

## **Baker Hughes Tax Strategy**

### **Introduction**

Baker Hughes (NASDAQ: BKR) is an energy technology company that has a diverse portfolio of equipment and service capabilities that span the energy value chain. The company designs, manufactures, and services transformative technologies to help take energy forward. Baker Hughes conducts business in more than 120 countries and operates across two business segments: Oilfield Services & Equipment and Industrial Energy Technology. Baker Hughes employees and businesses are part of the fabric of the communities in which they work.

This document outlines Baker Hughes' tax strategy and approach to conducting its tax affairs and managing tax risk governance, and is available to all Baker Hughes stakeholders. The document is reviewed annually to ensure that it continues to be appropriate and adequately reflects Baker Hughes position in relation to tax.

Responsibility for the tax strategy sits with the VP – Chief Tax Officer who reports to the Chief Financial Officer. She actively reviews the strategy and approves it prior to publication.

### **HMRC (HM Revenue & Customs) Requirements for a Published Tax Strategy**

Sch 19, Part 2 of the Finance Act 2016 requires Baker Hughes to publish a tax strategy as it operates in the UK as part of a Multinational Group with global turnover exceeding €750m. The Act covers four specific requirements:

1. The approach to risk management and governance arrangements in relation to UK taxation
2. The attitude of the group towards tax planning
3. The level of risk in relation to UK taxation that the group is prepared to accept
4. The approach of the group towards its dealings with HMRC.

These requirements are dealt with below and accordingly, Baker Hughes is of the view that it is compliant with the Finance Act 2016 in respect of the year to 31 December 2023.

### **Baker Hughes' Management of Tax Risk in the UK**

Baker Hughes recognises that, amongst its duties to its shareholders, it has an obligation to pay no more tax than is due under laws and regulations of countries in which Baker Hughes and its subsidiaries operate, in accordance with rules set by various governments. Baker Hughes is committed to ensuring compliance in respect of all taxes worldwide and to having an open and constructive relationship with all tax authorities. Baker Hughes has zero-tolerance to tax evasion and maintains procedures as required by the Criminal Finance Act 2017 in respect of preventing the facilitation of tax evasion.

As noted in the above Introduction, the VP – Chief Tax Officer is responsible for, and implements, Baker Hughes' approach to tax, reporting directly to the CFO. She is supported by a team of appropriately qualified in-house tax professionals based in Baker Hughes' primary operational locations, including the UK. External tax advisors are engaged where there is a need for specialist guidance and support, or in those locations where Baker Hughes' activities do not warrant having an in-house tax resource for routine compliance matters. However, responsibility for Baker Hughes' tax affairs remains with the VP – Chief Tax Officer and the in-house team.

Baker Hughes monitors changes in tax laws and tax practices in order to manage tax risk. This is a key area of focus of the in-house tax professionals with regular training from both in-house subject matter experts and external advisors, to ensure staff have the skills to identify and address tax risks. Knowledge is shared among the tax group with the discussion of relevant tax technical information. Implementation of any change in legislation is discussed at an appropriate level within the tax team, depending on materiality and impact on the business.

Baker Hughes has global policies and procedures in place in order to maintain robust internal controls in relation to all aspects of the company's operations including to taxation and financial reporting. In the UK, there are additional internal review systems in order to support the Senior Accounting Officers in the annual certification to HMRC that Baker Hughes has appropriate tax accounting arrangements. The Company also ensures compliance with the Country-by-Country Reporting requirements for multinational entities.

For day-to-day commercial needs, the Baker Hughes tax team works with the business operations groups as an equal partner in providing clear, timely, relevant and business-focused advice across all aspects of tax. The aim is to ensure that commercial objectives are achieved while adhering to tax laws and regulations.

The Baker Hughes' tax team ensures that the business understands that the tax group should be involved throughout the lifecycle of business transactions, from planning to implementation, so that there is a clear understanding of all associated tax costs and tax compliance obligations.

### **Baker Hughes' attitude to tax planning**

The commercial needs of Baker Hughes are paramount and all tax planning is undertaken in this context. All transactions must therefore have a business purpose or commercial rationale and are undertaken in accordance with our internal policies and codes of conduct.

Consideration is given to Baker Hughes' corporate reputation, corporate and social responsibilities, when consulting tax initiatives, as well as the applicable legal and fiduciary duties of directors and employees of Baker Hughes. This forms part of the overall decision-making and risk assessment process.

Baker Hughes understands that sometimes there is more than one tax outcome in commercially motivated transactions. However, Baker Hughes does not wilfully engage in tax schemes nor structure transactions in such a way that the Baker Hughes tax team considers are contrary to the clear intentions of the tax legislation concerned. Baker Hughes does not wilfully engage in tax schemes that would require notification to HMRC under the Disclosure of Tax Avoidance Scheme Regulations or participate in any arrangement to which it might be reasonably anticipated that the UK's General Anti-Abuse Rules might apply.

Baker Hughes' transfer prices are set in accordance with Internationally accepted standards such as the U.S. Internal Revenue Code Section 482, the transfer pricing guidelines issued by the Organization of Economic Cooperation and Development ("OECD Guidelines") and the transfer pricing rules, regulations and guidelines set by tax authorities of countries in which Baker Hughes operates.

Tax incentives and exemptions are sometimes implemented by governments and fiscal authorities in order to support investment, employment and economic development. Where these exist and are applicable to our business, Baker Hughes seeks to apply them in the manner intended, taking external professional advice where necessary.

### **Level of risk Baker Hughes is prepared to accept for UK taxation**

Baker Hughes' approach to tax risk follows the same principles that apply to all other business risks. Baker Hughes considers reputation and corporate social responsibility as well as any financial impacts. The team takes into account the materiality of any item, as well as the costs of effective risk mitigation actions. There are no predefined limits of the amount of acceptable tax risk – instead this is judged on a case-by-case basis.

Prevention of unnecessary disputes is desired and appropriate and best achieved through:

- Sound technical positions
- Clear explanation of those positions
- Thorough documentation of facts
- Well established relationships with tax authorities
- Strong compliance procedures ensuring accurate and complete tax returns.

**Baker Hughes' approach towards its dealings with HMRC**

It is Baker Hughes' general policy to be completely compliant, transparent and proactive in all interactions with HMRC. Where appropriate the Company will engage with HMRC in respect of any consultations in order to assist with the shaping of future legislation and tax policy.

Baker Hughes aims to foster a good relationship with the Customer Compliance Manager and his team, and to undertake all such dealings in a professional, courteous and co-operative manner, while expecting the same in return. Baker Hughes will make fair and accurate disclosures in correspondence and returns, and respond to queries and information requests in a timely manner.

Baker Hughes will proactively engage with HMRC in relation to the Business Risk Review process and is aware of the changes arising from BRR+ (Business Risk Review). To this end, the company will actively aim to achieve a low risk rating in each of the defined areas of assessment, namely Systems and Delivery, Internal Governance and Approach to Tax Compliance.

Where disputes arise with HMRC, in areas of doubt or where legal interpretations differ, Baker Hughes endeavours to address the matter promptly, provide support for the position taken and resolve it in a responsible, open and timely manner.