate control of Raytheon were under consideration, we expect that our executives would naturally be faced with personal uncertainties and distractions about how this might affect their continued employment by the Company. By entering into change-in-control agreements before any such transaction is contemplated, we hope to focus our executives full attention and dedication on our shareholders best interests, despite any threatened or pending change-in-control, and to encourage our executives to stay with the Company until the transaction is completed. The agreements do this by providing a meaningful severance benefit in the event that a change-in-control occurs and, within the 24 months after the change-in-control, the executive is either terminated without cause or resigns due to a material reduction in compensation or a material change in the executive s job duties without his consent. These agreements are not intended to provide a windfall to our executives occasioned by a change-in-control. The agreements provide for a double trigger such that an executive would only receive severance benefits upon a qualifying termination following a change-in-control, and not simply upon a change-in-control. Furthermore, any benefit received by an executive under a change-in-control agreement would be reduced by the severance benefit he or she may earn under our severance guidelines as described above, so that there would be no duplication of benefits.

Our change-in-control agreements no longer provide tax gross-up protection for excise taxes that might apply in the event of a change-in-control. We have also eliminated the following perquisites upon a qualifying termination within 24 months after a change-in-control: car allowances, excess liability insurance, financial planning services and executive physicals. Our severance programs, including the conditions under which such benefits are triggered and the amount of such benefits, are comparable to those provided by the companies in our peer groups. The MDCC s independent consultant has confirmed that our change-in-control and other severance arrangements are competitive in our industry. For more information on our executive severance policy and the terms of our change-in-control agreements, see Potential Payments Upon Termination or Change-in-Control beginning on page 62.

Executive Transitions

As previously disclosed, in connection with his retirement from the Company effective September 30, 2014, the Company entered into a transition agreement with Mr. Swanson which, among other things, provided for the grant of certain restricted stock units consistent with the MDCC s approach with respect to retirement-eligible employees noted above under Long-Term Incentives Restricted Stock Awards. For more information on Mr. Swanson s transition agreement see Potential Payments Upon Termination or Change-in-Control beginning on page 62.

Mr. Stephens and the Company also have entered into a transition agreement pursuant to which the parties agreed upon elements of Mr. Stephens 2015 compensation during the transition period leading to his planned retirement on June 30, 2015, as well as the grant of certain restricted stock units consistent with the MDCC s approach with respect to retirement-eligible employees noted above under Long-Term Incentives Restricted Stock Awards. For more information on Mr. Stephens transition agreement see Potential Payments Upon Termination or Change-in-Control beginning on page 62.

Enhancements in Governance

In recent years, the Company has adopted a number of important governance enhancements related to its executive compensation program. In 2013, the Board amended its Governance Principles to increase the multiple of base salary necessary to satisfy our stock ownership guidelines applicable to the CEO from 5.0 to 6.0, while also increasing the multiple applicable to certain other categories of elected officers. Also in 2013, the MDCC revised the guidelines applicable to change-in-control agreements to reduce the multiple of base salary and target annual incentive award to be provided under such agreements from 3.0 to 2.0 for those executive officers, other than the CEO, first hired or appointed as an officer on or after July 31, 2013.

In 2009, the MDCC adopted a formal policy to ensure that it will continue to receive independent and unbiased advice and analyses from its compensation consultant. At the same time, the Board made related amendments to the MDCC charter to require an annual MDCC assessment of the independence of its outside compensation consultant and the pre-approval of any services proposed to be provided by such consultant to the Company. Early in 2013, both the policy and the charter were amended to incorporate new NYSE standards effective on July 1, 2013 establishing the specific independence factors which must be considered before selecting any compensation committee adviser. The policy, as amended, requires the MDCC to assess annually the independence of its compensation consultant, considering all relevant factors including those enumerated in the NYSE standards and, further, prohibits the consultant from providing certain services either to our executive officers and directors, personally, or to the Company (other than the MDCC). The services to the Company subject to this prohibition are advice to management related to executive and director compensation, employee compensation and employee benefits.

As part of the independence assessment mandated by the policy, the MDCC reviews any services proposed to be provided by the consultant to the Company not otherwise prohibited under the policy and considers whether the provision of such non-MDCC services to the Company will impair the consultant s independence. Such non-MDCC services may be provided only with the MDCC s pre-approval. Additionally, as a guideline to avoid any actual or perceived conflict of interest or bias, the policy limits the fees paid by the Company for such non-MDCC services to no more than 1% of the consulting firm s annual gross revenues.

The Board amended the Company s Governance Principles in 2008 to add a Restatement Clawback Policy. This policy gives the Board the right to recover RBI payments, LTPP 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 maximize 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.

The Board amended the Governance Principles in 2009 to clarify stock retention requirements in the Stock Ownership and Retention Guidelines. The clarifications implement existing Company policy under which executive officers and directors may not dispose of Company stock until attaining ownership thresholds and thereafter must maintain specified ownership levels. In 2011, the Board revised the stock ownership guidelines applicable to directors to provide that each director is expected to own shares of Company stock with a market value of at least four times the cash component of the director s annual retainer for service on the Board. In 2013, the Board further revised the stock ownership guidelines applicable to officers to provide increased ownership thresholds for our CEO and elected vice presidents.

The Board also amended the MDCC charter in 2009 to formalize the practice and responsibility of the MDCC to review succession plans for the CEO, executive officers and other elected officers of the Company and career development plans for elected officers and other key employees.

Other Considerations

Tax Considerations. Under Section 162(m) of the U.S. Internal Revenue Code, there is a limit of $1,000,000 on the amount of compensation that we may deduct in any one year with respect to compensation paid to certain of our named executive officers. However, qualified performance-based compensation will not be subject to the deduction limit if specified requirements are met. To maintain flexibility in compensating our executives, the MDCC reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the MDCC believes that such payments are appropriate. Accordingly, certain components of our executive compensation program are designed to be qualified performance-based compensation under Section 162(m) while others are not.

In 2006, the MDCC determined that compensation paid pursuant to awards under the LTPP, starting with our LTPP awards made for the 2006-2008 performance cycle, should generally be structured with a goal that they be tax deductible pursuant to Section 162(m). As a result, we obtained shareholder approval of the performance goals that may be used with respect to the LTPP at our 2006 Annual Meeting of Shareholders, and we operate the LTPP intending to comply with the Section 162(m) exemption. The MDCC also made this determination with respect to the 2010 Stock Plan which was approved by the shareholders at the 2010 Annual Meeting of Shareholders. Under Section 162(m), shareholder approval of the performance goals, must be obtained at least every five years. As a result, the Company is seeking such shareholder approval at the 2015 Annual Meeting of Shareholders. See Approval of the Raytheon Company 2010 Stock Plan for Section 162(m) Purposes on page 67.

However, neither our annual RBI awards nor our time-based restricted stock awards are eligible for the performance-based compensation exemption from Section 162(m). In the case of our RBI awards, we believe that the ability to exercise judgment about our executives individual performance in certain areas that do not easily lend themselves to specific objective measurement, such as effective management of human resources, ethical business behavior and leadership competencies, outweighs the cost to us of the loss of a tax deduction imposed by the limits of Section 162(m).

Other Considerations. Many of our government contracts are cost-reimbursable contracts under which we are reimbursed for our allowable costs. These types of contracts are subject to special regulations about what are and are not allowable costs, which we sometimes take into consideration in structuring our compensation program. For example, since compensation in the form of time-based restricted stock is an allowable cost and stock options are not, in 2004 we began to use consistently restricted stock awards in our executive compensation program rather than stock options.

Table of Contents

Equity Grant Practices

Historically, we have not timed the grant of equity awards to coincide with, precede or follow the release of material non-public information. We have an internal policy on equity grant practices, approved by the MDCC, which provides, among other things, that equity awards shall be approved only at regularly scheduled meetings of the MDCC or Board, that equity awards granted to new employees or directors or promoted employees shall be considered by the MDCC or Board at a regularly scheduled meeting subsequent to the hire or promotion date, and that equity awards shall not be granted with a retroactive effective date.

Agreed-Upon Procedures on Compensation Tables

As part of the Company s annual governance procedures, our independent registered public accounting firm is engaged to perform certain agreed-upon procedures determined by the Company and the Audit Committee of our Board, with respect to the information provided in the compensation tables related to the named executive officers.

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE REPORT

The Management Development and Compensation Committee is comprised entirely of independent directors. The Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by the Management Development and Compensation Committee

William R. Spivey, Chairman,

James E. Cartwright, Ronald L. Skates and Linda G. Stuntz

The above report of the Management Development and Compensation Committee does not constitute soliciting material and shall not be deemed to be incorporated by reference into any other filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, including by any general statement incorporating this proxy statement, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.

Table of Contents

Summary Compensation Table

The following table sets forth the compensation for each of our named executive officers in all capacities for the fiscal years ended December 31, 2012, 2013 and 2014, other than Mr. Kennedy who became a named executive officer in 2013.

The table below was prepared in accordance with SEC requirements. The total compensation presented below does not necessarily reflect the actual total compensation received by our named executive officers or the Company s view of their total compensation opportunities in 2012-2014. More specifically, the amounts under Stock Awards do not represent the actual amounts paid to or realized by our named executive officers for these awards during 2012-2014 and simply represent the aggregate grant date fair value of awards granted in those years for financial reporting purposes. The Long-Term Performance Plan awards are subject to future Company performance and, like the restricted stock awards, are subject to future vesting periods. Likewise, the amounts under Change in Pension Value and Nonqualified Deferred Compensation Earnings, which represent the change in the actuarial present values of such officers accumulated pension benefits based on the same assumptions we use for financial reporting purposes, do not reflect amounts paid to or realized by our named executive officers during 2012-2014, nor does the MDCC consider such changes in pension benefits as an element of its annual compensation decisions. For information regarding the named executive officers compensation opportunities in 2012-2014, see our supplemental table on page 30 in Compensation Discussion and Analysis. The supplemental table is not a substitute for the required table below.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards[1] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation[2] ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings[3][4] ($)	All Other Compensation[5] ($)	Total ($)
Thomas A. Kennedy	2014	$ 1,057,698	$	$ 7,222,279	$	$ 2,500,000	$ 2,630,251	$ 323,136	$ 13,733,364
Chairman and Chief Executive Officer	2013	664,017		3,318,290		1,200,000	2,415,847	142,436	7,740,590
David C. Wajsgras	2014	$ 929,694	$	$ 2,922,243	$	$ 1,100,000	$ 1,055,542	$ 152,328	$ 6,159,807
Senior Vice President and Chief	2013	901,434		2,571,068		1,100,000	218,627	158,674	4,949,803
Financial Officer	2012	871,800		2,429,367		1,000,000	600,782	138,098	5,040,047
Jay B. Stephens	2014	$ 813,666	$	$ 2,266,641	$	$ 1,300,000	$ 870,658	$ 150,855	$ 5,401,820
Senior Vice President, General	2013	788,926		2,265,579		1,000,000		120,986	4,175,491
Counsel and Secretary	2012	762,979		2,227,106		950,000	856,563	122,096	4,918,744
Richard R. Yuse	2014	$ 678,268	$	$ 2,919,487	$	$ 800,000	$ 1,653,168	$ 158,850	$ 6,209,773
Vice President, and President,	2013	631,138		2,518,343		700,000	537,924	164,476	4,551,881
Space and Airborne Systems	2012	556,680		2,178,258		675,000	1,168,838	137,132	4,715,908
Daniel J. Crowley	2014	$ 741,206	$	$ 2,519,485	$	$ 675,000	$	$ 172,957	$ 4,108,648
Vice President, and President,	2013	717,262		2,518,343		750,000		263,016	4,248,621
Integrated Defense Systems	2012	691,028		2,178,258		575,000		118,595	3,562,881
William H. Swanson	2014	$ 1,178,228	$	$ 18,861,175	$	$ 2,300,000	$ 4,538,460	$ 493,844	$ 27,371,707
Former Chairman and Chief	2013	1,463,456		11,555,135		3,500,000		627,663	17,146,254
Executive Officer	2012	1,414,421		11,346,745		3,400,000	2,416,710	446,160	19,024,036

(1) Amounts represent the aggregate grant date fair values of restricted stock, restricted stock units (RSUs) and Long-Term Performance Plan (LTPP) awards granted in 2014, 2013 and 2012, respectively, in accordance with the accounting standard for share-based payments, disregarding for this purpose the estimate of forfeitures related to service-based vesting conditions. Values for LTPP awards, which are

subject to performance conditions, are computed based upon the probable outcome of the performance conditions as of the grant date of such awards. The values of the 2014-2016 LTPP awards at the grant date of such awards, assuming the highest level of performance conditions will be achieved during the three-year performance cycle, are as follows: Mr. Kennedy $8,444,637; Mr. Wajsgras $2,744,551; Mr. Stephens $2,533,372; Mr. Yuse $2,638,961; Mr. Crowley $2,638,961; and Mr. Swanson $13,722,364. As a result of his retirement from the Company on September 30, 2014, Mr. Swanson is only entitled to a prorated payment based on the

Table of Contents

Company s performance and the number of months employed during the performance cycle. For more information on potential payouts under the 2014-2016 LTPP awards, see 2014 Grants of Plan-Based Awards on page 51.

The grant date fair values of restricted stock awards are based on the stock price on the date of grant and the number of shares (or the intrinsic value method). The grant date fair values of the RSUs also are based on the intrinsic value method. The grant date fair values of LTPP awards are calculated using the intrinsic value method for the CFCF and ROIC portions of the awards and the Monte Carlo simulation method for the total stockholder return portion of the awards. For more information on the assumptions used by us in calculating the grant date fair values for restricted stock, RSUs and LTPP awards, see Note 12: Stock-based Compensation Plans to our financial statements in our 2014 Form 10-K. A description of the material terms and conditions of the stock awards granted to the named executive officers in 2014 can be found on page 53 under the heading 2014 Grants of Plan-Based Awards Equity Awards.

With respect to Mr. Swanson for 2014, this amount also includes the grant date fair value for 79,287 RSUs granted by the Company to Mr. Swanson pursuant to a transition agreement relating to Mr. Swanson s retirement from the Company on September 30, 2014. For more information on Mr. Swanson s retirement compensation arrangements, see page 63.

(2) Represents amounts earned pursuant to Results-Based Incentive (RBI) awards for 2012, 2013 and 2014 but which were paid in 2013, 2014 and 2015, respectively. A description of the material terms and conditions of the 2014 RBI awards can be found beginning on page 52 under the heading 2014 Grants of Plan-Based Awards Non-Equity Incentive Plan Awards.

(3) The amounts represent the aggregate change in the actuarial present value of the named executive officer s accumulated benefit under all defined benefit and actuarial pension plans (including supplemental plans) from the end of the preceding year to the end of the reported year. Generally, these amounts represent the change in value of the named executive officer s benefit due to an additional year of service, changes in compensation and changes in the discount rate. The amounts were computed using the same assumptions we used for financial reporting purposes under the accounting standard for employers accounting for pensions. Actual amounts paid under our plans are based on assumptions contained in the plans, which may be different than the assumptions used for financial statement reporting purposes.

(4) None of the named executive officers received any earnings on their deferred compensation based on above-market or preferential rates (as defined by the SEC). For more information on our Deferred Compensation Plan, see Nonqualified Deferred Compensation on page 61.

(5) All Other Compensation amounts include, as applicable, (a) the value of perquisites and personal benefits (as defined by the SEC), (b) the amount of tax gross-ups, (c) the amount of Raytheon contributions to qualified and nonqualified defined contribution plans, and (d) the value of insurance premiums paid. Where the value of the items reported in a particular category for a named executive officer exceeded $10,000 in 2014, those items are identified and quantified below.

(a) Perquisites and Personal Benefits

Under our executive perquisites policy, each of the named executive officers is entitled to receive certain perquisites, including a car allowance of up to $18,000 per year, other than our CEO who is entitled to a $25,000 allowance, financial planning services of up to $15,000 per year, and participation in the Executive Health Program (benefits of up to $2,000 per year).

Mr. Kennedy s amount includes an aggregate of $145,174 for personal use of Raytheon aircraft, personal use of a Raytheon-leased car and certain driving services, a car allowance, financial planning services, home security system expenses, certain travel and incidental expenses relating to his spouse attending Raytheon-related events at our request and an executive physical.

Mr. Wajsgras amount includes an aggregate of $41,028 for a car allowance, financial planning services, certain travel and incidental expenses relating to his spouse attending Raytheon-related events at our request and an executive physical.

Mr. Stephens amount includes an aggregate of $32,966 for a car allowance, financial planning services, certain travel and incidental expenses relating to his spouse attending Raytheon-related events at our request and an executive physical.

Mr. Yuse s amount includes an aggregate of $46,358 for a car allowance, financial planning services, and certain travel and incidental expenses relating to his spouse attending Raytheon-related events at our request.

Table of Contents

Mr. Crowley s amount includes an aggregate of $48,350 for a car allowance, financial planning services, and certain travel and incidental expenses relating to his spouse attending Raytheon-related events at our request.

Mr. Swanson s amount includes an aggregate of $311,217 for personal use of Raytheon aircraft, personal use of a Raytheon-leased car and certain driving services, a car allowance, financial planning services, home security and IT system equipment and expenses, and certain travel and incidental expenses relating to his spouse attending Raytheon-related events at our request.

Personal use of corporate aircraft For reasons of security and personal safety, we require Mr. Kennedy generally to use Raytheon aircraft for all air travel, including for personal purposes. For the same reasons, we required our former Chairman and CEO, Mr. Swanson, to do so as well. We determined our incremental cost for the personal use of corporate aircraft as follows:

We derived an average variable operating cost per hour for such aircraft based on fuel, aircraft maintenance, landing, parking, and catering costs, certain taxes and certain other miscellaneous fees and costs, and the hours flown. Since our corporate aircraft are used primarily for business travel, we did not include fixed costs for such aircraft that generally do not change with usage, such as pilots and other employees salaries, purchase costs of aircraft and certain hangar expenses.

In determining the number of hours that an aircraft was used for personal purposes, we did not include the flight time of any deadhead flight, e.g., a return flight on which no passenger was aboard.

For trips that involved mixed personal and business usage, we determined the total variable cost attributable to personal use by subtracting the total variable cost of a business-only trip from the total variable cost of the whole trip (both personal and business).

In 2014, we incurred incremental costs of $75,035 and $235,581 for personal use of Raytheon aircraft by Mr. Kennedy and Mr. Swanson, respectively. As noted above, this amount was calculated without deadhead flights. Based on our average variable operating cost per hour (as derived above), these deadhead flights would have amounted to an additional $17,834 and $112,869 for Mr. Kennedy and Mr. Swanson, respectively.

Personal use of automobiles All of our named executive officers receive car allowances. The named executive officers also have access to a pool of Raytheon vehicles and drivers which are generally available for various corporate purposes and which may be used in limited circumstances for uses that may have a personal element. For reasons of security and personal safety, Mr. Kennedy frequently travels in Raytheon-provided vehicles operated by Raytheon-provided drivers for business and personal (primarily commuting) purposes. For the same reasons, our former Chairman and CEO, Mr. Swanson did so as well. We determined our incremental cost for personal travel in Raytheon-provided vehicles operated by Raytheon-provided drivers as follows:

We determined our total annual cost for each pooled vehicle used by such executives for personal purposes and then allocated such total cost based on the total miles driven in the year and the number of miles driven for each executive for personal purposes, as tracked by our administrators.

We determined our total cost for each driver and then allocated such amount based on the total hours worked and the estimated number of hours that such driver drove the executive for personal purposes.

(b) Tax Gross-Ups

In limited circumstances, we make certain items of imputed income to our named executive officers tax-neutral to them. In 2014, we made the following amounts in tax gross-up payments relating to imputed income as a result of the executive s spouse attending Raytheon-related events at our request: Mr. Wajsgras $11,165, Mr. Yuse $23,012, Mr. Crowley $16,077, and Mr. Swanson $23,391. Consistent with prior years, neither Mr. Kennedy nor Mr. Swanson received any tax gross-ups for his personal use of Raytheon aircraft.

(c) Contributions to Plans

We make a 4% matching contribution to compensation deferred under our qualified RAYSIP 401(k) Plan and under our nonqualified, unfunded Deferred Compensation Plan (3% for Mr. Crowley based on his date of hire). The Deferred Compensation Plan matching contributions include our matching contribution for deferred 2014 RBI compensation earned in 2014 but made in March 2015. We also make a 4% contribution for Mr. Crowley, who is eligible for our Retirement Income Savings Program (RISP) within our qualified RAYSIP 401(k) Plan, and also contributed 4% of Mr. Crowley s 2014 RBI compensation to his RISP account. For information on our contributions under RISP and our matching contributions under the Deferred Compensation Plan, see Nonqualified Deferred Compensation on page 61. In 2014, we made the following contributions to qualified and nonqualified defined contribution plans for the named executive officers:

	Mr. Kennedy	Mr. Wajsgras	Mr. Stephens	Mr. Yuse	Mr. Crowley	Mr. Swanson
RAYSIP 401(k) Plan Match	$ 10,400	$ 10,400	$ 10,400	$ 10,400	$ 7,800	$ 10,400
RAYSIP RISP Contribution	N/A	N/A	N/A	N/A	10,400	N/A
Deferred Compensation Plan Match	132,216	70,788	74,147	48,731	34,686	130,016
Deferred Compensation Plan RISP	N/A	N/A	N/A	N/A	46,248	N/A
Total	$ 142,616	$ 81,188	$ 84,547	$ 59,131	$ 99,134	$ 140,416

(d) Insurance Premiums

Under our executive perquisites policy, we pay for the premiums for certain insurance policies covering our named executive officers, including basic life, executive liability and business travel and accident insurance policies. We also provide our named executive officers and certain other executives with a senior executive life insurance benefit for which we impute income to each executive based on the amount of the annual premium for a comparable term life insurance policy and include such amount of imputed income in the value of insurance premiums paid. In 2014, the total value of insurance premiums paid for Messrs. Kennedy, Wajsgras, Stephens and Yuse were $24,939, $13,947, $18,398, and $30,349, respectively.

Table of Contents

2014 Grants of Plan-Based Awards

The following table sets forth the awards granted to each of our named executive officers under any plan during the fiscal year ended December 31, 2014.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units (#)[3]	All Other Option Awards: Number of Securities Under-lying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)[4]
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Thomas A. Kennedy	1/22/2014				2,726	43,267	86,534				$ 4,222,318
	5/29/2014							30,937			2,999,961
		$ 330,002	$ 2,200,016	$ 4,400,032							
David C. Wajsgras	1/22/2014				886	14,062	28,124				$ 1,372,275
	5/29/2014							15,984			1,549,968
		$ 140,874	$ 939,162	$ 1,878,323							