

# Suppliers Emissions Playbook

## Category 1 2023

# 1 Executive Summary

This playbook serves as a guide for our suppliers in understanding and addressing emissions in their operations. As part of our commitment to sustainability, we recognize the importance of reducing greenhouse gas (GHG) emissions across the value chain. This executive summary provides an overview of the key components of the playbook, which will assist suppliers in estimating, managing, and reducing their scope 1 and 2 emissions.

Taking climate action is of paramount importance for businesses. By implementing emission reduction strategies, companies can achieve various benefits, including cost savings, competitive advantage, regulatory compliance, access to new markets, investor confidence, risk mitigation, and innovation opportunities.

At Baker Hughes, sustainability is at the core of our operations. We prioritize energy efficiency, carbon footprint reduction, and low-carbon solutions for our customers. We operate safely, protect the environment, and maintain ethical supply chains. As a global energy services provider, we drive innovation, collaborate for a sustainable future, and support our communities.

We have set ambitious targets to reduce greenhouse gas emissions. By 2030, we aim to cut Scope 1 and 2 emissions by 50% and achieve net-zero emissions by 2050. Our focus areas include energy efficiency, vehicle emissions, field activities, and renewable energy usage.

Addressing Scope 3 emissions, we actively engage with suppliers to identify reduction opportunities across our value chain. Our Supplier Emissions Program and partnership with CDP facilitate collaboration and emissions reduction.

This playbook also provides tools such as an emissions calculator and revenue allocation calculator, along with an explanation of other methods in the GHG Protocol for Category 1 emissions. Overall, this playbook empowers suppliers to take meaningful actions in reducing emissions, aligning with Baker Hughes' sustainability goals, and contributing to a more sustainable future.

Through internal conferences and virtual events, we promote sustainability and share knowledge with our workforce and supply chain. We strive for continuous improvement and innovation in our supply chain operations.

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## 2 Why Act Now?

Through the 2015 Paris Agreement, international nations pledged to reducing global warming to well-below 2°C and pursuing measures to keep it to 1.5°C. The Intergovernmental Panel on Climate Change issued an alert in 2018 that global warming must stay below 1.5°C to prevent the worst effects of climate change. To achieve this, GHG emissions need to reduce by half by 2030 and reach zero by 2050. We have limited time for action and the private sector has a crucial role to play. There are several reasons to begin reducing emissions as soon as possible, many of which can provide a competitive advantage. The list below highlights some of the key advantages to reducing emissions and how they can impact your bottom line:

- **Cost Savings**

Implementing energy efficiency measures and transitioning to cleaner energy sources can lead to significant cost savings over time. By reducing energy consumption and optimizing processes, companies can lower their energy bills, operational costs, and maintenance expenses.

- **Competitive Advantage**

Embracing emission reduction strategies can enhance a company's reputation and brand image. Consumers are increasingly environmentally conscious and prefer to support businesses that demonstrate a commitment to sustainability. This can attract environmentally-minded customers, improve market positioning, and create a competitive edge.

- **Regulatory Compliance**

Many regions and countries are implementing stricter regulations to combat climate change. By proactively reducing emissions, companies can ensure compliance with existing and future regulations, avoiding potential penalties or liabilities.

- **Access to New Markets**

As the world transitions to a low-carbon economy, new markets and opportunities are emerging. By aligning with sustainable practices and offering eco-friendly products or services, companies can tap into these markets and access new customer segments.

- **Investor Confidence**

Investors are increasingly incorporating environmental, social, and governance (ESG) factors into their decision-making process. By demonstrating a commitment to emission reduction, companies can attract socially responsible investors, expand their investor base, and potentially access additional funding or capital. Although few companies do not directly face the pressure when not publicly traded, there exists a domino effect which requires suppliers of the publicly traded companies to demonstrate commitment to ESG.

- **Risk Mitigation**

Climate change and the associated environmental risks can pose significant challenges to businesses. By proactively reducing emissions and transitioning to sustainable practices, companies can mitigate these risks, such as supply chain disruptions, reputational damage, or resource scarcity.

- Innovation and R&D Opportunities

Embracing emission reduction goals can drive innovation and foster research and development (R&D) initiatives. Investing in clean technologies and renewable energy solutions can lead to the development of new products, services, and business models, creating opportunities for revenue growth and diversification.

- Attraction and Retention

Having strong EDG propositions and committing to them can aid in attracting and retaining high-quality talent.

### 3 What to Know?

It is easy to be overwhelmed with the terminology that is used when we talk about emissions. Following are few definitions for most commonly referred terms in the emissions reduction space. In this section, we will clarify key terms related to emissions reduction and sustainability. Understanding these terms is crucial for aligning with Baker Hughes' goals and contributing to a low-carbon future.

#### 3.1 Net Zero and Carbon Neutrality

Net zero refers to achieving a balance between the amount of greenhouse gases (GHGs) emitted and the amount removed from the atmosphere. It is a state where the net emissions of GHGs, such as carbon dioxide (CO2), are effectively zero. This can be accomplished by reducing emissions and offsetting the remaining emissions through methods like carbon capture and storage or investing in renewable energy projects.

Carbon neutrality, on the other hand, refers to the state of having zero net carbon emissions. It involves reducing emissions as much as possible and then balancing any remaining emissions by investing in projects that remove or offset an equivalent amount of carbon from the atmosphere. Achieving carbon neutrality is a vital step toward mitigating climate change and transitioning to a sustainable future.

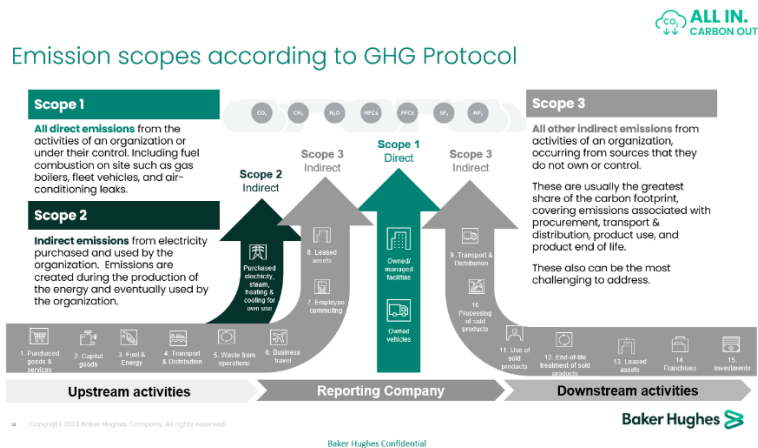
#### 3.2 GHG Protocol

The GHG Protocol, also known as the Greenhouse Gas Protocol provides a standardized framework for businesses and organizations to measure and manage greenhouse gas (GHG) emissions. It offers comprehensive guidelines for conducting GHG inventories and reporting emissions in a consistent and transparent manner by helping organizations to identify and quantify their emissions sources, track progress over time, set reduction targets, and develop effective strategies for mitigating climate change.

The GHG Protocol Corporate Standard classifies a company's greenhouse gas (GHG) emissions into three 'scopes'. Scope 1 and Scope 2 GHG emissions refer to emissions from direct operations and purchased electricity, respectively. Scope 3 emissions are the indirect emissions that occur across the value chain outside of an organization's direct operations, generated by all upstream and downstream activities from assets not owned or controlled by the organization.

##### 3.2.1 Emissions Scopes

Emissions are typically categorized into three scopes:



- Scope 1:

These emissions are direct greenhouse gas emissions that occur from sources owned or controlled by a company, such as emissions from company-owned vehicles or manufacturing process.

- **Scope 2:**

These emissions are indirect emissions resulting from the consumption of purchased electricity, heat, or steam by a company.

- **Scope 3:**

These emissions are indirect emissions that occur in a company's value chain, including activities like purchased goods and services, transportation, employee commuting, and waste disposal. These emissions account for over 99.5% of our total carbon footprint and a whopping 200 times of our Scope 1 and 2 emissions – which are emissions from our operations that we own and can control.

Accounting for and addressing Scope 3 emissions gives us a comprehensive understanding of our company's carbon footprint. It is a sizable project, but it plays a crucial and significant role in our strategy for reducing emissions and our dedication to running a sustainable business.

### 3.3 SBTi

The Science Based Targets initiative (SBTi) is a collaborative effort between various organizations, including the Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI), the United Nations Global Compact (UNGC), and the World Wide Fund for Nature (WWF). It focuses specifically on supporting businesses in setting science-based targets for reducing their GHG emissions.

These targets are aligned with the latest climate science and are intended to contribute to limiting global warming to below 2° C above pre-industrial levels, as outlined in the Paris Agreement. The SBTi is developing guidance to support companies to go beyond their science-based targets by channeling additional climate finance towards mitigation activities outside of their value chains.

The key features of SBTi are:

- **Science-Based Target (SBT) Criteria:**

SBTi provides clear criteria and methodologies for setting science-based targets. These targets are required to be ambitious, measurable, and in line with the latest climate science. The targets should contribute to limiting global warming and should be consistent with staying below 2 degrees Celsius or 1.5 degrees Celsius of temperature rise.

- **Sectoral Decarbonization Approach (SDA):**

SBTi has developed sector-specific decarbonization pathways known as the SDA. These pathways help companies in specific sectors to understand the level of emission reductions required to align with the global climate goals. It provides guidance on emissions reduction strategies, technology adoption, and best practices within each sector.

- **Target Validation and Approval:**

Companies can submit their emission reduction targets to SBTi for validation and approval. This process ensures that the targets are aligned with the SBTi criteria and methodologies. Once approved, companies can publicly announce that their targets are science-based, enhancing their credibility and transparency.

If you would like to know more about SBTi and check if any of your peers or suppliers have already committed to SBTi, you can view those details [here](#)

## 4 Our strategy towards Sustainability

At Baker Hughes, we have a comprehensive sustainability strategy that serves as our roadmap to embed people, planet, and principles into the fabric of how we do business.

- ✓ Our sustainability strategy will drive profitability by allowing us to buffer risks and catalyze opportunities.
- ✓ Our sustainability strategy underpins our broader commercial strategy and serves as our roadmap to embed people, planet, and principles into our business, positioning Baker Hughes as the energy technology company of choice.
- ✓ Our strategic outcomes were defined to help us measure our own performance as we work to deliver on our objectives and goals for People, Planet, and Principles.

### 4.1 Our Goals and Progress



- **Scopes 1 & 2:**

28% reduction in CO<sub>2</sub>e emissions from our 2019 baseline

- **Scope 3:**

While our journey to net zero for scopes 1 and 2 emissions is impactful, scope 3 emissions account for several orders of magnitude more emissions. In 2022, we worked to set an internal target to reduce our scope 3 emissions and expanded the quantification of our value chain emissions. Specific initiatives will be actioned through our Carbon Out program as we develop and advance our scope 3 emissions reduction roadmap.

### 4.2 Carbon Out

Launched in 2021, Carbon Out is our company-wide initiative to take CO<sub>2</sub>e out of our operations and meet our emissions goals. This program – which provides tools, a framework, funding, and resources – has empowered our people to systematically contribute to reducing our CO<sub>2</sub>e emissions and focus on more sustainable operations.

In 2022, we expanded our internal Carbon Out network to focus on identifying and funding projects that will reduce our CO<sub>2</sub>e emissions. These projects are key to achieving our carbon reduction commitments and reducing our environmental impact throughout our entire business. We continue to advance our understanding of our value chain emissions in our pursuit of our internal scope 3 emissions reduction goal.



## 5 Our methodologies

Adhering to GHG protocol, there are 4 different methodologies to calculate category 1 emissions depending on the type of data availability. We implemented spend based methodology to calculate our 2019 baseline year emissions. Going into the future, we are aspiring to move to Hybrid methodology utilizing supplier specific data to achieve granularity in our emissions reporting and as well as identify collaboration opportunities to reach our commitment to the planet.

### 5.1 Emissions calculator

It is important to understand your Scope 1 & 2 emissions, if possible, Scope 3 emissions to understand emission reduction opportunities and to allocate your emissions to your customers. Although Emission Factors for energy consumption varies by country, here are few resources that can be used globally:

1. [US EPA calculation worksheet](#) for Scope 1&2
2. [DEFRA Emissions Factors for Scope 1&2](#)

Activities to include in Scope 1 calculations are : any purchased gases, refrigerants, fleet

### 5.2 Revenue allocation calculator

We understand emissions calculation could be an overwhelming process during the beginning stages of emissions accounting journey. We have developed a simple revenue allocation calculator which takes into account your Scope 1, 2 and if available Scope 3 emissions and the revenue generated with us to calculate emissions allocation for Baker Hughes. We strongly recommend using this revenue allocation calculator while responding to any questions associated with emissions survey from Baker Hughes such as CDP.

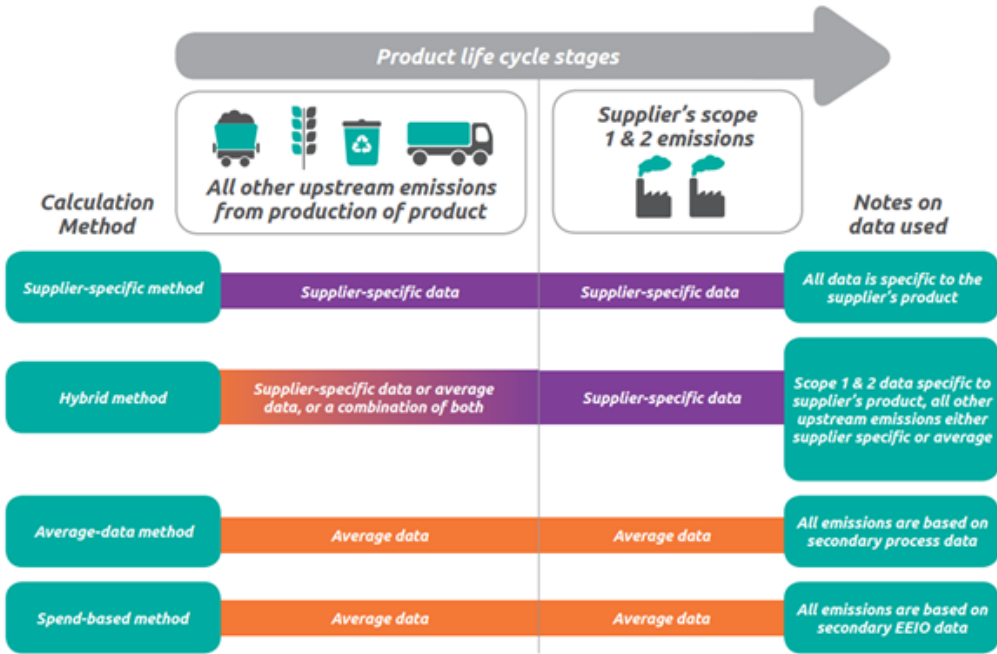


Revenue allocation  
method.xlsx

You can access the revenue allocation calculator here:

### 5.3 Additional methods in GHG protocol for Cat 1.

Depending on the availability and quality of data, companies can choose to account Scope 3. Category 1 emissions using any of the 4 methodologies. To know each methodology in detail, click [here](#).



## 6 CDP and Baker Hughes

We are requesting a few selected suppliers participate in our CDP emissions survey. CDP is a non-profit organization that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impact. Once you fill out the CDP survey, you'll receive a CDP score, which provides a snapshot of your environmental performance. Your response to the CDP survey will help us identify collaboration opportunities and support our move to hybrid methodology. If you have been asked for a different sustainability application, we do require both applications be filled out.

### 6.1 CDP Registration Link

This link will direct you to a short form that will prompt you to fill in your name, company, business email address, and other optional company identifiers. You will also be asked to confirm which of your customers (i.e. Baker Hughes) is requesting you to disclose. After CDP verifies your information, CDP's operations team will direct you to your company's online dashboard.

[Click here to begin the registration process](#)

### 6.2 Additional Resources

To help you prepare for your disclosure, CDP is providing the following resources:

- Supplier disclosure support webinars - *Please join Baker Hughes and CDP for an upcoming webinar which will provide more information about this request. We are offering two sessions to accommodate different time zones. Both sessions will present the same content.*
  - Webinar recording available from Baker Hughes/CDP Supplier Training
- Online support –multiple resources:
  - Online guidance for suppliers to help you disclose to the questionnaire
  - Capacity Building Showcase is a collection of webinars designed for new responders
  - CDP Education platform provides courses to support companies with their disclosure
- CDP organizational guide for environmental action - The CDP roadmap provides a snapshot of actions companies are taking at each stage of this journey towards environmental excellence.
- Technical Support – refer to the new CDP Help Center to search knowledge articles and raise any technical support issues regarding your disclosure.
- CDP webinars and events – visit [www.cdp.net/events](http://www.cdp.net/events) for more information.