

Lorenzo Simonelli
Chief Executive Officer
17015 Aldine Westfield Rd,
Houston, Texas 77073,
USA

RE: Baker Hughes' business operations in Russia

January 31, 2023

Dear Mr. Simonelli,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. We expect companies to demonstrate opposition to Russia's war of aggression, public support for the people, democracy, and territorial integrity of Ukraine, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs). At stake is not only the sovereignty and territorial integrity of a democratic Ukraine, but also the continuity of the rules-based international order and the prosperity of the global economy.

We request an urgent dialogue regarding potential inconsistencies between Baker Hughes' stated policies on human rights and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

We acknowledge that Baker Hughes has policies in place to guide the company toward ethical behaviour. In 2019, Baker Hughes became a signatory to the United Nations Global Compact and its 10 fundamental values related to Human Rights, labour standards, the environment and the fight against corruption.¹ The company reinforced this voluntary approach and its stated commitment to human rights with its Human Rights Policy Statement. According to the company:

“While governments have the duty to protect the rights of citizens, we recognize human rights as a universal obligation to which we are all expected to uphold – and core to Baker Hughes business practices everywhere we operate. [...] We commit to responsible business practices, high standards of integrity and ethical conduct, compliance with all applicable laws and respect for the rights and dignity of all people. We respect internationally recognized human rights as expressed in the International Bill of Human Rights and the fundamental conventions of the International Labour Organization Declaration on Fundamental Principles and Rights at Work.”²

¹ Baker Hughes, “Baker Hughes Joins UN Global Compact in Support of Universal Sustainability Principles,” November 25, 2019, <https://www.bakerhughes.com/company/news/baker-hughes-joins-un-global-compact-support-universal-sustainability-principles> (accessed January 30, 2023).

² Baker Hughes, “Human Rights Policy Statement,” August 31, 2020, <https://www.bakerhughes.com/human-rights-policy> (accessed January 30, 2023).

In 'Our Way: Baker Hughes Code of Conduct', the company proclaims that it "care[s] about doing what's right," vows to follow an ethical path and comply "with all applicable laws and regulations governing our business worldwide."³ These commitments are reinforced in Baker Hughes' Modern Slavery Statement, 2021 Corporate Responsibility Report, and other company documents.⁴

It has been almost one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, and forcible transfer of civilians). More than 18,000 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times.

On September 21, President Vladimir Putin escalated the war by announcing a "partial mobilisation" of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.⁵ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

This legislation entails new and significant legal risks for companies remaining in Russia, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.⁶

³ Baker Hughes, "Our Way: Baker Hughes Code of Conduct," <https://www.bakerhughes.com/our-way-baker-hughes-code-conduct> (accessed January 30, 2023).

⁴ Baker Hughes, "Modern Slavery Statement," October 22, 2020, <https://www.bakerhughes.com/sites/bakerhughes/files/2020-11/Final%20Baker%20Hughes%20Modern%20Slavery%20Statement%2010.22.20.pdf> (accessed January 30, 2023); "Energy Forward; 2021 Corporate Responsibility Report," June 2022, <https://dam.bakerhughes.com/m/62a18e88ae7eef08/original/Baker-Hughes-CSR-Report-2021.pdf> (accessed January 30, 2023).

⁵ Federal Law No. 31-FZ of February 26, 1997 "On mobilization training and mobilization in the Russian Federation" (as amended), <https://base.garant.ru/136945/> (accessed January 2, 2022).

⁶ International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, "Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward," September 6, 2021, <https://www.iustsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed January 2, 2022); The Sentry, "Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate," July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed January 2, 2022); Rfi, "French technology firm charged over Libya cyber-spying," July 2, 2022, <https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying> (accessed January 2, 2022); Preston Lim, "Canadian Supreme Court Allows Corporate Liability for International Law Violations," Lawfare, March 12, 2022, <https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations> (accessed January 2, 2022); Sherpa, "Aiding and abetting war crimes in Yemen: Criminal complaint submitted

Companies may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.⁷

In response to this unprovoked and unjustified war⁸ many companies have left Russia. According to the Kyiv School of Economics Institute's (KSE) #LeaveRussia [company tracker](#), Baker Hughes completed its exit from the Russian market.⁹ On March 19, the company announced it has suspended all new investments for its Russia operations, and that it is continuing to comply with applicable laws and sanctions.¹⁰ Following this statement, on August 1, Baker Hughes signed an agreement to sell its Oilfield Services business in Russia to its local management team.¹¹

Despite these promising statements, our research indicates that Baker Hughes did not in fact stop all business in Russia. On September 11, 2022, Baker Hughes reportedly exported significant amounts of equipment for the oil and gas industry from Montrose, where Baker Hughes has two premises, to Arctic LNG 2 project in the western Siberia region of Russia, which is led by a Russian gas producer Novatek.¹² The £21 million worth of import registrations made by Baker Hughes Energy Technology UK have been reported to the Russian customs service. All of the September 11, 2022, exports from Scotland to Russia pertain to equipment for the oil and gas industry, with 17 of the declarations explicitly mentioning this. This data is contrary to Baker Hughes' claims that its last shipment from Montrose was in July 2022.¹³ Further, this shipment occurred after the March 3, 2022, Scottish government call to businesses to stop trading with Russia, and despite Baker Hughes receiving £4.9 million from the Scottish Enterprise.

Western companies supplying equipment to Russia's oil and gas industry are potentially bolstering its economy and war efforts in Ukraine despite international sanctions. Considering that much of Russia's economic power comes from the oil and gas industry, supplying equipment necessary for its furtherance is not only in contradiction with Baker Hughes' statements and response to the war in Ukraine, but also its human rights policies, code of conduct, and position as a company who aims to act ethically and do "the right thing".

These activities risk enabling and financing Russia's violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine and violating Baker Hughes' Global Human Rights Policy

against French arms companies," June 2, 2022,

<https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed January 2, 2022).

⁷ Venable LLP, "Do You Contract with State Governments? If So, Beware of Emerging State Sanctions' Obligations Related to Russia and Belarus," *JD Supra*, June 3, 2022,

<https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed January 2, 2022).

⁸ The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow "unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders."

⁹ KSE, Leave Russia, "Baker Hughes," <https://leave-russia.org/baker-hughes> (accessed January 30, 2023).

¹⁰ Baker Hughes, "Baker Hughes Announces Update on Russia Operations," March 19, 2022,

<https://investors.bakerhughes.com/news-releases/news-release-details/baker-hughes-announces-update-russia-operations> (accessed January 30, 2023).

¹¹ Baker Hughes, "Baker Hughes Announces Local Management Buyout of its Oilfield Services Business in Russia," August 1, 2022,

<https://investors.bakerhughes.com/news-releases/news-release-details/baker-hughes-announces-local-management-buyout-its-oilfield> (accessed January 30, 2023).

¹² Billy Briggs, "Baker Hughes: Oil firm handed taxpayers' cash sent gear to Russia," January 29, 2023,

<https://www.heraldscotland.com/politics/23284165.baker-hughes-oil-firm-handed-taxpayers-cash-sent-gear-to-russia/> (accessed January 30, 2023).

¹³

and the company's stated commitment to abiding by the UNGPs. It remains to be seen how directly Baker Hughes will be impacted by the partial mobilisation and the heightened legal, regulatory, operational, and financial risks associated with companies being required to provide direct support to the internationally sanctioned Russian military.

We seek to understand how Baker Hughes has conducted and continues to conduct heightened HRDD and how the findings of such a process has resulted in these continued business activities and relationships. As noted by the UNGPs:

...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

Baker Hughes' Code of Conduct says:

“Own It: It's not always easy to speak out, but when we raise integrity concerns, we make our Company stronger and protect our colleagues from harm. [...] Raise a concern when you see a situation in which you reasonably suspect that our integrity principles or policies are not being followed.”¹⁴

In consideration of the above points and B4Ukraine's Declaration,¹⁵ we request an urgent dialogue with Baker Hughes' relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent/mitigate these risks. Please contact B4Ukraine at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, February 14th, 2023.

Please do not hesitate to get in touch if you require any further information.

Sincerely,

The B4Ukraine Coalition

¹⁴ Baker Hughes (n 3).

¹⁵ B4Ukraine, “About,” <https://businessforukraine.info/about>(accessed January 2, 2022).