



August 1, 2013

Board of Directors
c/o Mark D. Andrews
Corporate Secretary
Nabors Industries Ltd.
P.O. Box HM3349
Hamilton, HMPX Bermuda

Dear Mr. Andrews:

The purpose of this letter is to respectfully request on behalf of the members of the Council of Institutional Investors (“CII”) a written explanation of the basis for your recent change in voting procedures regarding the treatment of uninstructed broker votes.

CII, founded in 1985, is a nonpartisan, not-for-profit association of public, labor and corporate employee benefit plans with assets collectively exceeding \$3 trillion. CII is a leading advocate for improving corporate governance standards for U.S. public companies and strengthening investor rights.¹

The Council’s membership approved corporate governance best practices have long provided that “[u]ninstruced broker votes and abstentions should be counted only for purposes of a quorum.”² That policy is based on the widely held view that final vote tallies should reflect the wishes of the beneficial owners of the stock and not be affected by the wishes of the broker that holds the shares.³

As you are aware, prior to 2013, Nabors Industries LTD.’s (“Nabors”) voting procedures with respect to the treatment of uninstructed broker votes was generally consistent with CII’s policy with the exception of votes on the approval and appointment of the independent auditor and the approval of Bye-law amendments.⁴

¹ For more information about the Council of Institutional Investors (“CII”) and our members, please visit CII’s website at <http://www.cii.org/members>.

² Council of Institutional Investors, Policies on Corporate Governance §3.7 Broker Votes (last updated Apr. 19, 2013), http://www.cii.org/corp_gov_policies#Intro.

³ See Letter from Jeff Mahoney, General Counsel, to Ms. Elizabeth M. Murphy, Secretary 3 (Apr. 5, 2013), http://www.cii.org/files/issues_and_advocacy/correspondence/2013/04_05_13_cii_letter_to_nyse_on_proxy_distribution_fees.pdf; see also S. Comm. on Banking, Hous. & Urban Affairs, 111th Cong., Rep. to Accompany S. 3217 at 111 (Mar. 22, 2010), http://www.banking.senate.gov/public_files/RAFSAPostedCommitteeReport.pdf (describing the intent of “Sec. 957. Voting by Brokers” of the Dodd-Frank Wall Street Reform and Consumer Protection Act).

⁴ Nabors Industries Ltd., Schedule 14A Information 2 (Apr. 23, 2012), <http://phx.corporate-ir.net/phoenix.zhtml?c=70888&p=irol-SECText&TEXT=aHR0cDovL2FwaS50ZW5rd2l6YXJkLmNvbS9maWxpbnmcueG1sP2lwYWdlPTgyMTAyNzkmRFNFUT0wJINFUT0wJINRREVTQz1TRUNUSU9OX0VOVEISRSZzdWJzaWQ9NTc%3d>.

As explained in Nabors 2012 proxy statement:

- *Discretionary items.* The approval and appointment of Nabors' independent auditor is a "discretionary" item. NYSE member brokers that do not receive instructions from beneficial owners may vote on this proposal in their discretion.
- *Nondiscretionary items:* The election of directors, approval of amendments to our Bye-laws, approval of our incentive bonus and stock plans, Say-on-Pay vote and consideration of shareholder proposals are "nondiscretionary" items. Absent specific voting instructions from the beneficial owners, NYSE member brokers may not vote on these proposals.

If you do not submit voting instructions and your broker does not have discretion to vote your shares on a matter, your shares will not be voted on that matter ("broker nonvotes"). *Broker nonvotes will not affect the outcome of the vote on any nondiscretionary matter at the meeting other than the Bye-law amendments. Because the Bye-law amendments require the affirmative vote of the majority of outstanding shares, nonvotes will have the same effect as a vote against a proposal. Broker nonvote shares will, however, be counted for purposes of establishing a quorum.*⁵

In contrast to 2012, in 2013 Nabors dramatically changed its treatment of uninstructed broker votes, significantly distancing the company from corporate governance best practices.⁶ Rather than *not counting* uninstructed broker votes for any nondiscretionary matter other than Bye-law amendments, Nabors' *counted uninstructed broker votes as "against" votes for every nondiscretionary matter presented at the meeting other than the election of directors.*⁷

⁵ *Id.* (emphasis added).

⁶ See Nabors Industries Ltd., Schedule 14A at 2 (Apr. 30, 2013), <http://phx.corporate-ir.net/phoenix.zhtml?c=70888&p=irol-SECText&TEXT=aHR0cDovL2FwaS50ZW5rd2l6YXJkLmNvbS9maWxpbnmcueG1sP2lwYWdlPTgyMTAyNzkmRFNFUT0wJINFUT0wJINRREVTQz1TRUNUSU9OX0VOVEISRSZzdWJzaWQ9NTc%3d> (The 2013 voting procedures included the following new sentence: "Broker nonvotes will be counted for purposes of establishing a quorum and, because of the vote required to approve 'nondiscretionary' items . . . , will have the same effect as a vote against the proposal.").

⁷ *Id.*; Nabors Industries Ltd., Form 8-K at 1-3 (June 6, 2013), http://www.sec.gov/Archives/edgar/data/1163739/000110465913047394/a13-14516_18k.htm (Nondiscretionary items for which Nabors' counted uninstructed broker votes as "against" votes at the

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The immediate result of the 2013 change in Nabors' voting procedures was that the company was able to report to the public that two shareowner proposals were "Not Approved," when those proposals would otherwise have been "Approved," if Nabors had followed its 2012 long-standing voting procedures.⁸

We note that the two so-called "Not Approved" proposals were: "*To Require an Independent Chairman*;" and "*To Adopt a Proxy Access Bye-law*."⁹ In both cases, the substance of those proposals was generally consistent with CII's membership approved corporate governance best practices.¹⁰

In light of the aforementioned facts derived from Nabors' public submissions to the U.S. Securities and Exchange Commission, we would, as indicated, respectfully request that you respond to this letter providing CII and its members, many of whom are major long-term shareowners of Nabors,' a written explanation of: (1) the basis for the company's 2013 change in voting procedures; and (2) how the change benefits your long-term shareowners.

We look forward to your response. Please do not hesitate to contact me at jeff@cii.org or 202.261.7081, if you have any questions regarding this request.

Sincerely,



Jeff Mahoney
General Counsel

2013 meeting included: 2013 Incentive Bonus Plan (Item 3), 2013 Stock Plan (Item 4), Say-on-Pay (Item 5); Shareholder Proposal to Require Shareholder Approval of Certain Performance Metrics (Item 6); Shareholder Proposal to Require an Independent Chairman (Item 7); Shareholder Proposal to Adopt a Share-Retention Requirement (Item 8); Shareholder Proposal to Amend Bye-laws to Seek Shareholder Approval of Certain Future Severance Agreements (Item 9); and Shareholder Proposal to Adopt a Proxy Access Bye-law (Item 10)).

⁸ Form 8-K at 2-3. The Shareholder Proposal to Require an Independent Chairman (Item 7) was described by Nabors' as "Not approved (49.5% For)." *Id.* at 2. If, however, Nabors' had followed their 2012 voting procedures, Item 7 would have been approved by a vote of 54% "For." *Id.* Similarly, the Shareholder Proposal to Adopt a Proxy Access Bye-law (Item 10) was described by Nabors' as "Not approved (46.7% For)." *Id.* at 3. If, however, Nabors' had followed their 2012 voting procedures, Item 10 would have been approved by a vote of 50.9% "For." *Id.* at 3.

⁹ *Id.* at 2-3.

¹⁰ §§ 2.4 Independent Chair/Lead Director, 3.2 Access to the Proxy.