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Baker Hughes Business Code of Conduct

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Authors	Baker Hughes
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Download date	2026-07-02 09:00:56
Link to Item	http://hdl.handle.net/20.500.12424/220880

Baker Hughes Business Code of Conduct

Ethical Roadmap



February 2002

To: Fellow Baker Hughes Employees

Baker Hughes' basic policy is and has been to conduct our business in accordance with the highest ethical standards of conduct and applicable law. A well-founded reputation for ethical business behavior is an invaluable asset that must be jealously preserved.

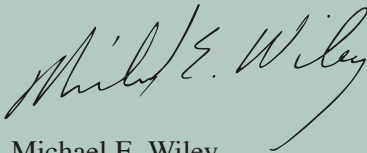
The success that Baker Hughes has enjoyed and the future successes that we expect to enjoy depend upon conducting ourselves in a fair and ethical manner. Our strength derives from our integrity and accountability in the conduct of the Company's affairs.

The Baker Hughes standards of conduct have been in place for some time. This document, entitled the *Baker Hughes Business Code of Conduct*, is an expansion of those standards. It incorporates our guiding values and it highlights the types of ethical and legal issues that confront us in the marketplace. The *Code of Conduct* is intended as a useful guide on how to identify and resolve those issues.

If you are a new employee, we urge you to familiarize yourself with the principles embodied in the *Code of Conduct*. If you are a long-time employee, we expect that you will revisit the *Code of Conduct* from time to time. The *Code of Conduct* means very little without the personal commitment of each of us.

Corporate performance and excellence are measured in different ways. Whatever standards of measure that we use, for us at Baker Hughes, our actions, our foundation must rest on the ethical behavior and legal compliance that is expected from all of us.

Sincerely,



Michael E. Wiley
Chairman and CEO
Baker Hughes Incorporated



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In our Code of Conduct the emphasis is on people. Why? The reason is simple. Our Company is more than the whole of its assets, operations and policies. It is people—employees—who are the indispensable ingredient that holds Baker Hughes together, creates its reputation, and ensures its progress and success.

Our Code of Conduct has been adopted by the Company's Board of Directors and constitutes the Company's primary behavior guide for all Baker Hughes employees. It incorporates our basic standards of ethical and legal behavior. It provides emphasis to our commitment, as a corporate family, to ethics and compliance with the law. It alerts employees to critical issues, which require consideration and caution. The Code of Conduct is also a preventive tool—one designed to help prevent and detect violations of the Company's policies and the law.

The Code of Conduct does not have answers for every situation or "gray area" dilemma that we may confront. It does provide substantial guidance concerning acceptable behavior and assistance with various ethical and legal issues.

Ethical behavior is not always easy to define. However, fairness, honesty, respect and trust, which are inherent in our Core Values of Integrity, Learning, Performance and Teamwork, are the principal characteristics of ethical behavior. For all of us as employees, the basic requirement is that we conduct ourselves in a responsible manner. Good corporate citizenship requires that we do what is right.

Baker Hughes recognizes that its two most important assets are its employees and its integrity. These assets are inseparable. With the objective of attaining the highest standard of business ethics, Baker Hughes is dedicated to fostering an environment that is conducive to the achievement of the full potential of each employee. This environment is one where dialogue is fostered through self-expression based on responsible opinions, attitudes and concerns. Baker Hughes is also committed to ensuring the creation and maintenance of channels of communication and a means for follow-up on such expressions and proper management response.

As you read this Code of Conduct you should bear in mind the following:

- (a) Ethical behavior and compliance with the law are conditions of employment. Even "*well intentioned*" actions that violate the Code of Conduct, other Company policies or the law will result in appropriate disciplinary action, including termination. ("Well intentioned action" means that the employee knows that the action is wrong but

thinks that the revenue or profit gain outweighs corporate policy or the applicable law.) New employees are required to sign a statement indicating that they have read, understand, and will comply with the Code of Conduct. Employees are periodically asked to reaffirm their compliance with the Code of Conduct.

- (b) We will not conduct business where the business environment is such that operating in an ethical, legal way is not possible. This applies to relationships with customers, contractors, government representatives, partners and vendors. *No single business unit's profitability is more important than the reputation and goodwill of Baker Hughes.*
- (c) *The Company's Board of Directors and its management are committed to the principles set forth below, and so must we all conduct ourselves in conformance with this Code of Conduct.*
- (d) We must all work together to maintain the Baker Hughes reputation for integrity. All employees are expected to act in the best interest of the Company and to promote and protect the good name and reputation of Baker Hughes. Our Code of Conduct provides a means to a better understanding of the principles that must govern all of our business activities.

The laws and regulations applicable to the matters addressed in this Code of Conduct (e.g., boycott, employment, environmental, export, health, labor, safety and securities laws) are complex, subject to frequent changes, and vary from country to country. For this reason, the Company encourages its employees to seek appropriate advice if there is doubt as to the lawfulness or appropriateness of any proposed action.

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Communications

Baker Hughes is committed to conducting business in an open and honest manner. All communications, whether internal or external, should be accurate and forthright. These communications may include, but are not limited to, general internal reports and memoranda, advertising, media broadcasts, marketing, sales brochures and illustrations.

The Company will provide accurate information when promoting its products and services. Misleading, false, or exaggerated claims concerning our products and services, or those of our competitors, are unacceptable. These same principles must be adhered to when responding to inquiries from customers, fellow employees, the media, regulatory agencies and stockholders.

The publication or circulation, either internally or externally, of any oral or written statement that is false, derogatory, malicious or defamatory of any other person, and in particular Baker Hughes' competitors, is prohibited.

The Company is also committed to fostering an environment where personnel records and medical files are treated with the same respect and confidentiality given to the Company's and our customers' records. Baker Hughes will only collect, use and disclose employee information on a business need-to-know basis in conformance with applicable regulations or when required by law or court order. This policy also applies to former employees.

The Company has issued and will issue, from time to time, other policies and directives with regard to communication, including the use of Company electronic communications systems. Employees are expected to be familiar with and observe all such policies and directives.

Employment Practices

Employees constitute our most indispensable asset. The Company recognizes that the inherent value of this asset is reflected in the ability, integrity, knowledge and talent of its employees. To recruit and retain the high-caliber employees that reflect these values, the Company's guiding principle will be to:

- Provide an environment where employees will adhere to our Code of Conduct and conduct

themselves with fairness, honesty, integrity and professionalism in the performance of their functions and in all of their business relationships (treating one another with respect and professionalism is not just good business – in certain instances, these basic tenets of interpersonal behavior are a matter of law);

- Provide equal opportunity for all in recruiting, hiring, developing, promoting and compensating without regard to age, color, disability unrelated to job performance, gender, national origin, race, religion, sexual orientation or any other basis that is protected under applicable law; and
- Maintain a professional, safe and discrimination-free work environment, i.e., an environment where mutual respect is the absolute minimum of behavior expected from everyone.

It is the Company's policy to hire, evaluate and promote employees on the basis of their ability, achievements, experience and performance. Management will promote an environment where merit is the sole predicate for advancement.

Ethnic, racial, religious, sexual or any other type of harassment is unacceptable. An example of unacceptable practices in this regard is the use of the electronic mail system to receive or disseminate correspondence or materials that are sexually offensive, disparaging of others on the basis of age, creed, disability, gender, national origin, race, religion, sexual orientation, or which are false, derogatory to or maliciously critical of others.

Inappropriate or unwelcome sexual behavior, either physical or verbal in nature, interferes with and



obstructs performance in the workplace, violates Company policy and may constitute sexual harassment, which is against the law in some jurisdictions where we operate. In order to provide an environment that is conducive to productivity and personal growth, the Company prohibits sexual harassment of any kind, whether the harasser or the victim is a co-worker, supervisor, agent, customer, guest or vendor. The Company's policy also prohibits retaliation against anyone who has made a harassment complaint.

If an employee believes he or she has experienced, learned of or witnessed harassment, the employee must immediately notify the appropriate Human Resources Department representative at his or her division or location, or a supervisor with whom he or she is comfortable. The Company will promptly investigate each alleged harassment complaint and remedy the situation when a violation of Company policy has occurred.

The laws affecting employment practices are complex and constantly evolving. Therefore, it is critical that each supervisor maintain awareness of current legal developments and the Company's employment policies by seeking appropriate advice of those within the Company who are responsible for keeping abreast of such legal developments or employment policies, i.e., the appropriate Human Resources representatives or Baker Hughes' Legal Counsel.

Conflicts of Interest

Employees must not engage in, or give the appearance of engaging in any activity involving a conflict, or reasonably foreseeable conflict, between personal interests and those of the

Company. There must be no divided allegiances between employees, officers, and directors and the Company. Therefore, any outside employment or outside business involvement by a Company employee must be made known by the employee to his or her supervisor.

The following examples are illustrative of situations to avoid:

- Undisclosed participation by an employee, officer or director, or a family member in a business transaction involving the Company and another entity or an individual with whom the employee, officer or director (or his or her family) has a financial relationship;
- The use for personal gain by employees, officers or directors (or their family members) of any confidential or proprietary information obtained as a result of their relationship with the Company, e.g., unauthorized use of confidential or proprietary information, including patents, trademarks or unpublished "inside" business information;
- The supervision by an employee of a family member or co-habitant, the latter being Company employees, where the former has discretionary authority with regard to, among other things, compensation and promotions;
- The direct or indirect financial interest in any business or organization with a Baker Hughes vendor or competitor where the employee, officer or director has the ability to influence the decision with respect to the Company's business (e.g., the vendor or competitor is owned, managed or controlled by a family member, close friend or co-habitant);
- The misappropriation of business opportunities or potential business opportunities by an employee, officer or director;
- An employee having an outside business or other interests which interfere(s) with the employee's ability to perform his or her Company duties;
- Conducting personal business on Company time or using Company facilities and equipment therefor; or
- Undisclosed employee ownership of in excess of five percent (5%) of the securities of a publicly traded company.



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The foregoing is a non-exclusive set of examples. The key to the successful resolution of any Conflict of Interest situation is prior disclosure. Any employee, officer, or director of the Company having any doubts as to whether a particular set of circumstances constitutes an impermissible conflict of interest should seek appropriate advice and clearance from his or her supervisor before the fact. In case of any doubt, the supervisor should seek appropriate assistance from the Chief Compliance Officer.

The Company attaches as much significance to its employees' avoidance of the appearance of irregularity as it does to actual instances of conflict of interest. Perceptions can be just as damaging to the affected employee's or the Company's reputation as the reality of a conflict of interest.

The Company may periodically ask employees to submit a formal declaration with regard to possible conflicts of interest. Providing timely, candid responses in such declarations is a condition of continuing employment. All such declarations and other information reported by employees relating to conflict of interest shall be maintained by the Company on a confidential basis, unless otherwise required to disclose by law or court order.



Financial Integrity

Management, stockholders, creditors, our colleagues and governmental entities rely upon the accuracy of the Company's accounting records. It is therefore imperative that the accounting records and reports produced or derived from those records, be maintained and presented in

accordance with the laws and regulations in each applicable jurisdiction. Those records must accurately and fairly reflect in reasonable detail the assets, liabilities, expenses and revenues of the Company.

The responsibility for ensuring that false or intentionally misleading entries are not made in the Company's accounting records resides not only with finance and audit personnel but also with all other employees.

False and misleading accounting records, transactions, books and reports are strictly prohibited. Maintaining secret or unrecorded Company funds or bank accounts are also strictly prohibited. All Company records must be truthful and accurate.

No intentional misclassification of transactions as to accounts, business units or accounting periods are permitted and accurate documentation in reasonable detail must support all transactions. This applies to all transactions, large or small. Thus, the preparation of expense reports and time sheets, the posting of sales and marketing data, and the recording of significant capital improvements or investments require the same degree of accuracy and transparency.

Entertainment, Favors and Gifts

Baker Hughes is committed to the development of durable and long-term relationships with customers, communities in which the Company operates, stockholders and vendors. Our integrity and good name is fundamental to the creation of such relationships.

As a general rule, employees must not accept anything from third parties that may influence the business decisions they make on behalf of the Company. To that end, employees are prohibited from accepting anything of value from third parties, except as provided herein.

Employees may accept gifts of nominal value. For purposes of this Code of Conduct "nominal" is a value of One Hundred Fifty Dollars (U.S. \$150.00) or less, or its equivalent in any other currency, unless such gift (or series of gifts) would create the appearance of potentially influencing the business decisions of the employee.

The exchange of social amenities (i.e., business lunches, dinners or entertainment) between Company employees and third parties is acceptable when reasonably related to a clear business purpose and within the bounds of good taste and what is customary in a normal business relationship. However, any entertainment, favor or gift

that is too repetitive or carries a perception of influence or obligation for the giver or the recipient is inappropriate. *The appearance of impropriety must be avoided.*

Misuse of Company Assets

As employees of Baker Hughes each one of us is a steward of its assets. As such, employees have the obligation to (a) protect and preserve the Company's assets and resources and (b) assist the Company in its efforts to control costs.

Company assets include, but are not limited to, such things as electronic mail, computer systems, documents, equipment, facilities, information, the Company's logo and name, materials and supplies. Any use of these assets for purposes other than the discharge of Company business is to be avoided. Moreover, the use of the Company's assets and resources for personal financial gain is strictly prohibited.

All Company employees are required to respect the Company's confidential and proprietary information and trade secrets. A trade secret is generally defined as any type of information that the Company maintains as confidential and that provides the Company with an opportunity to obtain an advantage over its competitors that do not know or use such information. This can include inventions, business information, technical information, computer programs, product designs and manufacturing expertise.

Unless an appropriate officer of the Company authorizes in writing the release or disclosure of Company confidential, proprietary, or trade secret information, employees shall not make any such disclosure. Additionally, the Company absolutely forbids the use or disclosure of any non-Company confidential, proprietary, or trade secret information, including that which comes to you or the Company through legitimate channels, a previous employer, competitor or vendor, unless so authorized in writing by the owner of the information.

The use of Company assets and resources for anything other than the conduct of Company business (e.g., personal, community or charitable endeavors) requires express written authorization from a supervisor.

What constitutes misuse of Company assets and resources? How do we know if personal use of Company assets and resources crosses the line of reasonableness? The following examples are provided as illustrative of misuse and unreasonableness:

- Use of Company facilities for personal gain;
- The excessive use of the telephone or facsimile long-distance for personal purposes;
- The routine taking of office supplies or equipment for personal consumption or use at home, e.g., using Company equipment to repair personal property;
- The personal use of Company vehicles without express authorization;
- The unauthorized copying of computer software programs; and
- The use of Company issued credit card(s) for personal purchases.



Health, Safety and Environment

Baker Hughes will conduct its business in a manner that avoids harm to people and respects the environment. It is committed to continuous improvement toward zero incidents through a Health, Safety and Environment (HSE) Management System and to compliance with all applicable safety, health and environmental laws and regulations. This commitment extends to initiatives undertaken to reduce and eliminate injuries in the workplace and pollution prevention.

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In this regard, Baker Hughes is committed to transparency and open communication. That is, we will communicate our health, safety and environmental goals to the communities where we operate, to our customers, to our stockholders and to the general public. The Company will maintain a systematic process, which implements pollution preventive measures precluding the release of hazardous substances into the environment.

Safety and environmental protection is a condition of employment for all Baker Hughes employees. They are accountable for their own safety and the safety of those around them. No deviations from Company safety practices or procedures are permitted without the approval of the appropriate Company personnel or government regulatory agency. The disposal of waste in violation of laws or regulations and/or corporate policies, as well as the concealment, destruction or falsification of records, are strictly prohibited.

Employee violations of applicable legal requirements or corporate policies related to health, safety and environment, or the intentional failure to prevent violations or take reasonable corrective action are unacceptable and will be subject to appropriate disciplinary action, including termination.

Inside Information and Insider Trading

Company policy, public securities exchanges and federal and state laws establish strict guidelines for the use of material, non-public information ("inside information") by employees, officers and directors. "Inside information" is generally defined as knowledge of Company business that has not been publicly disclosed and which may have an effect on the value of Company securities (e.g., earnings estimates, significant business investments, mergers, acquisitions, dispositions and other developments, expansion or curtailment of operations, and other activity of significance). "Material" inside information is confidential corporate information that would influence a reasonable person's decision to buy, hold or sell the Company's stock or any other Company securities.

Accordingly, the Company requires all employees to strictly observe the following requirements:

- All information about the Company not generally available to the public must be treated as confidential;



- Employees receiving or having access to inside information are prohibited from trading in Baker Hughes securities for their benefit;
- Employees must not disclose inside information to any other existing or potential investors in the Company, including spouses, relatives, friends, co-habitants or business associates; and
- Employees who may have obtained inside information relating to publicly held companies (including, clients, vendors and competitors), in connection with their employment at Baker Hughes, are prohibited from trading in securities of such companies.

The Company has established strict guidelines regarding inside information. These guidelines are contained in the Baker Hughes Securities Trading and Disclosure Policy, which may be found on the Company's Website under the heading of Company Policies, Legal Compliance.

Substance Abuse (Alcohol and Drugs)

It has been a long-standing policy of the Company to make every effort to provide its employees with a safe and productive work environment and to maintain the confidence of our other constituents, namely, customers, stockholders and vendors. To this end, the possession, purchase, sale, transfer, use or presence in one's system of any illegal drugs or controlled substances (except drugs medically prescribed for the employee) by any employee while on Company premises, engaged in Company business, or while operating Company vehicles or equipment, is prohibited.

Similarly, the possession, purchase, sale, transfer or unauthorized use of alcohol in a Company facility or on Company premises is prohibited. The use or consumption of alcohol and drugs off the job or off the Company premises (e.g., driving a Company-owned or rented vehicle while intoxicated or under the influence of drugs) may also be the subject of disciplinary action if such use impairs the job performance of an employee, or endangers the health or safety of employees or the public.

Illegal drugs and controlled substances are defined as all forms of depressants, hallucinogens, narcotics, stimulants and other drugs whose possession, transfer or use is restricted or prohibited by law.

All Company entities, wherever located throughout the world, will abide by applicable laws and regulations relative to the possession, purchase, sale, transfer or use of alcohol and drugs.

Competition and Antitrust Laws

The Company is committed to conducting its business in an open, vigorous and competitive fashion. Any activity that undermines this commitment is unacceptable and may also be illegal. Therefore, all purchases and sales must be predicated strictly on considerations of efficiency, price, quality, service and suitability.

The United States and many other countries regulate and in some instances prohibit certain types of anti-competitive behavior. For example, Canada, Japan, Mexico and the European Union have all enacted legislation that prohibit many of the same type of activities that are prohibited under U.S. antitrust law with regard to many types of business practices. The European Union and certain other countries have imposed requirements that are more onerous than those under U.S. antitrust laws. Distribution agreements, patent, copyright and trademark licenses, territorial restrictions on resellers, rebates and discounts to customers are but a few of the subjects, which may be covered by more restrictive practices of countries other than the United States.

The Company's policy is to comply with both the letter and the spirit of the antitrust laws and the competition laws of the countries where we operate. The Company expects every employee to comply with them fully. Violations of the law can result in severe penalties, including personal criminal liability.

Due to the complexity of antitrust laws it would be impossible to provide a detailed discussion of them in this Code of Conduct. However, the following examples illustrate practices that are prohibited:

- Price fixing and bid rigging, i.e., agreements with competitors on prices to charge customers or potential customers;
- The allocation of markets, whether geographically or otherwise, by competitors;
- The fixing of production or production quotas by competitors;

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- Competitors fixing of resale prices or other terms and conditions of resale with customers, or fixing the terms and conditions of purchases, like price or quantity discounts;
- The sharing of information by competitors about present and future pricing of commodities or services which they sell or intend to sell; and
- The concerted refusal to deal with a customer. The Company has the right to unilaterally select the customers with whom it will do business. However, this right must be exercised alone without suggestion from competitors or other customers.

Transacting International Business

The Company operates in many different countries. This dimension of our business adds a certain complexity to our endeavors with regard to the way in which we conduct ourselves. It is Company policy to abide by the national and local laws of the countries where we operate, except to the extent penalized by U.S. law. This includes, but is not limited to, immigration, customs, tax or exchange control laws or regulations. Actions taken with the intent to circumvent the application of such laws are prohibited. The observance of applicable laws, including the laws of the U.S. that have application outside of United States territory, is a strict requirement for all employees in the conduct of the Company's affairs.

In essence, this means that all employees are required to be familiar with the laws affecting their business activities and assume responsibility for compliance. The following are four subject areas that must be strictly observed in the conduct of international business transactions by or on behalf of the Company.

Antiboycott Laws

The U.S. antiboycott laws and regulations prohibit or severely restrict the Company, its subsidiaries and certain affiliates from participating in boycotts against countries friendly to the United States, chiefly the Arab boycott of Israel. Additionally, U.S. law prohibits compliance with requests for information or other actions that further boycotts. U.S. law also requires the Company to report, in certain instances, both legal and illegal boycott requests to the U.S. government.

Violations can result in criminal penalties, loss of tax benefits, and loss of export privileges.

Boycott-related requests are difficult to recognize and the regulations affecting the Company's reporting obligations are not always easy to understand. Therefore, it is important that employees involved in international transactions become familiar with the Company's Antiboycott Laws Manual, which is available from the Legal Department. Employees are also encouraged to seek assistance from the appropriate Baker Hughes Legal Counsel or the Chief Compliance Officer whenever there are questions relating to a proposed transaction that may be affected by the U.S. antiboycott laws.

The Bribery of Public Officials is Strictly Prohibited

The Company prohibits bribery of public officials in the conduct of its business in the United States and abroad. All employees are required to comply strictly with the United States Foreign Corrupt Practices Act (the "FCPA"). In essence, the FCPA prohibits the bribery of foreign government officials (including officials of designated public international organizations), political party candidates or officials, or political parties. Bribery can take many forms, including the payment of money or anything else of value (such as "in kind" items or services for example).

The FCPA also requires that the Company's books, records and accounts be kept in reasonable detail to reflect accurately and fairly all transactions.

Bribes, kickbacks or otherwise giving of anything else of value, in an attempt to influence the action or inaction of a public official, will not be tolerated and are strictly prohibited. This prohibition extends to payments to consultants, agents or any other intermediary when the payor knows or has reason to believe that some part of the payment or "fee" will be used to bribe or otherwise influence a public official.

If any employee is confronted with a demand for a bribe from anyone, such demand must be reported immediately to his or her supervisor and to the Chief Compliance Officer. So-called "grease" or "facilitating" payments for routine governmental actions, which are usually performed by low-ranking officials engaged in ministerial duties, are excepted from the prohibitions under the FCPA. However, Baker Hughes instituted a revised policy regarding facilitating payments which became effective on May 11, 2004. Therefore, Company employees and representatives must

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not make facilitating payments to any foreign official, unless the circumstance involves an imminent threat to the health, safety or welfare of any employee or a member of his or her family or a co-worker. If a facilitating payment is made under these emergency situations, it must be accurately recorded in the Company's books and records, and immediately reported to the employee's supervisor, member of the Operations Legal Compliance Team or Chief Compliance Officer.

The Company also prohibits:

- Subterfuge of any kind, e.g., the payment of "bonuses" to agents or other third parties for questionable activities;
- Activities intended to circumvent laws concerning the retention of, or payments to, agents or consultants;
- The recording of any false or artificial entries on the books and records of the Company or its subsidiaries;
- Cash disbursement, except for reasonable amounts drawn from established and properly recorded petty cash accounts; and

- Checks payable to cash or bearer. Exceptions will be made only with the prior written approval of the Company's Chief Financial Officer, the Controller or the General Counsel.

The FCPA does contain certain exceptions for conduct, which otherwise illegal, may be permissible. However, and prior to making any payment or giving anything of value (whether in-kind or otherwise) to a public official, or in the event that questions arise with regard to the proper maintenance of Company books and records, employees must seek the advice of their designated Baker Hughes Legal Counsel or the Chief Compliance Officer and be guided accordingly.

The Company has instituted certain Due Diligence Procedures (the "Procedures"), which must be followed by all employees prior to the engagement of agents, consultants and other representatives. The Procedures and the Company's Guide to Complying with the Foreign Corrupt Practices Act are available from the Legal Department. They may also be viewed on the Company's Web site under the heading of Company Policies, Legal Compliance.



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Export Controls

The highly complex U.S. export control laws and regulations require particular attention. Employees involved in any export transaction must observe the following requirements:

- All information furnished in connection with the export must be accurate and truthful, including information relative to the value of the exports and the technology in question. This requirement applies whether the information is furnished to the government, co-workers or third parties that are engaged to facilitate the export on behalf of the Company.
- Ensure that a regulation or specific export license covers the export in question. This rule applies to exports of goods and services, as well as exports of technology.
- Be alert to instances in which inaccurate information may have been furnished to us or to our agents relative to the ultimate destination or use of the products.
- The definition of “export” is quite extensive. For example, a conversation of a technical nature with a citizen of another country may constitute an export even though the conversation takes place entirely within the United States.

If any employee has a doubt as to whether any situation involves an “export” or the bona fides of the information being provided to us relative to the ultimate destination or use of anything that we export, guidance should be sought from the Vice President for Government Affairs or other appropriate personnel.

U.S. Embargoes/Trade Sanctions

From time to time the United States prohibits or restricts trade and other commercial dealings between U.S. citizens (which term includes U.S. person, U.S. incorporated companies, aliens resident in the U.S. and in some instances foreign-based affiliates of U.S. companies) and certain countries, including residents and citizens of those countries. Violations of the restrictions and prohibitions can result in the imposition of substantial fines or imprisonment for prosecuted violators. The Company requires that all employees adhere to the letter and the spirit of these restrictions and prohibitions.

The countries, and citizens or residents of those coun-

tries, which are the target of these prohibitions change, from time to time. Further, the regulatory controls on those countries vary both in scope and complexity. For these reasons, it is imperative that employees seek advice from the Vice President for Government Affairs or other appropriate personnel on specific transactions, which may involve any country subject to the sanctions. The Company shall periodically issue notifications to affected employees concerning these matters.

Observance of Our Code of Conduct

We expect everyone to observe the letter and the spirit of the Code of Conduct. Periodically employees are required to complete and sign the Code of Conduct Questionnaire (the “Questionnaire”). Except where expressly prohibited by written law, the completion and return of the Questionnaire is a condition of employment. The Questionnaire contains an acknowledgement that he or she has read the Code of Conduct and complies with its requirements. The Questionnaire is sent out annually by the Chief Compliance Officer on behalf of the Audit/Ethics Committee.

Any employee who violates our Code of Conduct, Company policies and procedures or the law, *or knowingly permits a subordinate to do so*, will be subject to disciplinary action, up to and including termination, civil prosecution, or claims for damages or losses. Disciplinary action for violations will be applied consistently and fairly throughout the Company.

The Audit/Ethics Committee of the Board of Directors of the Company shall have oversight of the administration of our Code of Conduct and responsibility for the corporate compliance effort within the Company. At least once a year, the Chief Compliance Officer shall inform the Audit/Ethics Committee about the Company’s corporate compliance activities and of the occurrence of all significant events relating to the Code of Conduct.

Effective Date of the Code of Conduct

This Code of Conduct is effective as of February 2002 and supercedes any prior similar documents, including the Baker Hughes Standards of Conduct dated April 1994 and revised September 2000.

Reporting of Violations and Protection from Retaliation

Any violation of this Code of Conduct causes harm to the Company, to fellow employees and ultimately to stockholders. Violations may result in physical injuries, the impairment of corporate assets, monetary losses, violations of the law, penalties and, in certain instances, such violations may result in irreparable injury to the reputation of Baker Hughes. For these reasons, employees are obligated to promptly report any concerns or problems or any actual or suspected violations of our Code of Conduct.

The decision to report a concern or problem is not always easy. Nonetheless, the Company encourages employees to discuss their concerns and seek assistance, irrespective of the nature of the problem or how insignificant the problem may appear. The Company wants to ensure that employees seeking advice will receive prompt guidance *before the fact, i.e., prior to engaging in conduct that may be in violation of the Code of Conduct.*

No employee shall suffer retaliation in any form for reporting, in good faith, suspected violations of this Code of Conduct. *Disciplinary action will be taken against anyone who retaliates directly or indirectly against any employee who reports actual or suspected violation of the Company's Code of Conduct. This policy applies even in those instances where the allegation appears ultimately groundless, provided that it was made in good faith.*

Any employee, who knowingly reports false or misleading information will, however, be subject to disciplinary action.

The Company will make every effort to safeguard the confidentiality of statements and other information reported by employees. Subject only to legal requirements or court order, the Company will also endeavor to maintain the anonymity of employees.

Employee Resources for Reporting and Asking Questions

The appropriate Company personnel should be sought for advice whenever there are any questions or concerns about compliance with this Code of Conduct, Company policies and procedures, applicable laws, or in those instances when a suspected violation of the Code of Conduct needs to be reported, or there is a question as to the “right thing” to do under any given circumstances. If an

employee is uncomfortable discussing the particular issue with his or her supervisor, or the supervisor does not answer the question or problem to the satisfaction of the employee or the supervisor does not know the answer, employees should contact the appropriate Human Resources representative for their division, one of the specialists in the area involved, or report the matter through the Company’s “Business Help Line.” Should these alternatives not be appropriate or practical, the Company’s Chief Compliance Officer or the Corporate Security should be contacted directly.

The Company’s Business Help Line Program allows Company employees to bring to the Company’s attention (by telephone and anonymously, if the employee so desires) through an independent third party any concerns the employee may have regarding any actual or potential illegal or unethical activities of which the employee may become aware. The Business Help Line Program is a toll-free telephone line dedicated solely to answering employee questions and concerns. All calls to the Business Help Line Program are centrally answered by an independent third-party service. This service is available 24 hours a day, seven days a week. For those employees that are not English speakers, there are operators available who speak other languages.

The Company recognizes that employees have concerns about confidentiality and the Company respects the need for anonymity in certain instances. When a Company employee calls the Business Help Line Program, the employee may identify himself or herself *or may remain anonymous. However, please remember that anonymous calls sometimes make it extremely difficult to conduct investigations, answer questions and solve problems. The Business Help Line Program is an important resource for employees. Employees are encouraged to use it.*

The telephone numbers for the Business Help Line Program are as follows:

Business Help Line Program:
In the U.S.
1-800-288-8475

Outside the U.S.
1-713-626-0521

You can also contact the Legal Department or Corporate Security directly:

Chief Compliance Officer
713-439-8439

Corporate Security
713-439-8609

General Information

Definitions

Throughout the Code of Conduct, the terms “we”, “Baker Hughes” and “Company” are used interchangeably to refer to Baker Hughes Incorporated and all of its affiliated companies in which Baker Hughes Incorporated owns, directly or indirectly, more than fifty percent of the voting shares. The use of such terms as “we”, “Baker Hughes” or “Company” is for convenience only and is not intended as an accurate description of corporate or other legal relationship between or among Baker Hughes Incorporated and its affiliates.

Application of the Code of Conduct

Baker Hughes expressly states that:

- It reserves the right to unilaterally change at any time its policies, guidelines and related procedures;
- Nothing contained in Baker Hughes’ policies or guidelines shall be construed or applied as binding interpretation or definition of the law or industry practice;
- Nothing contained in the Code of Conduct or other publications of the Company is intended by the Company to be, nor shall it be construed as, an employment agreement; and
- Any act by Baker Hughes’ employees or agents in violation of the law or Baker Hughes’ policies is beyond the scope of such person’s authority and is not an act by or on behalf of Baker Hughes.

Please return this signed form to your Human Resources representative.

This certifies that I, _____, have received a copy of The Baker Hughes Incorporated Business Code of Conduct. I have read and understand the document, agree to abide by it, and understand that failure to do so will result in disciplinary action, which may include termination of employment and/or loss of employee benefits to the extent permitted by applicable law.

Employee Signature

Date

Printed Name

Division

Location



Baker Hughes Business Code of Conduct

Baker Hughes Incorporated
3900 Essex Lane
Houston, TX 77027-5177
Tel 713-439-8600

Baker Atlas
INTEQ
Baker Oil Tools
Baker Petrolite
Centrilift
Hughes Christensen

