

2014 ANNUAL REPORT

Health, Safety, Environment and Social Responsibility




**BAKER
HUGHES**

Table of Contents

Perfect HSE Day.....	3
Message from the Baker Hughes HSE Leadership Team.....	4
Section 1: Personal Safety.....	6
Section 2: Process Safety.....	16
Section 3: Health and Wellness	24
Section 4: Environment.....	30
Section 5: Social Responsibility.....	44
Section 6: Operational Excellence	56
Section 7: Building on our Success.....	72
Glossary	74

Perfect HSE Day

The concept of a Perfect HSE Day arose from a challenge of how to simplify the way HSE performance is communicated, understood and embraced by our 62,000 employees across 80 different countries and cultures. The objectives are easy to remember: no injuries, no accidents and no harm to the environment. They tie directly with our goal to develop and sustain a mature, interdependent safety culture with the simple message to take care of each other.

The Perfect HSE Day [initiative](#) was developed and launched in 2013, and immediately captured the hearts and minds of employees around the world. In 2014, with the full engagement of our employees, we almost doubled the count with 92 Perfect HSE Days—essentially a perfect quarter.

Venezuela geomarket (89 employees), Brunei (237 employees), Ghana (163 employees), Pakistan (143 employees), Kenya (121 employees) and the Philippines (90 employees). These successes demonstrate that our [goal](#) of 365 Perfect HSE Days across the enterprise is entirely possible.

During 2014, a number of Baker Hughes teams achieved a full year of Perfect HSE Days, including the East South West Africa geomarket (597 employees), the

MAKE TODAY A **PERFECT HSE DAY**



Take care of each other. -Martin Craighead

Chairman and Chief Executive Officer

No injuries. No accidents. No harm to the environment.

Baker Hughes achieved 92 Perfect HSE days in 2014

Message from the Health, Safety, and Environment Leadership Team

As a responsible corporate citizen, Baker Hughes brings value to our customers, communities and investors. Each year, we assess our responsibility by carefully evaluating our performance and trends to establish new focus areas and move forward on our journey to realizing 365 Perfect HSE Days. This report provides highlights of our performance in many areas, including a lower overall injury rate, fewer vehicle accidents, reduced spill volumes, and additional advances in energy efficiency and water conservation.

It also demonstrates our continuing effort to prevent severe incidents from occurring during our field operations, which is why we take process safety very seriously, whether it's downstream, midstream or upstream. This means understanding our risks through extensive assessments and ensuring the right controls are in

place throughout our operations. Through our multiple barrier approach, we assure well control, regulatory compliance and customer safety expectations. We're equally committed to advancing the HSE performance of the oil and gas industry as a whole, collaborating with our customers and peers on upstream process safety advances, as well as health matters and environmental concerns.

Despite the gains we've made, we're deeply saddened by the tragic loss of three members of our Baker Hughes family last year due to motor vehicle accidents. Any loss of life is unacceptable to us, and to address this we significantly increased focus on transportation safety. In addition, we continued to promote our 10 *Life Rules* to keep us focused on the most critical hazards and risks that could result in a fatality, if not properly controlled. Nothing is more important than

protecting our colleagues, neighbors and customers.

We consistently engage our employees and leadership to achieve the incident-free performance embodied by our Perfect HSE Day. It is our vision that 365 Perfect HSE Days in a single year is possible. On this journey, we are guided by our purpose to enable safe, affordable energy and improve people's lives. We've achieved three months of Perfect HSE Days in 2014, and we look forward to improving that record by constant and rigorous focus on HSE through every aspect of our business. With our visible leadership and the daily efforts of all our employees, we have become a sustainable company that protects our people, our assets, the environment and the communities in which we live and operate.

At Baker Hughes, our goal is to make today, and every day, a Perfect HSE Day. Simply put, this means no injuries, no accidents and no harm to the environment. We work to achieve this one day at a time by "taking care of each other." And that means our employees are looking out for their teammates at Baker Hughes, our industry partners at jobsites, and members of our communities.



HSE Leadership Team (shown left to right): Dina Kuykendall – Sr. Director of Environmental Affairs, Sergey Peresypkin – HSE Director of Middle East & Asia Pacific Region, Jack Hinton – HSE Vice President – Enterprise Solutions, Mark Kaulen – HSE Director of North America Region, Angela Durkin – HSE Executive Vice President, Reggie Kennedy – Sr. Director of Global Health & Safety, Leo Granato – HSE Director of Latin America Region, Rick Bui – HSE Vice President – Global Products & Services, Nicole Paez – Director of Human Resources, Support Functions, Donata Scanavino – HSE Director of Europe, Africa & Russia Caspian Region

Personal Safety

2014 HIGHLIGHTS

LOWEST TRIR IN
THE HISTORY OF
BAKER HUGHES – 0.45

 **56** FEWER
LOST TIME
INJURIES

PRESSURE
PUMPING **43%**
IMPROVED TRIR

375,000
MORE OBSERVATION CARDS

 **175** FEWER
RECORDABLE
INJURIES

BEST PERFORMANCE
92 DAYS
MAKE TODAY A
PERFECT HSE DAY
YEAR

54 FEWER
MOTOR VEHICLE ACCIDENTS

NEW SAFETY OBSERVATION
SYSTEM ROLLOUT


GUARDIAN
OBSERVATION SYSTEM

46 FEWER
SHORT SERVICE
EMPLOYEE INJURIES

Enterprise employee injury / illness performance

In 2014, Baker Hughes employees achieved significant improvements in safety performance, continuing our progress toward an interdependent HSE culture and making every day a Perfect HSE Day.

Throughout the year, we emphasized safety "on and off the job" and made a concerted effort to engage employees and their families while at home. Materials were directly mailed to employees that encouraged explanation of the Perfect HSE Day to their families and prompted discussions about making safety a priority in their personal lives.

Through leadership and further efforts to engage employees in the Perfect HSE Day concept, we achieved a Total Recordable Incident Rate (TRIR)

of 0.45, which is the lowest incident rate in our company's history (Fig. 1). The 31% reduction compared to 2013 reflects that 175 fewer employees were seriously injured. This is particularly remarkable given the broad range of areas in which we work, often remote, and the increasing complexity of our operations.

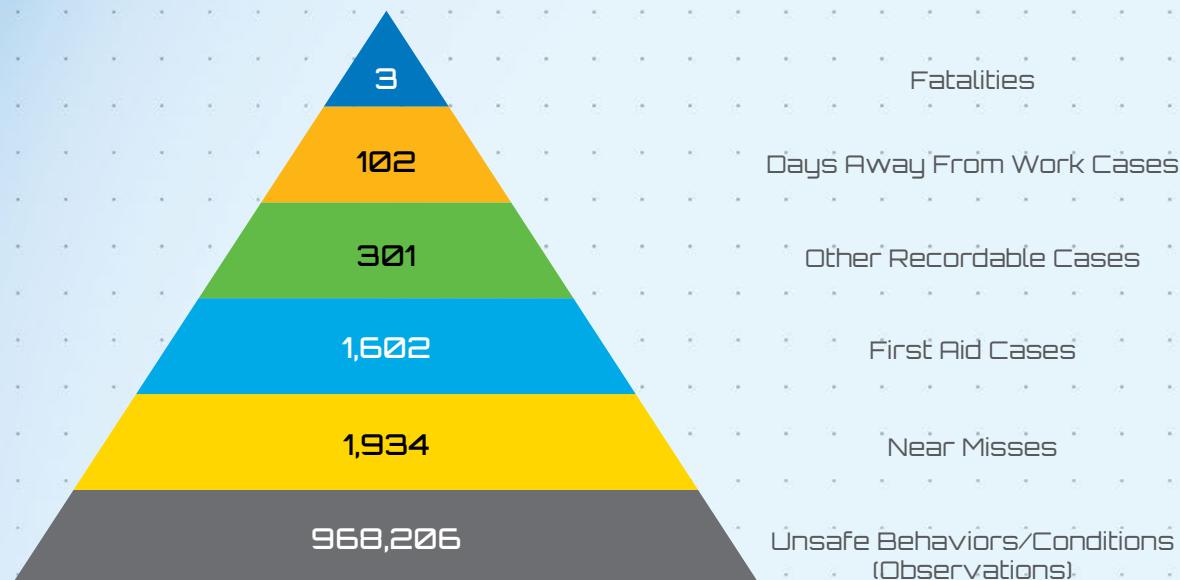
**BEST
HSE PERFORMANCE
IN COMPANY HISTORY**

We also achieved a 35% reduction in our Days Away From Work Case Rate (DAFWCR), with 56 fewer employees losing time from work due to a work-related injury.

Figure 1. Baker Hughes injury rates from 2012 through 2014



Figure 2. Baker Hughes loss control triangle 2014



Our loss control triangle (Fig. 2) shows employees submitted more than 968,000 observations in 2014, resulting in a 63% increase year-on-year. This increase correlates directly with our improved HSE performance.

Despite our progress, we are deeply saddened to report three of our fellow employee's lives were tragically lost in motor vehicle accidents. This reinforces the importance of commitment and adherence to [Life Rules](#), especially concerning transportation safety.

In 2014, we also measured our performance against a set of leading and lagging indicators such as:

- Active leadership engagement in HSE through job site visits or town hall meetings
- Strong employee participation in our observation program
- Robust reporting of near-miss events
- Evaluation of safe driving behaviors
- Prompt closure of audit findings / non-conformances

DID YOU KNOW?

TWO Million

Baker Hughes employees submitted nearly two million HSE observation cards during the last three years.

Injury / illness data analysis

Figure 3. Top five recordable injuries by body part

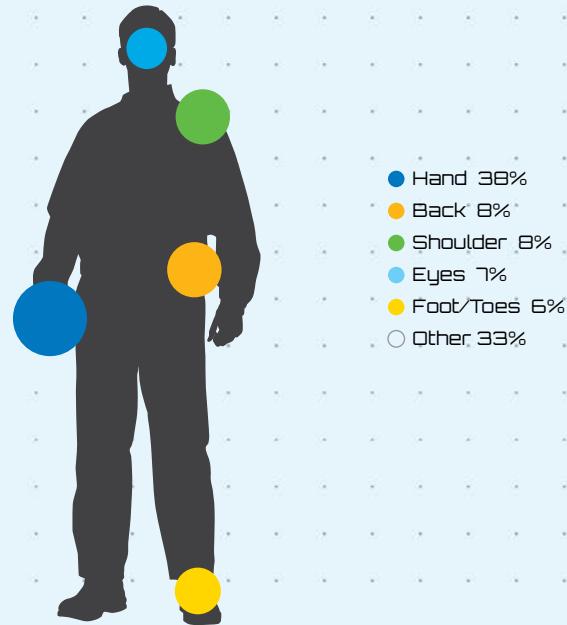


Fig. 3 Hand injuries were the primary contributor to recordable injuries (38%), followed by back injuries (8%) and shoulder injuries (8%).

Figure 4. Nature of injury 2014

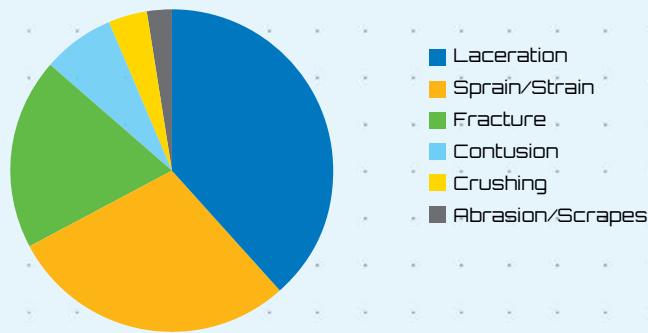


Fig. 4 Although sprains and strains continue to be among the most prevalent type of injury, we experienced a 47% reduction compared to 2013.

Figure 5. Recordable incidents by location



DID YOU KNOW?
77%
Baker Hughes employees improved our recognition and reporting of Near Misses by 77% in 2014, surpassing our goal by a wide margin.

Geomarket Performance

Early in the year, our geomarkets were re-evaluated against our set of leading and lagging indicators. Motivated by the findings, management began to focus on key areas that would improve their position relative to their peers and also improve their HSE performance, and thus the safety of their employees.

As shown in Fig 6, all geomarkets improved their overall score by moving from the bottom left quadrant to the upper right, which reflects significant improvements in leading and lagging indicators over the course of the year.

Stop Work Authority

A fundamental aspect of our interdependent HSE culture is to involve everyone and ensure they are aware of their responsibility and obligation to observe, intervene and report unsafe conditions and behaviors. A crucial tool used extensively across Baker Hughes is our Stop Work Authority program, which is intended to identify and stop any unsafe acts before they happen. Every worker is obligated and is responsible for recognizing potentially unsafe conditions or behaviors, and acting immediately to stop the job until the problem is corrected. A successful Stop Work Authority program requires

continued training and an ongoing expectation that management will support employees every time they stop a job.

To this extent we have made Stop Work Authority one of our ten *Life Rules*. Employees performed more than 71,000 Stop Work actions, an increase of 65% from the previous year, and almost three times the number from two years ago (Fig. 7). This significant increase in Stop Work events is indicative of our progress in reaching an interdependent HSE culture.

Figure 6. Geomarket HSE performance bubble chart

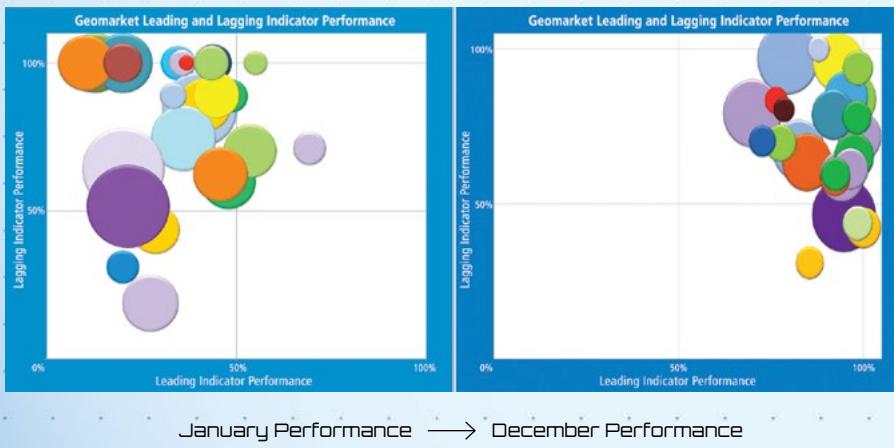
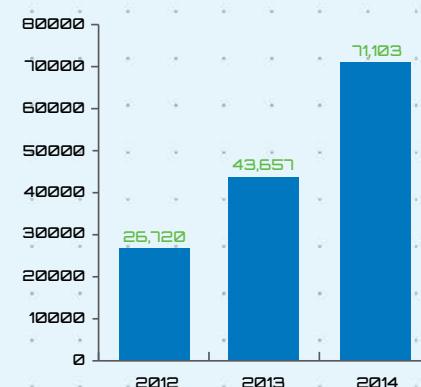


Figure 7. Number of observation cards associated with Stop Work



Pressure Pumping HSE Performance Improvements

Pressure Pumping historically faces unique HSE hazards, risks and challenges, given the nature of the work. This is revealed in industry statistics, where year-on-year, pressure pumping lags behind most other oilfield services in HSE performance.

The Baker Hughes Pressure Pumping leadership team took ownership of directing HSE performance and empowered employees to share ownership with them. They established targets for leading indicators, enhanced policies and procedures to ensure flawless execution, and increased their visibility throughout field operations.

The change was meaningful. A new level of personal responsibility was captured, and their slogan became "I am Baker Hughes—accountable and committed."

Leaders asked employees to work with them to prevent injuries. Employees responded, demonstrating their commitment with a four-fold increase in safety observations. A very personal and courageous [video](#) testimony from an Indonesian employee, who lost his hand in a tragic workplace accident, was broadly shared across the company and with customers to reinforce the importance of our Stop Work program and the significance of following procedures. The results were remarkable, reducing injuries by

more than 40%, one of the best safety performances in the industry.

Renewed emphasis was placed on transportation safety. Driver Safety Stand Downs were held across the organization; with the emphasis being that each employee would be accountable and committed every day to increasing their transportation safety efforts. The Pressure Pumping team ended the year with a 14% reduction in their Motor Vehicle Accident Rate (MVAR), with 15 fewer recordable vehicle accidents.

Environmental performance was emphasized through a focus on the "12 Principles of Spill Avoidance."

Employees pledged to eradicate spills through flawless execution at the jobsite, every day. A hose inspection and replacement program was a key component of the spill avoidance efforts. The results are clear, with a 78% reduction in spill volume.

Martin Craighead, Baker Hughes Chairman and CEO, recognized Douglas Stephens, president of Pressure Pumping, and his entire team for their demonstration of leadership when he remarked, "They've taken ownership of HSE to drive remarkable change. This demonstrates how accountability and commitment can change the game in how the industry manages HSE."



Parviz Huseynov took a stand to be "Accountable and Committed"

Hand Safety

In the oil and gas industry, many activities have the potential to impact people's hands, which can result in severe life-altering injuries. To address these risks, which are prevalent across all segments of our business, a global hand safety improvement team was formed. Their continuing mission is to identify hands-free engineering solutions and practices. Currently, there are more than 80 solutions that are being vetted by operations, subject matter experts, engineering and safety personnel. This team has also developed numerous hand safety resources for implementation in 2015 including:

- Technical support portal
- Awareness campaign materials (e.g. videos, posters, presentations, etc.)
- Hand safety engineering control database
- Glove matrix and global partnerships with several glove manufacturers

Driving Safety

Our transportation safety performance improved last year (Fig. 8), as shown by the 27% decrease in our recordable Motor Vehicle Accident Rate (MVAR). This amounts to 54 fewer motor vehicle accidents compared to the previous year. However, this improvement is tempered by a slight increase in our overall accident rate (all severity classifications). While the significant decrease in MVAR is encouraging, we still have many opportunities for improvement. Historically, the majority of our vehicle accidents were light severity and due to a combination of factors, with the most frequent being:

- excessive speed for road and weather conditions
- improper following distance
- poor driver awareness of surroundings

Figure 8. 3-Year Vehicle Accident Rates



DID YOU KNOW?

57%

The Middle East/Asia Pacific region initiated a Hand Injury Eradication Campaign that helped to reduce hand injuries by 57% in the second half of the year.

To address these issues, we piloted and adopted advanced lane departure and collision warning technology, and state-of-the-art driving simulators (Fig. 9). These technologies provide real-time, in-cab warnings and enable us to more effectively train our drivers in basic scenarios, including fatigue management and emergency driving maneuvers. The driving simulator consistently reinforces basic defensive driving skills and safely replicates dangerous scenarios such as how to handle a blown tire, skid prevention and recovery, or responding to a wheel dropping off the paved road surface. The simulator-based course will be

available in 2015 at our Western Hemisphere Education Center in Houston and we plan to offer similar training at the Eastern Hemisphere Education Center in Dubai.

Air transportation

In 2014, we completed safety assessments of all 111 helicopter carriers providing support to our employees globally, and conducted on-site safety audits of all four providers contracted directly by Baker Hughes. We also developed a comprehensive process to manage both helicopter and commercial air passenger transport safety requirements, including

helicopter journey management risk assessment tools and commercial air carrier selection requirements. Lastly, we improved our air cargo carrier selection and developed an enhanced risk assessment process to help our logistics managers choose the safest possible provider when making international air cargo shipments to our customers.

Going forward, we will increase our focus on safe driving behaviors by adopting preventable vehicle accidents as a key performance indicator to actively manage our transportation risks.

Figure 9. Driver simulator training



DID YOU KNOW?

**298
Million Miles**

In 2014, we operated more than 18,000 vehicles and travelled more than 298 million miles globally. This is roughly equivalent to 12,000 trips around the globe.

Driving Safety

On average, more than 70% of vehicle accidents are caused by distracted driving. To raise awareness of the dangers, several employees shared personal stories of how distracted or fatigued driving impacted their lives. Baker Hughes employees around the world pledged to end distracted driving by making a commitment to drive phone-free. The employees who signed the pledge promised to:

- Protect lives by never texting or talking on the phone while driving
- Be a good passenger and speak out if their driver is distracted
- Encourage their friends and family to drive phone-free

In the spirit of safety—"on and off the job," employees took the

safety message to local schools. For example, the Egypt and Syria Women's Resource Group spent a full day teaching basic road safety rules to local schoolchildren. The Sakhalin team launched the "Little Pedestrian Safety Initiative," focused on children 5-7 years old who were starting school. As part of this effort, they provided several hundred reflectors for children to wear. They also engaged high school students in expanding the culture of safety within the community.

In Dubai, employees took the road safety message to children and parents at the Repton School where they demonstrated the importance of wearing a seatbelt. "Due to speeding and the number of accidents that

occur locally, we felt the need to take the "Road Safety" message directly to the community," said Samer Morad, assembly, maintenance, overhaul (AMO) manager. AMO and manufacturing employees volunteered at the four-day event, speaking about safety and using a teddy bear to demonstrate the effect of an impact with and without the use of a seatbelt. "It was rewarding to see the effect on the children," said Fahd Shaikh, HSE Specialist. "The younger kids were shocked to see Winnie the Pooh crash without a seat belt and then they clapped when Winnie wore the seat belt and avoided injury. I think we delivered the message and hopefully contributed to avoiding injuries on the road."



Drivers in the Process and Pipeline Services group in Aksai, Kazakhstan pledge not to drive distracted



School children in Dubai learn the importance of wearing a seatbelt

Process and Pipeline Services

Our Process and Pipeline Services (PPS) teams in the Eastern Hemisphere received numerous accolades for outstanding HSE performance from clients. In April, Ersai Caspian Contractor, LLC, presented a safety award to our Kuryk, Kazakhstan, team for work on the jack-up drilling rig construction project. The award highlighted the strong safety performance of the team.

In Africa, the PPS group was recognized with the Chevron President's Recognition for Accomplishments in Safety and Environment. This rare award was presented to the Baker Hughes team working on the Nemb

precommissioning project. They achieved two million man-hours without a days away from work case. Donnie W. Sinitiere, Dynamic Industry Ltd's EVP & COO for International Operations said, "I want to personally commend each of you for helping to achieve a significant safety milestone that has been recognized by the president of Chevron and the managing director of the Southern Africa Strategic Business Unit. This was accomplished through everyone being committed to our safety culture day-by-day and task-by-task."

ExxonMobil recognized Baker Hughes PPS Far East operations for outstanding safety performance on the Papua New

Guinea (PNG) liquefied natural gas (LNG) development. Over the course of a year, 44 on-site Baker Hughes technical personnel completed the project without any HSE or major operational issues.

Brunei Shell Petroleum and Aker Solutions recognized the PPS Far East operations team. Working in an isolated location with challenging weather, the team of 48 technical personnel successfully met all goals and was commended for high safety standards and efficient, quality performance. Brunei Shell Petroleum also recognized a number of individuals for their support for the HSE program, including efforts to recognize and intervene on unsafe behaviors and conditions.



The Africa PPS team received the Chevron President's Recognition Award. Left to right: Greg Hunter, Ian Pattinson, Adrian Durant, Stephen Moore (Dynamic Angola Ltd Construction Manager), Mike Almond and Kris Maclean



Arman Niyazbekov, Shift Supervisor (right), accepted the Ersai safety award on behalf of Baker Hughes.

Process Safety

2014 HIGHLIGHTS



EMBEDDED
PROCESS SAFETY
CHAMPIONS
IN REGIONS

FOCUS ON TEN REQUIREMENTS



BARRIERS

Know your equipment, process, and people barriers and confirm they are in place and tested.



LOST BARRIER

If a barrier is lost, immediately stop and fix it.



**SUBSURFACE
UNCERTAINTIES**

Know and communicate subsurface uncertainties.



**WELL CONTROL
EQUIPMENT**

Know your well control equipment and confirm it's certified and tested.



TRAINED PEOPLE

Confirm all people are trained and competent for the task.



**POLICIES &
PROCEDURES**

Follow policies and procedures or get approval to deviate.



RISK ASSESS

Perform risk assessments during planning and for changes.



WALK THE LINE

'Walk the line' on temporary rig-ups and confirm set-up = layout drawing.



**EMERGENCY
RESPONSE**

Test your emergency responses and conduct regular drills.



REPORT / LEARN

Report Process Safety Incidents and Process Safety Near Misses, investigate, share, and learn.



2014

SAFETY AWARD

INDUSTRY
LEADERSHIP
BAKER HUGHES
ACTIVE IN
24 FORUMS

PROCESS SAFETY
COMPETENCE



1,200 INTERMEDIATE LEVEL
CERTIFICATIONS

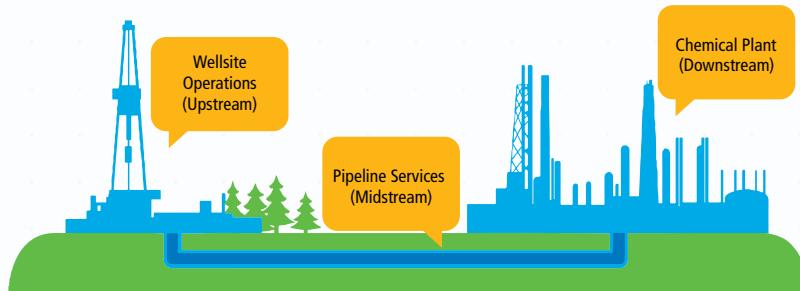
103 WORKSHOPS/
WEBINARS
SUPPLEMENT
FORMAL
TRAINING

From exploration to processing, Baker Hughes uses the principles of [Process Safety](#) Management to ensure that our employees and our communities are safe by keeping hydrocarbons where they belong – “in the well or in the pipe.” Our upstream, midstream and downstream sectors

multi-barrier controls. These barriers ensure that we avoid, detect, control and mitigate hazards whether at the equipment, process, or people level.

In the downstream energy and chemical industries, process safety has been an established operating

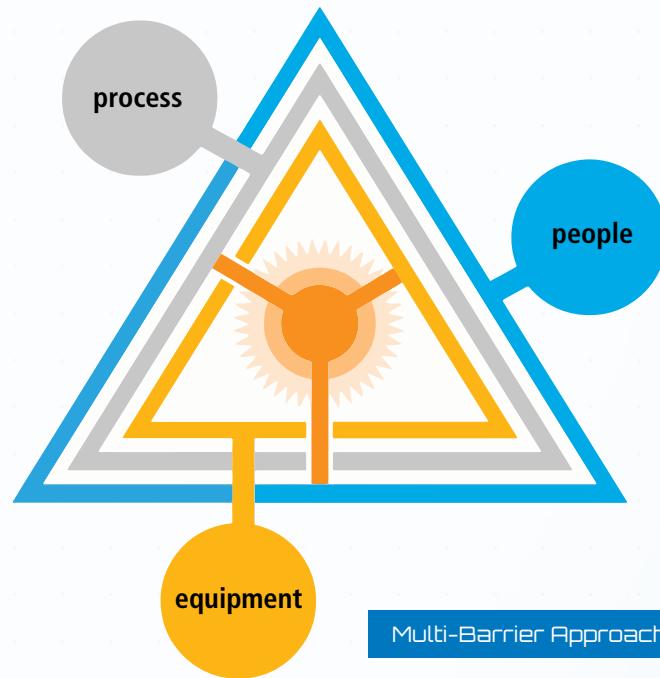
practice for many years. Given that Baker Hughes services include chemical manufacturing and blending operations, process safety principles have been well understood and in place for decades. Over the last four years, we have broadened our focus to ensure we have the same measures of protection for Wellsite Process Safety as we did for our chemical business. This allowed us to leverage our learnings from chemicals to apply the principles of process safety to our upstream industry products and services provided at the wellsite.



use the multi-barrier controls of equipment, processes and people to prevent and address safety hazards throughout our businesses.

While personal safety incidents, such as slips, trips, falls, cuts, driving accidents and others may occur in our industry, it only takes one process safety incident to potentially have catastrophic consequences resulting in loss of life, impact to the environment, or extensive property damage.

Baker Hughes has taken the position to manage personal and process safety with the same rigor by employing





Process Safety Champions facilitate and verify multi-barrier implementation

DID YOU KNOW?

1,100+

More than 1100 Wellsite Safety assessments were completed globally during 2014. These assessments measure field service employee understanding and use of our 10 critical process safety requirements.

Risk Mitigation and Barrier Management

Reliability of equipment and processes to facilitate risk mitigation and barrier management is common across process safety. In our chemical business we use controls to keep raw materials and products in the pipes and vessels. At the wellsite we focus process safety on both our products and services to assure wellbore integrity and keep the hydrocarbons in the well. As an added measure, we have dedicated process safety champions in each of our regions

to work directly with our employees and customers to facilitate and verify we have effectively operationalized process safety.

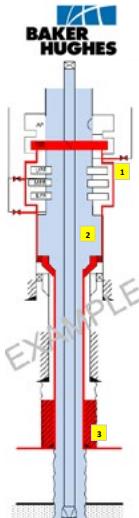
Fundamental to our approach is:

- barrier integrity
- risk management and mitigation
- incident and near miss reporting
- learning from investigations by sharing lessons

We believe Wellsite Safety, as we commonly refer to Baker Hughes Upstream Process Safety, begins with

barrier integrity as the foundation to mitigate risks. This is the basis of our position on well control assurance. We will not proceed with work unless we can confirm that a minimum of two physical/equipment barriers are present prior to beginning any critical service where subsurface threats can result in a loss of primary containment. If two barriers are not present, additional measures must be taken; followed by the appropriate Management of Change (MOC).

Our approach is to condense complex risk assessment results using Failure Mode Effect Analysis, Bow-Tie Analysis, etc., into a series of wellsite checklists. Our methods provide a simplified means to ensure critical checks are conducted, before, during and after the job for each of the barriers defined by risk analysis for well control. This simple approach to operationalizing process safety is receiving industry recognition.



PHYSICAL / EQUIPMENT BARRIER CHECKS - DRILLING SERVICES			
APPLICABLE TO BHI OR NON-BHI CONTROLLED BARRIERS			
GeoMarket:	Date:	BHI Field Supervisor:	
Operating Office:	Customer:		
Field:	SAP Job #:		
Well:	Run / Trip #:		
Rig:	Pull / Install / Job #:		
Activity and Service:			
<i>You must have a minimum of TWO physical / equipment barriers in place before and during job execution.</i>			
Barrier #	Description of Physical / Equipment Barrier	Check Method	Checked By
Examples of Physical / Equipment Barriers			
(1) Blow Out Preventer (Drilling, Wireline, Coiled Tubing, Snubbing, etc)	Check Valves		
(2) Fluid Column	Surface Control Sub-Surface Safety Valve		
(3) Cement Behind Casing (solid state)	Stab in Safety Valve, Full Opening Safety Valve, Inside BOP		
Liner Hanger / Packer	Bridge Plugs, Cement Retainers		
Packers (Tubing Set, Seabore)	Top Drive Full Opening Safety Valve		
Tubing	Casing w/ Float Valves		
Sub-Sea Test Tree	Coiled Tubing		
Production Tree w/ Annular Valves & Crown Plugs	Cement Slugs (solid state)		
Wireline Stuffing Box / Grease Head	Wireline Lubricator		
Example Methods of Checks*			
Check Data From IADC Reports	Check Certifications / Calibrations	Review Approved Well Plans / Programs	
Visual Verification (Surface Equipment Only)	Check Test Reports	Other Documentation	

* Methods will vary depending on job type, services being performed, and scope of work.

Level 4 Tier: GLE - Global Data Element Type Form
Sub Element: Upstream Process Safety
Doc Number: UPSP-PHYSICAL BARRIERS FORM-05-001 Rev-A
Effective Date: 02-SEP-2013

Barrier Checks – Simplify Safety Assurance.

Feature: STOP WORK HEROES

Process Safety and Stop Work are two of the Baker Hughes *Life Rules* applied by our employees to mitigate risk and ensure well control while providing our services. Well control is one of many aspects of our business where these *Life Rules* are particularly applicable. Below are two examples where our employees have used their Stop Work Authority prior to beginning the job.

Gulf of Mexico—during a dual completion job, our employees saw indicators of a potential “well kick.” Recognizing the threat, they stopped the job. Upon consulting with their home base and the client, a Management of Change was conducted. This resulted in identifying a safe way forward, allowing

the work to proceed effectively while eliminating the risk of a “well kick”.

Venezuela—before starting a job, Baker Hughes employees determined the operator’s blow-out-preventer (BOP) was incomplete. Our field engineer stopped the work for approximately four hours until the missing parts were obtained and installed. Even though these steps required downtime, Baker Hughes management and the customer recognized the field engineer for his intervention and encouraged our personnel to continue exercising Stop Work Authority.



Stop Work Heroes (left to right):
Ricky Boudreaux, Jerome Hickenbottom
and Danny Guidry



LOST BARRIER
If a barrier is lost,
immediately stop,
and fix it.

Lost Barrier – One of the 10 Critical Process Safety Requirements

**TRAINED PEOPLE**

Confirm all people are trained and competent for the task.

Trained people is one of the ten Critical Process Safety requirements

DID YOU KNOW?

24 X

Baker Hughes actively addressed wellsite process safety an average of twice a month through industry forums (24 times in 2014) and once a quarter through technical publications (4 papers in 2014).

Competency and Training

Central to multi-barrier control is the competency of personnel to recognize process safety threats and to take the right action. New Hire Orientations reinforce this understanding and our product line Technical Academy curriculums embed safe principles of operations. Using these hands-on training methods, we link the results of our Bow-Tie risk analyses from the wellsite checklists to practical applications to use in the field.

In addition, we've initiated a multi-year program to supplement learning with additional focus on wellsite process safety to increase our safety assurance. The program was initially launched in 2013 with Awareness Training, followed by Intermediate Training in 2014 and Advanced Training in 2015. Nearly 12,000 employees have successfully acquired Intermediate Upstream Process Safety certification.

Reporting, Investigation and Learning

Another key component of risk management and mitigation is understanding what happened and how it can be prevented in the future. We report and conduct thorough investigations of any process safety-related non-conformance, near miss or incident to determine the root cause and to know what actions can be taken to prevent recurrence. We are very conservative in our approach because we ask for any deviation to be reported so it may be reviewed for learning. We also enhanced our incident reporting system to promote reporting and trending of anything believed to impact process safety.

Our methods provide us with a better understanding of process safety incidents as well as the precursors that might lead to an incident. In 2014, this understanding allowed us to classify wellsite process safety risks by formation challenges,



Pressure Pumping field-ready training, Odessa, Texas

operator actions and Baker Hughes actions. We were also able to further delineate non-conformances by type, whether related to procedure, loss of barrier, loss of containment or loss of well control. In 2015, we will advance the quantification of such risks.

We share these learnings beyond Baker Hughes, engaging across the industry and taking a leadership role. In fact, we received the Shell 2014 Safety Award for the second straight year. This recognition was primarily based on the leadership Baker Hughes has demonstrated to advance the management of process safety within our industry.

Baker Hughes showcased our best practices during the Wells Process Safety Symposium organized by Shell in August in the U.K. The wells process safety event focused on promoting collaboration, understanding, and lessons learned to reduce upstream process safety risks. The symposium's

theme addressed the challenge of embedding wells process safety in day-to-day operations and how to keep process safety discussions on the forefront as much as personal safety discussions and efforts.

Baker Hughes experts shared our approach and methodology for operationalizing wellsite process safety during the symposium.

We also sponsored a safety forum in Dammam, Saudi Arabia, with Saudi Aramco and drilling contractors. This interactive forum provided an opportunity for Baker Hughes, Saudi Aramco and contractors' HSE and operations representatives to enhance relationships while developing and sharing solutions to common operational and HSE related concerns. The forum focused on personal safety and process safety. A combination of presentations and breakout sessions were designed to engage all participants in addressing common challenges encountered on Baker Hughes integrated operations projects.

DID YOU KNOW?

103

As a supplement to formal training, 103 product line-specific region workshops and webinars were conducted in 2014. This addressed the wellsite process safety component of the full lifecycle of our products and services, including manufacturing; operations; assembly, maintenance and overhaul; reliability and service delivery; and HSE.



Shell Safety Award was presented by Ivan Tan, VP HSE Shell (far right) to Sam Zettle, VP Global Accounts (center) and Jack Hinton, VP Enterprise Solutions



Gordon Duncan, Neil Easton, Ulrike Waller at the Wells Process Safety Symposium

Our midstream business helps our customers assess and maintain the integrity of their new and existing pipeline systems and process plants. We use a design/review process that we conduct jointly with engineers representing our clients and Baker Hughes in order to align process safety. Within the midstream business, Process and Pipeline Services (PPS) initiated and started to evaluate the hidden risk around pressure control-related events. This will continue in 2015 with further analysis.

An accomplishment of our downstream business was the acceleration of an independent review of our chemical process safety management, which was completed a year early. As a result, a single Baker Hughes Process Safety Management system was enhanced with:

- Consolidation of process safety data to assure consistent program execution
- Harmonization of Management of Change (MOC) processes, allowing

for a more consistent approach to manage across plants and operations, which enhances compliance assurance

- Upgrading our preventative maintenance system, allowing more reliable and cost-efficient operation of our chemical manufacturing plants
- Enhancing employee proactive involvement and accountability, providing higher levels of ownership and engagement.

These efforts were recognized by the Society of Chemical Manufacturers and Affiliates (SOCMA). In 2014, Baker Hughes was awarded ten performance improvement awards through the SOCMA ChemStewards® program. The award recognizes a facility's commitment to continuous improvement, outstanding HSE and Security performance, and educational outreach. A maximum of two Gold Awards are presented by SOCMA each year. For the second time in the past



Terrance Sookdeo, MEAP Process Safety Champion (second from left), presented at the Dammam safety forum in Saudi Arabia.

five years, both Gold Awards were presented to Baker Hughes teams. Our recognized facilities were:

Gold Awards:

- Kilgore Blend Plant, Texas
- Houston Blend Plant, Texas

DID YOU KNOW?

2,600+

In 2014, the Process and Pipeline Services (PPS) group had more than 600 employees and acquired more than 2,600 qualifications through the competency assurance program. Qualifications include activities such as pigging services, hydrostatic testing and leak detection.



Silver Awards:

- Stakeholder Communications – Rayne Blend Facility, Louisiana
- Product Stewardship – Rayne Blend Facility, Louisiana
- Product Stewardship – Bakersfield Blend Plant, California
- Employee Training – Bakersfield Blend Plant, California
- Resource Management – Bayport Manufacturing, Texas

Bronze Awards:

- Barnsdall Manufacturing, Oklahoma
- Sand Springs Manufacturing, Oklahoma
- Taft Manufacturing Company, California

Baker Hughes chemical manufacturing and blend teams in the U.S. have received 40 SOCMA awards in the past

five years, with multiple wins by each team, demonstrating their sustained excellence and industry leadership.

Also, our downstream chemicals team in Baytown, Texas, celebrated a safety milestone. ExxonMobil congratulated the Baker Hughes Baytown team for achieving 19 years of service with no recordable safety incidents.



The Downstream Chemicals Sales and Operations team at the ExxonMobil Baytown refinery

Health and Wellness

2014 HIGHLIGHTS



45 **HEALTH FAIRS**
IN 1 MONTH

MORE THAN
 **23,000**

PRE-TRAVEL ADVISORIES ISSUED



BP MS 150
 15 YEARS AND MORE
THAN USD 1 MILLION
RAISED BY EMPLOYEES

DIABETES
CAPTURES EMPLOYEE
ATTENTION WITH
GREATEST NUMBER
OF WEBPAGE HITS


Wellness 360°

PROMOTES EMPLOYEE HEALTH

EMPLOYEES SUPPORT COMMUNITY HEALTH EVENTS


INTERNS
COMPLETED **15** PROJECTS
AND MONITORED
225 EMPLOYEES

Promoting and maintaining employee health is an essential goal at Baker Hughes. Healthy employees work thoughtfully, vigorously, and reliably for our company and our clients. Therefore, the Employee Health and Wellness program is an important component of our organization, positively affects our business, and contributes to our bottom line. The goals of our health and wellness program include protecting employees through occupational health and hygiene; ensuring workers are fit for

job assignments; and encouraging personal health and wellness.

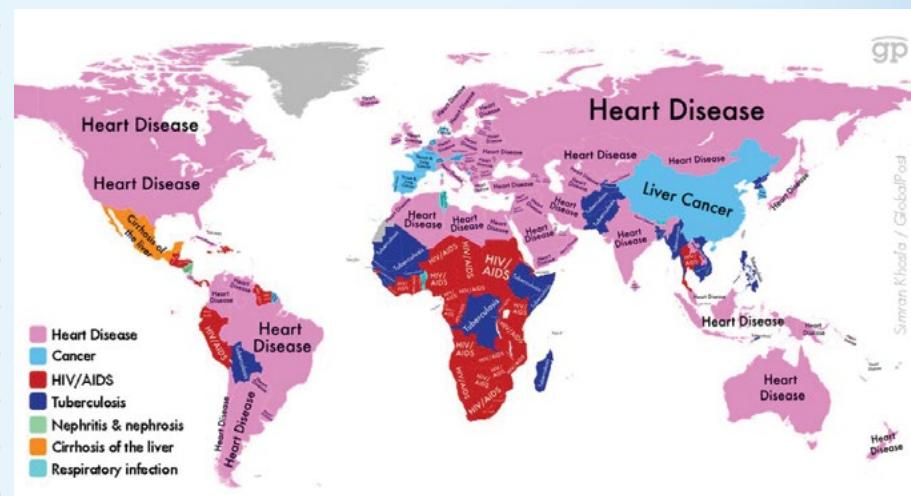
Health Promotion & Communications

Coordinated messaging and activities throughout the year promote worker health. These include the Wellness 360° campaign in the U.S. and our global emphasis on "Fit and Well" as one of our ten *Life Rules*. All of our communications focus on early detection of disease, prevention, and personal wellness. For example, our intranet, Inside Baker Hughes,

features a health message targeting a specific health issue each month with the objective to positively influence our employees' attitudes about their health. Two particularly important topics this year were the "silent killers," heart disease and diabetes. Heart disease remains as the major health risk in the regions where we have the majority of our employees (Fig. 1), while the diabetes health message received the most interest on our webpage in 2014. Both heart disease and diabetes can be controlled by lifestyle choices. Therefore, we



Figure 1. Leading causes of death by countries of the world – sourced from the World Health Organization





Employees at the Howe Moss Avenue Upstream Chemical facility in Aberdeen showed off their mustaches in support of men's health.

continue to emphasize exercise and a healthy diet as strategies for disease prevention and management.

Other health awareness endeavors this year have not only engaged our employees, but sparked creativity. Notably, male health issues were highlighted in November when Baker Hughes employees participated in "Movember," an annual event where men grow out their mustaches to raise awareness for men's health. In the spirit of Movember, Baker Hughes employees around the globe grew out, penciled in, or glued on their best mustache to raise funds for the Movember Foundation.

Our communication efforts promoting wellness have inspired other events across the globe, too. For example, Baker Hughes employees in Celle participated in a "health day" by undergoing physical exams. Aberdeen employees hosted a drug awareness

DID YOU KNOW?

500 Million

Approximately 1 in 12 persons globally, or some 500 million people, are living with chronic viral hepatitis, the leading cause of liver cancer and cirrhosis.

lunch and learn. The Russian Caspian geomarket team held a "Fit and Well Day" filled with educational programs and physical activities. In addition, 45 health fair days were organized throughout the United States in April.



The Artificial Lift team got moving during the Russian Caspian Fit and Well Day in Nefteyugansk, Russia.

Keeping Fit and Well for a Good Cause

Around the world, Baker Hughes employees continue to support charitable health initiatives within their communities. Participation promotes their own fitness and contributes to good causes. Highlights from the year include:

- Members of the 54-strong cycle team, *Baker Hughes Express*, rode in the 2014 BP MS 150 from Houston to Austin and achieved a record USD 192,302 in donations to support programs, services, and research sponsored by the National Multiple Sclerosis (MS) Society. During the 15+ years Baker Hughes has participated in this event, we have raised more than USD 1,275,000 for this cause. Also, in Oklahoma, a Baker Hughes team of 26 riders participated in the 2014 Bike MS. The team raised more than USD 20,000 by cycling 175 miles over two days.
- Baker Hughes employees in Texas raised more than USD 134,000 in support of the 2014 Heart Walk.
- More than 70 employees represented Baker Hughes at a Warrior Dash event in Inola, Oklahoma to support St. Jude Children's Research Hospital. The Warrior Dash is the world's largest obstacle race series, held on the most rugged terrain in more than 50 locations across the world.
- The Canadian K-100 relay team ran more than 100 miles through the Highwood Pass in Alberta, raising money for Hostelling International, a federation of national youth hostels.
- Employees in Geismar, La., sponsored a 5K walk/run in support of colon cancer awareness, while the Baker Hughes Community Impact Team at the Navigation facility in Houston

hosted a basketball event to raise awareness and funds for prostate cancer.

- Sixty-eight employees from facilities in Oklahoma ran in the Susan G. Komen 5K Race for the Cure to raise funds for research, treatment, screening and education for breast cancer. Baker Hughes sponsors the Survivor Pins which are distributed to breast cancer survivors at the end of the race, symbolizing success and another victorious year of life.



Baker Hughes employees in Texas raised more than USD 134,000 in support of the 2014 Heart Walk



In Oklahoma, Baker Hughes riders raised more than USD 20,000 for the National Multiple Sclerosis Society



Baker Hughes K-100 relay team in Canada

In addition to overall wellness, we make safe and healthy travel a top priority. Since global travel is often necessary for our business, routine health advisories are an important service to our employees. Information about disease symptoms, treatment, travel precautions, means of protection and prevalence is disseminated through our website and travel company to employees and their families to help them make informed decisions. Throughout 2014, health advisories ranged from measles, polio, and Ebola, to allergic reactions, snake bites and wild fires.

Ebola

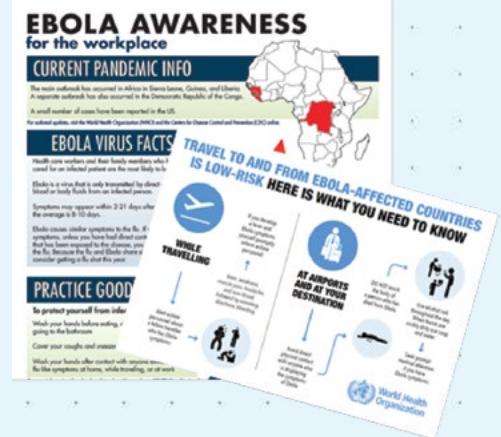
In 2014, the world witnessed an unprecedented outbreak of the highly lethal Ebola virus disease. Causing over 8,500 deaths and untold suffering in West Africa, the epidemic fostered international concern and affected major industries, including oil and gas. Throughout this time, we enhanced communication to promote understanding of the disease and the growing outbreak. Health advisories, travel notifications, and educational publications were designed to keep our employees as informed as possible during the evolving crisis.

An executive leadership team was formed to provide internal governance during the Ebola crisis. With the development of a zone approach, the team created a strategy to manage the dynamic

and evolving situation. Our focus started with the warm zone, defined as countries where Ebola cases were imported or transferred: Nigeria and Senegal, the United States, Spain, Mali and the United Kingdom. Emergency operational plans were amended to cover Ebola, business continuity plans were created when needed, and customer communications were developed. Meanwhile, the hot zone workforce in Liberia, Sierra Leone and Guinea was managed with a travel ban to/from these areas.

Occupational Health and Hygiene

Keeping employees healthy by minimizing exposure to chemical, physical and biological hazards is the role of our occupational health and hygiene program. Working with industrial hygienists has led to financial benefits, too. "After evaluating how a job gets done, we were able to find ways to save money by extending equipment life. We are redesigning the local exhaust system for drill bit repair operations in the new facility in Oklahoma City," states Jay Clinkscales, Director of AMO Drill Bits. "These modifications not only minimize potential employee exposure, but will increase the lifespan of equipment, cutting costs and improving efficiency."



DID YOU KNOW?

90%

90% of diabetics worldwide have Type 2 diabetes, which can be controlled by lifestyle choices and is largely the result of excess body weight and physical inactivity.

This was accomplished through a comprehensive evaluation of the process for refurbishing drill bits for optimum performance in the field. This activity took place in our Assembly, Maintenance and Overhaul (AMO) locations. This year, industrial hygiene interns from the University of Texas School of Public Health and from Murray State University evaluated all five AMO locations in North America. After defining the drill bit repair process and developing a sampling protocol, the interns collected exposure monitoring data on employees involved in brazing and grinding, two critical

steps in this process. Additionally, they evaluated the local exhaust ventilation systems in the facilities performing these activities. Using this data and analysis, Baker Hughes was able to improve the design of the exhaust process. The new facility under construction for drill bit repair in Oklahoma City will incorporate these learnings, reducing employee exposure and improving the longevity of the HVAC equipment. Ultimately, the summer interns gained valuable experience in industrial hygiene field work and their work had a positive impact on our operations.



An industrial hygiene evaluation was completed for the drill bit repair process



Drill bit refurbishing

DID YOU KNOW?

**23
Thousand
Plus**

We issued more than 23,000 travel advisories to employees travelling on Baker Hughes business trips in 2014.

DID YOU KNOW?

**1,200+
Samples**

Our industrial hygiene interns completed 15 projects, monitored 225 employees and took more than 1,200 samples during the summer of 2014.

Environment

2014 HIGHLIGHTS

HIGHEST RANKED
ENERGY COMPANY
BY NEWSWEEK'S
**GREEN
RANKINGS**
(#20 IN THE WORLD)



USD 10 MILLION
SAVED FROM
RESOURCE
REDUCTIONS

134,000
METRIC TONS  **e**liminated

ENVIRONMENTAL
OUTREACH



- BEACH CLEAN-UPS
- TREE PLANTING
- EARTH DAY ACTIVITIES

16% 
REDUCTION IN WATER USE

USD 17 MILLION
IN REVENUE FROM
RECYCLING
EFFORTS 

USD 2 MILLION
REVENUE FROM
SOLAR LEASE

1,793
FEWER
BARRELS
SPILLED
THAN PRIOR YEAR 

At Baker Hughes, we are focused on making every day a Perfect HSE Day, which means a day without injury or illness, no harm to the environment and no motor vehicle accidents. We accomplish this through our innovative technologies and by managing with integrity to benefit our customers, employees and communities. This concept is embedded in the way we operate—ensuring our products are safe, complying with all laws, and treating all individuals with respect.

Baker Hughes operations are broad and diverse, spanning more than 80 countries. As a leader in our field, we must operate in a responsible and sustainable manner, and use resources efficiently. Being a leader also offers us the opportunity to develop sustainable innovations and be proactive stewards of the environment for the people we touch—our employees, customers, suppliers and communities in which we work.

Our Core of Conservation

Using less energy, water and materials when manufacturing products, performing services, and operating our facilities is essential to improve efficiency and eliminate or minimize our impacts on the environment and local communities.

In 2014, we continued our focus on conservation, exceeding our goal to reduce water, energy and associated greenhouse gas (GHG) emissions by 10%. Our larger facilities were required to establish formal environmental action plans in 2014 with specific conservation targets. We achieved an 11% reduction through the collaborative efforts of our business units and employees, and engagement with our stakeholders. We're proud to

report that our goal to conserve energy and water has been in place for six years, and we have met or exceeded the goal for five years.

Resource reduction was normalized to revenue and calculated on a weighted average:

- Electricity – 40%
- Natural Gas – 40%
- Water – 20%

These results are calculated from resource data for 259 facilities, tracked through GreenLink, our environmental performance database. These facilities represent more than 85% of the energy and water used across our global suite of manufacturing and operations facilities.

Resource Reduction Results

Overall goal result:	11%
Electricity:	9%
Natural gas:	11%
Water:	16%
Greenhouse gas emissions:	10%



Spirit of Conservation

We are committed to biodiversity and to managing our activities in ways that conserve and protect biodiversity and ecosystem services and enhance the efficiency of our assets. Our employees participate in a variety of projects to help expand scientific knowledge and enhance skills, to protect and improve wildlife habitats, and to provide educational programs within our communities.

Over the years, Baker Hughes teams have partnered with a variety of environmental interest

groups, including The Isla Aguada Conservation Station, Buffalo Bayou Partnership, the Audubon Society and others. Conservation activities by employees around the world have included tree planting and beach clean-ups. For example, employees in Scotland, Congo, Australia, Vietnam, Indonesia and Malaysia protected and enhanced their local environment through beach clean-ups during 2014. Various groups in Houston, Texas, exercised their planting skills while participating in tree planting activities. Working with these organizations

helps our employees give back to the community and the environment, and show our commitment to biodiversity and conservation.

We also use sustainable remediation to conserve and promote biodiversity at the company's brownfield sites, where applicable. Such efforts include the expansion of wetlands, phytoremediation, removal of invasive species and preservation or enhancement of critical habitat.



Employees in Brunei cleaned up Kampong Pandan Park

Energy Efficiency and Greenhouse Gas Emissions

We have taken multiple steps to reduce our energy footprint. A cornerstone is our formal energy management standard, designed to assist in identifying key energy sources and the most beneficial conservation projects within our manufacturing plants and operations. Our key focus areas this year included a continuation of our efforts to upgrade building automation systems at nine facilities and implement an aggressive global LED replacement program to save an estimated 9,000 MWh.

Highlights of additional projects include:

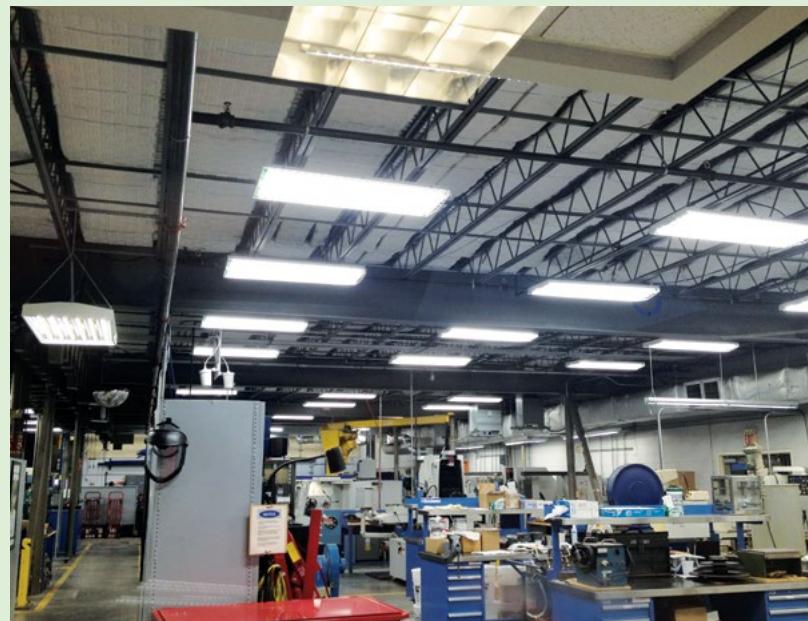
- Replacing and upgrading chillers and boilers
- Converting to 100% renewable generated power in the U.K.
- Replacing compressors with energy-efficient versions

These efforts target electricity and natural gas, our two primary energy sources.

LED Bulb Replacement Program

LED replacement was selected as a key initiative because of the energy and cost savings. The LED bulbs can be retrofit into the existing fluorescent fixtures by a simple bypass of the ballasts. The average return on investment is 1.5 – 2 years, saving 54% – 60% in electricity per bulb.

For the seven facilities included in the first phase, savings include 6,000 MWh and about USD 1.3 million per year, plus more than 4,000 metric tons of carbon dioxide. This is equivalent to the amount needed to power 387 homes for one year.



DID YOU KNOW?



Our reduction in electricity and natural gas was sufficient to supply power to 6,500 homes for a year.

Greenhouse Gas Emissions

Our position on climate change acknowledges that, through regulatory compliance and conservation measures, we can minimize greenhouse gas (GHG) emissions. To support our commitment to energy efficiency and managing the risks associated with climate change, we continue to calculate our GHG emissions by following the GHG protocol issued by the World Business Council for Sustainable Development and the World Resources Institute. We are also subject to the Carbon Reduction Commitment (CRC) program at 43 of our sites in the United Kingdom. We met our GHG emissions reduction target for 2014, eliminating 27,500 (normalized) metric tons of carbon dioxide equivalent (CO₂e) through specific energy reduction projects at our facilities. Emission reduction projects also involve our field activities. The use of bifuel pumps has expanded, and Baker Hughes received a World Oil Award in the category of Best Health, Safety, Environment/Sustainable Development-Onshore for the application of this technology.

Improving Ways to Reduce Emissions

The Process and Pipeline Services team in Continental Europe performs environmental services at an LNG terminal in France. They recover boil-off gas from the location's LNG tanks, avoiding gas emissions through the flare. Baker Hughes installed a screw compressor and an axial compressor on site to compress

all boil-off gas and then inject it in the high-pressure natural gas grid. The new process recovers 160,000 cubic meters of natural gas per day, which saved 61,000 metric tons of CO₂ during the project, equivalent to the annual GHG emissions from 12,800 passenger vehicles.



DID YOU KNOW?



Our CO₂e savings is equivalent to the carbon sequestered by nearly 110,000 acres of forests in one year.



Emissions reduction
(metric tons CO₂e savings)

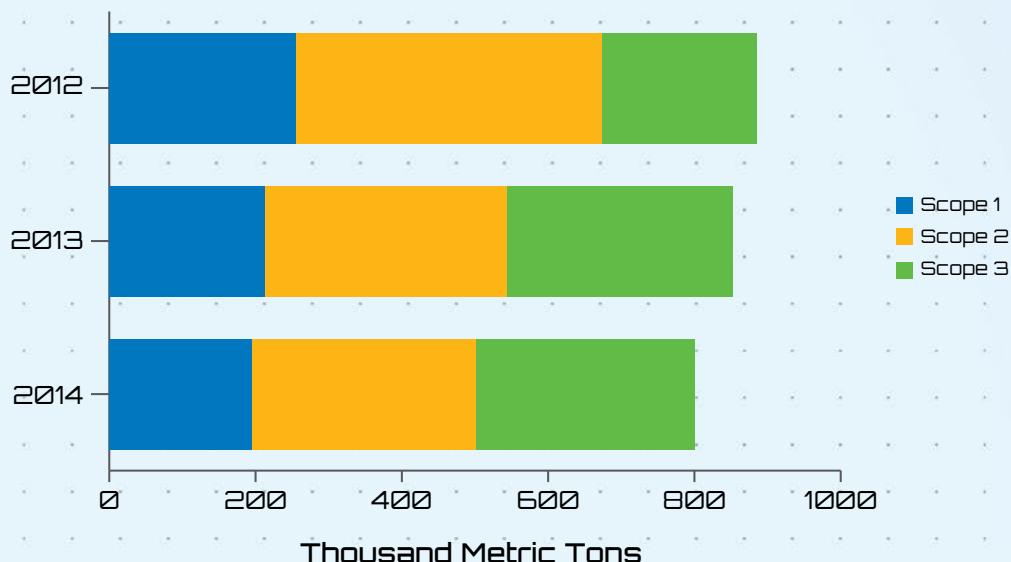
Energy use at facilities: 27,500

Sustainable Buildings: 49,900

Air Transportation,
Rental Cars and Rail: 55,300

Bifuel pumps -pressure pumping: 1,500

Figure 1. Three-year view of GHG emissions by Scope



Direct GHG emissions (Scope 1) are emissions from sources controlled by Baker Hughes (Fig. 1). This includes combustion emissions from boilers, furnaces, and vehicles.

Indirect GHG emissions (Scope 2) are emissions from the generation of purchased electricity, heat, or steam that is consumed by operated assets.

Value Chain emissions (Scope 3) include those from employee travel, rental car mileage and contracted solid waste disposal.

We continue to participate in the Carbon Disclosure Project (CDP), including each of the three programs: Climate Change, Water, and Supply Chain (see our reports at www.cdproject.net). In 2014, we were distinguished as the highest ranked oil service company in the energy sector. We track and report most of our Scope 1 & 2 emissions sources, but we continue to face challenges in collecting meaningful Scope 3 emissions data.

Water Management

Water is a necessity for life and also for our business. We cannot produce products without water. It is becoming increasingly scarce, and as a result, increasing in value. While the price of water is currently moderate, it is expected to increase rapidly, and continue to escalate over time. Managing the challenges of water supply and demand is a growing concern on a global basis, particularly in regions where water is scarce (Fig. 2). Less than 1% of the world's fresh water is accessible for direct human use.

Our approach to water management focuses on developing programs and technologies to promote water reuse

and maximize water recycling. We engage all employees and encourage them to look for opportunities to conserve water in their day-to-day work.

In 2014, our conservation efforts reduced water use at our facilities by 16% (normalized). Figure 3 illustrates the results of our efforts to reduce water use and disposal and increase recycling.

Where feasible, we look for opportunities to use lower-quality or recycled water to minimize extraction from higher-quality water resources. Various water treatment technologies are now available for using non-potable water (e.g., wastewater) for

Figure 3. Three-year water trend

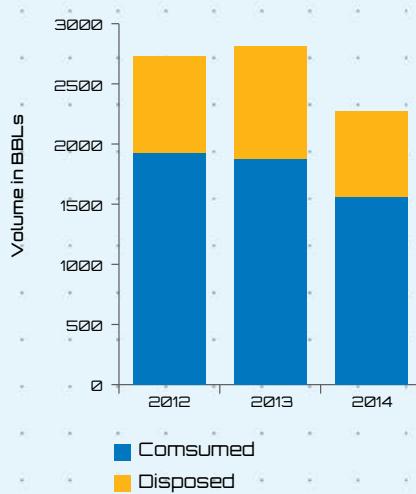
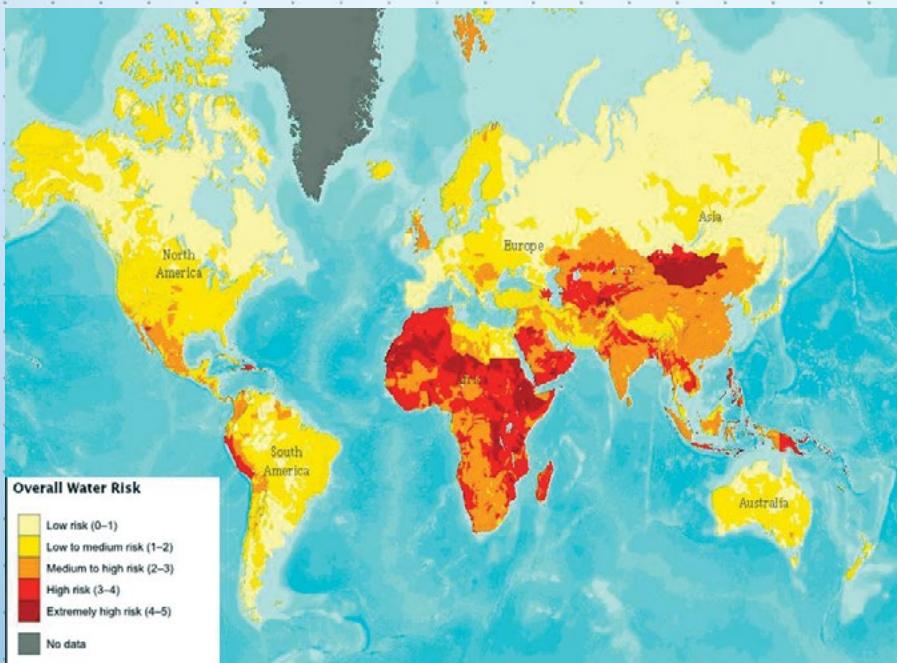


Figure 2. Global water risk map (Source: WRI Aqueduct Water Tool)



DID YOU KNOW?



We have operations in 16 countries with areas considered to have high to extreme risk for water scarcity.

operational processes and landscape irrigation where potable water is scarce. The potential to reduce the demand on limited supplies of potable water is a critical opportunity for companies, even in areas where the supply of potable water exceeds the demand.

For example, our Toowoomba facility in Australia captures rain water for reuse within the facility, but not for personal consumption. Rain water is collected in a 12,000 gallon underground tank and is primarily used in restrooms and for washing trucks and equipment.



Toowoomba facility using rainwater in the truck wash bays

DID YOU KNOW?

**100
Million
Barrels**

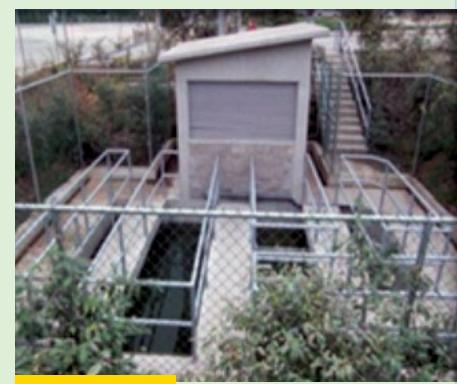
In 2014 our Water Management group treated more than 100 million barrels of water for reuse. That's enough to fill nearly 6,400 Olympic-size swimming pools.

Water Conservation Technologies

The Baker Hughes approach to water management focuses on developing programs and technologies to promote reuse and maximize water recycling. A key action was the development and implementation of sustainable building standards based on the ASTM International E60 building standard, which specifies minimum environmental, social, and economic requirements for a building promoting sustainability. The standards focus primarily on sustainable site selection, water efficiency, energy and atmosphere, materials and resources, and indoor air quality.

Successful application of our strategy is illustrated in the following projects:

- Dubai, UAE – 100% of the wastewater is recycled
- Macae' Brazil – Water from washing equipment is recycled
- Hobbs, NM – Use of municipal grey water for irrigation
- Oklahoma City, OK – Facility design uses technologies to reduce potable water use
- Poza Rica, Mexico – Wash water is recycled and used for irrigation along with water collected in the rooftop rainwater collection system.



Water treatment system in Poza Rica, Mexico

Spill Avoidance

Baker Hughes has long monitored and set goals to improve performance in the area of spill avoidance. Spill prevention and response is a critical part of keeping our locations safe and clean.

After analyzing prior year spill data, it was determined that 20% of spill incidents were contributing to 80% of our total spill volume. This included six incidents that comprised 52% of the total volume. With this information, our focus for 2014 was shifted to large spills that could have the greatest impact to the environment, our operations, reputation, and employee safety. Our goal was a 10% reduction in the volume of spills greater than 8 barrels (bbls). In addition, the Perfect HSE Day criteria were aligned with this goal to address such spills outside of secondary containment.

In 2014, we had 31 spills greater than 8 bbls each, comprising 1060 bbls. This compares to 51 incidents totaling 2853 bbls in the prior year (Fig 4). This represents a 66% normalized decrease in the volume of large spills year-on-year. This performance also reflects a 31% decrease in the number of large spill incidents for a new three-year low in spill volume.

We also realized a 48% normalized reduction in the volume of all spills.

This overall reduction was driven by our regions, geomarkets, and product lines making great strides to improve their spill performance by empowering leadership, enhancing accountability, and improving equipment and practices.

Spill Reporting

In 2014, we continued to improve our spill reporting in the Odyssey system. We recorded 217 more incidents, while the average volume per spill decreased from 3.4 bbls to 1.6 bbls. This 53% reduction demonstrates our emphasis on reporting and investigating all spills, regardless of volume.

Spill volumes at client locations (wellsite or industrial site) decreased 49%, for a three-year low. Fifty-three percent of spill volumes occurred at Baker Hughes locations, 44% at client sites, and 3% in-transit (Fig. 5). When spills occur, we conduct timely and effective spill response and cleanup.

In 2014, we enhanced our ability to track spills that occur outside of secondary containment and discovered that about 60% of all spill volumes were fully or partially contained. We continue to emphasize the importance of robust secondary containment structures, building on the expanded guidance and specifications issued in 2013.

Figure 4. Spill Volume

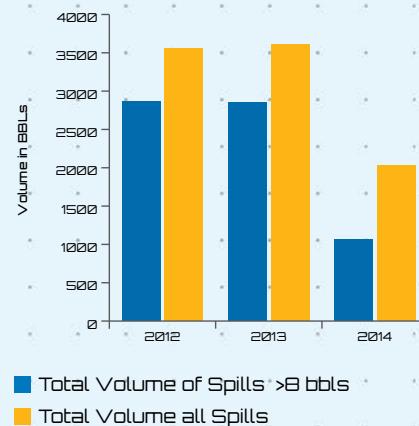
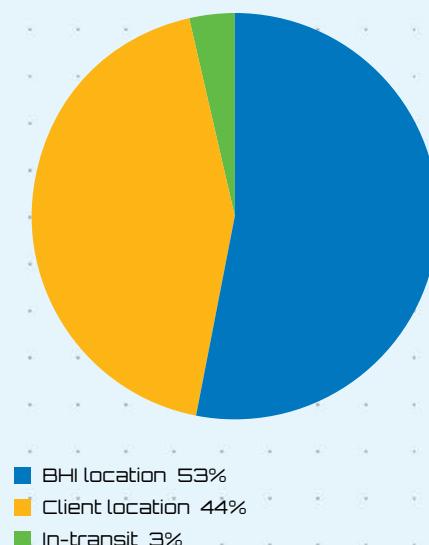


Figure 5. Spills by location



Increased collaboration with Pressure Pumping, Drilling Fluids, and Chemical Services produced a series of "Spill Stand Down" packages, aimed at communicating simple ways to prevent spills applicable to each product line in their day-to-day operations. Additional tools were created to communicate and analyze spill metrics across the regions, geomarkets, and product lines so they can better understand and target areas that are negatively affecting their spill performance.

Spill Causes

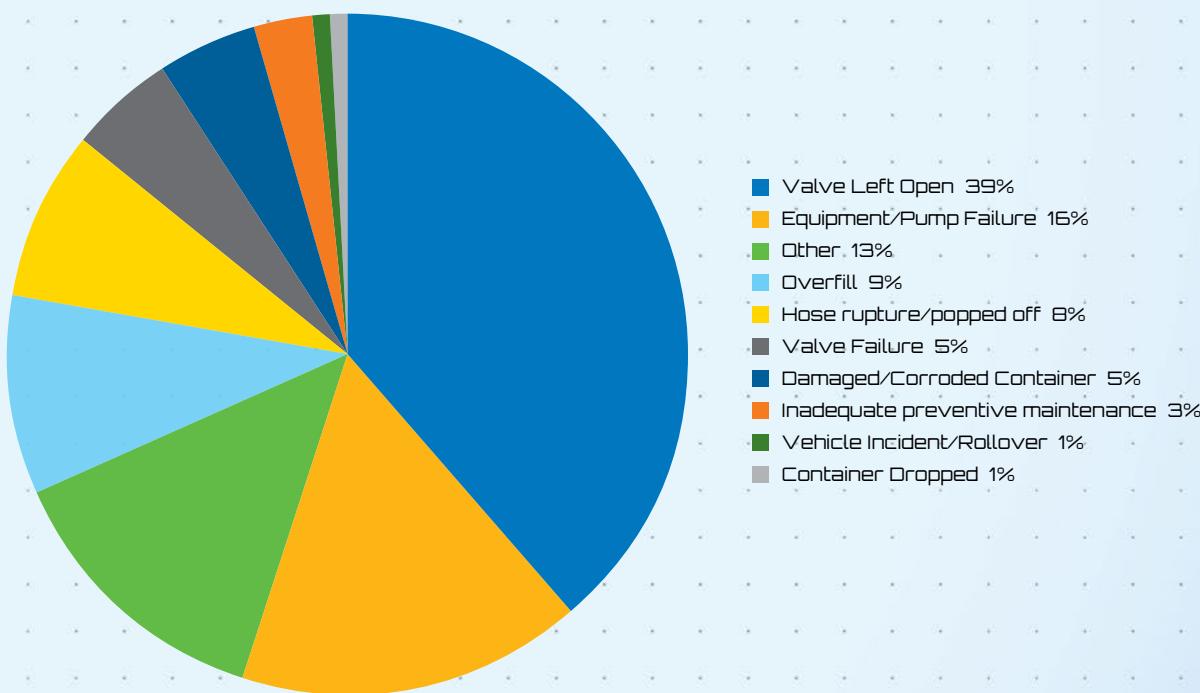
Identifying the causes is essential to effectively reducing the number of spill incidents and volume. The top three causes for large spills were valves left open (39%), equipment/pump failure (16%), other (13%), as shown in Fig. 6. While valves left open continues to be the primary cause of spills by volume, we reduced the volume of this type of spill by 55%. The "other" category represents spills that are still under investigation,

or include factors such as weather, sabotage, or human error.

Spill Costs

While spill incidents are an important indicator of environmental performance, they also affect environmental costs. Total spill costs were approximately USD 3.5 million in 2014, down 15% from USD 4.1 million the previous year.

Figure 6. Spill causes



Waste to Wealth

Our approach to effective waste management is to reduce waste and capture value of materials through recycling, reuse, or conversion to energy. Wastes are minimized and handled properly at our locations using procedures in our HSE Management System.

In 2014, we continued an initiative with a major waste management partner in a primary operating area. This involved instituting an aggressive recycling program to reduce the amount of materials going to landfills, and reduce the overall cost of residuals handling. Wood, cardboard, paper,

plastic, electronics and several metals were included in this comprehensive recycling program. The 50 facilities in this program have recycled more than 2,000 tons of material and diverted 11% of their total waste from landfills.

Additionally, there are many local efforts around the world. For example, the team in Villavicencio, Colombia, recently celebrated Family Day with activities that supported the location's "Although I'm [Baker] Blue, I Think Green" campaign. The event stressed the importance of individual commitment to reduce, reuse and recycle.

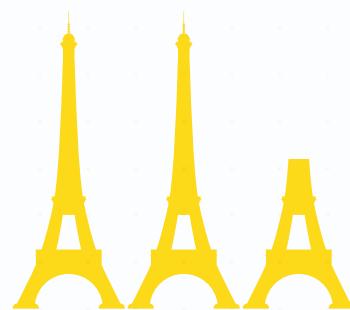
We obtained USD 17 million in revenue from our recycling efforts. Some materials, such as poly drums, were recycled at a nominal cost totaling USD 0.4 million (Fig. 7). Additionally, recycling resulted in a disposal offset of about USD 0.4 million in the U.S. alone. The net gain from recycling was USD 17 million.

Enterprise-wide, total waste volumes have been reduced by 15% since 2013, and recycling volumes show a 60% increase. Currently, about 98% of all waste is wastewater. The top two recycled materials are metals (42%) and solvents (41%). Less than 1% of

Figure 7: Recycling revenue



DID YOU KNOW?



Baker Hughes recycled enough metal to build 2.5 Eiffel Towers.

all waste (approximately 8,000 metric tons) was categorized as hazardous.

Even with our focus on reuse and recycling, some materials still require disposal. In order to mitigate the potential liability associated with land-based disposal and incineration, a rigorous audit process ensures third-party disposal sites meet our strict standards. Therefore, 20 disposal and management facilities were audited in 2014. In an effort to reduce our audit burden and costs, we have teamed with select vendors on the audit process. In 2014, 15% of the approved vendors were vetted through this new approach.

Managing Environmental Liabilities

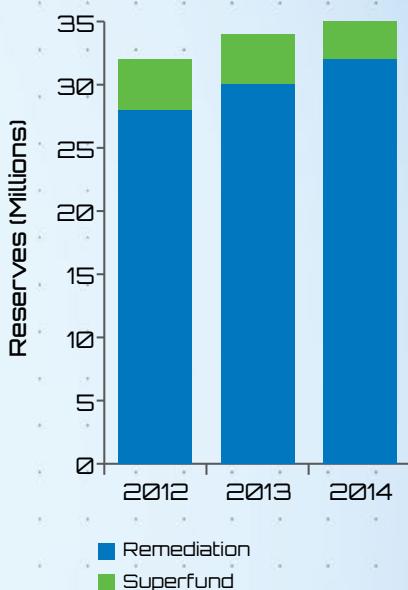
The importance of preserving the unique ecosystems and biodiversity of the environments in which we operate is a vital factor in how we manage our environmental liabilities. Competition for land and water resources is growing, and

regulatory agencies, communities and other stakeholders are pursuing a greater demonstration of effective environmental stewardship. To manage our risks and expectations, a remedial optimization tool was developed in 2014 to enhance our risk management strategies.

We require proper due diligence when acquiring and divesting properties to understand site conditions and prioritize controls to eliminate, reduce and restore impacts to land and biodiversity.

Our environmental liabilities are managed centrally, and accrued reserves are audited periodically to ensure compliance with the Sarbanes-Oxley Act and the Securities and Exchange Commission requirements. At year-end, we had reserved USD 35 million for remediation at 71 sites, including USD 3 million for Superfund liabilities. Cash spending totaled about USD 9 million. The environmental reserve trend for the past three years is illustrated in Fig. 8.

Figure 8: 3-year Environmental Reserve Trend



Environmental liability milestones for 2014 included:

- Closure of 11 remediation projects
- Cost avoidance, by regulatory negotiation or modification of exit strategy of more than USD 23 million
- Revenue of more than USD 2 million for a solar lease on an impaired property
- Reserve releases of more than USD 3.5 million due to project closures
- Environmental due diligence for 38 property acquisitions and 92 divestitures

Converting Idle Properties into Solar Wonders

Finding inventive solutions for our idle properties is challenging. In the U.S. Northeast, we determined that the most sustainable remediation strategy involved the long term ownership of a large industrial tract. Rather than leave the property idle, Baker Hughes entered into an agreement with Walpole Solar Farm,

LLC, to develop a 6MW renewal solar energy project on the property. This has been an ideal reuse program, benefiting Baker Hughes, Walpole Solar Farm, New England Electric and the local community of Walpole.



Environmental Investment

Our environmental investments for FY2014 included costs for compliance management and implementing controls to avoid potential impacts. An estimated USD 84 million was incurred for permitting, waste disposal, spill response and other

environmental activities. Capital costs of nearly USD 16 million were directed to conservation projects, spill prevention, and emission control systems. Nearly USD 4 million funded energy efficiency projects and more than USD 2 million was applied to water conservation.

DID YOU KNOW?

100+ Million

Over USD 100 million was committed to environmental management activities at our operations in 2014, including conservation projects.

DID YOU KNOW?



In 2014, Baker Hughes undertook a new approach to electricity procurement for all UK facilities. We awarded the contract for electricity supply to Dong Energy UK for 100% renewable power, anticipating a USD 357,000 savings on electricity in 2015. This reduces the carbon emissions by 14,000 metric tons of carbon dioxide equivalent (CO₂e), equal to the electrical use of nearly 1,300 homes for one year.

Social Responsibility

2014 HIGHLIGHTS

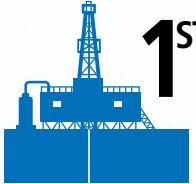
#3 ON VICTORY
MEDIA'S LIST OF
MILITARY-FRIENDLY
EMPLOYERS

AWARDED
USD 2 MILLION
AND 150 SCHOLARSHIPS
TO ANGOLAN STUDENTS

468 VETERANS
HIRED IN
2014

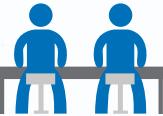
 **USD 4.8 MILLION**
DONATED TO
CHARITIES GLOBALLY

200 MORE WOMEN
IN LEADERSHIP ROLES

 **1ST COMPANY
TO DISCLOSE**
HYDRAULIC FRACTURING
CHEMICAL DISCLOSURE POLICY

500+
STORIES OF
COMMUNITY
OUTREACH REPORTED

 REACHES
1,000
EMPLOYEE MILESTONE
Organizational Ombuds Office

USD 1.7 MILLION
DONATED TO
UNIVERSITY OF
TEXAS AUSTIN
FOR **3** EDUCATIONAL LABS


At Baker Hughes, we are committed to ensuring that the oil and gas industry delivers affordable energy safely, responsibly, and in a manner that is both economically and environmentally sustainable. We strive to make a positive impact on communities and the lives of individuals by being a good neighbor and civic partner. Our aim is to operate in a transparent and ethical way that reflects our core values and is manifest in the decisions and actions of every employee.

In 2014, we collaborated with key stakeholders to achieve our objectives of providing a workplace where employees are engaged and team-focused; where we partner with our customers to manage risks in our field operations; and we liaise with civic leaders to understand their needs and expectations of us. Through our strong environmental and social programs we retained our leadership status in environmental, social and governance (ESG) rankings by investor and media institutions.

Investor Corporate Social Responsibility Rankings

As our reputation for strong sustainability performance grows, Baker Hughes is taking a leadership position in an increasing number of ESG indices. During 2014 we received more accolades than ever before, including:

- **Newsweek Green Rankings.**

Baker Hughes achieved the highest rating for any public company in the energy sector in Newsweek's 2014 Green Rankings, placing #11 among the 500 largest U.S. companies and #20 among the 500 largest global companies.

- **Dow Jones Sustainability Index.**

For the third year, Baker Hughes was announced as a world sustainability leader on the 2014 Dow Jones Sustainability World Index in the Energy Equipment and Services sector. We also retained our position on the North America Index, ranking in the top 20% of 600 companies invited to participate. We ranked highest in the sector for environmental programs and performance.

- **CR Magazine's 100 Best Corporate Citizens.**

Baker Hughes was the only oilfield services company recognized in *CR Magazine's* 100 Best Corporate Citizens list. The list is compiled from publicly available data covering seven categories: environment, climate change, employee relations, human rights, governance, finance, and philanthropy.

- **Carbon Disclosure Project (CDP).**

In the energy efficiency and climate change arenas, Baker Hughes retained our leadership position in the Carbon Disclosure Project, an organization working with shareholders and corporations to disclose greenhouse gas emissions of major corporations. We were the highest-ranked service company in the Energy Equipment and Services sector. CDP performance results are used in many investor sustainability analyses.

- Bloomberg Environmental, Social and Governance (ESG) Disclosure Index. During the past four years, Baker Hughes has achieved the highest scores among oil and gas companies in Bloomberg's ESG Disclosure Index, including oilfield services companies. The index compares transparency on key sustainability metrics.
- Sustainalytics. Baker Hughes ranked second highest in Sustainalytics Oil and Energy Services Equipment sector, based on ESG performance.
- Corporate Knights 100 Most Sustainable Corporations in the World. For the first time, Baker Hughes ranked among the 2015 Corporate Knight's 100 Most Sustainable Corporations

in the World, based on 2014 performance, and was the only company in the oil and equipment services sector to make the listing.

- The Civic 50. Baker Hughes placed joint third in The Civic 50 ranking of S&P 500 companies in the energy sector. The Civic 50 survey is an initiative of Points of Light, in partnership with Bloomberg LP, and recognizes companies that make socially responsible practices and community leadership part of their corporate culture.

Our Employees

As a global company, we seek to recruit and retain employees with diverse knowledge, skills and cultural experiences, and harness these

differences to drive innovation and competitive advantage. We seek to provide a workplace where employees are engaged and productive, and have taken a proactive approach to assisting employees with issues through the Organizational Ombuds Office.

Diversity and Inclusion. Diversity and inclusion, including gender diversity, are key to our growth strategy through the deployment of customized local solutions to meet our business needs in each geographic market.

During 2014, 200 more women achieved leadership roles in the company, and the number of women on the Baker Hughes Executive Leadership Team increased from one to three.



Baker Hughes Southeast Asia WRG organized FIFA Friday, where employees were encouraged to wear their favorite jersey to work to showcase diversity



The Nigeria/Equatorial Guinea branch of the WRG promoted career opportunities for women in the oilfield

In 2014, regional Women's Resource Groups (WRG) were active in supporting developmental and networking opportunities for women in the Baker Hughes organization, and extended those opportunities to girls and women within our local communities. The Nigeria/Equatorial Guinea branch of the WRG hosted an event in Port Harcourt, Nigeria, to

celebrate women in the oil field. The event provided a forum to network and learn about career opportunities, particularly for female engineers.

On March 8th, employees in Africa, Latin America, the Middle East, Europe, Asia Pacific, and the United States hosted activities to celebrate International Women's Day. Also,

during the World Cup tournament, the Baker Hughes Southeast Asia WRG organized Fédération Internationale de Football Association (FIFA) Friday, where employees were encouraged to wear their favorite jersey to work to showcase diversity.

Organizational Ombuds Office

(o3). The Baker Hughes o3 provides independent, neutral, informal and confidential assistance to employees in Canada, Trinidad and Tobago, and the United States so employees can safely raise and promptly address workplace issues. Since established in 2012, more than 1,000 employees on all levels and with varying tenure, in various groups and product lines, collaborated with the ombuds to work through concerns, obtain information, explore options and develop strategies to move forward (Fig. 1).

Calls from employees have steadily increased during the past two years, reflecting employee comfort in reaching out to the o3 when they need assistance in addressing work-related challenges. "We're here to be a safe and confidential resource for everyone, no matter who you are or what role you're in," said Melanie Lewis, Principal Ombuds.

As is the case with other ombuds offices, the most common type of issue employees bring to the o3 involves concerns with their supervisors (Fig. 2).

Figure 1. Employee Tenure and Use of the O3

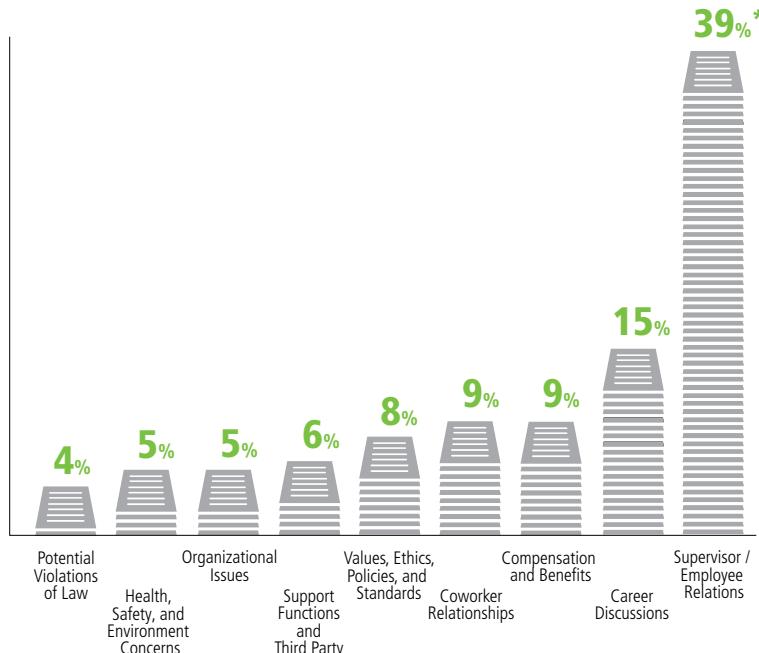
Who is using the o3?

...everyone, from newly hired employees to those who have been here for years



Figure 2. Issues brought to the O3 by category

Issues brought to the o3, sorted by category



* Generally, the distribution of issues by categories within the o3 closely aligns with results seen in other ombuds offices. For example, in a report from the Journal of the International Ombudsman Association, issues between employees and their supervisors represented 35% of all issues brought to the ombuds offices in 26 organizations.

Military Recruitment. The Baker Hughes Military Recruitment program earned a number of accolades in 2014 for our commitment to hiring United States military veterans. Victory Media, publisher of *G.I. Jobs Magazine* and *Military Friendly* ratings and resources, ranked Baker Hughes No. 3 on its 2015 list of U.S. military-friendly employers. We also received the 2014 Employer Support for the Guard and Reserve Pro Patria Award.

"We seek out veteran applicants at all levels of the company, including enterprise positions, because we believe military service fosters core values that align very well with the Baker Hughes Core Values of Integrity, Teamwork, Performance, Learning, and Courage" said Mark Szabo, Team Lead for Military Recruiting. "However, Baker Hughes has long sought veterans for our field work, where the value of their experience is easily apparent. Mechanical assembly, field operations, machining, repair and maintenance, and logistical coordination all fit within this category."



Jeff Day, District Operations Manager for the New Mexico District/Upstream Chemicals, accepts the 2014 Employer Support for the Guard & Reserve Pro Patria Award on behalf of Baker Hughes.

In April, the Baker Hughes Center for Technology Innovation (CTI) Veterans Resource Group (VRG) chapter hosted the first Fairways of Honor Golf Tournament in Cypress, Texas. Participants raised USD 29,000 on behalf of the Post-Traumatic Stress Disorder Foundation of America and Camp Hope.

DID YOU KNOW?

468

In 2014, the military recruiting team doubled its recruiting efforts and hired 468 veterans, exceeding their goal of one veteran every day (on average).

Supporting our Communities

Baker Hughes strives to make a positive community impact with charitable contributions at corporate, region and geomarket levels. In 2014, Baker Hughes operating regions made contributions of more than USD 4.8 million to charities around the world. Of this amount, the Baker Hughes Foundation contributed about USD 3 million, primarily to organizations that target improvements in social sectors supporting education, health, youth, and culture (Fig. 3).

Baker Hughes employees have been active in a wide range of social initiatives, such as charitable events that promote sustainable benefits to our organization and to local communities. These efforts raise funds for various charities or emergency assistance, promote awareness of health issues, or benefit youth and education.

Just a few examples from 2014 include:

- **Family Days.** Events for families were held across the globe from Villavicencio, Colombia, to Welshpool, Australia. In Anchorage, Alaska, the Women's Resource Group hosted the first Family Day at the Baker Hughes facility. Employees and their families visited the Assembly,

Maintenance and Overhaul shop to watch demonstrations, play tennis, jump in a bounce house, enjoy face painting and more. Proceeds were raised for the Boys and Girls Clubs of Alaska.

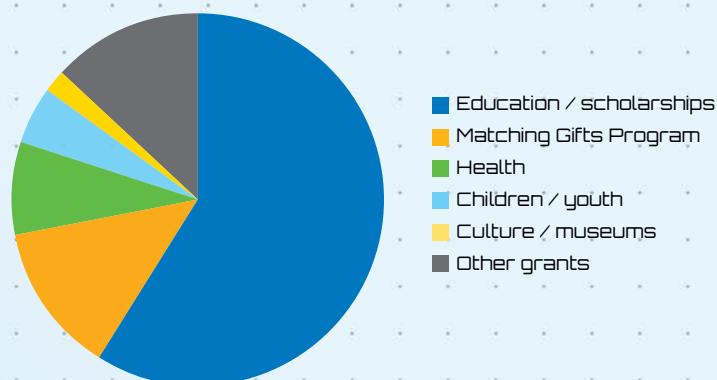
- **Local Schools.** Many of our community activities are in

support of local schools. Mexico's Operaciones Petroleras Soledad (OPS) team delivered joy and smiles to 1,400 school children with fully loaded back to school kits. In Cape Town, South Africa, employees held two community-involvement days at a local



Families of Baker Hughes employees in South Africa enjoyed games, entertainment, and a lesson on first aid

Figure 3. 2014 Baker Hughes Foundation Charitable Contributions



school. A "Cake Bake Day" and "Hot Chocolate Day" raised funds for the school. Pressure Pumping employees in Victoria, Texas, adopted a local elementary school and donated school supplies. Baker Hughes Pressure Pumping and Coiled Tubing employees in Vietnam provided for nearly 200 orphaned and abandoned children being housed and educated in pagodas in the Tan Thanh district. The team coordinated a textbook drive to help these children with their education. In the spirit of the Perfect HSE Day, the Baker Hughes Egypt and Syria chapter of the Women's Resource Group hosted a "School Safety Day" to teach basic safety principles to students in kindergarten through grade 12.

- **Emergency Aid.** A number of Baker Hughes teams participated in activities that provide food, shelter and medical aid to help those less fortunate. In Northern Iraq, Baker Hughes employees delivered food and other necessities to more than 150 displaced families. Baker Hughes employees in San Antonio, Texas, volunteered to restore homes in the Government Hill Historic District near downtown San



Dang Minh Tuan, HSE Manager, presents textbooks for pagoda children in Vietnam



Employees in The Netherlands Velsen-Noord facility donated supplies for families with no income

Antonio. Food drives were held by employees in The Netherlands Velsen-Noord facility. Supplies were donated to a local nonprofit that provides food to families with no income.

In June, Baker Hughes employees in The Woodlands, Texas, sponsored a competitive team-based food drive to benefit Montgomery County Emergency Assistance (MCEA), a local agency serving clients struggling with a crisis and in need of food. The Drill Bits team made a significant impact on the Montgomery County community

through this event, collecting more than 5,300 items, amounting to 3,000 pounds of food. These donations exceeded their goal by nearly four times. Representatives from MCEA indicated it was the single largest donation they had received.

In Ghana, Baker Hughes donated a blood plasma freezer to Effia-Nkwanta Regional Hospital. The freezer will help save the lives of pregnant women, accident victims, and children—three categories of patients with the highest mortality risk if they don't receive quality blood when needed.

■ **Health.** In September, a cycling team from Baker Hughes Continental Europe participated in the "Dam to Dam" Cycling Classic. This 145 kilometer tour supported team member Ben van Gellekom's charitable drive for "Ons Huis" (Our Home), which provides care for children with mental and physical handicaps.

The Baker Hughes Wireline Services team in Balikpapan, Indonesia, recently engaged in a "Sharing Safety Knowledge" moment, educating children in the local community of Handil on the health benefits of hand washing and proper hygiene.

Additional examples of health outreach are featured in the Health and Wellness section.

Community Engagement

While we participate in a variety of community activities, we also engage with local community stakeholders to help us understand and address their concerns and expectations. Being visible and transparent is important to us, and part of who we are. This is true when we move to new geographical areas or introduce new products and services.



The "Dam to Dam" cycling team started and finished the 145 km ride in Amsterdam, The Netherlands

Taking the Lead on Hydraulic Fracturing Chemical Disclosure

In 2014, Baker Hughes implemented a new policy to improve transparency around the process of hydraulic fracturing. Effective October 1, 2014, Baker Hughes discloses to the public 100% of the chemical ingredients of our products and solutions used in our U.S. hydraulic fracturing services, with no designations of trade secrets. Our disclosures continue to protect specific product formulations while fully identifying the chemical constituents we use and their maximum concentrations in our hydraulic fracturing fluid systems.

"Introducing greater transparency about the chemicals used in the hydraulic fracturing process and protecting the ability to innovate are not conflicting goals," said Derek Mathieson, Baker Hughes Chief Strategy Officer. "The policy we are implementing is consistent with our belief that we are partners in solving industry challenges, and that we have a responsibility to provide the public with the information they want and deserve."

More information on the chemical ingredients used in hydraulic fracturing, as well as information on the products

and chemical ingredients used in specific hydraulic fracturing operations, can be found at www.fracfocus.org, a national online registry and database that maintains well-by-well fracturing fluid disclosure data for more than 90,000 oil and gas wells in the United States. While FracFocus was initially designed as a voluntary program by the Groundwater Protection Council and the Interstate Oil and Gas Compact Commission, many states have since mandated these disclosures through regulation.



Customer Collaboration

We engage our clients to address industry issues and to support common HSE and social responsibility objectives. Some examples include the following:

- The Baker Hughes Health, Safety, and Environment (HSE) team in the Nigeria and Equatorial Guinea geomarket held a training event for 16 drilling engineers from the Shell Petroleum Development Company of Nigeria. Organizers said the client participants were impressed by the level of process safety commitment exhibited by Baker Hughes.
- Baker Hughes in Sakhalin, Russia, talked to customers about our Perfect HSE Day and

interdependent safety culture at a biannual customer health, safety, and environment (HSE) forum.

- In September, Baker Hughes employees in Calgary, Alberta, joined customer Baytex Energy Corp. to raise awareness and funds for Dare to Care, an anti-bullying nonprofit group. The Drill Bits group's lemonade stand was one of 355 stands that snaked through downtown Calgary. The 1,400 continuous

feet of linked kiosks broke the Guinness World Record for longest lemonade stand and raised a grand total of USD 181,872 for Dare to Care!



The Baker Hughes HSE team in the Nigeria and Equatorial Guinea geomarket held a training event for 16 drilling engineers from the Shell Petroleum Development Company of Nigeria

Baker Hughes Supports Education

With large numbers of employees in the industry preparing to retire during what is commonly called "the great crew change," companies must attract and retain talent to fill the gaps. We must also ensure these new employees have the necessary skills to quickly become productive. Baker Hughes takes a proactive role in attracting young talent by helping students decide on a career in the oil and gas industry, and then providing financial support for scholarships at universities.

Investment in Universities

In 2014, Baker Hughes contributed USD 1.7 million to the University of Texas (UT) at Austin's Department of Petroleum and Geosystems Engineering, which enabled them to open three new state-of-the-art laboratories that will advance energy research and transform how students learn about drilling for oil and gas. Also, as a result of an investment from Baker Hughes, petroleum engineering students at the American University in Cairo (AUC), Egypt,

now have access to a high-tech mud lab. The new lab makes it easier for AUC students to learn about drilling mud properties and measurements using the best equipment available. These investments enhance students' education and better equip them to begin their careers once they graduate. These efforts also open up possibilities for further collaboration between Baker Hughes and universities on technological projects and research work.



Zvonimir Djerfi, President of Asia Pacific, speaks to students from three high schools in Kuala Lumpur, Malaysia



Alexandre de Abreu, Managing Director of the Angola geomarket with some of the students that have benefitted from Baker Hughes scholarship program in Angola

Scholarship Programs

During the past six years, Baker Hughes has contributed more than USD 2 million to provide scholarships to students in Angola, enabling them to attend a local university. With the addition of 20 students in 2014, the Baker Hughes Angolan Scholars Program has provided scholarships to 150 students. Baker Hughes in Saudi Arabia is sponsoring 95 students at the Saudi Petroleum Services Polytechnic (SPSP), an institute dedicated to providing

technical training for young Saudis. Baker Hughes is further supporting the institute with a USD 1.5 million contribution. The Women's Resource Group chapter in Ghana awarded six female engineering students with two-year university scholarships.

Promoting STEM Education

Baker Hughes is a strong supporter of the Science, Technology, Engineering and Math (STEM) program, which encourages students to pursue careers in these disciplines. Through its support

of STEM, Baker Hughes helps promote technology degrees and a career in the oilfield service industry. During 2014, Baker Hughes hosted numerous educational visits to our facilities around the world, including Qatar, Brazil, Angola, USA, Malaysia and Saudi Arabia.

Operational Excellence

2014 HIGHLIGHTS

70 CERTIFIED LOCATIONS
CONSOLIDATED
ON ENTERPRISE CERTIFICATE
SAVES USD 1 MILLION OVER 5 YEARS

115+ TEAMS
WIN THE PRESIDENT'S C
PERFECT HSE DAY
A W A R D



EMPLOYEES
ACCESSED
B H O S
MORE THAN
375,000
TIMES FOR HSE INFORMATION

630,000+
HSE TRAINING COURSES
C O M P L E T E D

C U S T O M E R
HSE FORUM

100 PARTICIPANTS
F R O M
20+ COMPANIES

ALASKA TEAMS WIN
CONOCOPHILLIPS

HSE
EXCELLENCE
A W A R D

Baker Hughes takes a systematic approach to managing health, safety and environmental risks encountered in our operations. Through our HSE management system and internal audit program, we ensure reliability, efficiency and safety of people and the environment. We collaborate with industry partners to validate and address common challenges through shared learning and continual improvement, in line with our mutual commitment to operational excellence.

Shaping Industry HSE Performance

Baker Hughes takes a leadership position in addressing critical issues affecting HSE performance across the industry. We are an active member of the International Association of Oil and Gas Producers (IOGP), serving on the executive Management Committee, as well as many technical committees and workgroups. Baker Hughes also is a member of the American Petroleum Institute (API) and volunteers subject matter expertise to the technical committees and workgroups. We are also active on the committees of the Society of Petroleum Engineers

(SPE), the Society of Chemical Manufacturers and Affiliates (SOCMA), and the International Association of Drilling Contractors (IADC). In addition, we were one of the founding members of the Center for Offshore Safety. These contributions and our participation help to advance the industry's performance related to HSE and social responsibility.

Customer Engagement

Baker Hughes engages directly with customers to ensure the alignment of HSE with client expectations and requirements. A cornerstone of these efforts is our annual Baker Hughes Customer HSE Exchange Forum. During our latest forum, more than 100 participants, representing more than 20 client companies, discussed how the industry can improve the management of upstream process safety risks. During the forum, our efforts to drive positive change in how the industry manages these risks were validated.



Baker Hughes HSE Customer Exchange Forum addressed industry HSE performance



Panel discussion held at the Baker Hughes Customer HSE Exchange Forum



HSE Highlighted during Baker Hughes Techno Collaboration 2014 in Stavanger, Norway

Photo by Tor Erik Pollestad

Expanding our HSE interaction beyond our customers, Baker Hughes also engages the broader industry. We were proud to serve as the Titanium Sponsor for the 2014 Society of Petroleum Engineers International Conference on Health, Safety and Environment. The theme of the event was "The Journey Continues," and focused on our industry's HSE accomplishments over time, as well as applied lessons learned as we move forward together with industry leaders in the spirit of continuous improvement. Baker Hughes representatives served as members of the Executive Committee and multiple subcommittees, and also gave presentations throughout the technical program and knowledge-sharing sessions.

HSE was also center stage at the Baker Hughes Techno Collaboration event in Stavanger, Norway. This event has been held annually for the past 15 years and more than 600 people attended in 2014.

More than 40 customers and governmental stakeholders representing the Norwegian sector of the North Sea joined Baker Hughes to move forward our purpose of enabling safe, affordable energy to improve people's lives. During day and night long sessions, 25 presentations showcased Baker Hughes' entire line of products and services. HSE was embedded throughout, with a plenary session challenge to the industry to join Baker Hughes in changing how HSE is managed.

DID YOU KNOW?

Outpaced Expectations

Baker Hughes outpaced all other oilfield service companies in meeting customer HSE expectations globally and in each oil basin, according to Welling & Company. Their Customer Perception Survey is conducted annually and includes more than 3,000 participants, reaching all major, independent and national oil companies worldwide.

HSE Management System

During 2014, the framework of our HSE management system (HSE MS) was modified to simplify the structure, further align with BHOS (Baker Hughes Operating System), and support conformance with security procedures.

In early 2014, the Security function began establishing a standalone management system. The Crisis Management procedure and requirements were extracted from the HSE MS and became a business standard in BHOS under Security. Emergency response procedures continue to be maintained by HSE and are linked to Security's Crisis Management resilience standards.

Concurrently, the overall HSE MS structure was modified for simplicity (Fig. 1). Historically, the HSE MS was comprised of one policy statement, 16 elements and multiple enterprise operational controls, now called HSE procedures. To further align with BHOS, the 16 elements were combined into a single document called the HSE Policy Manual. During this restructuring period, additional enhancements were also completed to further promote *Life Rules*.

HSE Management System Training

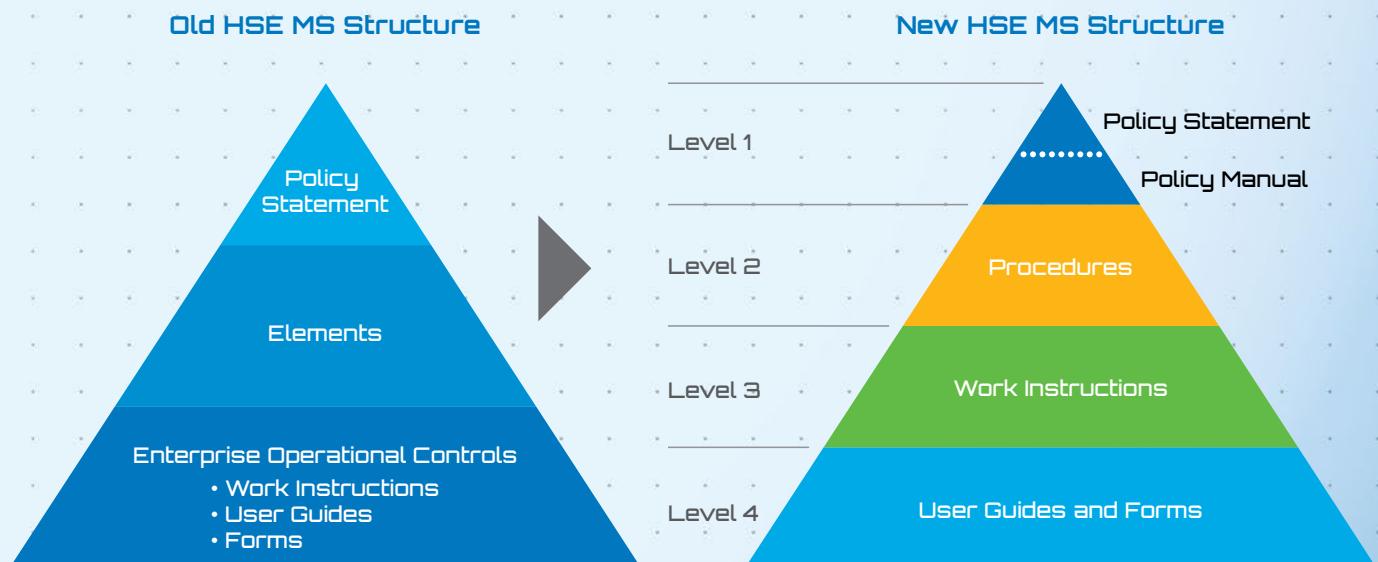
To enhance our enterprise HSE training program, HSE courses were made easily available with *Saba Anywhere*. This new offline program addresses the challenges of low or

DID YOU KNOW?

375 Thousand

Employees accessed HSE documents in BHOS more than 375,000 times in 2014.

Figure 1. Evolving our HSE Management System Structure



no internet connectivity in remote locations. *Saba Anywhere* is an offline program that enables employees to download a course at a Baker Hughes facility and take it anywhere, whether to a rig in the jungle or on a plane crossing the Atlantic. HSE training completion was also tracked as a leading indicator during 2014, enhancing accountability by showing the progress for each geomarket every month.

HSE Management System Audits

HSE auditing is a key component of Baker Hughes compliance as well as our internal controls assurance system, and is used to verify the reliability of our HSE programs. It examines our global operations, confirming HSE Management System conformance and compliance with applicable regulatory requirements.

The program is also used to verify our conformance with customer requirements and assess our alignment with industry standards and best practices. Audits drive continuous improvement in HSE performance by encouraging operations and HSE personnel to work side-by-side to identify and manage hazards, mitigate risk, and act on improvements to ensure compliance.

Our HSE Audit Program

Our assurance program includes a variety of HSE audits, including full HSE Management System (HSE MS) audits and specialty audits covering specific areas, including radiation, transportation, external certifications (e.g., ISO 14001 and OHSAS 18001), process safety and others. More than 190 audits were conducted in 2014, including 83 radiation audits and 84 full HSE MS audits at our operations worldwide. These full HSE MS audits cover all 16 elements of the HSE Management System and applicable operational controls, which can include radiation, explosives, process safety and others, depending on the location's activities. Audits were conducted in all regions and across all product lines, covering approximately 10% of our relevant facilities, including manufacturing plants, AMO (assembly, maintenance and overhaul), workshops and district operations. Our audit selection was based on the industry-recognized three-tier ranking system of high, medium and low risk criteria, with input from business segment HSE directors and senior operations leadership. To ensure consistency and audit quality, each audit report undergoes an internal quality review process prior to issuance.

Driving Continuous Improvement

Each year we strive to enhance our audit program to more effectively identify and manage our HSE risks and align with our focus areas. With that in mind, the HSE audit process and related documents were revised to more effectively evaluate behaviors and practices associated with *Life Rules*, wellsite process safety and the Baker Hughes Operating System (BHOS).

Additionally, more detailed information on audit trends and top findings was provided each month. This more actionable data was provided to drive execution and ownership at the local, geomarket and regional levels, and minimize repeat findings.

DID YOU KNOW?

630 Thousand

Baker Hughes employees completed more than 630,000 HSE training courses in 2014, with more than 90% of these courses available in their native language.

Engaging Our Leaders

During the past two years, we've accelerated our interdependent HSE culture and joint ownership of HSE across Baker Hughes.

Engaging our operations leaders in HSE audits has been one key factor contributing to this success. Not only have operations leaders become even more knowledgeable about HSE requirements and our management system, they've contributed their product line expertise, set clear HSE expectations, and engaged employees at the front line. Our goal in 2014 was 100% participation of business leaders in audits. We closed the year with 97% participation, up from 75% the prior year.

Business Leader Perspectives

- "...having region leadership working alongside professional auditors adds tremendous ownership and value to our organization"
– *Dave Dyer (Director, Middle East & Asia Pacific Completions)*

- "The audit team went out of their way to help us understand all of the HSE requirements and provided excellent advice and guidance for our operations"
– *Charles A. Liles (District Operations Manager, Gulf of Mexico, Coiled Tubing)*

- "...audit processes can be stressful, but if looked at as an opportunity to get better, they do nothing but make us stronger in the end"
– *Todd T. Soper (Area Operations Manager, Western U.S., Pressure Pumping)*



DID YOU KNOW?

Top Teh

A webinar series was initiated in 2014 to address the top 10 findings from the audit program.

Best Practice and Noteworthy Efforts

Audit findings are classified as either "major finding," "finding," or "observation." Noteworthy efforts are also recognized and applauded; 311 noteworthy practices were identified in 2014. These noteworthy practices represent proactive, innovative or extraordinary HSE efforts ranging from new and effective ways to communicate HSE hazards and risks, to transportation safety, to waste minimization and many others (Fig 2). A few highlights of the noteworthy efforts identified in 2014 include:

- In the gun-loading operation at a wireline services shop, the fine firing wire was inserted into a blue sheath to protect it from

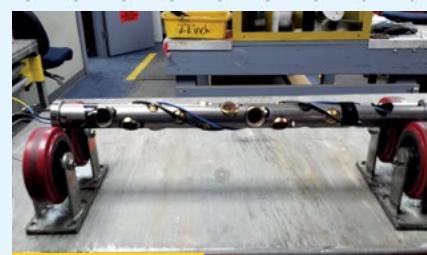
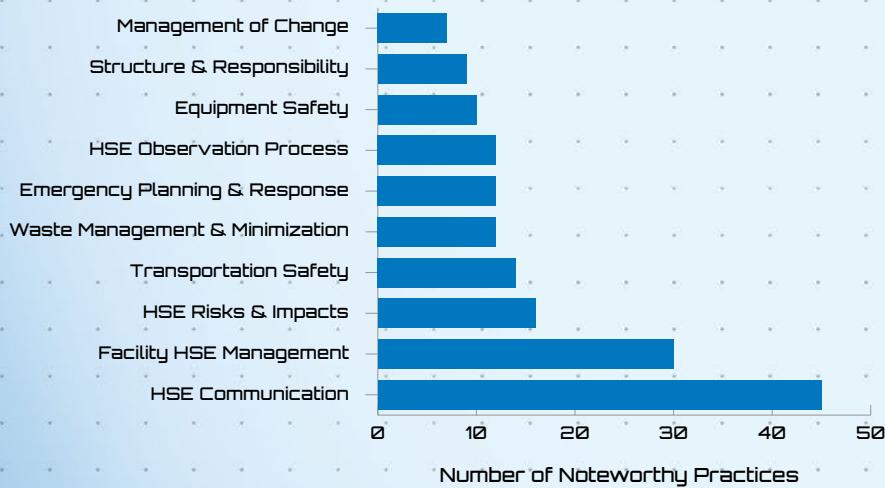
damage during transportation, providing additional protection against a misfire or failure at the wellsite.

- The drill bits product line was conducting a trial using a lightweight crane to load bits into trucks. The crane minimized manual handling risks and reduced overall truck weight, ensuring weight limits are met during transportation. These cranes are about half the price of the traditional units.
- A novel thread-washing apparatus was developed to facilitate efficient equipment cleaning and conserve water. Wash water was

also reduced from the washing machine used to clean end cap "protectors."

- Forklift use in the shop area at the Port Kelang facility in Malaysia was eliminated by using a lean shop floor layout and improved trolleys and tool carts.
- The Hebronville Drilling Fluids facility implemented the use of a spring-loaded pallet table that allows for the safe handling of the bagged materials, eliminating the risk of back strains.

Figure 2. Top 10 Categories of Noteworthy Practices in 2014



Firing wire inserted into a blue sheath for protection



Spring Loaded "Pallet Table" to reduce manual handling

Findings

During 2014, six major findings were identified, including issues such as surface soil contamination related to inadequate practices and secondary containment. This represents a 60% reduction in major findings in the last two years (Fig 3), and is less than 1% of the 2,263 findings identified during 2014. Major findings and their closure status are reviewed quarterly as part of the executive Compliance and Internal Controls process. One quarter of our total audit findings were classified as minor issues, called observations (Fig. 4). The overall finding closure rate for all audit findings across the enterprise was excellent, at 90%.

Figure 3. Major Findings Per Audit

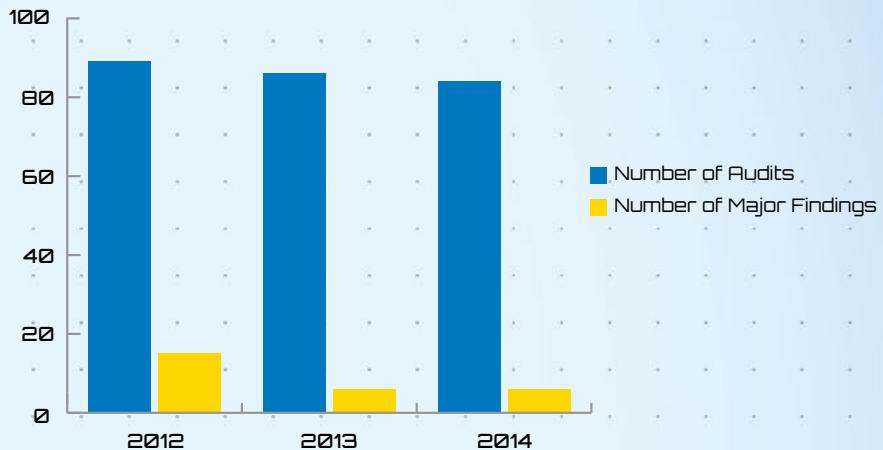
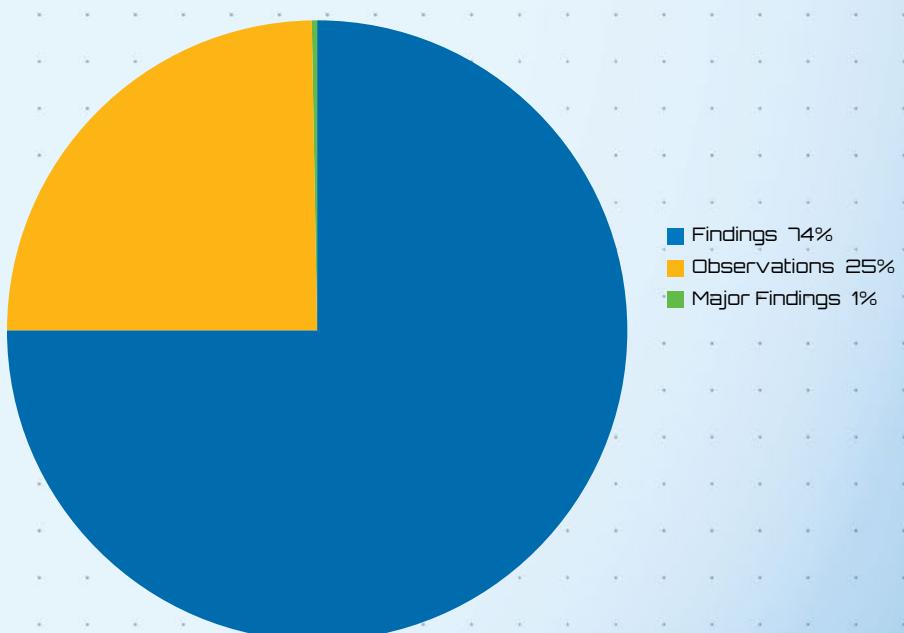


Figure 4. Classification of Findings



Enhancing our HSE Assurance

A new self-assessment process was developed as a tool to reinforce local HSE ownership and take us further on our journey to make every day a Perfect HSE Day. The program will be fully implemented in 2015 and is specifically designed to:

- Focus on execution and drive proactive improvements by evaluating local HSE MS implementation and emphasizing *Life Rules*
- Promote efficiency and synergy by consolidating critical areas such as the annual radioactive program assessment into the HSE self-assessment program
- Supplement the enterprise HSE MS audit program and increase leadership assurance that HSE, regulatory, and customer requirements are being effectively managed

- Measure ownership and interdependence based on employees' perception of management commitment to HSE using an anonymous culture survey.

External Validation by Bureau Veritas

A number of our facilities have had their HSE management system externally certified to International Organization of Standardization (ISO) standards. In 2014, we completed a three-year program to transition all local HSE certifications to a single enterprise-wide multisite certificate. All locations around the world with certifications of their environmental management systems standard ISO 14001 and the occupational health and safety management system standard OHSAS 18001 are now managed under enterprise-wide multisite certifications. This brings

greater organization and cost-efficiency to the management of our external audit program. In fact, the new multisite certification saves about USD 1 million over a five year period.

In our annual global headquarter audit to ISO 14001 and OHSAS 18001, no nonconformities were noted. The company was commended on the high degree of integration of HSE matters, and senior management participation and support.

At year-end, 70 Baker Hughes facilities were certified to ISO 14001. Of these, 22 facilities were also certified to OHSAS 18001. These certifications represent facilities in a number of regions (Figs. 5 and 6) and include manufacturing, operations and administration across all product lines.

DID YOU KNOW?



Self-assessments will be required at:

- Any high-risk facility not receiving a full HSE audit during the calendar year
- Any medium or low risk facility that has not received a full HSE audit in the past three years

Figure 5. ISO 14001 Certifications by Region

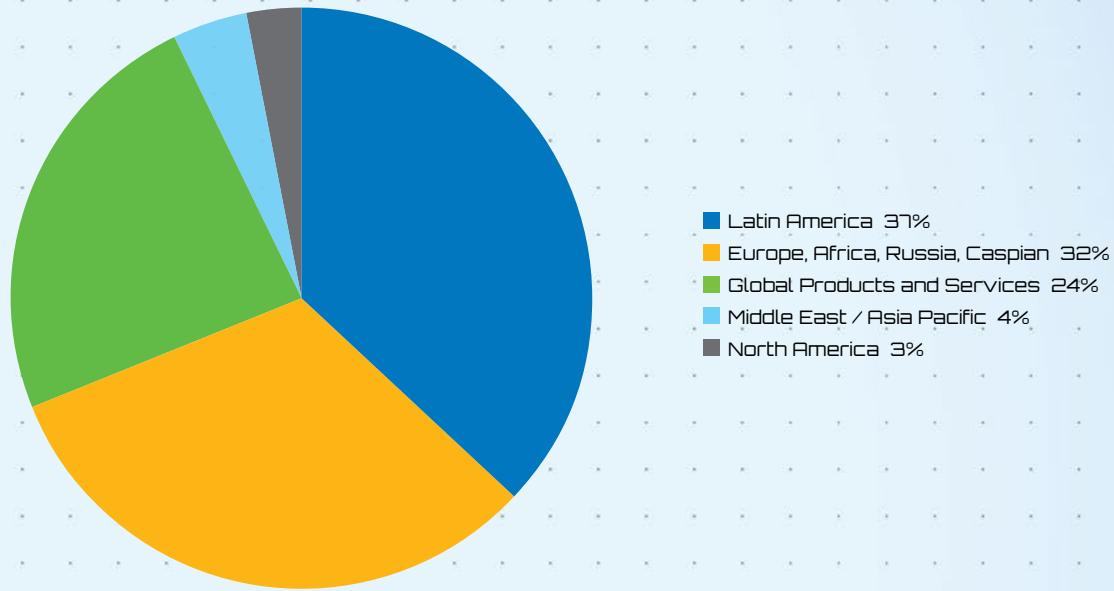
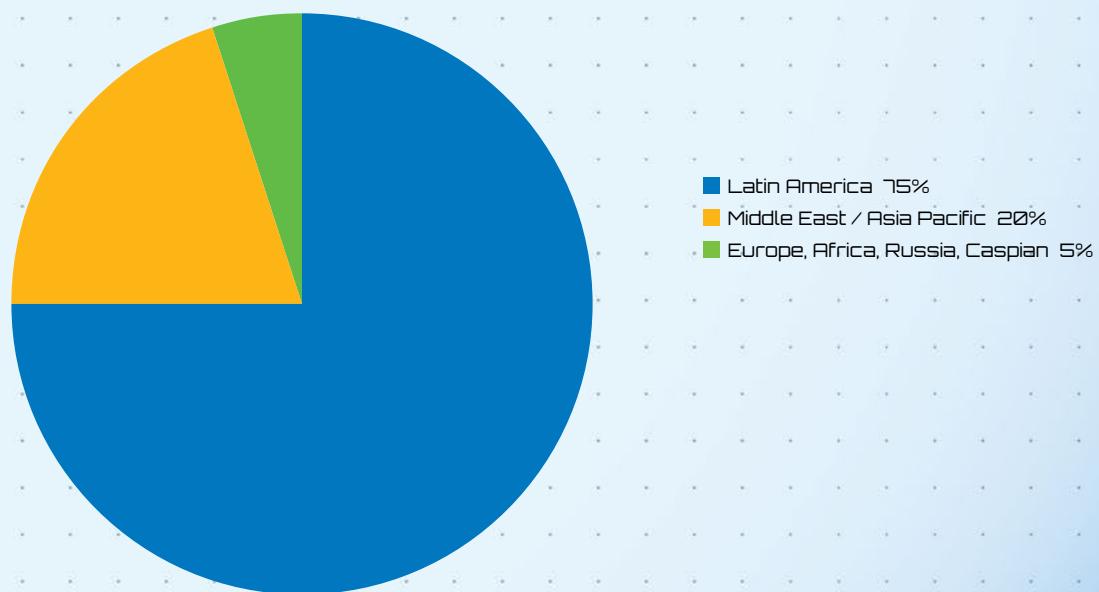


Figure 6. OHSAS 18001 Certifications By Region



HSE Excellence Through Collaboration and Ingenuity

Baker Hughes is reducing workplace hazards and designing better facilities through effective collaboration and ingenuity. Operations and HSE personnel, architects, contractors, and Global Supply Chain (GSC) Lean Kaizen Office personnel have been working together to make company facilities more efficient and safer places to work. An engineering team at our Navigation facility was presented with challenges, and they devised prototype equipment to solve the problem and make the process safer and more efficient. Examples of their ingenuity include:

- Scorpion (Photo a) – A highly mobile device that allows crane-free loading of machines. It eliminates overhead lifting and permits hands-free handling of parts.
- Automated Grit Blaster – Allows parts to be blasted without exposing personnel to blast hazards. Noise is eliminated and personnel no longer need to suit up and enter a blast room.
- Hands-Off Tables (Photo b) – These tables allow hands-free work, so manual handling and the use of heavy pipe mallets are no longer required.
- Benches, Carts, and Trolleys – New designs reduce overhead crane use and improve material movement.

These devices are now used in Houston (Navigation), Singapore, Dubai, Celle, Aberdeen (Bridge of Don), and other locations.



Photo a. Scorpion



Photo b. Hands-Off Table 2.0

Enhanced facility designs have been created through a collaborative planning process that includes operations, HSE, architects, contractors, and the use of Lean 3P (Production, Preparation, and Process). This Lean tool was used in the design of the Oklahoma City facility – now under construction – (Photo c) and other expansion projects across the company. This process allows Baker Hughes to design facilities that:

- are energy efficient
- optimize the use of natural light
- have proper traffic and logistical flow
- can minimize and efficiently handle waste streams
- have incorporated processes and systems that minimize everyday HSE risks

These designs result in facilities having much smaller environmental footprints over their lifespan, elevating the sustainability of our overall operations.



Photo c. Rendering of the Oklahoma City multi-functional, integrated campus



Members of the Pakistan team received the 2013 Chairman's HSE Excellence Award at a gala dinner hosted by Chairman and CEO Martin Craighead in May 2014.

Left to Right: Shahid Raza, Account Manager; Babar Zaheer, Operations Manager D&CF; Dr. Imran Butt, Country Director; Dmitry Kuzovenkov, VP HSE; Ahtisham Iftikhar, HSE & Security Manager; Mohammad Afzal, Operations Manager DS; and Martin Craighead, Chairman and CEO

Recognizing Excellence

As we strive to achieve new levels of operational excellence, we congratulate our teams that achieve superior health, safety, and environmental (HSE) performance through internal recognition programs. We also applaud our teams that receive external recognition from customers and industry or community groups.

Our internal HSE recognition programs include the coveted Baker Hughes Chairman's HSE Excellence Award and the President's HSE Recognition Awards.

The Chairman's HSE Excellence Award is presented to the five applicant teams that have best demonstrated sustained HSE excellence over a three-year period and is awarded by Martin Craighead, Baker Hughes Chairman and Chief Executive Officer. The President's HSE Recognition Awards recognize excellence over the past year and are bestowed by business segment presidents.

Chairman's HSE Excellence Award

To be eligible for the Chairman's HSE Excellence Award, teams must have met our enterprise HSE goals

for the last three years, have taken action to advance the HSE culture, and accomplished a significant HSE achievement. The five teams selected to win the Chairman's award receive a USD 10,000 prize to spend on a reward of the team's choice. In 2014, for the first time, select employees from each winning team participated in a special celebration dinner with Martin Craighead. Local celebrations were also held for the winning team from each region and business segment.

Thirty-eight teams applied for the 2014 Chairman's HSE Excellence Award. The five winning teams, one from each region and Global Products and Services are as follows:

- Europe / Africa / Russia, Caspian Region
 - East South West Africa geomarket
- Global Products and Services
 - Dubai Manufacturing and AMO
- Latin America Region
 - Mendoza, Argentina Artificial Lift Systems
- Middle East / Asia Pacific Region
 - Baker Hughes Vietnam
- North America Region
 - Gulf of Mexico Drill Bits and Drilling Services

Examples of selected applicant team accomplishments are highlighted below.

- The 250-strong Assembly, Maintenance and Overhaul (AMO) and manufacturing teams in Dubai achieved more than two million man-hours without a recordable injury. This outstanding achievement was attributed to initiatives that included establishing an HSE competition between teams, and making safety videos using employees as actors to emphasize Baker Hughes *Life Rules*.
- Over the last nine years, our 430 employees in Vietnam drove more than five million kilometers without a motor vehicle accident. Initiatives that contributed to this achievement included implementing a policy

prohibiting night driving for long journeys and a strong focus on safe driving behaviors.

- The team of 450 employees at our Lagomar facility in Brazil achieved more than two years without a recordable hand injury. Engineering controls and tools were developed to avoid hand contact, including a tool to permit rolling without the risk of hands becoming trapped (Fig. 7).

President's HSE Recognition Awards

The President's HSE Recognition Awards programs were established to recognize and celebrate teams of 50 or more employees that achieved 365 Perfect HSE Days.

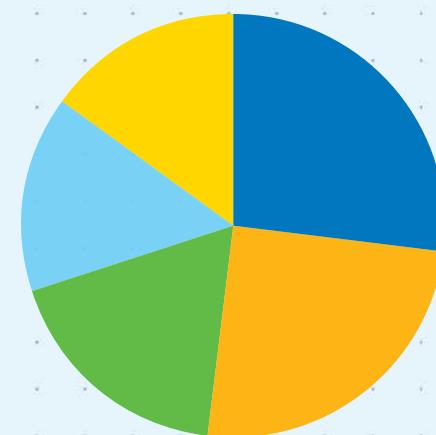
- **2014 President's Perfect HSE Day Awards.** Teams that achieved 365 Perfect HSE Days in 2014 were recognized with this award.
- **2014 President's HSE Performance Awards.** This award was presented to teams that achieved 365 Perfect HSE Days in 2014, demonstrated HSE excellence according to a number of leading indicators, and accomplished a significant achievement. Up to five of the top performing teams are recognized in each region and Global Products and Services (GPS).

More than 115 teams applied for an award, having achieved 365 Perfect HSE Days in 2014. Fig. 8 shows the regional distribution of teams that achieved 365 Perfect HSE Days.

Figure 7. Engineering control designed by employees at the Lagomar facility in Brazil allows rotation of the tool without causing hand injury



Figure 8. Regional distribution of teams that achieved 365 Perfect HSE Days



- | | |
|-----------------------------------|-----|
| ■ Europe, Africa, Russia, Caspian | 27% |
| ■ Middle East / Asia Pacific | 25% |
| ■ Global Products and Services | 18% |
| ■ Latin America | 15% |
| ■ North America | 15% |



Brandon Robinson, Technical Manager, accepted the Rosneft Vietnam Outstanding Safety Achievement Award on behalf of the Upstream Chemicals team in Vietnam



From left: Trond-Erik Johansen, President, ConocoPhillips Alaska; Ross Dean, Operations Manager Drilling and Evaluation Services; Jason Goodwin, HSE Manager; Bryan Tindall, Operations Manager Completions; Hein Ellis, Western US HSE Manager; and Christian Klotz, Director, Baker Hughes, Alaska.

Customer Recognition

Baker Hughes employees work in close partnership with our customers to improve HSE and have received numerous accolades for their HSE improvements during 2014. Just a few examples are highlighted below, as well as in other sections of this report.

In Vietnam, Baker Hughes employees received recognition from several clients. Rosneft Vietnam presented an Outstanding Safety Achievement Award to the Baker Hughes Upstream Chemicals team for 12 years of safe operations. In addition, the Baker Hughes Vietnam team was presented with a Safety Excellence Performance Award from Petrovietnam

Exploration and Production Corporation for six months of operations without a recordable injury.

In Malaysia, Baker Hughes was awarded the Goal Zero Achievement Award from Shell Malaysia for achieving zero recordable injuries and no hydrocarbon releases for 2,700 days. A silver category "S.A.F.E" Award was presented to Baker Hughes's Wireline Services Operations by Carigali Hess Malaysia for achieving zero recordable injuries and making a significant contribution to the observation program. A Certificate of Excellence was awarded to Baker Hughes's Completion and Well Intervention (CWI) Operations by Petronas Carigali

Sdn Bhd (PCSB) Malaysia for achieving three million man-hours in 2014 without a lost time injury. Finally, an Outstanding HSE Performance Award was presented to Baker Hughes's CWI Operations by PCSB Malaysia for achieving one million man-hours without a lost time injury in May 2014.

ConocoPhillips awarded Baker Hughes, Alaska the 2014 HSE Excellence Award for their active role in achieving an incident-free culture; functioning HSE management system; zero recordable injuries; and progress on the HSE business plan.

Industry and Community Recognition

In February, four Baker Hughes employees were recognized with the STEP Award for Women in Manufacturing in a ceremony in Washington DC. Becky Campbell, Manufacturing Plant Manager, Navigation Boulevard, Houston; Patricia Conrad, Midstream Sales and Operations Manager, Chemical and Industrial Services,

Sugar Land, Texas; Rosa Gutierrez, Quality Assurance Manager, Rankin Road, Houston; and Dana Phillippe, Machinist, Broken Arrow, Okla. received the Manufacturing Institute 2014 Science, Technology, Engineering, and Production (STEP) Award for their achievements, leadership abilities, and technical contributions to the company.



Four Baker Hughes employees were recognized with the STEP Award for Women in Manufacturing in Washington DC.



Edwin Cannon, Quality Manager for PTC (third from right), received the Tricia Appleton Award for Safety on behalf of Baker Hughes

DID YOU KNOW?

24%

According to the Manufacturing Institute, women make up only 24% of the manufacturing labor force even though 82% of U.S. manufacturing companies face a shortage of available, qualified workers.

The team at our Perforation Technology Center (PTC) at Pine Island, Texas, was awarded the Tricia Appleton Award for Safety by the Institute of Makers of Explosives. In just one year, the team at Pine Island manufactured about a million high-quality explosives and conducted performance testing in vessels with temperatures greater than 350°F and up to 15,000 psi. The PTC team accomplished this without any injuries, spills, or motor vehicle accidents.

In September, Will Harvey, Facility Manager at Shafter, Calif., accepted

the Kern Green Award for Green Building and Design from Kern Green, a local nonprofit committed to protecting the environment through education and awareness. Baker Hughes won this award for the sustainability features built into the 70-acre integrated services campus in Shafter. Features include the natural gas fuel cell as an innovative way to generate clean electricity, as well as the use of natural lighting techniques, and energy-efficient temperature control equipment.

Building on our Success

Each year, we reflect on our success and look to the future with passion and optimism as we strive to make a difference. To determine how we can make significant improvements, we evaluate incident trends with a critical eye and view these through the lens of our business strategies. In this process, we collaborate with stakeholders, including clients, to validate key focus areas that will further safeguard our employees, communities and the

environment. To drive performance and accountability, we track both leading and lagging indicators of performance.

2014 HSE Performance Goals

During 2014, we achieved our best HSE performance in company history (Table 1). Our overarching goal is to make today, and every day, a Perfect HSE Day. Baker Hughes employees achieved 92 Perfect HSE Days in 2014,

essentially the equivalent of a perfect quarter. We achieved significantly fewer injuries and vehicle accidents, reduced spill volumes, and improved our conservation of energy and water. Our accomplishments were, however, overshadowed by the loss of three of our colleagues in motor vehicle accidents, reminding us to be ever vigilant in mitigating life-critical risks, especially while driving.

Table 1 Summary of results of 2014 HSE goals

Goal	Target	Result
Zero fatalities	0	3 work-related employee fatalities
10% Reduction in Total Recordable Incident Rate (TRIR)	≤ 0.59	0.45 (31% reduction)
10% Reduction in Days Away from Work Case Rate (DAFWCR)	≤ 0.15	0.11 (35% reduction)
15% Reduction in Short Service Employee (SSE) TRIR	≤ 0.93	0.73 (28% reduction)
10% Reduction in Motor Vehicle Accident Rate (MVAR)	≤ 0.31	0.25 (27% reduction)
Reduce resource use by 10%, targeting water, energy and associated greenhouse gas emissions	10% reduction	11% reduction
10% Reduction in spill volume	10% reduction	66% reduction

Baker Hughes 2015 Expectations and Targets

In 2015, we will maintain our ongoing commitment to achieve 365 Perfect HSE Days, acknowledging and addressing changing dynamics within the industry and the Baker Hughes organization. We recognize that our leaders need to be visible, authentic, accountable and consistent in their behaviors and communications. They also need to set clear expectations for their teams.

We will measure our HSE results using leading and lagging indicators of performance. The lagging indicators (Table 2) reflect areas of HSE risk within our business and align with industry standard metrics to enable benchmarking across the industry. In addition, eight leading indicators have been established around activities that will drive these results. These

include measures of active leadership engagement with employees through field visits and participation in audits; strong employee participation in our observation program; robust reporting of near-miss events; driver training to promote behavioral changes; a focus on process safety; a strong auditing program; and self-monitoring programs.

Table 2. 2015 lagging indicators of HSE performance

Metric	Target
Fatalities	Zero
Total recordable incident rate (TRIR)	10% reduction
Days away from work case rate	10% reduction
Short service employee TRIR	10% reduction
Preventable motor vehicle accident rate	25% reduction
Energy/greenhouse gas emissions/water	10% reduction
Spill volume	25% reduction

Glossary

Baker Hughes Operating System (BHOS)

An enterprise-wide, integrated management system that drives the consistency of and conformance to Baker Hughes policies, processes and procedures to comply with our established objectives, enable flawless execution and satisfy customers' needs.

Bow-Tie Analysis

A risk assessment tool used across industry, and particularly in process safety management for communicating risks to people and the environment. It clearly shows the links between the potential causes of a major incident, the barriers and controls to prevent or mitigate such incidents, and possible consequences.

Days Away From Work Case (DAFWC)

Any occupational injury or illness that renders the affected person temporarily unable to return to the workplace in any capacity on one or more subsequent days after the day of the injury.

Days Away From Work Case Rate (DAFWCR)

$$\frac{\text{Number of days away from work cases} \times 200,000}{\text{Total number of man-hours worked}}$$

GreenLink

Database used at Baker Hughes to track environmental performance indicators since 2008 to assist with measuring our overall environmental footprint and progress on our environmental goals.

Interdependent HSE Culture

In an interdependent HSE Culture, the organization "owns" HSE, employees believe all injuries can be prevented, and zero incidents are an expectation. This culture is characterized by: cooperation within and across teams; organizational pride; employees fully engaged in goal-setting and improvements; management comfortable leading or allowing others to lead; and employees looking after each other's safety.

Light Vehicle Accident

A light vehicle accident is a vehicle accident resulting in property damage, vehicle damage not requiring tow-away, or injuries not beyond First Aid.

Motor Vehicle Accident

A motor vehicle accident is any vehicle accident that occurs in a company vehicle or any vehicle (at any time) while conducting company business. These accidents typically include: vehicle accidents resulting in third-party injuries; rollovers; personal injuries classified as recordable; and vehicles being towed from the scene.

Motor Vehicle Accident Rate (MVAR)

$$\frac{\text{Number of motor vehicle accidents} \times 1,000,000}{\text{Total number of kilometers driven}}$$



Motor Vehicle Crash

A motor vehicle crash is a motor vehicle accident that occurs while conducting company business. These accidents typically include: vehicle accidents resulting in third-party fatalities; rollovers; personal injuries classified as recordable; and vehicles being towed from the scene. Motor vehicle crash is an industry-wide term established by the International Association of Oil and Gas Producers.

Motor Vehicle Crash Rate (MVCR)

$$\frac{\text{Number of motor vehicle crashes} \times 1,000,000}{\text{Total number of business kilometers driven}}$$

Normalization

The intent of normalization is to give an accurate determination of intentional vs. circumstantial reduction by adjusting the actual quantity to account for changes in economic activity, which may affect generation (such as waste) or use of a material (such as energy). The normalization basis is typically a numerical value, which is tracked for some measure of activity, such as revenue, production data (pounds of material produced), number of containers cleaned or other factors.

Perfect HSE Day

The goal at Baker Hughes is to make today, and every day, a Perfect HSE Day. We define a Perfect HSE day as one without a recordable injury or illness, spill or release harming the environment, and motor vehicle accident across the enterprise.

Preventable Vehicle Accident

An accident in which the driver could have, but failed to drive in such a manner as to identify an accident-producing situation soon enough to take reasonable and prudent action to avoid such an accident.

Preventable Vehicle Accident Rate (PVAR)

$$\frac{\text{Number of preventable motor vehicle accidents} \times 1,000,000}{\text{Total number of kilometers driven}}$$

Process Safety

A disciplined framework for managing the integrity of systems and processes involving hazardous substances. It is achieved by applying good design principles along with sound, engineering, operating and maintenance practices. Process Safety is intended to prevent and control events that have the potential to release hazardous materials including hydrocarbons, and energy. Such events can result in toxic exposures, fires or explosions, and could ultimately result in serious incidents including fatalities, injuries, property damage, lost production or environmental damage.

Recordable Incidents

All work-related injuries or illnesses that result in fatality, days away from work, transferred or restricted work, medical treatment beyond first aid, or that involve loss of consciousness. Though tracked and managed, first aid injuries and near misses are not considered recordable incidents.

Short-Service Employee (SSE)

For statistical reporting purposes, an SSE is any Baker Hughes employee with less than one year of service.

Superfund

The common name for the U.S. environmental law officially known as the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), which was created in response to heavily contaminated toxic waste sites. Sites listed on the Federal (Environmental Protection Agency) Superfund National Priority List or on state lists are generally referred to as "Superfund sites." The term superfund is derived from the trust fund established for cleanup at sites where no viable responsible parties could be identified. This trust fund was made up of several billion dollars from taxes assessed on the chemical and petroleum industries.

Total Recordable Incident Rate (TRIR)

$$\frac{\text{Number of recordable incidents} \times 200,000}{\text{Total number of man-hours worked}}$$

Health, Safety, Environment, and Security

Policy Statement

Baker Hughes policy is to conduct business in a manner that protects people, assets, intellectual property, and the environment. This commitment is facilitated through a management system for Health, Safety, Environment, and Security that promotes:

- Line management and employee accountability, commitment, and individual contribution
- Measurable goals and plans for continual improvement aimed at zero incidents; conservation of energy, water and other resources; reduced emissions; and the prevention of pollution
- Integration of Health, Safety, Environment, and Security matters into all business activities
- Identification and effective management of Health, Safety, Environment, and Security risk
- Provision of training, controls, and protective measures based on sound assessment of personal health and safety, equipment and process safety, workforce and asset security, and environmental and social responsibility
- Collaboration with customers, regulators, contractors, suppliers, and community leaders to improve overall performance
- Compliance with applicable legislation, regulations, and industry standards
- A culture where Stop Work is an individual obligation and a company responsibility
- Asset integrity (traceability and preventative maintenance), equipment design, and lifecycle management
- Audit and review of systems and communication of performance
- Understanding of crisis alert levels, response plans, and the crisis management process
- Protection of all Baker Hughes intellectual property
- Allocation of appropriate resources to implement this policy
- Baker Hughes is a responsible corporate citizen committed to the protection of people, the environment, and company resources, while supplying products and services in a sustainable manner. This commitment adds value to employees, customers, shareholders, and communities.
- This policy is made available to employees, customers, contractors, suppliers, and the public.



Martin S. Craighead
Chairman and Chief Executive Officer



