



BOARD GUIDELINES ON SIGNIFICANT CORPORATE GOVERNANCE ISSUES

Management and the Board of Directors (“Board”) of Nabors Industries Ltd. (the “Company”) are committed to conducting business consistent with good corporate governance practice. In 2002 our Board established a Governance and Nominating Committee (the “Committee”). All Committee members are required to be independent directors, as provided in these guidelines and the requirements of the New York Stock Exchange.

The Committee directed the preparation of these Corporate Governance Guidelines (the “Guidelines”), and the Board adopted them initially on July 17, 2002. The Committee and the Board will continue to assess the appropriateness and effectiveness of these Guidelines, and changes to these Guidelines will be considered from time to time. The Guidelines will be published in order to inform shareholders of the Board’s current thinking with respect to selected corporate governance issues. Compliance with the Guidelines is required of all directors and shall be reviewed at least annually in connection with the preparation of Nabors’ proxy statement. Each director will be asked to confirm his or her compliance with the Guidelines.

Board Mission & Objectives

Mission Statement

Nabors’ primary objective is to maximize long-term shareholder value while adhering to the laws of the jurisdictions in which it operates and at all times observing the highest ethical standards.

Corporate Authority & Responsibility

Unless reserved to the shareholders under applicable law, all corporate authority resides in the Board as the representative of the shareholders. Certain authority is delegated to management by the Board in order to implement the Company’s mission. Such delegated authority includes the authorization of spending limits and the authority to hire employees and terminate their services. The Board retains responsibility to recommend candidates to the shareholders for election to the Board of Directors. The Board retains responsibility for selection and evaluation of the Chief Executive Officer (“CEO”), oversight of the succession plan, determination of senior management compensation, approval of the annual budget and assurance of adequate systems, procedures and controls. Additionally, the Board provides advice and counsel to senior management.

Directors

Board Membership Criteria

The Committee is responsible for reviewing with the Board, on a periodic basis, the appropriate skills and characteristics desirable for new Board members in the context of the current composition of the Board. This assessment places primary emphasis on the following criteria:

- Reputation, integrity and judgment;

- Independence (for non-management directors);
- Business or other relevant experience;
- Diversity of viewpoints, backgrounds and experience, including a consideration of gender, race and age;
- The extent to which the interplay of the nominee's expertise, skills, knowledge and experience with that of the other members of the Board of Directors will result in an effective board that is responsive to the needs of the Company; and
- For current directors, history of attendance at Board and committee meetings, as well as preparation for, participation in and contributions to the effectiveness of those meetings.

Resignation

Any director nominee who does not receive the affirmative vote of the majority of the shares voted in connection with his or her uncontested election shall promptly tender his or her resignation from the Board. No such resignation shall take effect unless and until accepted by the Board. The Committee (excluding the director in question) will review the matter and make a recommendation to the Board whether or not to accept the resignation. The resignation will be accepted unless the Board determines that to accept the resignation would not be in the best interests of the Company, in which case the Board will announce its reasons for such determination.

Change in Professional Responsibility

When an individual's professional responsibilities change, the Board shall consider whether the change directly or indirectly impacts that person's ability to fulfill their directorship obligations. To facilitate the Board's consideration, all directors shall advise the Committee as a matter of course upon retirement, a change in employer, or other significant change in their professional roles and responsibilities, particularly where such change may impact the independence of an outside director. The Committee should consult with the affected director, assess the director's ability to continue to fulfill the responsibilities of Board membership, and make an appropriate recommendation to the Board.

Former Chairman/Chief Executive Officer's Board Membership

The Board believes continued Board membership by a former Chairman or CEO is a matter to be decided in each individual instance. It is expected that when the Chairman or CEO is no longer employed by the Company in that capacity, he or she should tender his or her resignation from the Board at the same time. Whether the individual continues to serve on the Board is a matter for consideration at that time with the new Chairman or CEO and the Board. A former CEO serving on the Board will not be considered an independent director for purposes of voting on matters of corporate governance until at least three years have elapsed from his or her departure from that position.



Identification and Recruitment of Board Members

One of the tasks of the Committee is to identify and recruit candidates to serve on the Board. Candidates shall be presented to the Board for consideration, together with the Committee's recommendations. The invitation to join the Board should be extended by the Board itself via the Chairman and CEO of the Company, together with an independent director, when appropriate.

Independent Directors

At least a majority of the Board of Directors shall be independent under applicable SEC and New York Stock Exchange rules in effect from time to time. The Board has established the following guidelines to assist in determining director independence. A director generally will not be considered independent if he or she:

- has been employed by the Company, or has an immediate family member who has been employed by the Company in an executive capacity, within the last three years;
- has been employed by the Company's independent auditor within the last three years;
- is affiliated with a company that is an advisor or consultant to the Company or to a member of the Company's senior management;
- is affiliated with a significant customer or supplier of the Company (that is, a customer that accounts for more than 5% of the Company's revenues or a supplier that receives more than 5% of its revenues from the Company);
- has personal services contract(s) with the Company or a member of the Company's senior management;
- is affiliated with a not-for-profit entity that receives significant contributions from the Company;
- within the last three years, has had any business relationship with the Company (other than service as a director) for which the Company has been required to make disclosure under Item 404(a) of Regulation S-K of the Securities and Exchange Commission as currently in effect;
- is employed by a public company at which an executive officer of the Company serves as a director;
- is a current employee, or has an immediate family member who is a current executive officer, of a company that has made payments to or received payments from the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues, determined in accordance with applicable NYSE guidance;
- has had any of the relationships described above with any affiliate of the Company, or
- has been a member of the immediate family of any person who has had any of the relationships described above during the last three years.



The Committee shall annually review and make a determination of the independence of each director. The Committee shall also review and determine a director's independence upon a change in the director's professional responsibilities, a related-party transaction involving the director or any other changed circumstance warranting review by the Committee.

Related-Party Transactions

The Committee shall review and approve, in advance, any related-party transaction involving an officer or director of the Company. Any interested director shall abstain from the discussion and vote regarding the transaction, except to respond to questions from Committee members. In making its determination, the Committee shall consider the fairness of the transaction and the impact of the transaction on the director's independence.

Outside Directorships

The CEO and senior management of Nabors should limit outside directorships (excluding non-profit) to no more than two. Non-employee directors are encouraged to limit the number of Boards (excluding non-profit) on which they serve, taking into account their ability to attend meetings and effectively participate on all Boards. All directors should advise the Chairman of the Board and Chairman of the Governance and Nominating Committee in advance of accepting an invitation to serve on another Board.

Attendance at Meetings

Directors are expected to attend all Board and committee meetings in person. Directors shall be prepared by reviewing in advance all materials and be present at the meeting in person until its adjournment.

Compensation of Directors

In order to align the interests of directors and shareholders, directors will be compensated in the form of cash and company equity, with equity constituting a substantial portion of the total. Furthermore, a director compensation policy limits each non-employee director's individual compensation to a maximum of \$550,000 per calendar year (the "Non-Employee Director Compensation Limitation"). Under the Non-Employee Director Compensation Limitation, the Board has the authority to make decisions with respect to director compensation within the \$550,000 limit. In other words, such compensation may consist of cash, equity grants or other amounts, but cannot in any event exceed \$550,000 per non-employee director per calendar year. In the event the Board wishes to approve or provide compensation that exceeds the limitation, the Board would be required to seek shareholder approval.

Direct Investment in the Company Stock by Directors

To better align the directors' interests with that of the Company's shareholders, the Board believes that each director should own Nabors stock having a value of at least five times the annual cash retainer paid to directors (exclusive of any portion of the retainer received as a member or chair of any Board committee). Share value for purposes of the guidelines is determined as of the date of grant for vested or unvested restricted share awards or, in the case of open market



purchases, the date of acquisition. Each director has three years from the date of his or her first election to the Board by the shareholders to meet the ownership requirements of the guidelines.

Service Limitations of Directors

The Board does not believe it should establish term limits. Although term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the Committee, in conjunction with the CEO, will formally review each director's continuation on the Board every year. This will also allow each director the opportunity to confirm his or her desire to continue as a member of the Board.

In addition, the Board has an age limit of 72 for directors to be eligible for nomination, such that no director may run for reelection after attaining age 72 at the time of the next scheduled annual meeting of shareholders, but need not resign until the end of his or her term. The Board, however, reserves the right to waive this limit in special circumstances.

Board Organization

Board Size

The Bye-Laws provide that the Board shall be comprised of between five and eighteen members. The Board in recent years has averaged seven members. In determining the optimum size for the Board of Directors, the Board will consider the level of work required from each director, including the requirement that certain committees be composed entirely of independent directors. From time to time the Board will conduct a review and make a determination as to the appropriate size of the Board in light of then current circumstances.

Committee Structure

It is the general policy of the Company that all major decisions will be considered by the Board as a whole or by the Executive Committee and subsequently reported to the Board. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to or required for the operation of the Company as a publicly owned entity. Standing committees shall include Executive, Audit, Compensation, Governance and Nominating, Technology and Safety, and Risk Oversight. The Audit, Compensation, Governance and Nominating, and Risk Oversight Committees shall be composed solely of independent directors. The Board may form other committees as it determines appropriate.

Selection of Chairman and CEO

The Board believes that, at the present time, the Company is best served by unifying the positions of Chairman and CEO. This structure provides a single leader with a single vision for the company and results in a more effective organization. However, the Board acknowledges a trend in corporate governance toward the separation of the roles of Chairman and CEO. Therefore, at such time as the current CEO is neither Chairman nor CEO, the Board's policy is to separate



the roles of Chairman and CEO and to select the Chairman from among the independent directors. The requirements that the roles of Chairman and CEO be separate and that the Chairman be independent shall not apply if no independent director is available and willing to serve as Chairman.

Lead Director

When a director who is not an independent director has been selected as Chairman, the independent directors shall annually select a Lead Director from among the independent directors serving on the Board. The Board has determined that the Lead Director should have the following specific duties and responsibilities:

- preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors, and apprise the Chairman of the issues considered;
- call meetings of the independent directors when necessary and appropriate;
- serve as liaison between the Chairman and the independent directors;
- facilitate communication between the Board and senior management;
- in consultation with the independent directors:
 - approve the meeting agenda for Board meetings, including adding agenda items when deemed appropriate;
 - approve the information sent to the Board;
 - approve meeting schedules to assure there is sufficient time for discussion of all agenda items;
- be available for consultation and direct communication with the Company's shareholders; and
- perform such other duties as the Board may from time to time delegate.

Board Operations

Board Access to Senior Management

Board members have reasonable access to senior management and to information about the Company's operations. It is expected that Board members will use their judgment to ensure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chairman or CEO, as appropriate. Except in unusual circumstances, the CEO should be advised of significant contacts with senior management.

Furthermore, the Board encourages the management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas and/or (b) are managers with future potential who the senior management believes should be given exposure to the Board.

Reporting of Concerns to Non-Employee Directors or the Audit Committee

An employee or shareholder who has a concern about the Company's conduct, or a complaint about the Company's accounting, internal control or auditing matters, may communicate that concern directly to the Lead Director (or, in the event of an independent



Chairman, the Chairman), to the outside directors as a group, or to the Audit Committee. Such communications may be confidential or anonymous, and may be submitted in writing in care of the Corporate Secretary, or reported by phone to the Nabors Hotline, established specifically for reporting policy concerns, at 1-877-NABORS7. Hotline calls relating to accounting, internal controls, auditing or officer conduct are reported by our independent administrator directly to the Chairman of the Audit Committee. The status of all outstanding concerns raised with any director or group of directors will be reported to the Lead Director (or, in the event of an independent Chairman, the Chairman), and in the case of concerns relating to accounting, internal control, or auditing, to the Chairman of the Audit Committee, on at least a quarterly basis. The Lead Director (or, in the event of an independent Chairman, the Chairman) or Chairman of the Audit Committee may direct that certain matters be presented to a committee or the full Board and may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. Nabors' Code of Business Conduct prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

Confidentiality

Directors are required to maintain in strict confidence all non-public information obtained due to their director position absent the express permission of the Board to disclose the information and shall use such information only in the performance of their responsibilities as a director. "Non-public information" encompasses all confidential information relating to the Company and includes competitive or proprietary information, as well as discussions and communications among Board members, whether during meetings or otherwise. This policy is intended to encourage complete candor and openness in Board communications and deliberations and to minimize the risk of misuse of non-public information. Shareholder inquiries shall be handled in accordance with such policies and procedures as may be adopted from time to time by the Board. Directors shall not communicate with the media regarding Company or Board matters; all media inquiries shall be referred to the Company's Director of Investor Relations or other designated representative.

Ethics and Conflicts of Interest

All directors, whether or not employees of the Company, must comply with both the letter and spirit of all applicable provisions of the Nabors Code of Business Conduct (the "Code") and the policies promulgated pursuant to the Code. The General Counsel shall serve as the Company's Ethics Officer. Directors are encouraged to bring questions about particular circumstances that may implicate one or more provisions of the Code to the attention of the CEO, the Lead Director (or, in the event of an independent Chairman, the Chairman) or the Ethics Officer, each of whom may consult with inside or outside legal counsel as appropriate. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the Lead Director (or, in the event of an independent Chairman, the Chairman). If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests.

All directors upon their appointment as such, are required to sign an acknowledgement of the Code. Directors are required to certify their compliance with the Code at least annually.



SEC Reporting

The Securities and Exchange Commission imposes certain reporting and disclosure obligations regarding the ownership of and transactions involving the Company's stock by directors and nominees, as well as other information related to transactions and relationships between directors (including nominees) and the Company or its management. Directors are required to comply with all disclosure obligations and to provide to the Company, both on their own initiative and upon request, such information as may be necessary to enable the Company to satisfy its reporting and disclosure obligations.

Director Orientation and Continuing Education

New directors participate in an orientation program to become familiar with their responsibilities, the Board's policies, the Company's financial statements and its key policies. Each new director also meets with senior management of the Company and its significant business units to become familiar with the Company's operations and business strategies. In addition, all directors are provided access to director education programs conducted by independent firms. Directors are required to participate in some form of director training each year. For members of the Audit Committee, a portion of that training must include topics germane to their service on the Audit Committee. For members of the Risk Oversight Committee, a portion of that training must include training on enterprise risk management.

Annual Self-Evaluation

The charter of each Board committee requires the committee to conduct an annual performance review. In addition, on an annual basis the directors provide their assessments of the effectiveness of the Board as a whole. The Committee evaluates the information compiled and reports the results of the assessment to the full Board, along with identified opportunities to improve the effectiveness of the Board and its committees.

Board Ability to Retain Advisors

The Board shall retain advisors as it believes to be appropriate. If management retains advisors to assist the Board, such decision must be ratified by the Board. Individual directors should not retain their own advisors except in exceptional circumstances, with the consent of the Board.

Material in Advance of Meetings

The Board must be given sufficient information to fully exercise its governance functions. This information comes from a variety of sources, including management reports, a comparison of performance to plans, security analysts' reports, articles in various business publications, etc. Generally, Board members will receive information prior to Board meetings so they will have an opportunity to reflect properly on the items to be considered at the meeting.

The Board will ensure that adequate time is provided for full discussion of important items and that management presentations are scheduled in a manner that permits a substantial portion of Board meeting time to be available for open discussion.



Executive Sessions

The independent directors of the Board will meet in Executive Session no less than once each year. At the request of any independent director present, time will be allotted at the end of any regularly scheduled Board meeting for an executive session involving only the independent directors. If the Chairman is an independent director, then the Chairman shall preside at the executive session. If the Chairman is not an independent director, then the Lead Director or the independent director having the longest tenure as a director shall preside at the executive session. The format of these meetings will include a discussion with the Chairman and CEO on each occasion.

Evaluation of CEO

The selection and evaluation of the CEO and concurrence with the CEO's selection and evaluation of the Company's top management team are among the most important functions of the Board. The performance of the CEO will be reviewed at least annually without the presence of the CEO or other inside directors. The Board should have an understanding with the CEO with respect to criteria on which he or she will be evaluated, and the results of the evaluation will be communicated to the CEO.

Succession Plan

CEO succession is a Board-driven, collaborative process. Although the current CEO has an important role to play, the Board must develop its own plan for succession while collaborating with the CEO in deciding the timing and the necessary qualifications for making a final decision.

There should be an annual report by the CEO to the Board on succession planning. There also should be available, on a continuing basis, the CEO's recommendation as a successor should he or she be unexpectedly disabled.

Outside Contacts

The Board believes that management speaks for the Company. If communications from the Board are appropriate, they should come from the Chairman; directors should not communicate with shareholders or others unless requested to do so by the Chairman or Lead Director.