

Scope 3 Category 1: Purchased Goods and Services

Emissions Management & Engagement

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Baker Hughes Purpose



“Our purpose is clear, and our commitment is firm. We make energy safer, cleaner, and more efficient for people and the planet.”

Lorenzo Simonelli
Chairman and CEO

Committing to UN principles

WE SUPPORT



As a signatory of the UN Global Compact, Baker Hughes is committed to the United Nations principles on human rights, labor, environment, and anti-corruption.

Our values



Grow



Collaborate



Lead



Care

Overview of Emissions

50% reduction by 2030 → Net-zero by 2050

Scope 1 – Direct Emissions

Emissions resulting directly from the combustion of fuels for activities that are owned or controlled by a company.

Common examples are operation process, facilities, fleet, testing.

Manufacturing



Factory Operations

Facilities & Offices



AMO/Whse Operations



Offices

Transport & Testing



Company Fleet



Equipment Testing

Scope 2 – Indirect Emissions

Emissions generated indirectly from purchased energy consumed.

Common examples are purchase electricity and others.

Purchased Electricity



Non-Renewable Energy



Renewable Energy



Electricity use example



Computers & Digital processes

Scope 3 – Indirect Value Chain Emissions

Emissions resulting indirectly from all value chain activities involving sources that a company does not own or control.

Common examples are suppliers, travel, waste, product/service, transport

Upstream – Supplier Related

Vendors & Suppliers



Suppliers' Goods & Services



Transport of Goods & Services from Suppliers

Travel & Transportation



Business Travel



Employee Commuting

Waste



Waste Management

Downstream – Customer Related

Products & Services



Customer Use of Our Products



Services for customers

Transport & Asset Dispositions



Transport of Goods & Services to Customers



End of Life Treatment & Disposition of Sold Products

Need to set target, first QUANTIFY

<https://ghgprotocol.org/scope-3-technical-calculation-guidance>

<https://www.greenworldwide.com/what-are-scope-1-2-and-3-carbon-emissions/>

Benefits of Sustainable Operations



Reduced costs

An effective sustainability strategy can affect operating profits by as much as 60% by minimizing costs of raw materials and water usage via improved waste management



Attraction & retention

Strong ESG propositions aid in attracting and retaining high-quality talent



Increased sales

Business and commercial customers want to buy from organizations with clear sustainability policies.



Access to funds

Financial institutions are increasingly concerned with and look more favorably on those with compelling ESG programs



Risk mitigation

Mitigates risk through training and creation of risk and performance measures, ensuring reliable business operations



Improves reputation

Improving trust with the public by effectively acting on and communicating company values

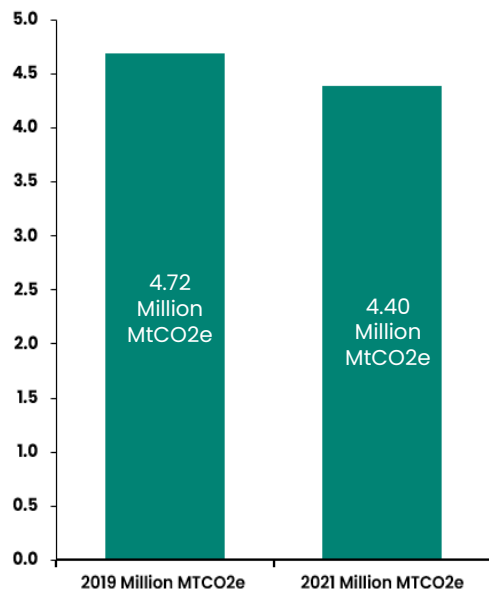


Continuous Improvement

Increased transparency through the reporting process highlights important functions within the company that need to be improved.

An overview of category 1

Scope 3 Cat 1 emissions 2019 baseline vs 2021



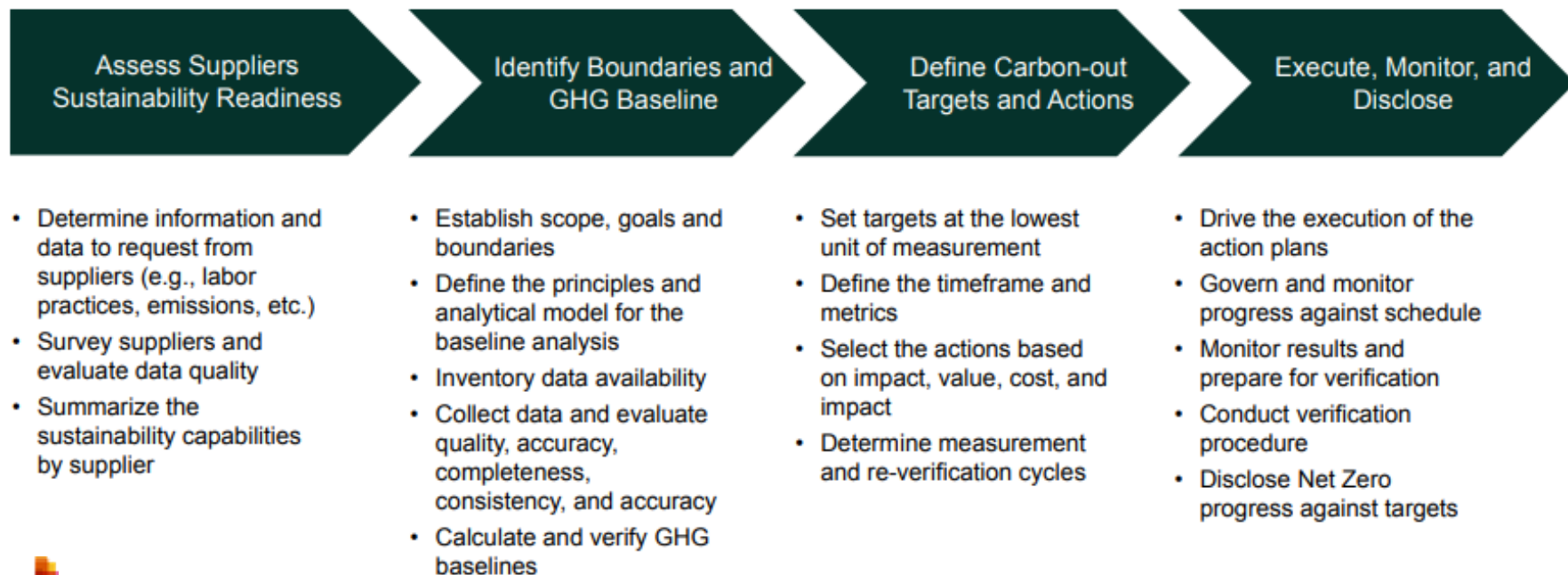
Reducing GHG emissions requires collaboration across the value chain

We are focusing efforts first on the top 3 most emissive sourcing categories

In 2022, we launched a supply chain questionnaire to collect actual data from suppliers in collaboration with CDP

Since 2021, suppliers have participated in sustainability discussions via virtual and in-person conferences and webinars

Roadmap for “Carbon-Out”



Scope 3 Spend-Based Methodology

Scope 3 – Category 1 is defined as the Purchased Goods and Services calculation.

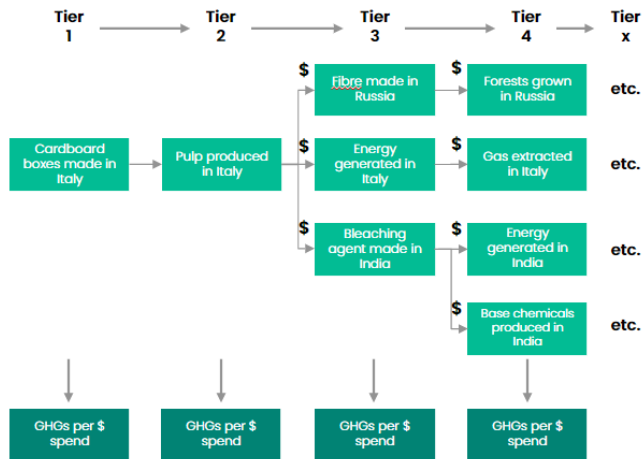
1. Determined commodity-specific data using a spend-based methodology.

2. EXIObase mapping

- With the spend-based approach we used internal spend activity data mapped to EXIObase emissions categories
- EXIObase is an Environmentally-Extended Input Output (EEIO) database. We chose this database because of its global and multi-regional reach.

3. Advancing the methodology

- Quantifying emissions with the spend-based method allows us to identify hot spots in our supply chain
- We are partnering with our suppliers to obtain data for a more precise calculation and work together to reduce emissions

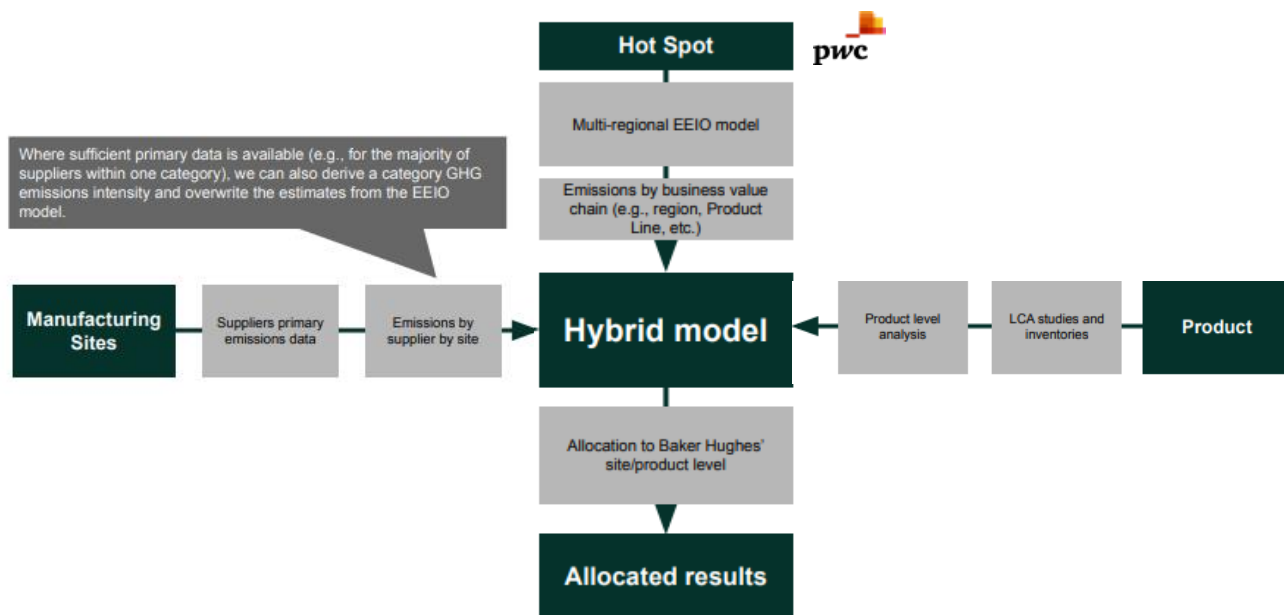


Simplified schematic of insights gained through EE MRIO analysis. In this example, for every dollar spent in the pulp/paper sector in Italy, the model estimates how much of this dollar will end up at bleach suppliers in India and, subsequently, how much of this proportion will be spent in the energy and base chemicals sectors in India. GHG intensities are used to convert the economic activity to GHG quantities.



All calculations require due diligence with intense internal audits for accuracy and alignment to Greenhouse Gas Protocols.

Scope 3 Hybrid Model



In principle, use the most granular information available and close any data gaps with estimation techniques to provide a complete GHG footprint.

The hybridized model must be designed to avoid double counting

Scope 3 Category 1 Carbon Out

What we've done and what we're doing

We are here

Baselining & Aligning to SBTi

- Baselining of Scope 3 Category 1 for 2019 and 2021 covering over 30,000 suppliers and total spend each year
- Developed an intensity target for Scope 3 Category 1 aligned to SBTi

Working with CDP

- 34% of suppliers responded to CDP Survey
- 76% of suppliers reporting operational emissions
- 52% of suppliers reporting active targets
- 8% of suppliers with validated near-term SBTi targets
- 47% of suppliers engaging their own suppliers

Requirements Gathering

- Identify the key needs to launch Scope 3 Carbon Out
- Develop a pragmatic approach to Scope 3 Carbon Out by understanding the abatement levers
- Prioritize key levers based on impact and effort – identifying support requirements
- Agree roadmap and next steps by understanding the current challenges in capacity, capability and timeline of delivery

Build tools & collateral

- Perform further deep dives on complex abatement levers
- Develop tools and collateral needed as determined by the business
- Deploy tools and training
- Support in developing Scope 3 Carbon Out Launch roadmap
- Align with the wider Baker Hughes transformation e.g. TCFD, Sustainability Strategy, ESG M&A and regulatory readiness workstream

Launch Carbon Out

- Launch Scope 3 Carbon Out leveraging the Scope 1 & 2 approach e.g. Carbon Champions and leveraging communities of practice

Supplier Benefits

- ❖ Gain competitive advantage through your sustainability commitment getting ready for incoming regulations and costumers' ESG requests and being able to attract more investors
- ❖ Participate in a structured sustainability program without a fee and boost your sustainability expertise with free ESG workshop
- ❖ Be transparent to demonstrate responsibility obtaining your ESG profile to share with your stakeholders
- ❖ Be part of an ecosystem where you can collaborate, innovate, benchmark and find opportunities for synergies
- ❖ Save costs related to emissions and resources management

Participation with Baker Hughes Sustainability Programs is voluntary, but highly recommended to support achieving sustainability goals.



Baker Hughes 