



SMITH INTERNATIONAL, INC.

CORPORATE GOVERNANCE GUIDELINES

(October 21, 2009)

A. Role of the Board of Directors.

The business and affairs of the Company shall be managed by the executive management of the Company under the direction of the Board of Directors, except as may otherwise be provided by law, the certificate of incorporation or the Bylaws. It is a fundamental policy of the Company to comply with all laws of the United States and the other countries in which the Company carries out its business. The primary responsibility for ensuring the Company's compliance with applicable laws is vested in senior management as overseen by the Board of Directors with the assistance of its Audit Committee.

B. Board Membership.

1. Size of the Board.

The number of directors shall be set from time to time by resolution of the Board of Directors as provided in the certificate of incorporation. The Nominating and Corporate Governance Committee shall periodically review the appropriate size of the Board, with the goal that the size of the Board maintains needed expertise and independence without becoming too large to function efficiently.

2. Independent Directors.

A majority of the Board shall be composed of "independent" directors, as that term is defined from time to time by the listing standards of the New York Stock Exchange. As required by such listing standards, in assessing independence, the Board shall make a determination whether a director has any material commercial relationship with the Company (directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). In addition, a director would not be deemed independent if he or she is a member of the immediate family of any person who would not qualify as independent, provided that employment of a family member in a non-officer position will not preclude the Board from determining that a director is nonetheless independent. An immediate family member shall include the director's spouse, parents, children, siblings, and in-laws.

3. Selection of Director Nominees.

All candidates shall be evaluated and recommended for nomination by the Nominating and Corporate Governance Committee, including those nominated by a shareholder in accordance with the procedures set forth in the Bylaws. The Nominating and Corporate Governance Committee is responsible for establishing the selection criteria for candidates from time to time and reviewing with the Board such criteria and the appropriate skills and characteristics required of Board members in the context of the then current make-up of the Board. At a minimum, the

Nominating and Corporate Governance Committee must be satisfied that each director has the business and/or professional knowledge and experience applicable to Company, its business and the goals and perspectives of its shareholders; is well regarded in the community, with a long term, good reputation for highest ethical standards; has good common sense and judgment; has a positive record of accomplishment in present and prior positions; has an excellent reputation for preparation, attendance, participation, interest and initiative on other boards on which he or she may serve; and has the time, energy, interest and willingness to become involved in the Company and its future.

4. Individual Director's Responsibilities.

All directors are expected to set aside sufficient time in their schedules to fulfill their duties to the Company and its shareholders. All directors are expected to attend the meetings of the Board and of Committees of which they are members regularly, and in no event less than 75% of such meetings annually. They are expected to be prepared for each meeting, by reviewing the advance materials and otherwise to participate actively in the Board's or relevant Committee's deliberations.

All directors are expected to comply with the Company's policies, procedures, practices and codes of conduct, including pre-clearance and blackouts on trading activity and avoidance of conflicts of interest.

5. Term and Board Service Limits.

The Board does not believe it should establish term limits as it believes there is a significant advantage of maintaining the experience and insight into the Company and its operations gained by directors over time.

The Board does not believe it should set a predetermined limit on the number of boards on which a director may serve. However, the value of Board members who can provide a wider perspective and best practices learned in other directorships must be balanced against the necessary commitment to the Company. To enable the Nominating and Corporate Governance Committee to assess potential conflict of interest, if any, or potential interlocking directorships, each director must notify the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve as a member on another board of directors.

6. Evaluations of Board and Director Performance.

The Nominating and Corporate Governance Committee shall develop the processes and procedures for evaluating the performance of the Board, its Committees and its directors and shall evaluate the performance of the Board annually. Each committee shall conduct a self-evaluation annually.

7. New Director Orientation.

New directors shall receive an orientation through a combination of presentations and written materials to familiarize each new director with, among other things:

- the Company's Board members and practices,
- the independent auditor,
- major operations,
- key employees,
- significant policies and procedures (including accounting policies and code of ethics),
- the Company's strategic business plan, and
- key Company performance criteria.

8. Director Education.

The Company shall make continuing educational opportunities available for its directors in the areas of corporate governance, financial reporting, executive compensation and other areas of interest or concern to the Board.

9. Retirement Age for Directors.

A director cannot stand for reelection following his or her 70th birthday. Promptly after attaining the age of 70, a director shall submit a notice to the Board advising that he or she has reached the age of 70 and will, therefore, not stand for reelection.

10. Change in Principal Occupation.

Company officers who also serve as directors must tender his or her offer of resignation from the Board, subject to approval by the Nominating and Corporate Governance Committee, at the same time that they retire or resign from the Company.

A non-employee director must tender his or her offer of resignation from the Board, subject to approval by the Nominating and Corporate Governance Committee, when the non-employee director terminates or changes his or her principal occupation for any reason.

The Nominating and Corporate Governance Committee, in its discretion, shall determine whether any such offer of resignation is accepted.

C. Board Leadership.

The Chairman of the Board shall chair each Board meeting. In his or her absence, the Lead Director will chair the Board meeting.

At any time when the Chairman of the Board is not independent, the Board shall designate a Lead Director to chair executive sessions of the non-management directors.

D. Board and Committee Meetings.

1. Schedule.

The Board of Directors believes that regular meetings at appropriate intervals are desirable for the performance of their responsibilities. The Board regularly meets five times a year. The Chairman of the Board shall prepare a schedule of regular Board and Committee meetings on an annual basis and timely notify the Board of any changes in the schedule.

Special meetings of the Board or a Committee may be called at any time by the Chairman of the Board, the chair of a Committee or as otherwise provided in the Bylaws.

2. Agendas.

The Chairman of the Board shall establish the agenda for each Board meeting and distribute the agenda in advance to the Board. Board members may also notify the Chairman of items to be included on the agendas and raise at any Board meeting subjects that are not on the agenda for that meeting.

The Committee chair shall establish and arrange for the distribution of an agenda to each Committee member in advance of a Committee meeting.

3. Advance Materials.

To the extent practicable, the Secretary shall deliver to the Board or each Committee member in advance of each meeting of the Board or any Committee materials and information relating to the matters to be considered at the meeting.

4. Executive Sessions.

Executive sessions of the non-management directors will be held after each regular meeting of the Board, if deemed necessary by the Board, and at such other times as the non-management directors may choose, but in no event less frequently than once a year. The non-management directors may request Company personnel, consultants and other advisors to make presentations or participate in discussions at such meetings.

5. Minutes

The decisions by the Board and its committees shall be recorded in the minutes of their meetings. To safeguard the integrity of corporate minutes:

- (1) The minutes of each meeting of the Board and of each committee will be presented to and approved by the Board or committee, as appropriate, at its next regular meeting, and will be filed and retained by the Secretary in official minute books and stored electronically in a designated database with limited access prescribed by the Secretary.
- (2) No changes, deletions or additions to approved minutes or attachments are permitted without express approval of the Board or committee, as appropriate, duly noted in its minutes.
- (3) The Secretary or Assistant Secretary will provide to the Company's independent auditor a copy of all Board minutes at least annually, and certify to the auditor the accuracy and completeness of such materials provided. Upon request, the Secretary or Assistant Secretary also will make available to the auditor certified copies of any or all committee minutes.

E. Committees.

1. Standing Committees.

The Company currently has three standing Committees of the Board: Audit, Compensation and Benefits and Nominating and Corporate Governance. The Board of Directors will establish committees from time to time to facilitate and assist in the execution of its responsibilities. These committees shall generally address issues that, because of their complexity, technical nature, time requirements, or corporate governance principles, cannot be adequately or appropriately addressed at meetings of the entire Board. The Board may dissolve a committee at any time to the extent consistent with law, the Company's Bylaws, and the New York Stock Exchange Listing Standards.

2. Responsibilities of Committees.

Each Committee shall promptly inform the Board of the actions taken or issues discussed at their meetings. This will generally take place at the Board meeting following a Committee meeting.

The purposes and responsibilities of each Committee are set forth in charters approved by the Board.

3. Evaluation and Compensation of Chief Executive Officer and Succession Planning.

The Compensation and Benefits Committee, based on input from the entire Board, shall annually evaluate the performance of the Chief Executive Officer (CEO). The evaluation shall be based on the criteria and principles established by that Committee including, among other things: personal qualities such as leadership, statesmanship and responsiveness; general management qualities such as a global perspective on the business, short term results, strategic thinking and planning, knowledge of the business and preparedness; financial expertise such as value creation, capital planning and communications with the financial and investment communities; and qualities relating to the use of human resources such as developing management talent and creating an effective organization.

The Compensation and Benefits Committee shall be responsible for determining the appropriate compensation to be paid to the CEO. In making its decision, the Compensation and Benefits Committee will consider the CEO's performance, the Company's performance, the recommendations of independent consultants, and reviews of compensation paid to other CEOs at comparable companies.

The Nominating and Corporate Governance Committee shall develop a succession plan for the CEO and other senior executives. The succession plan shall include the policies and principles underlying the succession of the CEO.

4. Qualifications of Members.

The members of the Audit, Compensation and Benefits and Nominating and Corporate Governance Committees shall consist of directors who are "independent," as defined from time to time in the rules of the New York Stock Exchange. Each Committee charter shall set forth any additional membership requirements.

5. Committee Assignments.

The chair and the members of Committees shall be recommended by the Nominating and Corporate Governance Committee and approved by the Board. In the event the Board does not designate the chair of any Committee, the members of such Committee shall elect their chair. It is generally expected that each Committee chair will have had previous service on the applicable Committee.

In considering Committee assignments, the Nominating and Corporate Governance Committee will consider, where appropriate, the rotation of committee memberships. The Board does not believe that such a rotation should be mandated as a policy, since there may be reasons to maintain an individual director's committee membership.

F. Board Access to Management.

Every Board member shall have full access to the management of the Company. It is assumed that Board members will use judgment to be sure that this contact is not unnecessarily distracting to the business operations of the Company and that such contact, where appropriate, be arranged through the CEO, the Secretary or the appropriate business unit president, so that the appropriate expertise and information is available.

G. Access to Advisors.

The Board and each of its Committees shall have the authority, at the expense of the Company, to retain such independent accounting, legal and other advisors as it deems appropriate without management approval.

H. Compensation of Non-Employee Directors.

The level of compensation of non-employee directors shall be evaluated and recommended by the Compensation and Benefits Committee and approved by the Board from time to time. Current Board compensation consists of a combination of cash and stock-based awards and is designed to balance current compensation with longer-term equity incentives. Board members currently receive an annual retainer and a fee for each Board or committee meeting attended. Each year non-employee directors also receive a grant of shares of Common Stock of the Company.

Any stock-based compensation to the members of the Board or the executive officers of the Company must be approved by the Board of Directors and, as required by the New York Stock Exchange or the Securities and Exchange Commission, any plan pursuant to which such stock-based compensation is given must be approved by the shareholders of the Company.

The Compensation and Benefits Committee shall annually review director compensation.

I. Outside Director Stock Ownership.

The Nominating and Corporate Governance Committee has determined that, after three years of service, outside directors are expected to hold shares of the Company's common stock with a dollar value of at least five times the director's annual cash retainer.

I. Review of These Guidelines.

The Nominating and Corporate Governance Committee shall periodically review these guidelines and recommend appropriate changes to the Board.