



## **AUDIT COMMITTEE CHARTER**

### **ORGANIZATION AND PURPOSE**

The Board of Directors (the “Board”) of Nabors Industries Ltd. (the “Company”) has established the Audit Committee of the Board to carry out the duties and responsibilities assigned to the Audit Committee under applicable securities laws and the rules and regulations of the New York Stock Exchange (“NYSE”). The Audit Committee shall assist the Board in monitoring (1) the quality and integrity of the financial statements of the Company; (2) the independent auditor’s qualifications and independence; (3) the performance of the Company’s independent auditors and internal audit function; and (4) the compliance by the Company with legal and regulatory requirements with respect to the foregoing. The Audit Committee shall encourage free and open communication among the directors, the independent auditors, the internal auditors, and the financial management of the Company to promote continuous improvement of and adherence to the Company’s policies, procedures and practices.

The guiding principles to be considered by the Audit Committee in carrying out its responsibilities in reviewing a particular matter shall include consideration of: (1) whether the financial statements fairly present the results of operations of the Company in accordance with generally accepted accounting principles; (2) whether the treatment of the matter is consistent with the Company’s practices in prior accounting periods; (3) whether the presentation of the matter is reasonably comprehensive under the circumstances; (4) whether the disclosure regarding the matter contains any material misstatement or fails to disclose a matter which reasonably would be considered material to the Company’s shareholders; and (5) whether the presentation modifies principles of convention or conservatism.

### **MEETINGS**

The Audit Committee should meet at least quarterly and more frequently as circumstances may require. The presence of two or more members of the Committee shall constitute a quorum for the transaction of business. The Audit Committee should meet periodically with management, independent accountants and any internal auditors, in separate executive sessions. Agendas for Audit Committee meetings must be approved in advance by the Chairman of the Audit Committee. Special meetings of the Audit Committee outside of those regularly scheduled may be called only with the prior approval of a majority of the members of the Audit Committee.

### **DIRECTOR QUALIFICATIONS**

The Audit Committee shall consist of at least three members of the Board, who serve at the pleasure of the Board. The members of the Audit Committee shall be appointed by the Board after considering the recommendation of the Company’s Governance and Nominating Committee. Audit Committee members may be replaced by the Board.

The members of the Audit Committee shall meet the independence and experience requirements of the NYSE, the Securities Exchange Act of 1934 (the “Exchange Act”), and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”). Each member of the Audit Committee must be financially literate or must become financially literate within a reasonable amount of time after appointment to the Audit Committee. At least one member of the Audit Committee shall be an “audit committee financial expert” as defined by the SEC. A director that serves on the audit committees of more than three public companies (including the Company) may serve on the Audit Committee only if the Board affirmatively determines that the director is able to effectively serve on the Audit Committee.

Members of the Audit Committee shall obtain periodic training in areas such as financial statement reporting, financial reporting standards and processes, internal controls, the internal audit process, the role and responsibilities of the independent auditor, and enterprise risk management.

## **RESPONSIBILITIES AND DUTIES**

The Audit Committee shall have the following responsibilities and duties:

- The Audit Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification). The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- The Audit Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor (subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act). In making its preapproval determination, the Audit Committee shall consider whether providing the non-audit services is compatible with maintaining the auditors’ independence.
- The Audit Committee may form and delegate authority to subcommittees consisting of one or more of its members, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.
- The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting, or other advisors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the

purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

- The Audit Committee shall make regular reports to the Board.
- The Audit Committee shall prepare the report required by the rules and regulations of the SEC to be included in the Company's annual proxy statement.

The Audit Committee, to the extent it deems necessary or appropriate, shall:

#### Financial Statement and Disclosure Matters

- Review and discuss with management and the independent auditor the Company's annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether such financial statements should be included in the Company's Form 10-K.
- Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.
- Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues relating to the adequacy of the Company's internal controls, and any special steps adopted in light of any material control deficiencies.
- Review and discuss quarterly reports from the independent auditors on:
  - All critical accounting policies and practices used;
  - All alternative treatments within generally accepted accounting principles for policies and practices that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
  - Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with management the Company's earnings press releases and review the type and presentation of information to be included in such press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
- Review with the independent accountants, the corporation's internal auditor, and management, the integrity, adequacy and effectiveness of the disclosure controls and procedures of the Company and receive and review any recommendations for improvements.



- Discuss with management the Company's major financial and disclosure risk exposures and the steps management has taken to identify, monitor, control, and mitigate such exposures, including the Company's risk assessment and risk management policies.
- Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- Review with the independent auditor any audit problems or difficulties and management's response;
- Discuss with the independent auditor the matters required to be discussed by PCAOB AU Section 380 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or on access to requested information, and any significant disagreements with management.
- Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

## Oversight of the Company's Relationship with the Independent Auditor

- Review and evaluate the lead partner of the independent auditor team.
- Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues, and (c) all relationships between the independent auditor and the Company. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and internal auditors. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
- Ensure the regular rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether to adopt other policies that may help ensure the independence of the Company's auditors, including whether there should be a regulator rotation of the audit firm itself.



- Set policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.
- Discuss with the national office of the independent auditor issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.
- Meet with the independent auditor prior to the audit to discuss the scope, planning, staffing, and procedures to be used in conducting the audit.

## Oversight of the Company's Internal Audit Function

- Review the appointment, performance, and replacement (when necessary) of the senior internal auditing executive.
- Confirm the independence of the individuals or firm responsible for the Company's internal audit function.
- Review the effectiveness and performance of the internal auditors.
- Review with management and the director of internal auditing the Company's process for the internal control structure and procedures for financial reporting and the internal audit department's compliance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
- Review the significant reports to management prepared by the internal auditing department and management's responses.
- Discuss with the independent auditor and management the internal audit department responsibilities, budget, and staffing and any recommended changes in the planned scope of the internal audit.
- Receive and review any summaries of findings from completed internal audits.
- Meet in executive session with the senior internal auditing executive from time to time to discuss matters which the Audit Committee or the senior internal auditing executive believes are appropriate.

## Compliance Oversight Responsibilities

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.



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- Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act (which requires the independent auditor to inform the Audit Committee if it detects or becomes aware of an illegal act) has not been implicated.
- Obtain reports from management, the Company's senior internal auditing executive, and the independent auditor that the Company and its affiliates are in conformity with applicable legal requirements and the Company's Code of Business Conduct.
- Review reports and disclosures of insider and affiliated party transactions.
- Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct.
- Discuss with management and the independent auditor any correspondence with regulators or governmental agencies which raise material issues regarding the Company's financial statements or accounting policies.
- Discuss with the Company's chief legal officer legal matters that may have a material impact on the financial statements or the Company's compliance policies.

## Other Matters

- Communicate and work with the Compensation Committee regarding performance goals and evaluations of key finance, internal control, internal audit and risk management personnel.
- Meet with the Risk Oversight Committee, at least annually, to discuss the Company's risk assessment and management, including major financial and disclosure risk, as well as the Audit Committee's review of the Company's internal audit function.
- Perform any other activities consistent with this Charter, the Company's Bye-Laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.
- Review and assess the adequacy and appropriateness of this Charter and the Audit Committee's own performance at least annually, at such time deemed appropriate by the Audit Committee or the Board. The results of such evaluation and any proposed changes shall be presented to the full Board.

## **LIMITATION OF AUDIT COMMITTEE'S ROLE**

Although the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to prepare financial statements, plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting. Members of the committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Audit Committee oversight, although an important part of the process, does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's oversight function does not assure that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards or that the financial statements are presented in accordance with generally accepted accounting principles.