Shareholder Rebuttal to Nabors Industries Statement in Opposition to Shareholder Proposal Requesting Sustainability Reporting

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Nabors Shareholders are encouraged to vote FOR the following resolution:
Shareholders request that the Board of Directors prepare a sustainability report describing the company’s short- and long-term responses to ESG-related issues, including goals for the reduction of greenhouse gas (GHG) emissions, water usage, and adverse environmental impacts of operations. Shareholders request that the report discloses the linkage between executive compensation, including departure arrangements, and the organization’s financial, environmental, and social performance. The report, prepared at reasonable cost and omitting proprietary information, should be published and made available to the public by November 2014.

Overview
While many of its key competitors have chosen to fully inform and educate shareholders on the most important sustainability and ESG-related issues facing their businesses through publication of sustainability reports following Global Reporting Initiative (GRI) guidelines, Nabors Industries has chosen not to follow suit, causing it to fall behind its competition and leaving shareholders largely in the dark on these issues. Instead, Nabors has elected to provide limited ESG information on its website using an incomplete and non-standardized approach to disclosure.

The board contends that the Company’s website and public filings provide a comprehensive report on ESG-related issues and practices and that the publication of a sustainability report based on GRI guidelines would be unnecessarily costly and provide no additional benefit to shareholders. However, while website disclosures serve an important function in keeping shareholders informed, our concern is with the content of the reporting rather than its location. The information presented on Nabors’ website paints an incomplete picture that appears to be aimed primarily at customers rather than shareholders. It seems that Nabors’ reluctance to disclose ESG-related information using the widely accepted GRI guidelines would indicate that issues of critical concern to investors are being overlooked in the disclosure process. Therefore, simple website disclosures are not meeting the needs of the shareholder constituency.
Nabors’ sustainability-related disclosures do not adequately meet the needs of stakeholders. Reporting on sustainability-related issues using GRI guidelines informs stakeholders in a standardized, data-driven, and easily comparable way about the significant environmental and social risks that the company faces. The process of producing a GRI-compliant report helps a company to establish data gathering systems that can reduce risk and improve how the firm is managing risks. It can also help the company to establish goals for improvement in various ESG-related areas.

Nabors is a major land-based natural gas driller, and as such, faces significant environmental and safety risks as a result of the nature of its business. Nabors is heavily involved in horizontal fracturing, which often involves the handling and use of highly toxic, possibly carcinogenic fluids that have the potential to cause serious human health and environmental hazards, should they find their way into groundwater supplies. While Nabors has touted its development of the SUPER ChemDAT database for disclosure to customers of chemicals used in hydraulic fracturing operations, this database is not available to Nabors shareholders or the public at large. The company has refused to participate in any active, public disclosure of hydraulic fracturing chemicals, casting considerable doubt on Nabors’ management of this risk. This is just one example of a large variety of risks that Nabors faces in its business. Other potential risks include air emissions, accidents, and hazardous waste disposal of items such as radioactive fracking filter socks that have made headlines recently.¹

The detailed disclosure of the various risks that Nabors faces, as well as an outlining of the concrete steps that the company is taking to address these risks, would give investors and potential investors a higher level of comfort, knowing that the company is actively working to mitigate environmental risks and operate in a sustainable way. This can, in turn, create shareholder value. A Goldman Sachs study found that companies that are considered leaders in ESG policies outperform their peers in terms of stock value by some 25%.² Additionally, 76% of executives polled by McKinsey & Company “say sustainability contributes positively to shareholder value in the long term, and 50% see short-term value creation.”³

From a societal perspective, the potential hazards posed by the gas drilling industry have led to increased public resistance to industry expansion. Film and other media outlets have raised the alarm with regard to the potential dangers posed by the gas drilling industry. More attention to


sustainability and ESG-related factors, as well as improved transparency regarding the handling of environmental risks would allow Nabors to get buy-in from concerned stakeholders and conduct its business with an improved social license to operate.

**Nabors is lagging behind its peers in the area of sustainability reporting**

Sustainability reporting, and GRI-compliant sustainability reporting in particular, is seeing rapid adoption across a broad range of industries. According to a study released by KPMG in December, 2013, 93% of the 250 largest companies in the world report their sustainability performance using the GRI guidelines. This is because the common standards established by the GRI guidelines are important for many of the same reasons as standard accounting practices – they are comprehensive and allow for comparison between companies. The standardized and data-driven nature of the GRI guidelines allows data aggregators such as Bloomberg, MSCI, and the Dow Jones Sustainability Index to provide this data to investors, who rely heavily upon it as a key input in their investment decisions.

The oil and gas industry in particular is exposed to major sustainability-related risks about which shareholders and other stakeholders must be sufficiently informed. A number of major oil and gas companies, such as Hess, Baker Hughes, Chevron, Marathon Oil, and National Oilwell Varco, as well as one of Nabors’ direct competitors, Noble Corp., are meeting this need through sustainability reporting using GRI guidelines.

Nabors has demonstrated its ability as an innovative industry leader with the advent of its state-of-the-art PACE®-X rig. We believe that demonstrating a similar pacesetting commitment to GRI-compliant sustainability reporting will be recognized and rewarded by stakeholders.

**Conclusion**

Without comprehensive and comparable sustainability disclosure, shareholders, potential investors, and other stakeholders cannot effectively determine how Nabors is managing its ESG-related risks and opportunities. This can result in lower company valuation and increased public opposition to business expansion. We urge you to vote FOR this sustainability reporting proposal on Nabors’ proxy ballot.

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