

RAYTHEON CO/  
Form DEF 14A  
April 16, 2019  
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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))**
- 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):

- 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:

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- 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
-

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**Transforming Tomorrow**  
2019 Proxy Statement

**Shareholders' Meeting**

Thursday, May 30, 2019 | 11:00 a.m. Eastern Daylight Time

The Ritz-Carlton, Pentagon City | 1250 South Hayes Street, Arlington, VA 22202

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April 16, 2019

**DEAR RAYTHEON SHAREHOLDER,**

**On behalf of Raytheon's Board of Directors and leadership team, I cordially invite you to attend the Raytheon Company Annual Meeting of Shareholders on Thursday, May 30, 2019.**

Raytheon's growth strategy continued to deliver results in 2018, as we set new company records for full-year net sales of \$27.1 billion, bookings of \$32.2 billion and operating cash flow of \$3.4 billion. In addition, we ended 2018 with a record backlog of \$42.4 billion, which positions us well for the future. Our strong balance sheet and cash flow provide us with the financial flexibility to continue our capital deployment strategy. We are focused on deploying capital in ways that create value for our shareholders and customers, including making strategic internal investments to support our growth, paying a sustainable and competitive dividend, reducing our share count and making discretionary pension contributions from time-to-time.

Our success starts at the top, with our engaged and active Board of Directors, who emphasize results and a corporate culture grounded in our company values. These values — trust, respect, collaboration, innovation and accountability — are exemplified by our Board, senior leaders and global team. They guide the way we engage with colleagues, customers, investors and other stakeholders, the manner in which we make decisions, and our unwavering focus on meeting our commitments. Additionally, our values underlie our ongoing strategic approach to corporate responsibility, which supports sustainability, promotes an inclusive workplace and inspires the next generation of engineers and technologists.

We also remain committed to sound, contemporary corporate governance, as illustrated by the significant refreshment undergone by the Board over the last five years. In pursuing director succession, the Board has identified attributes, experiences and skills best suited to supporting Raytheon's long-term strategy. Integral to this process has been the recognition of the special value of diversity in providing a broad range of perspectives and insights. Board refreshment was notably bolstered in 2018 with the addition of three new directors — Adriane Brown (included in last year's proxy), Ellen Pawlikowski and Marta Stewart.

I encourage you to review this proxy statement and to vote your proxy as soon as possible so that your shares will be represented at the meeting.

Thank you for your continued confidence in Raytheon and our global team.

Sincerely,

**THOMAS A. KENNEDY**

Chairman and Chief Executive Officer

**"ONE GLOBAL TEAM  
CREATING TRUSTED,  
INNOVATIVE SOLUTIONS  
TO MAKE THE WORLD  
A SAFER PLACE."**

Raytheon's corporate culture is grounded in our company values: **trust, respect, collaboration, innovation and accountability.**

These values drive a culture known for:

**Ethics and accountability**, encouraging reporting and ensuring non-retaliation

**Investing in our people**, to sustain a world-class workforce

**Customer focus**, achieving success through collaboration

**Supporting military families and veterans**, who sacrifice for our freedom

**Diversity and inclusion**, ensuring all employees find purpose, thrive and succeed

**Engaging and listening to our people**, to continually improve their experience

**Innovation**, acting with speed and agility to solve the most difficult challenges

**Strong process orientation**, enabling flawless execution and risk mitigation



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RAYTHEON 2019 PROXY STATEMENT 1

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS****ANNUAL  
MEETING  
OF  
SHAREHOLDERS****The Board of Directors of Raytheon Company is soliciting your proxy for the 2019 Annual Meeting of Shareholders.****Time:**11:00 a.m.  
Eastern Daylight  
Time**Date:**Thursday,  
May 30, 2019**Place:**The Ritz-Carlton  
Pentagon City  
1250 South  
Hayes Street  
Arlington, VA  
22202**LIVE AUDIO WEBCAST:**A live audio webcast of the Annual Meeting will be available at [www.raytheon.com/ir](http://www.raytheon.com/ir).**RECORD DATE:**

Shareholders of record at the close of business on Tuesday, April 2, 2019, are entitled to notice of and to vote at the meeting.

**PROXY VOTING:**

You can vote your shares by completing and returning the proxy card or voting instruction form that you received. Most shareholders also can 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 before it is exercised by following the instructions in this proxy statement.

**In person:** If you are a shareholder of record, you may attend the Annual Meeting and vote by ballot. Please bring a valid picture ID. If your shares are held through a broker, bank, trust or other holder of record, you must present (i) an account statement demonstrating that you were a beneficial holder as of the record date, (ii) a legal proxy in your favor from the holder of record, and (iii) a valid picture ID.

**Telephone:** If you are a shareholder of record, call the telephone number and follow the instructions on the notice or proxy card mailed to you or in the email sent to you if you receive notification electronically. If your shares are held through a broker, bank, trust or other holder of record, follow the instructions provided to you by the holder of record if telephone voting is made available to you.

**Internet:** If you are a shareholder of record, follow the Internet voting instructions on the notice or proxy card mailed to you or in the email sent to you if you receive notification electronically. If your shares are held through a broker, bank, trust or other holder of record, follow the instructions provided to you by the holder of record if Internet voting is made available to you.

**Mail:** Complete and sign the proxy card or voting instruction form and return it in the enclosed postage pre-paid envelope.

Agenda Item	Voting Recommendation FOR EACH NOMINEE	More Information
1. Election of thirteen directors nominated by Raytheon's Board	<b>FOR</b>	Page 9
2. Advisory vote to approve named executive officer compensation	<b>FOR</b>	Page 31
3. Approval of the Raytheon 2019 Stock Plan	<b>FOR</b>	Page 74
4. Ratification of the independent auditors	<b>FOR</b>	Page 82

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON THURSDAY, MAY 30, 2019**

This proxy statement and our 2018 Annual Report are also available on our website at [www.raytheon.com/proxy](http://www.raytheon.com/proxy).

Table of Contents**PROXY SUMMARY**

This summary highlights selected information contained in this proxy statement, but it does not contain all the information you should consider. We urge you to read the whole proxy statement before you vote. This proxy statement is being made available to shareholders on or about April 16, 2019.

Agenda Item	Voting Recommendation <b>FOR EACH NOMINEE</b>	More Information
1. Election of thirteen directors nominated by Raytheon's Board	<b>FOR</b>	Page 9
2. Advisory vote to approve named executive officer compensation	<b>FOR</b>	Page 31
3. Approval of the Raytheon 2019 Stock Plan	<b>FOR</b>	Page 74
4. Ratification of the independent auditors	<b>FOR</b>	Page 82

**CURRENT COMMITTEE MEMBERSHIPS**

	Age	Director Since	Audit Committee	Governance and Nominating Committee	Management Development and Compensation Committee	Public Policy and Corporate Responsibility Committee	Special Activities Committee
<b>Independent Directors</b>							
Tracy A. Atkinson	54	2014					
Robert E. Beauchamp	59	2015					
Adriane M. Brown	60	2018					
Vernon E. Clark (Lead Director)*	74	2005					
Stephen J. Hadley	72	2009					
Letitia A. Long	60	2015					
George R. Oliver	58	2013					
Dinesh C. Paliwal	61	2016					
Ellen M. Pawlikowski	62	2018					
William R. Spivey	72	1999					
Marta R. Stewart	61	2018					
James A. Winnefeld, Jr.	63	2017					
Robert O. Work	66	2017					
<b>Inside Director</b>							
Thomas A. Kennedy	63	2014					
<b>Number of Meetings in 2018</b>			<b>9</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>11</b>

\*Mr. Clark will be retiring from the Board effective May 30, 2019.

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**COMPOSITION OF THE BOARD**

\*Mr. Clark will be retiring from the Board effective May 30, 2019.

**BOARD TENURE AND REFRESHMENT**

Our Board represents a balance of longer-tenured members with in-depth knowledge of our business and newer members who bring valuable additional attributes, skills and experience. The Board has undergone significant refreshment over the last five years to better align the Board's composition to Raytheon's long-term strategy and broaden the Board's perspectives to enhance its performance. Through refreshment and director succession planning and development, the Board is well positioned for the future.

**BOARD DIVERSITY OF BACKGROUND**

The Board is committed to diversity and the importance of different backgrounds, perspectives and views. This commitment is clearly reflected in the Board's refreshment efforts. Of the nine directors added to the Board in the past five years, five are women (including all three directors who joined us in 2018). **Of the thirteen director nominees, five are women and seven represent ethnic or gender diversity, or both.**

**QUALIFICATIONS, SKILLS AND EXPERIENCE**

Our Board embodies a broad and diverse set of qualifications, skills and experiences as illustrated below.

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**OUR 2018 PERFORMANCE**

In 2018, Raytheon continued to execute its growth strategy to deliver results for our shareholders and customers. Building upon our strong program performance and recent strategic internal investments, which ensure that our capabilities are aligned with our customer needs, our global team achieved several financial records in 2018, including Raytheon's best ever net sales, bookings, operating cash flow and backlog performance.

FULL-YEAR  
NET SALES OF  
**\$27.1 BILLION**  
UP **6.7%** FOR THE YEAR

STRONG FULL-YEAR  
BOOKINGS OF  
**\$32.2 BILLION**  
UP **16%** FOR THE YEAR

FULL-YEAR EPS FROM  
CONTINUING OPERATIONS OF  
**\$10.15**  
UP **46%** FOR THE YEAR

STRONG OPERATING  
CASH FLOW FROM  
CONTINUING OPERATIONS OF  
**\$3.4 BILLION**  
FOR THE YEAR

BACKLOG AT YEAR-END  
**\$42.4 BILLION**  
UP **11%** FOR THE YEAR

3-YEAR AVERAGE ANNUAL TOTAL SHAREHOLDER RETURN  
**+9.5%**

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**Table of Contents****OUR EXECUTIVE COMPENSATION PROGRAM**

The Management Development and Compensation Committee (MDCC) designed our executive compensation program to attract and retain highly-qualified executives, motivate our executives to achieve our overall business objectives, reward individual performance, and align our executives' interests with those of our shareholders. The program's primary direct compensation elements are base salary, annual cash incentives, and long-term equity incentives. The MDCC reviews the compensation program on an ongoing basis, and regularly receives input regarding the program from its independent compensation consultant and shareholders.

**CEO Compensation****Other Named Executive Officer Compensation<sup>(1)</sup>**

<sup>(1)</sup> Base salary includes lump-sum payments to Messrs. Wajsgras and Yuse in 2018 in lieu of base salary merit increases. These amounts appear in the "Bonus" column of the Summary Compensation Table on page 59.

Most of our executives' compensation is at risk and varies based on performance. Due to Raytheon's strong financial performance, our annual cash incentive (RBI) was funded, and our long-term equity performance plan (LTPP) paid out, above predetermined targets. Our Named Executive Officers, or NEOs, also achieved strong results against their individual performance goals in 2018.

**Consistent with our compensation objectives, our Named Executive Officers received the following compensation in 2018:**

Named Executive Officer	Base Salary	Annual Cash	Long-Term Equity Incentives <sup>(1)</sup>		Total
		Incentive RBI	LTPP	Restricted Stock	
<b>Thomas A. Kennedy</b>	\$ 1,511,559	\$ 4,336,000	\$ 5,800,075	\$ 4,699,976	\$ 16,347,610
<b>Anthony F. O'Brien</b>	\$ 780,178	\$ 1,114,700	\$ 1,599,973	\$ 1,499,910	\$ 4,994,761
<b>Taylor W. Lawrence<sup>(2)</sup></b>	\$ 782,954	\$ 889,400	\$ 1,300,065	\$ 1,300,093	\$ 4,272,512
<b>David C. Wajsgras</b>	\$ 996,643 <sup>(3)</sup>	\$ 1,512,300	\$ 1,300,065	\$ 1,300,093	\$ 5,109,101
<b>Wesley D. Kremer</b>	\$ 741,008	\$ 1,114,400	\$ 1,300,065	\$ 1,300,093	\$ 4,455,566
<b>Richard R. Yuse<sup>(2)</sup></b>	\$ 853,703 <sup>(3)</sup>	\$ 1,166,200	\$ 1,300,065	\$ 1,300,093	\$ 4,620,061

<sup>(1)</sup> Reflects the NEO's restricted stock unit/award and 2018–2020 LTPP award (at target) granted in 2018, based on the number of shares/units multiplied by the closing price of our common stock on the award determination date.

<sup>(2)</sup> Mr. Lawrence stepped down as an executive officer on March 30, 2019, and will retire from Raytheon effective July 14, 2019. Mr. Yuse retired from Raytheon effective December 31, 2018.

<sup>(3)</sup> Base salary includes lump-sum payments to Messrs. Wajsgras and Yuse in 2018 in lieu of base salary merit increases. These amounts appear in the "Bonus" column of the Summary Compensation Table on page 59.

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**COMPENSATION HAS BEEN TIED TO STRONG LONG-TERM PERFORMANCE**

Our executive compensation is tied to Raytheon's performance via key financial metrics that have driven Raytheon's strong results and led to increased shareholder value over the long term. Over the course of our CEO's five-year tenure, and as evidenced by the chart below, Raytheon has delivered strong TSR performance on both an absolute basis and relative to our core peer group and the S&P 500 Index.

**5 Year Cumulative Total Shareholder Return**

\* The Core Peer Group Median does not include Raytheon.

For a complete discussion of our executive compensation program, see the "Compensation Discussion and Analysis" section of this proxy statement.

**COMMITMENT TO SHAREHOLDER ENGAGEMENT**

For each of the last nine years, we have communicated with shareholders representing a significant percentage of our shares (typically between 30% and 40%) on governance and compensation matters. We believe these consistent and extensive outreach efforts reflect the strong commitment of the Board and management to be responsive to our shareholders. Our engagement initiatives have been instrumental in promoting the alignment of our governance and compensation practices with shareholder interests. These communications, as well as our say-on-pay voting results, which have averaged 94.3% for the last eight years, have both influenced and confirmed the philosophy and policies underpinning our executive compensation program.

**9 YEARS**

OF SHAREHOLDER ENGAGEMENT REACHING HOLDERS OF AN AVERAGE OF

**36.6%**

OF OUR SHARES ANNUALLY

**2019 EXECUTIVE COMPENSATION PROGRAM AND DISCLOSURE CHANGES**

During 2018, the MDCC considered points raised by shareholders and consulted with its independent compensation consultant and management. After careful deliberation, the MDCC and Raytheon made the following changes:

Beginning in 2019, the MDCC increased the weight of performance-based LTPP awards for a long-term incentive mix of 60% / 40% between LTPP and time-based restricted stock. This change to mix includes all NEOs and other executive officers.

We enhanced our compensation program disclosures regarding annual RBI and LTPP performance goals (see pages 36, 48 and 52–54), including additional information on year-over-year RBI targets, the threshold and maximum performance for RBI awards, and the threshold performance for LTPP awards.

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**CORPORATE RESPONSIBILITY**

At Raytheon, we align our many corporate responsibility initiatives with our business strategy. We have made commitments to: build a future workforce with a strong interest in science, technology, engineering and math; support military families and veterans; protect people, assets and infrastructure from growing cybersecurity threats; reduce our environmental impact; and give our people and partners the opportunity, training and support they need to cultivate a diverse and safe place to work and do business.

**OUR APPROACH**

**Diverse Perspectives**

We foster an inclusive environment that honors our differences, encourages the exchange of information and new ideas, and makes it possible for everyone to thrive and succeed.

**Sustainable Design**

We integrate sustainability into product design, manufacturing, and engineering innovation across the life cycle of each product.

**Environmental Impact**

Our energy, water, greenhouse gas, and waste reduction programs reflect the innovation and engagement of our people.

**Efficient Operations**

Our energy management program helps advance our sustainability vision and also makes us more cost competitive.

**Social Commitment**

Our two key social priorities, supporting military families and veterans and promoting STEM education, help build future prosperity.

**RESPONSIBLE LEADERSHIP**

Our Board of Directors and senior leadership team promote integrity, accountability, transparency and the highest ethical standards. The Board’s Public Policy and Corporate Responsibility Committee reviews environmental stewardship and sustainability, employee health and safety, ethics, charitable contributions and community relations, and government contracting and defense procurement policies.

**2020 SUSTAINABILITY GOALS**

WE ARE MAKING STRONG PROGRESS AGAINST OUR FOURTEEN SUSTAINABILITY GOALS. MOST NOTABLY, WE’VE REDUCED OUR U.S. GREENHOUSE GAS EMISSIONS BY **15%** SINCE 2015, EXCEEDING OUR GOAL OF **12%**.

**2018 RECOGNITION HIGHLIGHTS**

Our practices and policies have earned Raytheon recognition on a range of issues.

“THE CIVIC 50”  
POINTS OF LIGHT  
**TOP 50 COMMUNITY-MINDED COMPANIES**

CLIMATE LEADERSHIP  
AWARD **-EXCELLENCE**  
**IN GREENHOUSE GAS EMISSIONS MANAGEMENT**

2018 HUMAN RIGHTS CAMPAIGN FOUNDATION™ **BEST PLACES TO WORK FOR LGBT EQUALITY**

*WOMENINC.*® MAGAZINE  
— FIVE RAYTHEON BOARD MEMBERS  
NAMED TO **2018 MOST INFLUENTIAL CORPORATE DIRECTORS LIST**

Read more at [raytheon.com/responsibility](http://raytheon.com/responsibility)

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### **GOVERNANCE HIGHLIGHTS**

Major elements of our governance profile are summarized below. We discuss most of these matters in greater detail in this proxy statement.

#### **RECENT DEVELOPMENTS**

##### **Significant Board Refreshment**

Three new directors added in the last year, all women; a total of nine directors added and five departed in the last five years.

##### **Enhanced Focus on Board Leadership Succession**

As part of its work on Board refreshment, the Governance and Nominating Committee also has focused on director succession planning. The Committee has identified key attributes, skills and experiences for Board leadership positions, and is using committee member and chair assignments and the addition of new directors to develop successors who are ready to assume these positions. An example of this focus is the Board's careful planning relating to the May 2019 retirement of Vernon E. Clark, the current Lead Director.

##### **Continuing Proxy Statement Improvements**

Additional disclosure provided in 2019, with expanded discussion regarding executive compensation performance goals and corporate responsibility initiatives.

#### **INDEPENDENCE**

- All non-employee directors are independent
- Independent directors regularly meet in executive session
- Rigorous compensation consultant independence policy

#### **SHAREHOLDER ACCESS**

- Active company outreach and engagement with shareholders throughout the year
- Shareholders may include nominees in Raytheon proxy materials (proxy access)
- Shareholders may call special shareholder meetings
- Shareholders may act by written consent

#### **ACCOUNTABILITY**

- Annual election of all directors and majority voting in uncontested elections
- Annual shareholder advisory vote to approve named executive officer compensation
- Annual Board evaluation of CEO performance
- Restatement Clawback Policy
- No 'poison pill'

#### **INDEPENDENT LEAD DIRECTOR**

- Fully independent and empowered Lead Director with broadly defined authority and responsibilities
- Position currently held by Vernon E. Clark
- New Lead Director will be chosen in May 2019 by the independent directors based on a recommendation from the

#### **ALIGNMENT WITH SHAREHOLDER INTERESTS**

- Pay-for-performance executive compensation program
- Rigorous stock ownership and retention guidelines for directors and officers
- Prohibition against director and officer hedging of Raytheon stock

#### **TRANSPARENCY**

- Clear, understandable and detailed financial reporting and proxy statement disclosure
- Extensive voluntary website disclosure regarding Raytheon's political expenditures and lobbying activities
- Annual Corporate Responsibility Report addressing sustainability, ethics and business conduct, safety and wellness, and community support

#### **BOARD PRACTICES**

- Robust annual Board and committee self-evaluation process, including a mid-year review and independent director discussions in executive session
- Periodic individual director self-assessments
- Mandatory director retirement at age 74
- Periodic Board review of management succession planning
- Balanced and diverse Board composition
- Limits on outside public company board service

#### **RISK OVERSIGHT**

- Regular Board review of enterprise risk management and related policies, processes and controls
- Board committees exercise oversight of risk matters under their purview





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RAYTHEON 2019 PROXY STATEMENT 9

**PROPOSAL 1:  
ELECTION OF DIRECTORS  
(Item No.1 on the Proxy Card)**

Raytheon directors are elected annually by our shareholders. The Board has nominated Tracy A. Atkinson, Robert E. Beauchamp, Adriane M. Brown, Stephen J. Hadley, Thomas A. Kennedy, Letitia A. Long, George R. Oliver, Dinesh C. Paliwal, Ellen M. Pawlikowski, William R. Spivey, Marta R. Stewart, James A. Winnefeld, Jr., and Robert O. Work to serve one-year terms that will expire at the 2020 Annual Meeting of Shareholders. These individuals all currently serve on our Board. Ms. Pawlikowski and Ms. Stewart were each first elected by the Board since the last Annual Meeting upon the recommendation of the Governance and Nominating Committee, which was aided by a third-party director recruiting firm.

One of our current directors, Vernon E. Clark, will be retiring from the Board effective May 30, 2019, and is not a nominee for election at the forthcoming Annual Meeting. Mr. Clark has served as a distinguished member of the Board for thirteen years, including six as Lead Director. We gratefully acknowledge his dedicated service and numerous contributions to Raytheon.

We introduce our nominees for director below, and explain the qualifications, skills and experiences considered by the Governance and Nominating Committee in support of each individual's nomination. If elected, the nominees will continue in office until their successors have been duly elected and qualified, or until their death, resignation or retirement. We expect each of the nominees will serve if elected. If any nominee is unable or unwilling to serve, the proxies may be voted for a substitute nominee designated by the Board.

**FOR** 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.

**NOMINEES FOR ELECTION****Key Skills and Experiences:**

Financial/Accounting Expertise    Legal/Regulatory/Compliance    Risk Management

Ms. Atkinson provides the Board with significant experience in finance, risk management and related regulatory and compliance matters gained through numerous positions of significant responsibility with State Street and MFS Investment Management. In addition, she has valuable accounting expertise derived from her experience as a Certified Public Accountant and a partner at PricewaterhouseCoopers LLP.

Positions with State Street Corporation (financial services firm): Executive Vice President since 2008; Executive Vice President and Chief Compliance Officer since 2017; Executive Vice President, Finance from 2010 to 2017; Treasurer from 2016 to 2017; Executive Vice President, Chief Compliance Officer from 2009 to 2010; Executive Vice President, State Street Global Advisors Chief Compliance Officer from 2008 to 2009.

Positions with MFS Investment Management (financial services firm): Senior Vice President, Treasurer and Chief Financial Officer of MFS Mutual Funds from 2005 to 2008; Senior Vice President, Chief Risk and New Product Development Officer from 2004 to 2005.

Partner at PricewaterhouseCoopers LLP from 1999 to 2004.

**Affiliations:** The Arc of Massachusetts, Immediate Past President.

**Director since** 2014

**Age:** 54

**Committees:**

Audit (Chair)

Public Policy and Corporate Responsibility

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10 RAYTHEON 2019 PROXY STATEMENT

PROPOSAL 1: ELECTION OF DIRECTORS

**Director since 2015**

**Age:** 59

**Committees:**

Audit

Management Development and Compensation

Public Policy and Corporate Responsibility

**Key Skills and Experiences:**

Cyber/Software Commercial Business Public Company CEO  
Mr. Beauchamp brings executive leadership experience and valuable commercial software, cybersecurity and information technology expertise to the Board, having served as the Chairman of BMC Software for over a decade and as BMC's President and CEO for fifteen years. He also has significant experience in strategic planning, global operations and sales, finance, mergers and acquisitions, and risk management gained through various roles of increasing responsibility at BMC Software.

Positions at BMC Software, Inc. (provider of business service management software): Interim President and Chief Executive Officer since April 1, 2019; Chairman from 2016 to October 2018; Chairman, President and CEO from 2008 to 2016; President, CEO and member of the board of directors from 2001 to 2008; held a variety of leadership roles of increasing responsibility from 1988 to 2001.

**Current Directorships:** Anaplan, Inc. (business planning software company) since July 2018; Forcepoint, LLC (cybersecurity joint venture company owned by Raytheon with Vista Equity Partners) since 2016.

**Past Directorships:** TransUnion (credit reporting and information processing and analysis company) from June 2018 to April 2019; National Oilwell Varco, Inc. (provider of equipment and services for the oil and gas industry) from 2001 to 2015.

**Director since 2018**

**Age:** 60

**Committees:**

Management Development and Compensation

Public Policy and Corporate Responsibility

**Key Skills and Experiences:**

Commercial Business Cyber/Software Operating Expertise  
Ms. Brown brings to the Board extensive business leadership experience through her leadership positions at a number of global technology and commercial businesses. She also possesses significant experience relating to technology innovation and the protection and commercialization of intellectual property, as well as business development, strategic planning, international operations, risk management and finance.

Positions with Intellectual Ventures, LLC (an invention capital company): Senior Advisor from August 2017 to January 2019; President and Chief Operating Officer from 2010 to July 2017.

Positions with Honeywell International, Inc. (a defense, electronics and engineering company): Series of leadership positions beginning in 1999, including President and CEO, Transportation Systems.

Positions with Corning, Inc. (a high technology materials provider): Variety of roles from 1980 to 1999, ultimately serving as Vice President and General Manager of the Environmental Products Division.

**Current Directorships:** eBay Inc. (provider of e-commerce marketplaces) since September 2017; Allergan plc (a pharmaceuticals company) since February 2017.

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**Past Directorship:** Harman International Industries, Inc.  
(designer of connected products and solutions for automakers,  
consumers and enterprises) from 2013 to March 2017.

**Affiliations:** Washington Research Foundation Board of  
Directors; Pacific Science Center Board of Directors; Jobs for  
America's Graduates Board of Directors.

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**Key Skills and Experiences:**

Legal/Regulatory/ Compliance	U.S. Department of Defense/Government	Aerospace/ Defense Industry Expertise
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Mr. Hadley has substantial national security, international affairs, public policy and legal experience through his extensive career in government, consulting and private legal practice. He provides the Board with unique and diverse perspectives on the global security environment and international affairs, and valuable leadership and experience in the areas of strategic oversight, public policy and regulatory compliance.

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 (financial services holding company) (including service on its Audit Committee since 2013), Bessemer Securities Corporation (including service on its Audit Committee since 2011) 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, and Executive Vice Chair since 2015; Member of the Board of Managers of the Johns Hopkins University Applied Physics Laboratory since 2011; Member of Yale University's Kissinger Papers Advisory Board since 2011; Member, Board of Directors, U.S. Institute of Peace since 2013 and Chair since 2014; Member of the Board of Directors of the Council on Foreign Relations since 2015; Member, International Advisory Board of Robert Bosch GmbH (a German industrial company) since 2015.

**Director since 2009**

**Age: 72**

**Committees:**

- Governance and Nominating (Chair)
- Management Development and Compensation
- Special Activities

**Director since 2014**

**Chairman of the Board since October 2014**

**Age: 63**

**Key Skills and Experiences:**

Public Company CEO	Engineering/Science/Information Technology	Aerospace/ Defense Industry Expertise
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Mr. Kennedy has in-depth knowledge of Raytheon's business, technology and capabilities, operations and global markets, as well as significant experience in strategic planning, operations, mergers and acquisitions, cybersecurity, engineering and technology, finance and risk management. He also provides the Board with executive leadership and substantial business experience and deep industry-specific expertise developed while holding roles of increasing responsibility at Raytheon.

Positions at Raytheon: Chief Executive Officer since 2014; Executive Vice President and Chief Operating Officer from April 2013 to March 2014; Vice President and President of the Integrated Defense Systems business unit from 2010 to 2013; Vice President of the Tactical Airborne Systems product line within the Space and Airborne Systems business unit from 2007 to 2010; and various other leadership positions during a 36-year career.

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**Current Directorship:** Forcepoint, LLC (cybersecurity joint venture company owned by Raytheon with Vista Equity Partners) since 2015.

**Affiliations:** Member, Aerospace Industries Association Board; Rutgers University School of Engineering Industry Advisory Board; UCLA School of Engineering Advisory Board; Massachusetts Institute of Technology Industry Advisory Board; Congressional Medal of Honor Foundation Board; Member, Massachusetts Competitive Partnership and Business Roundtable.

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PROPOSAL 1: ELECTION OF DIRECTORS

**Key Skills and Experiences:**

U.S. Department of Defense/ Government	Aerospace/ Defense Industry Expertise	Engineering/ Science/Information Technology
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Ms. Long brings to the Board substantial intelligence, national security and public policy experience developed through her numerous leadership positions in the U.S. government, which include service as the fifth Director of the National Geospatial-Intelligence Agency. Through this experience, combined with her roles on the boards of other companies and organizations, she provides critical insights on global intelligence and security matters and valuable leadership and experience in strategic planning and oversight, public policy, organizational management and technology.

**Director since 2015**

**Age:** 60

**Committees:**

- Audit
- Public Policy and Corporate Responsibility (Chair)
- Special Activities

Director, National Geospatial-Intelligence Agency from 2010 to 2014.  
 Deputy Director, Defense Intelligence Agency from 2006 to 2010.  
 Deputy Under Secretary of Defense (Intelligence) for Policy, Requirements and Resources from 2003 to 2006.  
 Deputy Director of Naval Intelligence from 2000 to 2003.  
 32-year career with the United States government holding a series of leadership roles of increasing responsibility.

**Current Directorship:** HyperSat LLC (privately-held provider of high-resolution hyperspectral satellite imagery and analysis) since September 2018; Sonatype, Inc. (privately-held developer and provider of software products) since August 2017; Noblis, Inc. (not-for-profit science and technology services provider) since 2015.

**Past Directorship:** Urthecast Corporation (provider of video technology for Earth observation) from 2015 to June 2018.

**Affiliations:** Member, Virginia Polytechnic Institute and State University Board of Visitors; Member, United States Geospatial Intelligence Foundation Board of Directors; Board Chair, Intelligence and National Security Alliance.

**Director since 2013**

**Age:** 58

**Committees:**

- Governance and Nominating
- Management Development and Compensation

**Key Skills and Experiences:**

Public Company CEO Operating Expertise M&A/Strategy Development  
 Mr. Oliver provides the Board with executive leadership and substantial global commercial operational and management experience gained through his leadership roles at global technology and industrial companies, Johnson Controls, Tyco International and General Electric. He also has significant experience in strategic planning, mergers and acquisitions, finance, risk management, technology and governance.

Positions with Johnson Controls International plc (diversified technology and multi-industrial company): Chairman of the Board and Chief Executive Officer since September 2017; President and Chief Operating Officer, and a member of the Board of Directors, from Johnson Controls' merger with Tyco International Ltd. in September 2016 to September 2017.

Positions with Tyco International Ltd. (fire protection and security systems provider): CEO and member of the Board of Directors from 2012 to September 2016; President from 2011 to 2012.

President of Tyco Electrical and Metal Products from 2007 to 2010; President of Tyco Safety Products from 2006 to 2010.

Held a series of leadership roles of increasing responsibility at several General Electric divisions, culminating as President of GE Water and Process Technologies until 2006.

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**Affiliations:** Worcester Polytechnic Institute Board of Trustees; Pro Football Hall of Fame Board of Trustees; United Way of Greater Milwaukee Board of Directors.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

**RAYTHEON 2019 PROXY STATEMENT 13**

**Key Skills and Experiences:**

Public Company CEO Cyber/Software International Operations and Sales  
Mr. Paliwal brings to the Board executive leadership experience and global commercial management and operational expertise developed through his CEO and other senior leadership roles at Harman International Industries and the ABB Group and his current and past director roles on the boards of other large, complex global commercial companies. He also has significant experience in strategic planning, finance, mergers and acquisitions, risk management, product development, and technology innovation.

Positions with Harman International Industries, Inc. (designer of connected products and solutions for automakers, consumers and enterprises): President and Chief Executive Officer since March 2017, when Harman was acquired by Samsung Electronics; Chairman, Chief Executive Officer and President from 2007 to March 2017.

Formerly President of ABB Ltd. Switzerland (global industrial automation and power transmission systems enterprise) from 2006 to 2007. Also served as Chairman and CEO of ABB Inc. USA from 2004 to 2007 and President of ABB Automation from 2002 to 2005.

**Current Directorship:** Bristol-Myers Squibb (a pharmaceuticals company) since 2013.

**Past Directorships:** Harman International Industries, Inc. from 2007 to 2017; ADT Corporation (fire protection and security systems provider) from 2011 to 2014; Tyco International Ltd. (fire protection and security systems provider) from 2011 to 2012.

**Affiliations:** Member of the Business Roundtable and the US-India Business Council.

**Director since** 2016

**Age:** 61

**Committees:**

Governance and Nominating

Public Policy and Corporate Responsibility

**Key Skills and Experiences:**

Engineering/ U.S. Department of Defense/ Aerospace/  
Science/Information Technology Government Defense Industry Expertise  
General Pawlikowski delivers deep industry-specific expertise, senior leadership experience, and understanding of leading-edge science and technology through her extensive military service, including as Commander, U.S. Air Force Materiel Command. She provides the Board with important insights regarding warfighter critical mission needs, advanced weapons systems management, and acquisition and national security policy.

**Director since**  
September 2018

**Age:** 62

**Committees:**

Audit

Special Activities

Commander, Air Force Materiel Command, the organization responsible for developing, producing and sustaining the equipment and services required for the Air Force to perform its national security mission, from June 2015 until retirement in August 2018.

36-year career in the United States Air Force, serving in various positions of increasing responsibility, including Military Deputy for the Assistant Secretary for Acquisition; Commander/Program Executive Officer, Space and Missile Systems Center; Commander, Air Force Research Laboratory; Deputy Director and Chief Operating Officer, National Reconnaissance Office.

**Affiliations:** Member, United States National Academy of Engineers; Honorary Fellow, American Institute of Aeronautics and Astronautics.

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PROPOSAL 1: ELECTION OF DIRECTORS

**Key Skills and Experiences:**

Corporate Governance/Public Company Board or Committee Leadership	Commercial Business	Operating Expertise
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Mr. Spivey has extensive business leadership experience through his roles as both a CEO and business unit leader at a number of public technology companies and a director of numerous U.S. and global technology and industrial companies. He also has significant experience in strategic oversight, global operations and sales, finance, risk management, and technology.

**Director since** 1999

**Age:** 72

**Committees:**

Governance and Nominating  
Management Development and Compensation  
(Chair)

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.

**Past Directorships:** Cascade Microtech, Inc. (advanced wafer probing solutions provider) from 1998 to 2016; Lam Research Corporation (advanced process equipment provider) from 2012 to 2015; Laird PLC (electronics components and systems provider) from 2002 to 2012; Novellus Systems, Inc. (advanced process equipment provider) from 1998 to 2012; ADC Telecommunications, Inc. (supplier of network infrastructure products and services) from 2004 to 2010; Lyondell Chemical Company (manufacturer of basic chemicals and derivatives) from 2000 to 2007; Luminent, Inc. (fiber-optic transmission products provider) from 2000–2001.

**Key Skills and Experiences:**

Financial/Accounting Expertise M&A/Strategy Development Risk Management

Ms. Stewart provides deep financial and accounting knowledge and expertise in a public company context acquired during her long career at Norfolk Southern Corporation, preceded by her time as a Certified Public Accountant at Peat Marwick (a predecessor to KPMG). She also has extensive experience with risk management, commercial markets and customers, and mergers and acquisitions.

**Director since**

June 2018

**Age:** 61

**Committees:**

Audit  
Public Policy and Corporate Responsibility

Positions at Norfolk Southern Corporation (a rail transportation company): Executive Vice President and Chief Financial Officer from 2013 to 2017; Vice President of Finance and Treasurer from 2009 to 2013; Vice President of Accounting and Controller from 2003 to 2009; Assistant Vice President of Corporate Accounting from 1998 to 2003; held a variety of positions of increasing responsibility from 1983 to 1998.

Various audit roles culminating in Supervising Senior Accountant at Peat Marwick (an accounting and auditing firm that later became part of KPMG) from 1979 to 1983.

**Current Directorship:** Simon Property Group Inc. (commercial owner, developer and manager of commercial real estate) since February 2018.

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**Director since 2017**  
**Age:** 63  
**Committees:**  
 Audit  
 Management Development and Compensation  
 Special Activities

**Key Skills and Experiences:**  
 U.S. Department of Defense/ Aerospace/ Risk  
 Government Defense Industry Expertise Management  
 Admiral Winnefeld brings extensive senior leadership, strategic planning and management experience developed through his various roles of increasing responsibility in the U.S. military, culminating in his service as the Ninth Vice Chairman of the Joint Chiefs of Staff. He provides the Board with deep industry-specific domain knowledge and expertise on the global security environment and our core defense customers.

Ninth Vice Chairman of the Joint Chiefs of Staff from 2011 until retirement in 2015.

37-year career in the United States Navy, serving in various positions of increasing responsibility, including Commander, U.S. Northern Command (USNORTHCOM); Commander, North American Aerospace Defense Command (NORAD); Commander, U.S. Sixth Fleet; and Commander, Allied Joint Command Lisbon.

**Current Directorships:** Alliance Laundry Systems LLC (privately-held laundry equipment manufacturer) since 2016; Cytec Defense Materials (privately-held composite materials distributor) since 2016; Enterprise Holdings, Inc. (privately-held vehicle rental, fleet management and automobile sales company) since 2015.

**Affiliations:** Georgia Institute of Technology Board of Advisors; United States Naval Academy Board of Visitors.

**Director since 2017**  
**Age:** 66  
**Committees:**  
 Audit  
 Public Policy and Corporate Responsibility  
 Special Activities

**Key Skills and Experiences:**  
 U.S. Department of Defense/ Aerospace/ Operating  
 Government Defense Industry Expertise Expertise  
 Mr. Work provides the Board with significant insight into customer needs acquired through his command, leadership and management positions, including as an officer in the U.S. Marine Corps, Undersecretary of the Navy and Deputy Secretary of Defense. He has broad expertise in global security matters, including in the areas of defense strategy, advanced technologies, international studies and acquisition reform.

Deputy Secretary of Defense from 2014 until July 2017.

Chief Executive Officer, Center for New American Security from 2013 to 2014.

Undersecretary of the United States Navy from 2009 to 2013.

Positions with the Center for Strategic and Budgetary Assessments:  
 Serving in positions of increasing responsibility from 2002 to 2009, culminating in service as Vice President for Strategic Studies.

27-year career in the United States Marine Corps, serving in various positions of increasing responsibility from 1974 to 2001, including artillery battery commander; battalion commander; Base Commander, Camp Fuji, Japan; and Senior Aide to the Secretary of the Navy.

**Current Directorships:** BlackLynx (privatelyheld provider of software engineering and technical services) since June 2018; Hensoldt Inc. (U.S.) (privately-held provider of sensor solutions) since June 2018; EverWatch Corporation (privately-held provider of strategy, technical and analytical support services) since September 2017.

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**Affiliations:** U.S. Naval Institute Board of Directors; Member, Council on Foreign Relations and International Institute for Strategic Studies.

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CORPORATE GOVERNANCE

**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 legal requirements. It means taking an integrated and collaborative approach that promotes integrity, accountability, transparency, and the highest ethical standards. To that end, the Board has adopted a number of policies and practices to ensure effective governance, including our comprehensive Governance Principles. See “Governance Documents” on page 27 below for information on obtaining copies of the Governance Principles and related materials.

**BOARD LEADERSHIP STRUCTURE**

The Board believes the most effective leadership structure for Raytheon at this time is one with a combined Chairman and CEO, coupled with an independent Lead Director. Having a combined Chairman and CEO promotes a cohesive vision and strategy for Raytheon and enhances our ability to execute effectively. We have found that this structure is particularly advantageous for our international business because many of our foreign government customers value unified leadership and a single ultimate executive decision-maker.

The Board created the Lead Director role as an integral part of a leadership structure that promotes strong, independent oversight of Raytheon’s management and affairs. The Lead Director, who must be independent, has the following primary responsibilities:

Working with the Chairman to develop and approve Board agendas and meeting schedules;	Advising the Chairman as to the quality, quantity and timeliness of the information sent to the Board;	Developing agendas for and chairing executive sessions of the Board (in which the independent directors meet without management);	Attending, to the extent feasible, the regularly-scheduled meetings of each of the standing committees; and	Communicating periodically on an individual basis with each of the other independent directors and acting as a liaison between them and the Chairman and CEO.
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**Vernon E. Clark, who has served as the Lead Director since May 2013, will be retiring in May 2019.**

The Board annually reviews the role and function of the Lead Director. Our Governance Principles provide that the Lead Director should serve an initial two-year term, and may serve up to three additional one-year terms as determined by the Board. In May 2018, the Board waived the term limit provision to reappoint Mr. Clark as Lead Director to serve one more year, until May 2019, when he will be retiring from the Board. This reflects Mr. Clark’s special value to Raytheon serving in this capacity, and also aligns with the Governance and Nominating Committee’s ongoing leadership succession planning as the Committee prepares to recommend to the independent directors the appointment of a new Lead Director to succeed Mr. Clark.

**BOARD LEADERSHIP SUCCESSION PLANNING**

The Governance and Nominating Committee has devoted considerable time and attention to succession planning relating to membership and leadership of Board committees and the Lead Director role. In its planning process, the Committee takes into account a number of factors, including individual director self-assessments, the nature and duration of each director’s experiences while serving on the Board, individual interests, and each director’s background outside of Raytheon. This process has resulted, in recent years, in changes in the membership of committees and the leadership of the Audit, Governance and Nominating, and Public Policy and Corporate Responsibility Committees, and a thoughtful approach to future leadership succession in anticipation of Mr. Clark’s upcoming retirement.

**BOARD ROLE**

The Board is responsible for overseeing the management of the business and affairs of Raytheon. Among the Board’s most significant responsibilities are the oversight of Raytheon’s long-term strategy and management of risk, and the selection of the CEO and planning for the CEO’s succession.

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**CORPORATE GOVERNANCE**

**RAYTHEON 2019 PROXY STATEMENT 17**

**THE BOARD’S ROLE IN STRATEGY**

The Board recognizes the importance of ensuring that our overall business strategy is designed to create long-term value for Raytheon shareholders. As a result, the Board maintains an active oversight role in formulating, planning and implementing Raytheon’s strategy. We have a robust annual strategic planning process during which elements of our business, financial, and investor strategies and plans, as well as near- and long-term initiatives, are developed and reviewed. This annual process culminates with a full-day Board session to review Raytheon’s overall strategy with our senior leadership team and other executives. In addition to our business strategy, the Board reviews Raytheon’s five-year financial plan, the first year of which serves as the basis for the Annual Operating Plan for the upcoming year.

The Board regularly considers the progress of and challenges to Raytheon’s strategy and related risks throughout the year. At each regularly-scheduled Board meeting, the Chairman and CEO has an executive session with the Board to discuss strategic and other significant business developments since the last meeting.

**THE BOARD’S ROLE IN RISK MANAGEMENT**

Our risk management program covers the full range of material risks to Raytheon, including strategic, operational, financial, and compliance and reputational risks. The Board oversees Raytheon’s risk management program and allocates certain oversight responsibilities to its committees. Each committee regularly reports to the Board on risk matters under its purview. The Board periodically reviews our risk management policies, processes and controls (including enterprise risk management, or ERM), and the Audit Committee from time to time separately reviews the Board’s approach to risk oversight.

Management carries out the daily processes, controls and practices of our risk management program, many of which are embedded in our operations. In addition, as part of our ERM process, management identifies, assesses, prioritizes and develops mitigation plans for Raytheon’s top risks. The Board and the committees regularly review and discuss significant risks with management, including through annual strategic discussions and regular reviews of annual operating plans, financial performance, merger and acquisition opportunities, market environment updates, international business activities, and presentations on specific risks.

**BOARD OF DIRECTORS**

oversees strategic and significant operational risks, such as operating and financial plan risks; legal and regulatory compliance risks, including those related to litigation, government investigations and enforcement actions, disputes, risk exposures and governance issues; and risks related to prospective mergers and acquisitions.

**Audit Committee**

oversees risks related to financial reporting, internal controls, internal audit, auditor independence, and related areas of law and regulation.

**Governance and Nominating Committee**

oversees risks related to governance issues.

**Management Development and Compensation Committee**

oversees risks related to compensation policies and practices and talent acquisition, retention and development.

**Public Policy and Corporate Responsibility Committee**

oversees various aspects of U.S. and international regulatory compliance, social responsibility, environmental matters, export/ import controls and crisis management.

**Special Activities Committee**

oversees cybersecurity risks and risks related to our classified business.

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CORPORATE GOVERNANCE

**CYBERSECURITY OVERSIGHT**

As a leading provider of cybersecurity, defense and other products and services to government and commercial customers, Raytheon is highly focused on cybersecurity risks. Given our business, the Board has placed oversight responsibility with the Special Activities Committee for cybersecurity risks relating to Raytheon's internal systems as well as for our products, services and programs for customers. Current members of this committee include individuals who have served as Chief of Naval Operations, National Security Adviser to the President, Director of the National Geospatial-Intelligence Agency, Commander of the Air Force Materiel Command, Vice Chairman of the Joint Chiefs of Staff, and Deputy Secretary of Defense.

**THE BOARD'S ROLE IN MANAGEMENT SUCCESSION PLANNING**

The Board's Management Development and Compensation Committee (MDCC) and the full Board periodically review succession planning for the Chairman and CEO and other senior leadership positions. These reviews include consideration and assessment of key leadership talent throughout Raytheon, and roles for which it may be necessary to consider external candidates. The Board also reviews Raytheon's talent strategy for critical positions and has regular opportunities to interact with key leaders and high-potential talent through presentations, meetings and other events. The Board's carefully considered planning is evident in the process by which Thomas Kennedy was ultimately elected as Chairman and CEO. Mr. Kennedy, who has had a 36-year career with Raytheon, previously served in a series of positions of increasing responsibility, including President of Raytheon's Integrated Defense Systems business and Executive Vice President and Chief Operating Officer.

**DIRECTOR CANDIDATE CONSIDERATION AND BOARD REFRESHMENT**

The Board and its Governance and Nominating Committee are committed to having an engaged and independent Board that upholds the strictest ethical standards. Each Raytheon director is expected to:

- Have impeccable character and the highest integrity;
- Possess substantial experience and expertise of particular relevance and importance to Raytheon;
- Contribute to a balanced Board with the diverse set of attributes, skills and experience necessary to maximize shareholder value;
- Represent the interests of our shareholders as a whole, and not particular special interests; and
- Devote significant time to the duties of a director.

**EVALUATING BOARD CAPABILITIES AND DETERMINING NEEDS**

When evaluating each director nominee and the potential needs and composition of the Board as a whole, the Governance and Nominating Committee looks for individuals with the potential to make significant contributions that will enhance the Board's ability to continue to serve the long-term interests of Raytheon and its shareholders.

To that end, the Governance and Nominating Committee has identified critical attributes, experiences, qualifications, and skills, and uses a matrix to ensure each is adequately represented among our directors. The Committee regularly reviews the director skills matrix to confirm that it appropriately reflects the attributes most needed to support Raytheon's long-term strategy.

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**Table of Contents****CORPORATE GOVERNANCE**

RAYTHEON 2019 PROXY STATEMENT 19

In light of Raytheon's current emphasis on international growth, emerging customer needs, technological innovation, and cybersecurity, as well as our complex and evolving business and operations generally, including a national security focus and classified and other regulatory requirements, the Governance and Nominating Committee believes the following attributes, experiences, qualifications and skills should be represented on the Board:

<b>Public Company CEO</b>	Chief executive officer of a publicly-traded company
<b>International Operations and Sales</b>	Manager of overseas business operations and sales or a large organization with significant overseas operations and sales
<b>Cyber/Software</b>	Cybersecurity or software professional or leader in a business or organization in which cybersecurity solutions or software development is a principal focus
<b>Legal/Regulatory/Compliance</b>	Attorney, regulator, compliance officer or senior leader of a large organization responsible for legal, compliance or regulatory matters
<b>Financial/Accounting Expertise</b>	Principal of an accounting, financial or investment firm, a CFO or other senior accounting or finance officer in a large organization, or a CEO to whom a CFO reports
<b>Engineering/Science/Information Technology</b>	Engineer or science, technology or IT professional, or manager of a large organization in which engineering, science, technology or IT is a principal focus
<b>Risk Management</b>	CEO, CFO or senior leader in a large organization with significant responsibility for risk management
<b>M&amp;A/Strategy Development</b>	CEO, CFO or senior business leader that oversees M&A or strategy, or principal in an investment banking or business consulting firm
<b>Corporate Governance/Public Company Board or Committee Leadership</b>	Public company board chair, lead director, presiding director or board committee chair
<b>Operating Expertise</b>	Business leader with profit and loss responsibility for operational execution, or military leader with experience executing operations
<b>Aerospace/Defense Industry Expertise</b>	Military service, aerospace and defense business experience, or civilian government service involving significant aerospace, defense, intelligence or security matters
<b>U.S. Department of Defense/Government</b>	Military or other federal government service
<b>Commercial Business</b>	Manager of a large business primarily focused on commercial markets and customers

**BOARD REFRESHMENT — DIRECTOR SUCCESSION AND TENURE**

As a key component of ensuring that the Board reflects an appropriate mix of attributes, experiences, qualifications and skills, the Governance and Nominating Committee regularly reviews director tenure and succession. The Committee believes that Raytheon benefits from the deep Company knowledge and continuity of longer-tenured directors complemented by the fresh perspectives of newer directors. Looking ahead to future retirements, the Committee engages in an ongoing succession planning process to identify the types of talent needed for the Board's continuing optimal effectiveness. Over the last five years, the Board has undergone significant refreshment, resulting in a lower average tenure, younger average age, and broadened diversity of backgrounds.

**BOARD REFRESHMENT — LAST FIVE YEARS (2014 – 2018)**

	Average Tenure of	Average Age of	Gender/Ethnic
Board Refreshment Proxy Nominees			Proxy Nominees Diversity



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**CORPORATE GOVERNANCE**

Through this refreshment, a number of directors joined the Board with key experiences and expertise, such as public company CEOs and individuals with backgrounds in international sales and operations, commercial business, information technology, cyber/software, global security and financial/accounting expertise.

**DIRECTOR NOMINEES — KEY EXPERIENCES AND EXPERTISE**

Public Company CEO	Engineering/Science/Information Technology	Aerospace/Defense Industry Expertise
International Operations and Sales	Risk Management	U.S. Department of Defense/Government
Cyber/Software	M&A/Strategy Development	Commercial Business
Legal/Regulatory/Compliance	Corporate Governance/Public Company	Independence
Financial/Accounting Expertise	Board or Committee Leadership	
	Operating Expertise	

**TENURE OF INDIVIDUAL DIRECTOR NOMINEES**

The Board has achieved a balance of directors who have served for a number of years and have a deep knowledge of Raytheon's business and operations and newer directors who lend fresh perspectives.

**BOARD DIVERSITY**

Central to the Board refreshment efforts over the last five years has been a recognition of the special value of diversity in providing a broad range of perspectives and insights. The Board has demonstrated its commitment to diversity, most recently with the addition of Adriane M. Brown, Marta R. Stewart and Ellen M. Pawlikowski. Of the thirteen director nominees, five are women and seven represent ethnic or gender diversity, or both.

**COMMITTEE REFRESHMENT AND COMPOSITION**

In addition to refreshing the Board's composition generally, the Board regularly adjusts its committee chair and membership assignments. This promotes strong committee leadership and independence as well as director development and succession planning. In the last three years, Tracy A. Atkinson became the Chair of the Audit Committee, Stephen J. Hadley became the Chair of the Governance and Nominating Committee, and Letitia A. Long became the Chair of the Public Policy and Corporate Responsibility Committee.

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DIRECTOR INDEPENDENCE**

RAYTHEON 2019 PROXY STATEMENT 21

The Board has adopted specific director independence criteria, consistent with the New York Stock Exchange (NYSE) listing standards, to assist it in making determinations regarding the independence of its members. These criteria, which are detailed in our Governance Principles, are available as described below under “Governance Documents.” A director is considered independent only if the Board determines the director does not have a material relationship, directly or indirectly, with Raytheon.

The Board considers the independence of its members at least annually, in part by reviewing Raytheon’s relationships with organizations with which our directors are affiliated. The Board has determined that no director other than Mr. Kennedy, the Chairman and CEO, has, directly or indirectly, a material relationship with Raytheon, nor does any other director have a direct or indirect material interest in any transaction involving Raytheon. Every director other than Mr. Kennedy satisfies our independence criteria.

In connection with its review and determination of director independence, the Board considered certain non-material relationships and transactions involving directors, including:

Johnson Controls International plc, where Mr. Oliver serves as Chairman and Chief Executive Officer, provides products and services to Raytheon, including fire protection and security systems, industrial equipment and services; State Street Global Markets, LLC (SSGM), a subsidiary of State Street Corporation, where Ms. Atkinson serves as Executive Vice President and Chief Compliance Officer, provides purely transactional processing services to Raytheon pension plans in the ordinary operation of the plans; and BMC Software, Inc. (BMC), where Mr. Beauchamp served as Chairman until his retirement in October 2018 and currently serves as Interim President and Chief Executive Officer after being called out of retirement, provides software licenses and related services to Raytheon.

In all cases, the transactions occurred in the ordinary course of business; none of the directors had any direct or indirect material interest in, or received any special compensation in connection with, the transactions or relationships; and the amounts paid in the transactions were well below thresholds prescribed under the NYSE standards and our Governance Principles.

**BOARD AND COMMITTEE EVALUATION PROCESS****BOARD AND COMMITTEE EVALUATIONS**

The Governance and Nominating Committee leads an annual performance evaluation of the Board and each Board committee as described below.

<p>Each director completes a Board self-evaluation questionnaire and a separate questionnaire for each committee on which the director serves. The Board-specific questionnaire requests ratings and solicits detailed suggestions for improving Board and committee governance processes and effectiveness. The committee-specific questionnaires are tailored to the respective committees’ roles and responsibilities and any applicable legal or regulatory obligations.</p>	<p>Self-evaluation questionnaire results are compiled and summarized by the Office of the Corporate Secretary. The summaries include all specific director comments, without attribution. Each director receives the Board self-evaluation summary and the self-evaluation summary for each committee on which the director serves. The Lead Director and the Chairman receive all of the self-evaluation summaries.</p>	<p>Committee self-evaluation results are discussed by each committee, and Board self-evaluation results are discussed by the full Board, in each case in executive session. Each committee and the Board identify areas for further consideration and opportunities for improvement, and implement plans to address those matters.</p>	<p>Each committee and the full Board convene in executive session to review progress with respect to any areas identified for further consideration. <b>ONGOING</b></p> <p>Directors may discuss concerns, including those related to individual performance,</p>
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separately with  
the Lead Director.

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**CORPORATE GOVERNANCE**

The Board views self-evaluation of Board and committee performance as an integral part of its commitment to continuous improvement. This process has prompted a number of changes to the Governance Principles, committee charters, and Board governance practices generally. By way of example, the self-evaluation exercise led the Board to enhance processes related to identifying and recruiting director candidates, executive succession planning, and director education. The Governance and Nominating Committee periodically reviews the evaluation process and considers ways to augment it.

**INDIVIDUAL DIRECTOR SELF-ASSESSMENTS**

The Governance and Nominating Committee also conducts periodic individual director self-assessments to solicit director input on the following:

Current and potential future committee assignments;	Interest in future committee chair/Lead Director roles and recommendations for fellow directors to serve in those roles;	Self-assessment of current skills and experience, and proposed development goals and plans to enhance the director's value to the Board and committees; and	Possible development activities and educational resources needed to facilitate achievement of those goals.
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Each non-employee director then serving on the Board was asked to complete an Individual Director Self-Assessment Questionnaire in 2017. The Governance and Nominating Committee is planning to conduct individual self-assessments in 2019. The self-assessment questionnaire results have informed the Governance and Nominating Committee's efforts relating to director development and Board/committee leadership succession planning.

**SHAREHOLDER ENGAGEMENT**

Under the Board's supervision, we make a concerted effort to engage with shareholders to ensure we consider their views and address their interests. In addition to meeting with investors to discuss our performance, strategy and operations, we also regularly engage with our shareholders to solicit their views on governance and executive compensation matters. Environmental and social topics often are raised in these conversations as well.

**KEY ELEMENTS OF GOVERNANCE AND COMPENSATION OUTREACH**

The hallmarks of our shareholder engagement program are described below.

<b>Two formal governance/compensation outreach efforts annually since 2010</b>	In addition to communicating with shareholders during our proxy season in the spring, we formally engage with our shareholders in the fall to promote a constructive dialogue and provide opportunities to discuss governance and executive compensation matters during a less hectic time of the year.
<b>Engagement with significant portion of shareholder base</b>	Historically, we have communicated each year with shareholders typically representing between 30% and 40% of Raytheon shares.
<b>Board/Committee review of outreach</b>	We review our outreach efforts and the shareholder input we receive with our Governance and Nominating Committee at least semi-annually.
<b>Consideration of shareholder views</b>	Shareholder input is a key consideration for the Board and management in reviewing the executive compensation program and governance initiatives.

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GOVERNANCE INITIATIVES**

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Over the past several years, shareholder input solicited during our outreach efforts has contributed greatly to shaping a number of our governance initiatives. Key governance topics on which we have solicited input from our shareholders include:

- Board composition and disclosure regarding director attributes, skills and experiences;
- The MDCC's approach to long-term incentive awards;
- Proxy Access By-Law;
- Shareholder right to act by written consent;
- Shareholder right to call a special meeting;
- Enhanced proxy statement executive compensation and governance disclosures;
- Exclusive forum by-law; and
- Enhanced political contributions and lobbying expenditures disclosure.

In response to shareholder input, in recent years, we have introduced a revamped proxy statement that makes key information more accessible and understandable. The proxy statement works in combination with our annual report and corporate responsibility report to more clearly illustrate how the Board and executive leadership set a tone at the top that promotes integrity, accountability, transparency and the highest ethical standards. Each year, we consider ways in which we can make our proxy disclosure even more informative and useful. Thus, this proxy statement builds on past improvements to expand our disclosure regarding executive compensation incentives and corporate responsibility initiatives, linking to our annual Corporate Responsibility Report.

**COMPENSATION PROGRAM**

In regular outreach discussions, we request shareholder input on Raytheon's executive compensation program, including design elements and metrics, to ensure that the program reflects shareholders' interests and objectives. Shareholder input has been an important element in the MDCC's ongoing review of executive compensation and Raytheon's approach to proxy disclosure.

In part due to shareholder input, beginning in 2019 the MDCC changed the mix of executive long-term incentive awards to increase the percentage that are performance-based versus time-based. We also enhanced our compensation program disclosures regarding our performance goals.

**GOVERNANCE POLICIES AND PRACTICES****MAJORITY VOTING FOR DIRECTORS**

Our by-laws contain a "majority of votes cast" standard for uncontested elections of directors, meaning that a nominee is elected only 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 provide that incumbent directors in an uncontested election who fail to receive the requisite majority of votes cast "for" their election must tender a resignation to the Governance and Nominating Committee. The Committee will make a recommendation to the Board as to whether to accept or reject such a resignation. The Board will act on resignations and publicly disclose its decisions and the rationale behind them within 90 days from the date meeting results are certified. Any director whose resignation is under consideration will abstain from participating in both the Governance and Nominating Committee's recommendation and the Board's ultimate decision. If a resignation is not accepted by the Board, the director may continue to serve.

**SERVICE ON OTHER BOARDS**

Our Governance Principles limit the number of public company boards on which a director may serve to four (including Raytheon), or two in the case of a director who currently serves as an executive officer of a public company (including, if applicable, the board of the company where the director is employed). This latter limitation applies to our CEO. Additionally, we have established a policy

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requiring all officers and employees to obtain written approval before joining the board of another business entity to ensure that such service is not contrary to Raytheon's interests.

A director who is considering joining the board of another public company must discuss the proposed board service with the Chairman of the Board and the Chair of the Governance and Nominating Committee, and may not accept the position until advised that service on the other board has been approved. A director also must notify, and obtain preapproval from,

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### **CORPORATE GOVERNANCE**

the Governance and Nominating Committee before joining the board of a privately-held, for-profit company and before accepting any paid consulting or advisory engagement. In conducting its reviews, the Governance and Nominating Committee considers whether the proposed board or other engagement would conflict with a Raytheon policy or service on the Raytheon board; the time required for Raytheon board and committee attendance, preparation and participation; and other factors it deems appropriate.

## **CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY**

Raytheon's Code of Conduct and Conflict of Interest Policy cover a wide range of issues and serve as the foundation of our ethics and compliance program.

The Code of Conduct provides guidance on avoiding conflicts 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 failure to do so. We provide ethics education for directors, officers and employees. 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 Securities and Exchange Commission (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 – Chief Ethics and Compliance Officer any actual or potential conflict of interest. There are four ways that anyone may report matters of concern to Raytheon's Ethics Office:

1. through our anonymous, confidential toll-free EthicsLine at 1-800-423-0210;
2. on-line through the anonymous, confidential Raytheon Ethics Check Line, <https://raytheonethicscheckline.weblinesaiglobal.com>;
3. by writing to the Ethics Office, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451; or
4. by submitting comments on our website at [www.raytheon.com](http://www.raytheon.com) in the section entitled "Contact the Ethics Office," under the heading "Investors/Corporate Governance/Contact the Company."

## **TRANSACTIONS WITH RELATED PERSONS**

Our Board has adopted a written Related Party Transactions Policy. Related party transactions include all transactions and relationships involving amounts in excess of \$120,000 between Raytheon (including subsidiaries) on one side, and any director, executive officer, 5% shareholder, or an immediate family member of any of the foregoing ("interested person") and certain entities in which an interested person has a significant interest, on the other. Under the policy, the Governance and Nominating Committee reviews the material facts of all related party transactions identified by the Vice President, General Counsel and Secretary and determines whether to approve, disapprove or ratify each transaction or relationship involved. Certain transactions and relationships have been preapproved for purposes of the policy, including (a) executive officer compensation approved by the Board, (b) director compensation, (c) certain relatively small transactions between Raytheon and other companies, and (d) certain charitable contributions made by Raytheon.

Mses. Atkinson and Pawlikowski and Messrs. Hadley, Kennedy, Paliwal and Winnefeld served as members of boards of, or were otherwise affiliated with, charitable or other non-profit organizations to which Raytheon made contributions in 2018 (other than through a trade association membership or our matching gift and charitable awards program). These contributions were consistent with all company policies, and no organization received, in the aggregate, more than \$275,000.

In a Schedule 13G filing made with the SEC, BlackRock, Inc., including its subsidiaries, reported beneficial ownership of 8.0% of our outstanding common stock as of December 31, 2018. 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 \$4.2 million in 2018. The Governance and Nominating Committee has reviewed this relationship and approved it on the basis that BlackRock's ownership of Raytheon stock plays no role in the business relationship between the two companies and the engagement of BlackRock has been on terms no more favorable than terms that would be available to unaffiliated third parties under the same or similar circumstances.

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**POLICY ON SHAREHOLDER RIGHTS PLANS**

We do not have a shareholder rights plan. The Board will obtain shareholder approval before adopting any 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.

**RESTATEMENT CLAWBACK POLICY**

Our Governance Principles contain a Restatement Clawback Policy that 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 officer's knowing or intentionally fraudulent or illegal conduct. The policy is designed to increase the likelihood that Raytheon will be successful if we seek to recover the portion of an executive's incentive compensation attributable to inflated financial results caused by the executive's malfeasance.

**DIRECTOR NOMINATIONS BY SHAREHOLDERS**

Nominations for director may be made by the Board, by a Board committee, or by a shareholder or shareholders entitled to vote who comply with the relevant provisions in Raytheon's by-laws.

**SHAREHOLDER NOMINATIONS VIA PROXY ACCESS BY-LAW (SECTION 2.11)**

The proxy access by-law sets forth conditions under which shareholders may include nominees in Raytheon's Annual Meeting proxy materials. The proxy access by-law prescribes the terms summarized below.

It is available to shareholders that have beneficially owned 3% or more of Raytheon's outstanding stock continuously for at least three years.

- Loaned stock is counted as owned, subject to certain provisions related to power to recall.
- The 3% ownership threshold can be satisfied by up to twenty shareholders acting in concert.

Nominating shareholders need not continue to hold their shares after the Annual Meeting for which nominees are submitted.

The permissible number of nominees is equal to the greater of 20% (rounded down) of all directors or two ("20% or 2").

The 20% or 2 cap is not reduced by the number of previous proxy access nominees elected and re-nominated by the Board, but is reduced by the number of other nominees nominated under the standard advance notice by-law described below.

A proxy access nominee will not be disqualified because he or she receives third-party compensation, subject to disclosure requirements.

Notice of nominees who satisfy the proxy access by-law must be received by Raytheon during a prescribed time period, which, for the 2020 Annual Meeting, will be between November 18, 2019, and December 18, 2019.

**SHAREHOLDER NOMINATIONS OTHER THAN VIA PROXY ACCESS BY-LAW (SECTION 2.7)**

Shareholders also may nominate people for election to the Board at an annual or special meeting of shareholders in accordance with the standard advance notice by-law provisions. For our 2020 Annual Meeting, we must receive this notice between January 31, 2020, and March 1, 2020. We are not obligated to include any such nomination in our proxy materials.

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

The Committee reviews each candidate's qualifications in relation to the director qualification criteria contained in our Governance Principles, and determines whether the candidate should be nominated for election to the Board.



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CORPORATE GOVERNANCE

**DIRECTOR ORIENTATION, DEVELOPMENT AND EDUCATION**

Under the oversight of the Governance and Nominating Committee, Raytheon has long provided each new director with a formal orientation program. As part of their orientation, new directors visit key Raytheon sites and also become familiar with the resources available to them, such as governance materials, significant policies and procedures, overviews of Raytheon's businesses and functions, and membership in the National Association of Corporate Directors (NACD).

In 2017, the Governance and Nominating Committee expanded this program to require a customized orientation plan for each new director, tailored to the director's specific background. These customized plans address substantive areas where directors do not have significant experience and prepare directors for their initial Board committee assignments. As a result of a customized orientation plan, a new director might, for example:

<b>Orientation</b>	<p>Participate in corporate briefings on Raytheon-specific topics;</p> <p>Visit and attend briefings at company operations sites; and</p> <p>Participate in Director Education programs sponsored by leading organizations such as NACD, Harvard Business School, and the Stanford/University of Chicago Directors' Consortium.</p>
<b>Director Development</b>	<p>Directors are encouraged (through the individual self-assessment process and otherwise) to identify development goals, activities and resources that will help them satisfy their obligations to the Board and the committees on which they serve. Individual director development is a key consideration for the Governance and Nominating Committee when it determines committee assignments and engages in Board/committee leadership succession planning.</p>
<b>Ongoing Director Education</b>	<p>Our director education program consists of visits to Raytheon facilities and education regarding our Code of Conduct and other policies and practices relevant to our business and operations. Periodically, we provide updates on topics of interest to the Board. We also encourage directors to attend external director education programs at Raytheon's expense. We regularly provide the Board with descriptions of a variety of upcoming director education programs that may be of interest, together with assessments from directors who participated in such programs in the past.</p>

**COMMUNICATION WITH THE BOARD**

Here is how interested parties may communicate with our Board.

<b>Mail:</b>	<b>Internet:</b>
<p>Corporate Secretary Raytheon Company 870 Winter Street Waltham, Massachusetts 02451</p>	<p><a href="http://www.raytheon.com">www.raytheon.com</a> "Investors/Corporate Governance/Contact the Company" "Contact the Board"</p>

Communications are referred to the Lead Director and tracked by the Office of the General Counsel.

Here is how anyone who has a concern about our accounting, internal controls over financial reporting, or auditing matters may communicate that concern to the Audit Committee.

<b>Mail:</b>	<b>Internet:</b>
<p>Raytheon Audit Committee Corporate Secretary Raytheon Company 870 Winter Street Waltham, Massachusetts 02451</p>	<p><a href="http://www.raytheon.com">www.raytheon.com</a> "Investors/Corporate Governance/Contact the Company" "Contact the Audit Committee Regarding Accounting, Internal Controls or Auditing Matters"</p>

Communications 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.

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**CORPORATE GOVERNANCE**

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**POLITICAL CONTRIBUTIONS AND LOBBYING EXPENDITURES DISCLOSURE**

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

A description of Raytheon policies relating to political expenditures and lobbying practices;

The titles of decision-makers involved in approvals pertaining to political action committee (PAC) and direct political activities, as well as lobbying activities;

A discussion of the types of reports we file with regulators relating to lobbying;

Direct links to reports, as filed with government agencies, specifying Raytheon's federal PAC and lobbying activities;

Detailed information regarding direct political contributions from Raytheon funds (which were \$0 for 2018), including a statement that Raytheon has no plans to make direct political contributions from company funds in the future but, in the event of any such contributions, would disclose them;

A statement confirming that Raytheon does not spend company funds on communications to the general public in support of political campaigns or ballot initiatives;

A list of trade associations to which Raytheon has paid annual dues of \$50,000 or more and the dollar amount, if any, used by the association for lobbying (as reported by the association), as well as a statement that no other separate payment at this level was made to a trade association with the purpose that such payment be used for lobbying; and

Reference to the oversight role of the Board's Public Policy and Corporate Responsibility Committee, pursuant to its charter, with respect to political and lobbying activities.

This disclosure is available on our website at [www.raytheon.com](http://www.raytheon.com) under the heading "Investors/Corporate Governance/ Political Contributions and Lobbying Expenditures."

**GOVERNANCE DOCUMENTS**

The following key governance documents are available on our website at [www.raytheon.com](http://www.raytheon.com) under the heading "Investors/Corporate Governance":

Governance Principles, including the director independence criteria

Code of Conduct

By-Laws

Charters for each of the Board's standing committees (except the Executive Committee)

These documents are also available in print to any shareholder who requests them by writing to Raytheon Company, Investor Relations (or Corporate Secretary for the by-laws), 870 Winter Street, Waltham, Massachusetts 02451, or by emailing [invest@raytheon.com](mailto:invest@raytheon.com).

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THE BOARD OF DIRECTORS AND BOARD COMMITTEES

**THE BOARD OF DIRECTORS AND BOARD COMMITTEES**

The Board has six standing committees: Audit, Governance and Nominating, Management Development and Compensation, Public Policy and Corporate Responsibility, Special Activities, and Executive. The charter of each committee (other than the Executive Committee) is published on our website. See “Corporate Governance — Governance Documents” on page 27 for information on obtaining a copy.

During 2018, the Board met formally seven times, and engaged in other discussions and actions apart from these meetings. The non-employee directors, all of whom are independent, meet in executive session chaired by the Lead Director at the conclusion of each regularly-scheduled Board meeting. In addition, committee members generally meet in executive session, without management present, at the conclusion of regularly-scheduled committee meetings.

All incumbent directors attended at least 75% of the total of all Board and applicable committee meetings. All directors standing for election are expected to attend the 2019 Annual Meeting. In 2018, all of the directors who were nominated for election at that time attended the Annual Meeting.

The Board’s six standing committees are described below. Each committee, other than the Executive Committee, is composed entirely of independent directors. The Executive Committee, which is not required to meet, is made up of the Chairman, the Lead Director, and the chair of each of the standing committees.

**COMMITTEE MEMBERS:**

**Tracy A. Atkinson, Chair** | Robert E. Beauchamp | Letitia A. Long | Ellen M. Pawlikowski | Marta R. Stewart | James A. Winnefeld, Jr. | Robert O. Work

**KEY RESPONSIBILITIES:**

- Appoint and evaluate the performance and independence of Raytheon’s independent auditors;
- Oversee the integrity of our financial statements;
- Oversee our internal audit function;
- Consider the adequacy of our internal controls and the objectivity of our financial reporting;
- Review the independent auditors’ audit of the effectiveness of Raytheon’s internal controls;
- Pre-approve all audit fees and terms for, as well as all non-audit engagements with, the independent auditors;
- Review annual and periodic reports and earnings press releases and recommend to the Board whether the annual audited financial statements should be included in Raytheon’s Form 10-K;
- Review and discuss with management Raytheon’s risk assessment and risk management policies, including enterprise risk management and major financial risk exposures, and steps to monitor and control such exposures;
- Review the performance of Raytheon’s pension plans and risks related to those plans;
- Oversee Raytheon’s management of such risks as may be assigned periodically by the Board as a result of our enterprise risk management process or otherwise;
- Establish and review procedures for employees and others to report concerns or complaints confidentially and anonymously regarding accounting, internal control or auditing matters; and
- Review compliance with our Code of Conduct with respect to certain financial reporting, controls and allegations of financial misconduct.

The Board has determined that each member is independent in accordance with NYSE and SEC rules applicable to audit committee members. The Board also has determined that, at a minimum, each of Mses. Atkinson and Stewart is an “audit committee financial expert,” as defined by SEC rules, and that all members are “financially literate” under the NYSE standards.

The Audit Committee Report is included on page 83.

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**THE BOARD OF DIRECTORS AND BOARD COMMITTEES**

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**COMMITTEE MEMBERS:**

**Stephen J. Hadley, Chair** | George R. Oliver | Dinesh C. Paliwal | William R. Spivey

**KEY RESPONSIBILITIES:**

Review and report to the Board with regard to matters of corporate governance;  
Make recommendations regarding Board size and composition;  
Establish procedures for nominating directors and recommend candidates for election to the Board;  
From time to time, engage a third party for a fee to help the Committee identify potential director candidates;  
Consider director nominees proposed by shareholders;  
Review our Governance Principles and recommend revisions to the Board;  
Review and approve or ratify transactions and relationships under our Related Party Transactions Policy;  
Review shareholder proposals in connection with our Annual Meetings and recommend actions to the Board regarding such proposals;  
Oversee the orientation program for new directors and the continuing education program for existing directors;  
Review and recommend to the Board the compensation of non-employee directors; and  
Oversee Raytheon's management of such risks as may be assigned periodically by the Board as a result of our enterprise risk management process or otherwise.  
The Board has determined that each member is independent in accordance with NYSE rules.

**COMMITTEE MEMBERS:**

**William R. Spivey, Chair** | Robert E. Beauchamp | Adriane M. Brown | Stephen J. Hadley | George R. Oliver | James A. Winnefeld, Jr.

**KEY RESPONSIBILITIES:**

Review and oversee compensation and benefits, as well as personnel plans, policies and programs;  
Review and recommend to the Board the compensation of the CEO, the CFO and the other three most highly compensated executive officers (NEOs);  
Evaluate the CEO's individual performance;  
Review and approve the compensation of elected officers;  
Periodically review succession plans for the CEO and other executive officers and elected officers, as well as career development plans for elected officers and other key employees;  
Administer and make awards, other than to non-employee directors, under our equity compensation plans;  
Review and discuss with management the "Compensation Discussion and Analysis" section of this proxy statement;  
Review Raytheon's incentive compensation arrangements to ensure they are not reasonably likely to encourage inappropriate risk-taking;  
Appoint, compensate and oversee any outside compensation consultant, outside legal counsel, or other committee adviser;  
Annually assess the independence of its outside compensation consultants or advisers, and pre-approve any services proposed to be provided by such consultants or advisers to Raytheon;  
Periodically review Raytheon's employee diversity and inclusion efforts; and  
Oversee Raytheon's management of such risks as may be assigned periodically by the Board as a result of our enterprise risk management process or otherwise.  
The Board has determined that each member is independent in accordance with NYSE rules.

The MDCC Report is included on page 58.

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THE BOARD OF DIRECTORS AND BOARD COMMITTEES

### **COMMITTEE MEMBERS:**

**Letitia A. Long, Chair** | Tracy A. Atkinson | Robert E. Beauchamp | Adriane M. Brown | Dinesh C. Paliwal | Marta R. Stewart | Robert O. Work

### **KEY RESPONSIBILITIES:**

Review political, social and legal trends and issues that may affect Raytheon's business, operations, financial performance or public image;

Review our policies and practices in the areas of legal, regulatory and social responsibility, including those involving:

- environmental protection;
- health and safety of employees;
- ethics and our Code of Conduct;
- export control;
- regulatory compliance (except financial matters);
- charitable contributions and community relations;
- government relations and legislative policy;
- political contributions and lobbying;
- anticorruption and use of foreign and domestic consultants and representatives; and
- government contracting and defense procurement policies;

Review and monitor corporate policies and practices that relate to public policy; and

Oversee Raytheon's management of such risks as may be assigned periodically by the Board as a result of our enterprise risk management process or otherwise.

The Board has determined that each member is independent in accordance with NYSE rules.

### **COMMITTEE MEMBERS:**

**Vernon E. Clark, Chair** | Stephen J. Hadley | Letitia A. Long | Ellen M. Pawlikowski | James A. Winnefeld, Jr. | Robert O. Work

### **KEY RESPONSIBILITIES:**

Review Raytheon's programs, activities, strategic pursuits and potential acquisitions involving classified business activities;

Review policies, processes, practices, procedures, risk management and internal controls applicable to Raytheon's classified business;

Review Raytheon's cybersecurity, including with respect to our internal IT systems, products, programs and factories;

Review any critical technology gaps and how Raytheon is addressing such gaps;

Support the MDCC, as required, in the review of talent development/succession planning for key technology positions; and

Oversee Raytheon's management of such risks as may be assigned periodically by the Board as a result of our enterprise risk management process or otherwise.

The Board has determined that each member is independent in accordance with NYSE rules.

### **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 2018.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Directors who served as members of our MDCC during 2018 were Robert E. Beauchamp, Adriane M. Brown, Stephen J. Hadley, George R. Oliver, William R. Spivey and James A. Winnefeld, Jr. None of these members is or has ever been an officer or employee of Raytheon. To our knowledge, there were no relationships involving members of the MDCC or our other directors that would constitute a compensation committee interlock.

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PROPOSAL 2: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION RAYTHEON 2019 PROXY STATEMENT 31

**PROPOSAL 2:****ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION****(Item No. 2 on the Proxy Card)**

The Board is proposing an advisory vote for our shareholders to approve the compensation program for our Named Executive Officers (NEOs) as described on pages 33 to 72 in this proxy statement under the heading “Executive Compensation.” While this vote is non-binding, the Board and the MDCC will review and consider the results. Raytheon will also continue to regularly engage with shareholders to solicit their views on executive compensation and other matters. As in the past, the MDCC will consider this feedback for incorporation into aspects of our executive compensation program. The Board recommends you vote “yes” on the following resolution:

**“Resolved, that the shareholders approve the compensation of the named executive officers described in this proxy statement under ‘Executive Compensation,’ which section includes the Compensation Discussion and Analysis, the compensation tables, and accompanying narrative disclosure.”**

Raytheon’s compensation program rests on the key principles summarized below.

<b>Pay-for-performance:</b> Executive compensation is tied to Raytheon and individual performance over both the near and long term.	Pages 4-6 and 34-54
<b>Shareholder alignment:</b> We ensure that the interests of executives are closely aligned with those of shareholders by heavily weighting long-term, stock-based incentives and enforcing meaningful stock ownership and retention requirements.	Pages 4-6, 38-39, 52-54 and 57
<b>Substantial variable component:</b> A substantial portion of each executive’s pay opportunity is variable, at-risk compensation based upon Raytheon’s financial performance and stock price.	Pages 4-6, 46-54
<b>Short-term versus long-term:</b> The compensation program carefully balances short- and long-term incentives, with a heavier weighting toward long-term incentives.	Pages 5 and 46-54
<b>Use of key financial metrics:</b> Short- and long-term incentive awards are based on pre-established goals for key financial metrics selected for their ability to drive operational and financial performance.	Pages 35-36 and 47-54
<b>Balanced incentives:</b> Our awards have both significant upside opportunity for exceptional performance and downside risk for underperformance.	Pages 4-6 and 34-54
<b>Market focus:</b> The MDCC considers both the practices of peer companies and broader market survey data in setting executive compensation.	Pages 43-45
<b>Competitiveness:</b> Our executive compensation program addresses the need to attract and retain highly-qualified executives essential to Raytheon’s success in a highly competitive environment.	Pages 5, 34, 39 and 42-45
<b>Managing risk:</b> The compensation program is designed to avoid encouraging excessive risk-taking.	Page 55
<b>Consultant independence:</b> The MDCC adheres to a stringent Compensation Consultant Independence Policy when retaining outside advisers.	Page 55
<b>Clawback rights:</b> Our clawback policy provides for recovery of compensation in certain circumstances where restatement of financial results is required.	Page 58

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**32 RAYTHEON 2019 PROXY STATEMENT PROPOSAL 2: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION**

Our shareholders have approved our executive compensation program through advisory say-on-pay votes and, overall, speak favorably about our program in our communications with them. The MDCC has incorporated shareholder feedback from our outreach into our executive compensation program. Following our 2018 shareholder outreach communications, and after careful consideration of relevant information and the feedback received from some shareholders, the MDCC adjusted our long-term incentive compensation mix. This change was made with input from the MDCC's independent compensation consultant and was consistent with our executive compensation planning and benchmarking efforts, and is discussed in more detail under "Shareholder Outreach and Compensation Program Changes" on page 39. The Board believes the MDCC has established a compensation program for the NEOs that is appropriate and soundly grounded in the above principles, and that warrants shareholder support.

**FOR** The Board unanimously recommends an advisory vote FOR this proposal. Proxies solicited by the Board will be so voted unless shareholders specify otherwise in their proxies.

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RAYTHEON 2019 PROXY STATEMENT 33

**EXECUTIVE COMPENSATION**

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**COMPENSATION DISCUSSION AND ANALYSIS**

**EXECUTIVE SUMMARY**

**2018 NAMED EXECUTIVE OFFICERS (NEOs)**

<b>THOMAS A. KENNEDY</b> Chairman and Chief Executive Officer	<b>ANTHONY F. O'BRIEN</b> Vice President and Chief Financial Officer	<b>TAYLOR W. LAWRENCE</b> <sup>(1)</sup> Former Vice President, and Former President of our Missile Systems (MS) business	<b>DAVID C. WAJSGRAS</b> Vice President, and President of our Intelligence, Information and Services (IIS) business	<b>WESLEY D. KREMER</b> <sup>(2)</sup> Vice President, and President of our MS business	<b>RICHARD R. YUSE</b> <sup>(3)</sup> Former Vice President, and Former President of our Space and Airborne Systems (SAS) business
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(1) Mr. Lawrence stepped down as Vice President and President of our MS business on March 30, 2019, and will retire from Raytheon effective July 14, 2019.  
 (2) Mr. Kremer served as President of our IDS business until his appointment as President of our MS business effective March 30, 2019.  
 (3) Mr. Yuse retired from Raytheon effective December 31, 2018.

**OUR COMPENSATION OBJECTIVES**

Our executive compensation program is designed to:

- Attract and retain highly-qualified executives
- Motivate our executives to achieve our overall business objectives
- Reward individual performance
- Align our executives' interests with those of our shareholders

**ELEMENTS OF OUR COMPENSATION PROGRAM**

Our program consists primarily of three direct compensation elements.

**Base Salary**

Fixed Annual cash To provide a base level of cash compensation that is competitive and reflects an executive's experience and scope of responsibilities

**Annual Incentive Awards**

Results-Based Incentive (RBI)

Variable, at risk Annual cash To motivate and reward executives based on their performance in achieving annual Raytheon and individual goals  
 To align short-term executive pay with performance

**Long-Term Incentive Equity Awards**

Restricted Stock

Variable, equity (typically four-year vesting) Long-Term Performance Plan (LTPP) units To motivate and reward executives based on Raytheon performance and value delivered to shareholders through stock price appreciation  
 To retain highly-qualified executives  
 Variable, equity (three-year performance) To align long-term executive pay with performance  
 To align executives' interests with those of Raytheon shareholders

Our executives' total direct compensation reflects a mix of these three elements that meets our compensation objectives. These direct compensation elements are rounded out with certain perquisites and other executive benefits. See "Perquisites and Other

Executive Benefits” on page 54. To reinforce the link with shareholders’ interests, we require our executives to own a meaningful amount of stock. See “Stock Ownership and Retention Guidelines” on page 57.

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**COMPANY PERFORMANCE AND COMPENSATION OUTCOMES**

Raytheon performed well in 2018. Highlights of this performance include:

RECORD BOOKINGS OF  
**\$32.2 BILLION**  
UP **16%** FOR THE YEAR;  
BOOK-TO-BILL RATIO OF **1.19**  
FOR THE YEAR

RECORD FULL-YEAR  
NET SALES OF  
**\$27.1 BILLION**  
UP **6.7%** FOR THE YEAR,  
RAYTHEON'S BEST GROWTH RATE  
SINCE 2009

FULL-YEAR EPS FROM  
CONTINUING OPERATIONS OF  
**\$10.15**  
UP **46%** COMPARED TO 2017

RECORD OPERATING  
CASH FLOW FROM  
CONTINUING OPERATIONS OF  
**\$3.4 BILLION**  
FOR THE YEAR, AFTER A **\$1.25 BILLION**  
PRETAX DISCRETIONARY PENSION PLAN  
CONTRIBUTION

RECORD BACKLOG AT  
YEAR-END OF  
**\$42.4 BILLION**  
UP **11%** FOR THE YEAR

RECORD CLASSIFIED BOOKINGS  
**UP 46%**  
FOR THE YEAR, AND ACCELERATED  
GROWTH IN CLASSIFIED SALES  
**UP 19%**  
FOR THE YEAR

In 2018, Raytheon successfully continued to execute its growth strategy to deliver results for our shareholders and customers. Our strong execution resulted in several company financial records, including net sales, operating cash flow, bookings and backlog. In particular, Raytheon achieved record classified bookings and sales, which were up 46% and 19%, respectively, for the year. Our classified work generally funds next-generation technology development that is critical to Raytheon's long-term growth through the creation of future franchise programs (advanced solution sets for which we expect longer-term customer demand) and production awards. To enable this classified business performance, Raytheon has made strategic internal investments over the past few years to ensure our capabilities are aligned with our customer needs. We also continued to expand the international markets for Raytheon solutions, including for our Patriot air and missile defense system franchise. In 2018, Raytheon booked four major Patriot production awards totaling almost \$4 billion, including bookings from three new countries: Romania, Poland and Sweden.

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Raytheon delivered better-than-expected operating cash flow performance in 2018 driven by improved working capital performance. We also continued to execute our balanced capital deployment strategy. In addition to funding strategic internal investments, we increased our dividend by 8.8%, repurchased 6.7 million shares of our common stock for \$1.3 billion, and made a \$1.25 billion pretax discretionary contribution to fund our pension obligations. In addition, Raytheon continued to invest in employees in 2018. These investments included adjusting our compensation plans based upon market data and to drive continuous financial performance and higher payouts for higher performance impacting almost 38,500 employees, upgrading and building new facilities, continuing to improve employee benefits and granting equity to an expanded employee population at more junior levels.

**Pay for Performance.** Most of our executives' compensation is at risk and varies based on performance. Due to our strong 2018 financial performance, we exceeded our 2018 RBI targets on all metrics, resulting in a 140.7% funding level.

Financial Metric (Weighting)	Threshold Performance	Target Performance	Maximum Performance	MDCC Assessment of Total-Company Actual Performance	MDCC Assessment of Total-Company Results as a Percentage of Target	RBI Funding Payout as a Percentage of Target
<b>Bookings (20%)</b>	\$25.05B	\$27.83B	\$33.40B	\$32.16B	177.7%	35.5%
<b>Net Sales (30%)</b>	\$23.87B	\$26.53B	\$29.18B	\$27.06B	120.2%	36.1%
<b>Free Cash Flow (FCF) (20%)</b>	\$2.38B	\$2.78B	\$3.53B	\$3.63B	200.0%	40.0%
<b>Operating Income from Continuing Operations (30%)</b>	\$2.82B	\$3.13B	\$3.75B	\$3.11B	96.9%	29.1%
<b>Total-Company Funding Level</b>						<b>140.7%</b>

The 2018 RBI performance targets for all metrics were greater than the comparable 2017 RBI targets. All 2018 RBI targets also exceeded Raytheon's actual performance for 2017, except for FCF. The 2018 RBI FCF target reflected higher planned investments on capital expenditures, including additional facilities requirements, as well as necessary investments related to recent program wins. 2018 was the fourth consecutive year of accelerated growth for Raytheon and these investments relate to this growth. Our 2018 RBI FCF target also reflected lower planned net cash inflows relating to our pension plans than we had in 2017. Unlike other companies, government contractors such as Raytheon experience not only cash outflows from pension costs, but also cash inflows from the U.S. government through the pricing of our products and services. This decrease in cash from pension from 2017 to 2018 is non-operational and driven by requirements of our pension plans. It should also be noted that our actual 2018 FCF performance exceeded our actual 2017 FCF performance by \$472 million.

The Company's strong overall performance over the three-year performance cycle resulted in a 148.0% payout factor for our 2016–2018 LTPP awards.

Financial Metric (Weighting)	Threshold Performance	Target Performance	Maximum Performance	MDCC-Determined Performance	Final LTPP Funding
<b>Return on Invested Capital (ROIC) (50%)</b>	8.98%	10.02%	11.26%	10.92%	81.3%
<b>Cumulative Free Cash Flow (CFCF) (25%)</b>	\$4,256M	\$5,568M	\$7,068M	\$7,755M	50.0%
<b>Total Shareholder Return (TSR) (25%)</b>	Ranking 8th	Ranking 5th	Ranking 2nd	Ranking 7th	16.7%
<b>Overall Payout Factor %</b>					<b>148.0%</b>

The results across all 2016–2018 LTPP metrics are indicative of our return to growth in 2015 ahead of schedule, our consistently strong growth rate (particularly in classified programs), and our stronger-than-expected cash flow.

We include free cash flow metrics in both the RBI and LTPP programs given the importance of both short-term and long-term cash flow performance to investors. Cash flow directly impacts the health of our balance sheet, which enables us to effectively deploy our capital to support Raytheon's strategy and generate value to shareholders. Short-term cash flow performance impacts our capital and software expenditures, company and program investments, and discretionary pension contributions. Long-term cash flow is an important metric in determining dividend changes, acquisition capacity and other longer-term investments that span several years.

Our RBI and LTPP programs are discussed in more detail in "Annual Cash Incentives — RBI" on page 47 and "Long-Term Performance Plan" on page 52.

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**Shareholder Value.** The MDCC believes that executive compensation should be tied to Raytheon performance that drives long-term value creation for our shareholders. Accordingly, our executive compensation program provides executives with a mix of variable, at-risk, short- and long-term incentive opportunities based on a number of key financial metrics. The MDCC believes the selected metrics drive operational and financial performance consistent with our long-term growth strategy, and are strong indicators of our overall performance. In particular, the MDCC believes the RBI program metrics of bookings, net sales, FCF and operating income from continuing operations, which are balanced against the LTPP program metrics of ROIC, CFCF and TSR, have driven strong Raytheon operational results, including Company performance in 2018 and increased shareholder value over the long term.

Notwithstanding Raytheon's financial performance in 2018 and future positioning (given our record backlog and classified bookings growth), Raytheon's stock performance in 2018 was highly volatile. After reaching an all-time high in April, Raytheon stock, along with the stock of other leading defense companies, experienced a sharp decline in the fourth quarter of 2018. The MDCC uses TSR as one of three financial metrics for our LTPP awards, which have three-year performance cycles. With the impact of the stock performance in 2018, Raytheon's three-year TSR ranking was seventh out of ten peers under the 2016-2018 LTPP.

Over the course of our CEO's five-year tenure, Raytheon has delivered strong TSR performance on both an absolute basis and relative to our core peer group and the S&P 500 Index. As evidenced by the chart below, Raytheon's cumulative TSR since 2014 has consistently outperformed the cumulative TSRs of the core peer group median and the S&P 500 Index. Even with its stock performance in the fourth quarter of 2018, Raytheon's five-year cumulative TSR of 85.3% exceeded the core peer group median of 80.2% and the S&P 500 Index of 48.1%.

**5 Year Cumulative Total Shareholder Return**

\* The Core Peer Group Median does not include Raytheon.

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**2019 CEO TOTAL TARGET DIRECT COMPENSATION AND MIX**

As discussed beginning on page 43, the MDCC uses information furnished by its independent compensation consultant to assess the competitive positioning of our executives' total target direct compensation against the market. The MDCC uses the median for comparable positions as a reference, though it also uses other factors in setting individual target compensation. For our CEO, the MDCC has increased his total target direct compensation each year based on, among other factors, his strong individual performance and significant contribution to Raytheon's financial performance. However, for 2019, the MDCC has determined that our CEO's total target direct compensation should remain at the same level as his 2018 compensation in recognition of our 2018 TSR performance and to maintain his compensation at approximately the peer median.

**CEO Total Target Direct Compensation**

The change to the variance from the median for our CEO's total target direct compensation in 2019 was driven by a drop in the CEO pay peer \* median from \$14.981 million to \$14.088 million, a decrease of \$893,000. Further, as discussed on page 52, in 2019, our CEO received a total of \$10.5 million in performance-based LTPP awards (at target) and time-based restricted stock awards, the same as in 2018. However, with the MDCC's decision to shift to a long-term incentive mix of 60% / 40% between performance-based LTPP and time-based restricted stock, our CEO's 2019 performance-based LTPP award (at target) increased by \$500,000 and his 2019 time-based restricted stock award decreased by \$500,000.

**2018 CEO Long-Term Equity Incentive Mix**

**2019 CEO Long-Term Equity Incentive Mix**

The MDCC believes that the CEO's 2019 total target direct compensation opportunities reflect an appropriate mix of incentives to continue to drive Raytheon's long-term performance, and are aligned with the interests of Raytheon shareholders.

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**SHAREHOLDER OUTREACH AND COMPENSATION PROGRAM CHANGES**

Raytheon regularly engages with our shareholders to solicit their views on, among other important topics, our executive compensation program. We have conducted formal engagements annually since 2010, and the MDCC has incorporated feedback from this outreach and other communications into numerous aspects of our executive compensation program, including design elements and metrics.

**Recent Shareholder Feedback.** In the fall of 2018, we communicated with 30 institutional shareholders owning approximately 38% of Raytheon’s outstanding shares. Overall, institutional shareholders spoke favorably about our compensation program, and when asked to discuss areas for potential improvements, some shareholders expressed the following:

The mix of our executives’ long-term incentive compensation should be more heavily weighted towards performance-based LTPP awards over time-based restricted stock awards.

Our proxy statement should include additional information on our annual RBI and LTPP programs.

**How We Responded.** The MDCC considered these points and other feedback and consulted with its independent compensation consultant and management. After careful deliberation, the following changes were implemented.

Beginning in 2019, the MDCC increased the weight of executive performance-based LTPP awards for a long-term incentive mix of 60% LTPP / 40% time-based restricted stock. This change to mix affects all NEOs and other executive officers.

We enhanced our compensation program disclosures regarding annual RBI and LTPP performance goals (see page 36), including additional information on period-over-period targets, the threshold and maximum performance for RBI awards, and the threshold performance for LTPP awards.

**Previous Changes.** The MDCC is committed to continuous evaluation of executive compensation program to ensure it remains appropriate for Raytheon and our strategic, business and financial objectives, and is well aligned with our shareholders’ interests. In 2017 and 2018, the MDCC made the following changes after a comprehensive review by its independent compensation consultant to ensure the program remains closely aligned with market norms and consistent with best practices.

Implemented “double trigger” for accelerated vesting of equity awards following a change in control (a change in control followed by an involuntary termination without cause or voluntary departure for good reason)<sup>(1)</sup>

Added requirement of restrictive covenant (including non-competition and non-solicitation) compliance for post-employment LTPP payouts and severance pay, subject to applicable law<sup>(2)</sup>

Eliminated car allowances<sup>(3)</sup>

Adjusted RBI and LTPP program performance ranges and pay ranges to improve pay-for-performance alignment and market practice alignment<sup>(4)</sup>

(1) Beginning with the 2018–2020 LTPP and 2018 annual restricted stock awards, and other equity awards made starting in May 2017.

(2) Beginning with the 2018–2020 LTPP awards and effective July 2017 under the executive severance guidelines approved by the MDCC.

(3) Effective July 2017.

(4) Effective for the 2018 RBI program and the 2018–2020 LTPP awards. See “Company Performance and Compensation Outcomes” on page 35.

In addition to shareholder feedback, the MDCC works closely with its independent compensation consultant and management to consider market trends and best practices, and makes changes to the compensation program as appropriate.

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**EXECUTIVE COMPENSATION PROGRAM BEST PRACTICES**

Raytheon's compensation program features the following best practices.

**Pay for Performance.**

Our executives' compensation is tied to Raytheon financial performance via financial goals and individual performance over both the near and long term.

**Market Focus.**

The MDCC uses market data from a carefully selected peer group to set executive total target direct compensation approximating the median and to design and update the executive compensation program and its elements.

**Compensation Mix.**

Our executives' compensation is heavily weighted toward variable, at-risk performance-based elements and toward long-term and equity-based elements to align with shareholder interests.

**Active Shareholder Outreach and Response.**

We regularly engage with shareholders and incorporate feedback into our executive compensation program.

**Consultant Independence.**

The MDCC adheres to a stringent Compensation Consultant Independence Policy when retaining outside advisers.

**Clawback Rights.**

Our clawback policy provides for recovery of equity and performance-based cash compensation in certain circumstances where restatement of financial results is required.

**Meaningful Stock Ownership Requirements.**

We maintain strict minimum stock ownership requirements to align executives' interests with those of shareholders and to focus executives on long-term shareholder value.

**Post-Employment Restrictive Covenants.**

Our executive severance guidelines require, subject to applicable law, compliance with certain restrictive covenants (including non-competition and non-solicitation) after termination as a condition of receiving severance payments.

**Provide Limited Perquisites.**

We only offer very limited perquisites to our executive officers.

**No Formal Employment Agreements.**

Other than standard offer letters, none of our executive officers has a formal employment agreement.

**We Don't Encourage Risk-Taking.**

The compensation program is designed to avoid encouraging excessive risk-taking.

**No Single-Trigger Payments under Change-in-Control Agreements.**

Both a change in control and a qualifying termination (involuntary termination without cause or voluntary departure for good reason) are required for executives to receive cash payments and acceleration of equity under their change-in-control agreements.

**No Excise Tax Gross-Ups or Perquisites under Change-in-Control Agreements.**

Our change-in-control guidelines prohibit providing excise tax gross-ups on any change-in-control payments. They also prohibit providing perquisites to an executive under a change-in-control agreement.

**No Pledging or Hedging.**

We prohibit pledging or hedging of the economic value of our stock by our officers, employees and directors.



**Table of Contents****2018 NEO TOTAL DIRECT COMPENSATION**

The table below shows the base salary earned, annual cash incentive paid, and equity awards granted to our NEOs for 2016–2018. This supplemental information is not a substitute for the information appearing in the Summary Compensation Table on page 59.

NEO	Year	Salary	Bonus	Annual Cash Incentive	Long-Term Equity Incentives <sup>(1)</sup>		Total
				RBI	LTPP	Restricted Stock	
<b>Thomas A. Kennedy</b>	2018	\$ 1,511,559		\$ 4,336,000	\$ 5,800,075	\$ 4,699,976	\$ 16,347,610
	2017	1,403,211	–	3,434,000	5,499,988	4,400,045	14,737,244
	2016	1,299,979	–	2,938,400	5,000,028	3,899,980	13,138,387
<b>Anthony F. O'Brien</b>	2018	\$ 780,178		\$ 1,114,700	\$ 1,599,973	\$ 1,499,910	\$ 4,994,761
	2017	721,159	–	912,400	1,299,946	1,249,928	4,183,433
	2016	608,510	–	734,400	1,199,945	1,100,001	3,642,856
<b>Taylor W. Lawrence<sup>(2)</sup></b>	2018	\$ 782,954		\$ 889,400	\$ 1,300,065	\$ 1,300,093	\$ 4,272,512
	2017	756,473	–	932,000	1,250,011	1,300,065	4,238,549
	2016	728,151	–	817,900	1,250,007	1,300,035	4,096,093
<b>David C. Wajsgras</b>	2018	\$ 977,101	\$ 19,542 <sup>(4)</sup>	\$ 1,512,300	\$ 1,300,065	\$ 1,300,093	\$ 5,109,101
	2017	977,101	19,542 <sup>(4)</sup>	1,171,500	1,250,011	1,300,065	4,718,219
	2016	971,943	–	1,052,500	1,250,007	1,300,035	4,574,485
<b>Wesley D. Kremer<sup>(3)</sup></b>	2018	\$ 741,008		\$ 1,114,400	\$ 1,300,065	\$ 1,300,093	\$ 4,455,566
<b>Richard R. Yuse<sup>(2)</sup></b>	2018	\$ 828,838	\$ 24,865 <sup>(4)</sup>	\$ 1,166,200	1,300,065	\$ 1,300,093	\$ 4,620,061
	2017	821,290	–	984,700	1,250,011	1,300,065	4,356,066
	2016	792,506	–	997,900	1,250,007	1,300,035	4,340,448

The amounts set forth under the Restricted Stock and LTPP Award columns represent the full intrinsic values of such awards on the date the Board or MDCC made the formal determination for each such grant (e.g., target number of shares times the closing price of our common stock on the determination date), since that is the basis upon which the MDCC considers these awards in proposing, recommending and approving annual compensation. In contrast, the Stock Awards column in the Summary Compensation Table represents the grant date fair value of such (1) awards for financial statement reporting purposes.

Mr. Lawrence stepped down as an executive officer on March 30, 2019, and will retire from Raytheon effective July 14, 2019. Mr. Yuse retired (2) from Raytheon effective December 31, 2018.

(3) Mr. Kremer did not become an NEO until 2018.

(4) Amounts represent lump-sum payments to Messrs. Wajsgras and Yuse in lieu of base salary merit increases.

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42 RAYTHEON 2019 PROXY STATEMENT

COMPENSATION DISCUSSION AND ANALYSIS

**OUR COMPENSATION PHILOSOPHY AND PRINCIPLES**

Our executive compensation program is designed to attract and retain highly-qualified executives, motivate our executives to achieve our overall business objectives, reward individual performance, and align our executives' interests with those of our shareholders. Our executives must have a particular level of skill and experience to manage our complex, global businesses effectively. Given the duration of our programs, contracts and business cycles, and the competitive nature of our industry, it is especially important for us to retain our executive talent for a number of years to ensure continuity of management.

**Several features of our compensation program reflect our compensation philosophy and objectives.**

We use variable, at-risk, short- and long-term incentive opportunities to tie a significant portion of each executive's compensation to Raytheon's performance and to individual performance against pre-established financial, operational and other goals.

Our balanced incentives program provides awards with both significant upside opportunity for exceptional performance and downside risk for underperformance.

Our executives have the opportunity to earn compensation that is competitive with compensation earned by executives in comparable positions at companies with which we compete for talent. The MDCC receives advice from a compensation consulting firm that satisfies stringent independence criteria.

Our stock-based incentives, coupled with meaningful stock ownership and retention requirements, ensure that executives' interests are aligned closely with those of our shareholders.

Our clawback policy provides for recovery of cash and equity-based incentive compensation in certain circumstances following a restatement of our financial results.

The MDCC designs and monitors the executive compensation program to ensure it does not foster risk-taking that would be reasonably likely to have a material adverse effect on Raytheon.

**MANAGEMENT OF OUR EXECUTIVE COMPENSATION PROGRAM**

The MDCC establishes, oversees and assesses the effectiveness of our executive compensation program in relation to our compensation philosophy and the market. To do so, the MDCC considers input from its independent compensation consultant, shareholders and management, and considers factors such as market data, risk considerations, executives' experience levels, and macroeconomic and organizational considerations. The MDCC considers internal pay equity, but does not establish a fixed relationship between the compensation of our CEO and that of any other NEO.

The MDCC retains an independent compensation consultant to help with designing and evaluating our executive compensation program. Since November 2016, the MDCC has engaged Frederic W. Cook & Co. (FW Cook) to serve as its compensation consultant. See "Independent Compensation Consultant" on page 55.

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**COMPENSATION DISCUSSION AND ANALYSIS**

RAYTHEON 2019 PROXY STATEMENT 43

**HOW WE DETERMINE AND ASSESS EXECUTIVE COMPENSATION**

Our decisions regarding executive compensation are primarily driven by Raytheon and individual performance and market competitiveness. The chart below shows how we distribute the various responsibilities related to establishing compensation.

**INDEPENDENT MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE (MDCC)**

- Establishes, oversees and assesses executive compensation programs and practices
- Reviews and recommends CEO and other NEO compensation to the independent Board members
- Recommends to the independent Board members annual corporate goals relevant to CEO and other NEO compensation; considers CEO input on other NEO goals
- Evaluates CEO individual performance and reviews individual performance of other NEOs; considers CEO input on other NEO performance
- Approves short- and long-term incentive plan funding based on Raytheon performance

**INDEPENDENT BOARD MEMBERS**

- Determine CEO and other NEO compensation
- Determine annual corporate goals relevant to CEO and other NEO compensation

**INDEPENDENT COMPENSATION CONSULTANT**

- Provides advice on executive compensation programs and practices
- Provides market data and information about peer compensation trends
- Assesses prior year pay-for-performance alignment
- Provides peer company data for setting and amending the peer groups

**SHAREHOLDERS**

- Provide input on compensation matters via say-on-pay advisory votes and Raytheon outreach efforts

Information about the composition and responsibilities of the MDCC can be found on page 29 under the heading “The Board of Directors and Board Committees — Management Development and Compensation Committee.”

**PEER GROUPS AND MARKET DATA**

We use two peer groups to assist us in assessing the competitiveness of our executive compensation relative to market and weighing Raytheon’s performance. Our “core” peer group consists of nine companies that are either aerospace and defense companies or have substantial aerospace or defense businesses. These companies are the most comparable to us based on complexity, operations, revenues, net income, and market capitalization. Our “broader” peer group includes the core peer group plus seven additional companies from other industries that have similar complexity, operations, revenues, net income, and market capitalization to ours.

We use the core peer group to measure Raytheon’s total shareholder return (TSR) performance because these companies are the most similar to Raytheon in their business and operations and we compete with them for contracts and talent. The MDCC also uses the core peer group as a reference point for certain compensation practices in the aerospace and defense industry. The MDCC uses the broader peer group to determine market positioning in setting compensation for our CEO and CFO, and to evaluate the relationship between pay and performance for our NEOs. The MDCC also uses the broader peer group as a general reference point for executive compensation practices.

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**Table of Contents****44 RAYTHEON 2019 PROXY STATEMENT****COMPENSATION DISCUSSION AND ANALYSIS**

The companies that made up the peer groups for purposes of 2018 compensation are shown below.

<b>Core Peers</b>	General Dynamics Corporation	
	Harris Corporation	Northrop Grumman Corporation
	Honeywell International Inc.	Textron Inc.
	L3 Technologies, Inc.	The Boeing Company
	Lockheed Martin Corporation	United Technologies Corporation
	3M Company	
	Deere & Co.	Illinois Tool Works Inc.
<b>Additional Peers</b>	Eaton Corporation plc	Johnson Controls International plc
	Emerson Electric Co.	Parker-Hannifin Corporation

The following chart shows how Raytheon compares to the core peer group and the broader peer group on several fundamental metrics.

<b>Raytheon</b>	<b>Aerospace and Defense</b>	<b>\$27,058</b>	<b>\$43,245</b>	<b>67,000</b>
<b>Raytheon Percentile Rank Against Broader Peers</b>		<b>44%</b>	<b>56%</b>	<b>31%</b>
<b>Core Peers</b>				
General Dynamics Corporation	Aerospace and Defense	36,193	45,386	105,600
Harris Corporation <sup>(1)</sup>	Aerospace and Defense	6,182	15,450	17,500
Honeywell International Inc.	Aerospace and Defense/ Electrical Equipment	41,802	96,395	114,000
L3 Technologies, Inc.	Aerospace and Defense	10,244	13,685	31,000
Lockheed Martin Corporation	Aerospace and Defense	53,762	73,577	105,000
Northrop Grumman Corporation	Aerospace and Defense	30,095	41,782	85,000
Textron Inc. <sup>(2)</sup>	Aerospace and Defense	13,972	10,755	35,000
The Boeing Company	Aerospace and Defense	101,127	183,064	153,000
United Technologies Corporation	Aerospace and Defense/ Electrical Equipment	66,501	91,731	240,000
<b>Additional Peers</b>				
3M Company	Consumer Discretionary/ Containers and Packaging	32,765	109,861	93,000
Deere & Co. <sup>(3)</sup>	Machinery	37,358	47,521	74,000
Eaton Corporation plc	Electrical Equipment	21,609	29,084	99,000
Emerson Electric Co. <sup>(4)</sup>	Electrical Equipment	17,408	36,794	87,500
Illinois Tool Works Inc.	Industrials	14,768	41,567	48,000
Johnson Controls International plc <sup>(4)</sup>	Automotive/ Electrical Equipment	31,400	27,062	122,000
Parker-Hannifin Corporation <sup>(5)</sup>	Machinery	14,302	19,294	57,170

- (1) Revenue and employee data as of June 29, 2018. Market capitalization as of December 28, 2018.
- (2) Revenue and employee data as of December 29, 2018.
- (3) Revenue and employee data as of October 28, 2018.
- (4) Revenue and employee data as of September 30, 2018.
- (5) Revenue and employee data as of June 30, 2018.

Source: Bloomberg

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The MDCC reviews both peer groups annually. From time to time, with input from the independent compensation consultant, we adjust the composition of the peer groups to reflect changes in our strategy and markets or changes in the peer group companies themselves. We made no changes to our peer groups in 2018.

The MDCC obtains information from its independent compensation consultant on the compensation levels, programs and practices of the companies in the core and broader peer groups. The MDCC also considers market survey data published by third parties regarding companies outside of our peer groups. The MDCC uses this survey data in setting compensation of our NEOs other than the CEO and the CFO. The MDCC also uses this data as a general indicator of relevant market conditions and pay practices and as a broader reference point. In addition, the MDCC considers information on market and peer compensation trends (levels, mix, vehicles and metrics) provided by its consultant.

Market data is an important consideration when the MDCC establishes and evaluates compensation levels for our NEOs. In setting our NEOs' total target direct compensation, the MDCC uses the market median for comparable positions as a reference to ensure our NEOs' compensation opportunities are market-competitive and meet the other objectives of our executive compensation program. The MDCC also considers other factors in setting individual target compensation, including:

- The executive's compensation history and experience in the position;
  - The executive's performance against individual goals and contribution to Raytheon's financial and operational performance; and
  - The executive's relative level of responsibility with Raytheon and the impact of the executive's position on Raytheon.
- As a result of individual and Raytheon performance and the foregoing considerations in setting our NEOs' total target direct compensation, the actual compensation for any individual NEO can vary from the market median.

As shown in this graphic, our NEOs' 2018 total target direct compensation was competitively positioned in comparison to compensation for their counterparts, according to a market assessment prepared by the MDCC's compensation consultant.

**Raytheon Target Compensation Compared to Market**

To confirm that actual pay is aligned with Raytheon's performance, the independent compensation consultant analyzes prior year pay-for-performance alignment when peer group performance data becomes available. Most recently, in mid-2018, FW Cook used 2017 peer performance data to analyze our NEOs' 2017 compensation. The analysis assessed the correlation between our short-term pay (base salary and annual incentive awards) and short-term performance for 2017 relative to the peer group. The analysis also assessed the correlation between our long-term pay (total direct pay, consisting of base salary, annual incentive awards, and realizable value of long-term incentive awards and restricted stock over the most recent three-year period) and long-term performance relative to the peer group over the same three-year period. FW Cook made these performance comparisons by considering reported financial results in four areas: growth in revenues, growth in operating income, return on invested capital, and (for long-term performance comparisons only) total shareholder return. For 2017, FW Cook concluded that there is reasonable alignment between our NEOs' pay and Raytheon's short- and long-term performance relative to our core and broader peers.

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COMPENSATION DISCUSSION AND ANALYSIS

**EXECUTIVE COMPENSATION IN 2018**

This section describes the three types of total direct compensation that make up our executive compensation program, as well as the decisions made and compensation awarded in 2018.

**TOTAL DIRECT COMPENSATION MIX**

The MDCC annually reviews the relative mix of our compensation elements. In particular, the MDCC looks at how the total direct compensation opportunity (the sum of base salary, target annual incentive, and target long-term incentives) is distributed in the following categories:

Fixed versus variable

Short-term versus long-term

Cash versus equity-based

As shown in the charts below, our executives' 2018 total direct compensation was heavily weighted toward variable, performance-based elements, and toward long-term and equity-based elements. In addition, as discussed in "Shareholder Outreach and Compensation Program Changes" on page 39, effective beginning in 2019, the MDCC approved changes to the mix of long-term incentive equity awards to increase the percentage of performance-based equity and reduce the percentage of time-based restricted stock.

**CEO Compensation**

**Other NEO Compensation<sup>(1)</sup>**

<sup>(1)</sup> Base salary includes lump-sum payments to Messrs. Wajsgras and Yuse in lieu of base salary merit increases. These amounts appear in the "Bonus" column of the Summary Compensation Table on page 59. For more information, see the Summary Compensation Table on page 59.

**BASE SALARY**

The MDCC reviews the base salaries of our executive officers annually and whenever an executive changes position. Our CEO makes salary recommendations with respect to his direct reports. To maintain competitive pay levels, we refer to the median of base salaries for comparable positions in setting our NEOs' base salaries and considering annual salary changes. However, the MDCC also considers individual factors, as discussed above under "Peer Groups and Market Data," including an executive's scope of responsibilities and years of experience. As a result, individual executive salaries may vary from the market median.

In 2018, Mr. Kennedy's base salary was increased by 7.6%, bringing his base salary to the market median for his position as CEO. Mr. O'Brien's base salary was increased by 6.0% to reflect his continuing experience and strong individual performance as CFO in 2018. Messrs. Wajsgras and Yuse received lump sum payments in lieu of base salary increases in 2018. Mr. Wajsgras' base salary remained consistent with the prior year, and base salaries for Messrs. Lawrence and Yuse (taking into account his lump sum payment) were increased by 3.5% and 3.0%, respectively, in each case to reflect his continuing experience and strong individual performance as president of his respective business.

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ANNUAL CASH INCENTIVES — RBI**

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The NEOs all participated in our annual Results-Based Incentive (RBI) Plan in 2018. RBI awards were determined through the process described below.

**NEO target RBI payouts are established**

At the beginning of the year, each NEO is assigned a target payout expressed as a percentage of base salary. These targets remained unchanged from the 2017 targets.

CEO – 200%      Other NEOs – 100%

At the beginning of the year, performance metrics are selected and goals are set based on Raytheon's annual operating plan. The metrics for 2018 were:

Bookings      Net Sales  
Free Cash Flow      Operating Income from Continuing Operations

**Raytheon performance goals are set for RBI funding pool**

At the end of the year, the MDCC assesses Raytheon's performance against the goals and determines the funding of the RBI pool.

**Raytheon performance is assessed and RBI funding is determined**

All NEO RBI awards are funded through the total-company RBI pool, not the business unit funding pools.

**Individual NEO performance is evaluated**

The MDCC considers each NEO's performance against the NEO's individual quantitative and qualitative goals. This individual performance assessment is used to differentiate RBI payouts and motivate and reward extraordinary performance. The RBI funding (as a percentage of target) is applied against each NEO's target RBI payout. That funded amount is then adjusted based on the NEO's individual performance assessment.

**Final RBI awards are determined and approved**

The MDCC recommends the NEO RBI awards to the Board for its approval.

**TOTAL-COMPANY PERFORMANCE GOALS**

The MDCC sets Raytheon performance goals for selected financial metrics. Raytheon's total-company results against those metrics drive the funding of the total-company RBI pool. In order to promote alignment and collaboration across the enterprise, all executive officer RBI awards (including those of individual business presidents) are based on total-company results. Our individual businesses have separate financial goals and RBI pools for their employees (other than the business presidents).

For 2018, consistent with past practice, the MDCC selected the following financial metrics for determining funding levels of the RBI pools.

**BOOKINGS**

Forward-looking metric that measures the value of new contracts awarded to us during the year; indicator of potential future growth.

**FREE CASH FLOW (FCF)<sup>(1)</sup>**

Measure of cash generated in a given year available for use in strategic investments to grow our businesses or otherwise generate returns for our shareholders.

**NET SALES**

Growth metric that measures our revenue for the current year.

**OPERATING INCOME FROM CONTINUING OPERATIONS<sup>(1)</sup>**

Measure of our profit from continuing operations for the year, before interest and taxes, and after certain

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non-operational adjustments.

FCF and Operating Income from Continuing Operations are non-GAAP financial measures. 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 (1) 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 operating adjustment and, from time to time, certain other items.

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These metrics, considered in the aggregate, are strong indicators of our overall performance and our ability to create shareholder value. They are balanced among long- and short-term performance, growth and efficiency, and are 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. We expect our success in this area to be reflected in our bookings in the shorter term and in 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.

At the end of each year, Raytheon's total-company RBI pool is funded (or not funded) based on Raytheon's performance against targets for each of the metrics described above. In assessing performance for each financial metric, the MDCC considers both quantitative results and qualitative factors. Qualitative factors may include the impact of unanticipated events or events outside of our control, such as acquisitions and divestitures, delays in the timing of contract awards, changes in accounting standards, and certain non-operational items. An assessment of these factors may prompt the MDCC to adjust performance results to more accurately reflect Raytheon's overall operational performance. In 2018, the MDCC adjusted performance results to exclude the impact of an unplanned discretionary pension contribution and a divestiture.

Funding for each individual metric is based on the threshold, target and maximum goals. If we do not achieve the threshold for a metric, the MDCC allocates no funds to the RBI pool for that metric. In each case, the goals are independent and additive: if we miss the threshold performance as to one measure, no credit would apply to that element, but above-target performance on another metric could make up for part or all of the shortfall. In addition, payouts are subject to a cap, even if performance exceeds our maximum goals.

Following a comprehensive review in 2017 of our executive compensation program, the MDCC's independent compensation consultant recommended changes to the RBI program payout structure to better align our executive compensation program with market practice and to motivate continuous increased financial performance. As a result, the MDCC approved adjustments to the RBI program effective beginning in 2018. Specifically, the MDCC decreased payouts for threshold achievement from 75% to 50% of the target payout, and increased payouts for maximum achievement from 150% to 200% of target, on each metric to motivate stronger performance. The MDCC also decreased the maximum performance goals for bookings and net sales to better reward above-target performance in line with market practices, and decreased both the maximum and threshold goals for free cash flow to make the potential for payouts more appropriate and achievable in line with market practices.

The following table summarizes, for the 2018 total-company RBI pool, the pre-established performance thresholds, targets and maximums, the MDCC's assessment of results against each target, and the resulting funding percentage for each metric.

Financial Metric (Weighting)	Threshold Performance	Target Performance	Maximum Performance	MDCC Assessment of Total- Company Actual Performance	MDCC Assessment of Total- Company Results as a Percentage of Target	RBI Funding Payout as a Percentage of Target
<b>Bookings (20%)</b>	\$25.05B	\$27.83B	\$33.40B	\$32.16B	177.7%	35.5%
<b>Net Sales (30%)</b>	\$23.87B	\$26.53B	\$29.18B	\$27.06B	120.2%	36.1%
<b>Free Cash Flow (FCF) (20%)</b>	\$2.38B	\$2.78B	\$3.53B	\$3.63B	200.0%	40.0%
<b>Operating Income from Continuing Operations (30%)</b>	\$2.82B	\$3.13B	\$3.75B	\$3.11B	96.9%	29.1%
<b>Total-Company Funding Level</b>						<b>140.7%</b>

The 2018 RBI performance targets for all metrics were greater than the comparable 2017 RBI targets. These target increases reflected Raytheon's strong execution of our growth strategy.

The 2018 results across all RBI metrics, leading to our total-company RBI funding level of 140.7% of target, are indicative of our strong 2018 financial performance. See "Company Performance and Compensation Outcomes" on page 35 for more information on our company performance in relation to our RBI funding level.

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**INDIVIDUAL PERFORMANCE GOALS**

Each NEO has quantitative and qualitative individual performance goals that are established annually. We believe individualized goals promote personal accountability and help differentiate our executives' compensation based on performance. Each NEO's RBI award is therefore subject to both Raytheon performance (via total-company funding results, as described above) and individual performance. In order to motivate and reward extraordinary performance, individual RBI awards are structured so that payouts can be significantly higher than both target and funding, up to a cap of 200% of target. Conversely, an executive who underperforms in relation to individual goals would receive an RBI award that is less than the executive's target after adjustment for total-company RBI pool funding.

***RBI individual performance goals for the CEO.*** The MDCC recommends, and the full Board (excluding the CEO) approves, our CEO's goals. In connection with his annual performance evaluation, our CEO prepares a written self-assessment of his performance against these goals. The MDCC discusses the CEO's performance and develops a preliminary performance evaluation, which is then discussed by all of the independent directors in an executive session of the Board. Based on this evaluation, the MDCC recommends, and the full Board (excluding the CEO) approves, the CEO's RBI award and other compensation.

***RBI individual performance goals for the other NEOs.*** For our other NEOs, our CEO provides input to the MDCC with regard to appropriate performance goals and provides his assessments and recommendations regarding individual NEO performance.

Examples of individual performance goals for our NEOs for 2018 include:

- Achieving specified milestones in the implementation of Raytheon's strategy to drive profitable growth and create shareholder value;
  - Achieving financial objectives within the individual's business or functional area;
  - Establishing and maintaining strong customer relationships by providing excellent program performance and innovative solutions;
  - Successfully managing the individual's business or functional organization, including implementing improvements in employee hiring, engagement, development and retention;
  - Successfully driving exemplary regulatory compliance;
  - Achieving sustainability and health and safety goals by increasing energy efficiency and successfully implementing workplace safety initiatives;
  - Successfully reducing costs and improving efficiencies to provide customers with affordable solutions; and
  - Leveraging diversity and inclusion to achieve global growth, enterprise collaboration and competitive advantage.
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***Achievement of individual performance goals.*** A summary of each NEO's 2018 individual performance follows.

Led Raytheon's strong performance against our annual operating plan, achieving several new company financial records.

Achieved a new company net sales record of \$27.1 billion, with growth of 6.7%, the fourth consecutive year of accelerated sales growth.

Continued to successfully execute Raytheon's balanced capital deployment strategy, including significant investments to support Raytheon's growth, and the return of 92% of free cash flow to investors in 2018 while maintaining a strong balance sheet.

Executed Raytheon's growth strategy, resulting in global demand for Raytheon solutions in missile defense; electronic warfare; cybersecurity; command, control, communications, computers, cyber, intelligence, surveillance and reconnaissance; and training. Raytheon reached a new company record in international bookings, growing 16.2% over 2017 with several key awards from international Patriot customers.

Expanded Raytheon's international pipeline of opportunities and drove localization efforts through Raytheon Saudi Arabia and Raytheon Emirates, our landed companies in the Kingdom of Saudi Arabia and the United Arab Emirates.

Built a world-class compliance program, including a leading global trade compliance program that exceeds U.S. Department of State requirements, resulting in an exit from the export control consent agreement in May 2018.

Promoted continued excellence in corporate governance and responsibility, diversity and inclusion, health and safety, and sustainability. In 2018, Raytheon received the ENERGY STAR® Partner of the Year — Sustained Excellence Award from the U.S. Environmental Protection Agency for the 11th consecutive year. Raytheon was recognized by *WomenInc. Magazine* and the Boston Club for Board Diversity.

Contributed significantly to Raytheon's strong financial performance against our annual operating plan, demonstrated by a book-to-bill ratio of 1.19, sales growth of 6.7%, productivity improvements of over 4%, a company record operating cash flow of \$3.4 billion, and a strong backlog to drive continued growth.

Led company initiatives relating to tax reform to drive significant benefits to earnings per share (EPS) and cash flow in 2018.

Continued to promote initiatives to simplify processes and gain efficiencies in key strategic areas.

Maintained effective internal control processes, including export/ import compliance excellence.

Achieved debt rating upgrade to A+ (from A) from Standard and Poor's rating agency, further enhancing Raytheon's financial flexibility.

Continued to drive innovative efforts to de-risk Raytheon's pension liability through a purchase in 2018 by some of our pension plans of a group annuity contract with Prudential to transfer approximately \$1 billion of pension obligations.

Led Raytheon's Missile Systems (MS) business unit in 2018, which had revenue growth of 7% driven by higher net sales of \$485 million on classified programs.

Achieved a record backlog of \$14 billion, which included 2018 bookings of \$1.1 billion for Standard Missile (SM)-3, \$725 million for Phalanx® Close-In Weapon Systems (CIWS), \$699 million for Advanced Medium-Range Air-to-Air Missiles (AMRAAM®), and \$554 million for AIM-9X Sidewinder™ short-range air-to-air missiles.

Drove a business focus on customer satisfaction and mission assurance, as demonstrated by successful ballistic missile intercepts by SM-3 Block IIA, and completion of SM-6 Block IA Operational Test (OT).

Led MS's continued development and investment in innovative technologies leading to over \$1 billion in Contract Research & Development (CRAD) bookings in 2018, representing a 67% Compound Annual Growth Rate (CAGR) over a 3-year period.

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Led Raytheon's Intelligence, Information and Services (IIS) business to a record-setting performance year. Exceeded all financial objectives, including a competitive win rate that led to new classified bookings of more than \$2.5 billion; year-over-year sales growth of 9%; an increase in operating margins of 60 basis points; and strong operating cash flow.

Significantly expanded IIS's core markets, including double-digit sales growth in both the cyber and space business areas.

Grew IIS's qualified pipeline to \$55.7 billion, a new record; also expanded the international pipeline by 24% to \$9.4 billion and won several key awards from customers in the Middle East and North Africa (MENA), United Kingdom and Australia.

Achieved several key program milestones throughout the business, including: the successful transition to operations of the Launch and Early Orbit portion of the Next Generation Operational Control Segment for the Global Positioning System (GPS); the delivery of key capabilities for the Air and Space Operations Center Weapon System for the U.S. Air Force; and the initiation of deliverables on the Strategic Systems Engineering Services (SSES) program for the U.S. Army.

Led Raytheon's Integrated Defense Systems (IDS) business, which exceeded all financial objectives, including record bookings of over \$8 billion that resulted in a book-to-bill ratio of 1.4.

Achieved a 98% competitive win rate, which included key Patriot awards in UAE, Romania, Poland and Sweden.

Advanced the future of radar design and manufacturing at IDS through investments in two new sites that leverage the latest in automation and test capabilities.

Led IDS's strategic focus on next-generation air and missile defense sensors and the advancement of undersea technology and architectures.

(1) Mr. Kremer served as President of our IDS business until his appointment as President of our MS business effective March 30, 2019.

Led Raytheon's Space and Airborne Systems (SAS) business through August 2018, which met or exceeded its 2018 business goals.

Achieved an 83% win rate in strategic customer R&D awards; and grew SAS's international pipeline by 11% and achieved a \$10 billion backlog.

Captured key competitive takeaways and met significant program milestones with electro-optical programs in Intelligence Surveillance and Reconnaissance systems, next-generation and classified Space programs, High Energy Laser (HEL) and integrated sensor Family of Systems programs.

Continued the expansion of SAS's program and technology portfolio with synergies across the Department of Defense, Intelligence Community and international markets.

Drove exceptional expense, rate and margin management that enabled SAS to make more than \$20 million in investments in Independent Research and Development (IRAD) and new business and facilities, to enable growth and program execution.

**RBI PAYOUTS**

The following table depicts each NEO's target RBI award (the amount each would receive assuming achievement of target Raytheon and individual performance), the target RBI award amount after adjustment for total-company funding of 140.7% (described above), and each NEO's actual RBI award (target 2018 RBI award amount after adjustments for both Raytheon and individual performance).

NEO	Target 2018 RBI Award	Target 2018 RBI Award As Adjusted for Total-Company Funding of 140.7%	Actual 2018 RBI Award
Thomas A. Kennedy	\$3,081,728	\$4,335,991	\$4,336,000
Anthony F. O'Brien	792,251	1,114,697	1,114,700
Taylor W. Lawrence	790,150	1,111,741	889,400
David C. Wajsgas	977,101	1,374,781	1,512,300
Wesley D. Kremer	754,291	1,061,287	1,114,400
Richard R. Yuse	828,838	1,166,175	1,166,200

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COMPENSATION DISCUSSION AND ANALYSIS

**LONG-TERM EQUITY INCENTIVES — LTPP AND RESTRICTED STOCK**

Our NEOs receive long-term equity incentive awards in two forms: performance-based restricted stock units pursuant to our Long-Term Performance Plan (LTPP), and time-based restricted stock. In setting our NEOs' aggregate long-term incentive award opportunities, the MDCC references the market median for total target direct compensation, and considers the NEOs' target cash compensation (base salary and RBI) and the individual factors discussed above under "Market Data."

Beginning in 2019, the MDCC increased the weight of executive performance-based LTPP awards for a long-term incentive mix of 60% LTPP / 40% time-based restricted stock.

Our 2018 NEO LTPP awards (at target) and restricted stock awards were as follows:

Name	2018–2020 LTPP Award	2018 Time-Based Restricted Stock Award	2018 Time-Based 60/10 RSU Award	Total
Mr. Kennedy	\$5,800,075	\$ –	\$4,699,976	\$10,500,051
Mr. O'Brien	1,599,973	1,499,910	–	3,099,883
Mr. Lawrence	1,300,065	1,300,093	–	2,600,158
Mr. Wajsglas	1,300,065	1,300,093	–	2,600,158
Mr. Kremer	1,300,065	1,300,093	–	2,600,158
Mr. Yuse	1,300,065	–	1,300,093	2,600,158

In 2018, the aggregate value of Mr. Kennedy's long-term incentive award opportunities increased by 6.1% compared to 2017, and the aggregate value of Mr. O'Brien's long-term incentive award opportunities increased by 21.6% compared to 2017. When combined with increases to base salary as discussed above under "Base Salary," the total target direct compensation for Messrs. Kennedy and O'Brien approximated the 50th market percentile. The aggregate value of the long-term incentive award opportunities for Messrs. Lawrence, Wajsglas and Yuse each increased by 2.0%, in each case representing a market-competitive increase.

**LONG-TERM PERFORMANCE PLAN**

The LTPP awards are performance-based restricted stock units that vest at the end of a three-year performance cycle based on Raytheon performance against pre-established financial goals set by the MDCC. The MDCC has elected to make the LTPP award payouts in common stock, but it could elect to settle these awards in cash instead. LTPP awards are granted annually to provide continuity of opportunity and marketplace consistency. As a result, financial results for any single year will affect the payouts for three overlapping three-year performance periods.

**Target LTPP payout opportunities.** The MDCC sets, for each executive, a target LTPP payout opportunity for each performance cycle. Depending on Raytheon's performance over the following three years, an executive can receive a payout ranging from zero to 200% of target, plus accrued dividend equivalents.

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**Raytheon performance goals.** The performance goals for the 2018–2020, 2017–2019, and 2016–2018 performance periods are based on return on invested capital (ROIC), cumulative free cash flow (CFCF), and relative total shareholder return (TSR). The table below explains these metrics and the weighting assigned to each.

**RETURN ON INVESTED CAPITAL<sup>(1)</sup>**

Measure of how efficiently and effectively we use capital to generate returns, including through investments and acquisitions. Our ability to generate returns efficiently and effectively is critical to our growth and the funding of our operations.

**CUMULATIVE FREE CASH FLOW<sup>(1)</sup>**

Measure of cash generated over the three-year performance period that is available for use in strategic investments to grow our businesses or otherwise generate return to our shareholders. Our ability to generate cash is critical to our growth and the funding of our operations.

**RELATIVE TOTAL SHAREHOLDER RETURN<sup>(1)</sup>**

Measure of our stock price appreciation, including reinvested dividends, over the three-year performance period in comparison to our core peers' stock performance over the same period. Investors recognize TSR as an appropriate measure to motivate executives and to achieve alignment with our shareholders' interests.

ROIC, CFCF and TSR are non-GAAP financial measures. The calculation of CFCF is the FCF calculation described above under the RBI plan over a three-year performance cycle. TSR is calculated using 30-trading-day average stock prices at the beginning of the performance cycle and immediately following the end of the cycle. The calculation of ROIC is (a) the sum of (i) income from continuing operations, excluding the after-tax effect of the FAS/CAS pension and postretirement benefits operating adjustment and retirement benefits non-service expense and, from time to time, certain other items, (ii) after-tax net interest expense, and (iii) one-third of operating lease expense after-tax (estimate of interest portion of operating lease expense), divided by (b) the sum of (i) average invested capital after capitalizing operating leases (operating lease expense times a multiplier of 8), (ii) financial guarantees, less net investment in discontinued operations, and (iii) the liability for defined benefit pension and other postretirement benefit plans, net of tax, less other similar non-operational items. Such calculation also includes certain (1) variations because the metric is averaged over the three-year performance cycle.

The MDCC believes these three metrics, considered in the aggregate, fairly represent Raytheon's overall performance, and Raytheon performance in these areas leads to the creation of long-term value for our shareholders.

At the beginning of each performance cycle, the MDCC sets target, threshold and maximum Raytheon performance levels for the three-year period for each metric based on the first three years of our five-year financial plan. The MDCC does not change the LTPP targets during the performance cycle, even if management later revises our business projections and plans. In determining Raytheon's performance for each financial metric, the MDCC disregards any change in applicable accounting standards or tax statutes after the awards are granted. See "Tax Considerations" on page 58. In accordance with their terms, the 2016–2018 LTPP awards exclude, and the 2017–2019 LTPP awards will exclude, the impact of the Tax Cuts and Jobs Act of 2017 on our financial results.

Following a comprehensive review in 2017 of our executive compensation program, the MDCC's independent compensation consultant recommended changes to the LTPP program payout structure to better align our executive compensation program with market practice and to motivate continuous increased performance. As a result, the MDCC approved adjustments to the LTPP program effective beginning in 2018. Specifically, the MDCC implemented linear interpolation rather than step increases for payouts within the performance goal ranges for ROIC and CFCF in order to motivate continuously improving performance and align to market practices. The MDCC also increased the CFCF threshold goal to require better performance prior to any payout.

LTPP awards are paid out at the end of their three-year cycles based on Raytheon performance against these predetermined goals. In each case, the goals are independent and additive: if we miss the threshold performance as to one measure, no credit would apply to that element, but above-target performance on another metric could make up for part or all of the shortfall. Meeting or exceeding any metric's maximum performance goal would result in funding for that metric capped at two times the target funding level for that metric.

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**Achievement of performance goals.** The following table summarizes, for the 2016–2018 LTPP award cycle, the pre-established performance thresholds, targets and maximums for all three metrics, our MDCC-determined actual performance, and the corresponding funding.

Financial Metric (Weighting)	Threshold Performance	Target Performance	Maximum Performance	MDCC-Determined Performance	Final LTPP Funding
<b>ROIC (50%)</b>	8.98%	10.02%	11.26%	10.92%	81.3%
<b>CFCF (25%)</b>	\$4.256M	\$5.568M	\$7.068M	\$7.755M	50.0%
<b>TSR (25%)</b>	Ranking 8th	Ranking 5th	Ranking 2nd	Ranking 7th	16.7%
<b>Overall Payout Factor %</b>					<b>148.0%</b>

The overall payout factor of 148.0% of target reflects strong Raytheon performance during the performance cycle. The results across all 2016–2018 LTPP metrics are indicative of our return to growth in 2015 ahead of schedule, our consistently strong growth rate (particularly in classified programs), and our stronger-than-expected cash flow.

**RESTRICTED STOCK AWARDS**

In 2018, we granted time-based restricted stock awards to Messrs. O'Brien, Lawrence, Wajsgas and Kremer. These awards vest in three equal tranches on each of the second, third and fourth anniversaries of the grant date, provided the recipient remains employed with Raytheon on the scheduled vesting dates.

Since 2014, we have granted, in lieu of restricted stock awards, restricted stock units (called "60/10 RSUs") to certain employees who have attained the age of 60 with at least ten years of service with Raytheon. Unlike our restricted stock, 60/10 RSUs continue to vest (but do not accelerate) as scheduled, even if the recipient retires. As a condition of continued post-retirement vesting, an employee must comply with certain covenants, including non-competition, non-solicitation of employees, non-interference with contractual arrangements, confidentiality, and cooperation in certain specified instances. In 2018, we granted 60/10 RSUs to Messrs. Kennedy and Yuse.

**PERQUISITES AND OTHER EXECUTIVE BENEFITS**

While they are 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 financial planning services, executive physicals, and life insurance coverage. We also provide other perquisites (such as home security and use of corporate aircraft) to certain executives in limited circumstances due to our security and personal safety requirements. In 2017, for consistency with prevailing market practice, we eliminated the car allowance that was previously provided to executive officers. Individually and in the aggregate, the perquisites we provide to our NEOs 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.

**SAY-ON-PAY**

Since 2011, we have asked our shareholders to vote annually, on an advisory basis, on our executive compensation. In 2018, more than 89% of the votes cast by our shareholders approved our executive compensation. As discussed in "Shareholder Outreach and Compensation Program Changes" on page 39, in 2018 we continued to solicit input from many of our shareholders on various executive compensation and governance matters. As a result of further analysis and some of our shareholder discussions, the MDCC adjusted our long-term incentive compensation mix in 2019. This change, which was made with input from the MDCC's independent compensation consultant, was consistent with our executive compensation planning and benchmarking efforts. As enhanced by this change, the MDCC believes our existing compensation approach is appropriate for Raytheon and our business in the current market environment. The MDCC will continue to monitor shareholder advisory votes and to seek shareholder input on compensation matters. Where appropriate, the MDCC, in consultation with its independent compensation consultant, will consider changes to the executive compensation program.



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INDEPENDENT COMPENSATION CONSULTANT**

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Since November 1, 2016, the MDCC has engaged FW Cook to serve as its independent compensation consulting firm. Among other things, the MDCC's compensation consultant provides information on compensation levels, programs and practices within certain peer groups and the broader market; reports on compensation trends among our peers and the broader market; and performs a pay-for-performance assessment. The MDCC's compensation decision-making process relies on this work product, together with MDCC members' judgment and experience, and information, analyses and recommendations provided by management.

The MDCC has a formal Compensation Consultant Independence Policy to ensure the committee receives independent and unbiased advice and analysis. The policy prohibits the consultant from providing services of any nature to Raytheon officers and directors personally. In addition, the consultant may not provide to Raytheon advice related to executive and director compensation, employee compensation or employee benefits, other than the advice provided to the MDCC with respect to executive compensation and other matters within the MDCC's scope of responsibilities, and advice provided to the Governance and Nominating Committee with respect to director compensation. In addition, the policy and the MDCC's charter require the MDCC to consider all relevant factors specified by NYSE standards when selecting a compensation committee adviser. The MDCC assessed FW Cook's independence in light of these requirements when it retained FW Cook in 2017 and again in November 2018, and determined in both instances that FW Cook is independent and that the firm's work does not raise any conflicts of interest.

The MDCC is required to pre-approve any non-MDCC services that its compensation consultant proposes to provide to Raytheon. As a guideline to avoid any actual or perceived conflict of interest or bias, MDCC policy limits the fees paid by Raytheon for such non-MDCC services to no more than 1% of the consulting firm's annual gross revenues. Other than the services it provided to the MDCC and the Governance and Nominating Committee, FW Cook did not provide any services to Raytheon in 2018.

**MANAGEMENT OF COMPENSATION-RELATED RISK**

While risk is inherent in many aspects of our business operations, we believe the following features of our compensation program help us appropriately manage compensation-related risk.

We rely on an assortment of vehicles for delivering compensation, both fixed and variable, 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 alignment with long-term shareholder interests.

Compensation is based on a combination of appropriately weighted performance measures so that executives focus on the business as a whole rather than individual metrics.

Performance-based awards are capped to prevent undue efforts to surpass the target for any particular measure.

Incentive compensation for the NEOs is based on individual performance and Raytheon's overall performance, not the performance of specific business units only.

The MDCC adheres to stringent guidelines when retaining a compensation consultant.

Our clawback policy provides a means to recover certain cash and equity incentive compensation awarded in reliance on erroneous financial statements substantially caused by an executive's knowing or intentionally fraudulent or illegal conduct.

Our equity grant policies ensure that equity awards are granted only on the dates of regularly-scheduled Board meetings, and not on dates that are tied to the release of material information.

The NEOs (as well as all of our directors and executive officers) must comply with rigorous stock ownership and retention guidelines.

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 Raytheon. The MDCC concluded that Raytheon'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 Raytheon.



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## **RETIREMENT BENEFITS AND DEFERRED COMPENSATION**

### **RETIREMENT BENEFITS**

Retirement benefits fulfill an important role within our overall executive compensation program 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 three broad-based retirement plans:

the Raytheon Savings and Investment Plan (RAYSIP), a tax-qualified defined contribution retirement plan (401(k) plan) in which our executive officers are eligible to participate in the same manner as substantially all other employees; tax-qualified, defined benefit pension plans in which executive officers who joined us before December 31, 2006 are eligible to participate; and the Retirement Income Savings Program (RISP) within RAYSIP, a tax-qualified defined contribution plan for employees who joined us after December 31, 2006.

We also sponsor certain non-qualified retirement plans, including:

the Raytheon Excess Pension Plan, a nonqualified excess pension plan that provides benefits that would have been provided to a participant under the tax-qualified pension plan but for compensation and benefit limits imposed under the IRC; and the Raytheon Company Supplemental Executive Retirement Plan (SERP), a nonqualified plan for eligible senior executives, including our NEOs, designed to replicate, but not exceed, the retirement benefit that a mid-career person joining Raytheon would have achieved under the qualified and excess pension plans had such person begun his or her career with Raytheon.

Messrs. Kennedy and Yuse will not receive a payment under the SERP because pension benefits for each of these executives under the formula in our qualified and excess pension plans exceed the maximum 50% of final average earnings that the SERP would provide in connection with a retirement. Our other NEOs could be eligible for SERP benefits, depending on when they retire.

Each of our retirement plans is described in more detail under the heading "Pension Benefits" beginning on page 64.

### **DEFERRED COMPENSATION PLAN**

We maintain the Raytheon Deferred Compensation Plan under which employees, including our NEOs, who are projected to reach the IRC compensation limit may elect to defer between 3% and 50% of their salary in excess of the limit and between 3% and 90% of their annual RBI plan awards, and receive tax-deferred returns on those deferrals. We make a matching contribution of up to 4% of deferrable compensation. For more information on our Deferred Compensation Plan, see "Nonqualified Deferred Compensation" on page 67.

## **SEVERANCE PAY ARRANGEMENTS**

### **EXECUTIVE SEVERANCE GUIDELINES AND OFFER LETTERS**

Our employees, including our NEOs, are employees at-will; they do not have long-term employment contracts with Raytheon. The at-will employment status of our employees affords us the necessary flexibility to separate employees when appropriate. However, in order to attract and retain highly-qualified executives who may otherwise desire the protection of long-term employment contracts, we offer specified benefits under our executive severance guideli