



CHARTER OF THE GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS

The Board of Directors of Baker Hughes Incorporated (the "Company") has constituted and established the Governance Committee (the "Committee"), with the authority, responsibility and specific duties as described in this Charter. It is intended that this Charter and the composition of the Committee comply with the rules of the New York Stock Exchange ("NYSE") and applicable law. This document replaces and supersedes in its entirety any previous charter of the Committee.

PURPOSE

The purpose of the Committee is to develop and recommend to the Board a set of corporate governance principles applicable to the Company (the "Corporate Governance Guidelines") and to oversee compliance with, conduct reviews of and recommend appropriate modifications to such Guidelines. The Committee is also responsible for recommending candidates for election to the Company's Board of Directors.

COMPOSITION

The Committee and Chairman of the Committee shall be elected annually by the Board of Directors and subject to removal pursuant to the terms of the Company's Bylaws. The Committee shall be comprised of not less than three nor more than six of its non-employee members. All members of the Committee shall be independent, as that term is defined in the NYSE corporate governance listing standards. The Committee may, if appropriate, delegate its authority to subcommittees.

PRINCIPAL GOALS AND RESPONSIBILITIES

The Committee shall be responsible for monitoring compliance with the Corporate Governance Guidelines adopted by the Board of Directors, and recommending modifications to updating such guidelines when appropriate. The Committee shall also be responsible for the oversight of recruiting and recommending candidates for election to the Board of Directors, with advice of the Company's Chairman and Chief Executive Officer. The Committee shall also periodically conduct a review of criteria for Board membership against current needs of the Company's business to en-

sure timeliness of the criteria. The Committee shall have the overall responsibility for reviewing and evaluating the compensation of the non-employee directors. More specifically, the Committee shall be responsible for the following:

- Recommend to the Board for approval the Company's Corporate Governance Guidelines. The Committee shall periodically review such guidelines and recommend to the Board any changes deemed necessary or desirable. The Committee shall also have oversight of the corporate governance affairs of the Company and shall monitor compliance with such guidelines.
- Establish a calendar for regular meetings of the Board of Directors and its Committees.
- Annually review the structure of the Board of Directors and the contributions of the members of the Board in order to assess the skills and experience represented on the Board. In accordance with the Corporate Governance Guidelines, the Committee will propose to the full Board nominees for Board membership to stand for election at the next annual meeting of stockholders, based upon recommendations of the Chairman and other Board members.
- Recommend to the Board candidates to be elected to the Board as necessary to fill vacancies and newly created directorships.
- Identify individuals qualified to become Board members and maintain a list of potential candidates for Board membership.
- Periodically review and recommend to the full Board the size of the Board.
- Approve and recommend adoption by the Board of the annual retainer for the Board of Directors and committees of the Board, based upon input from third party consultants to the extent deemed appropriate by the Committee.

- Review annually Charter documents of the committees of the Board of Directors and make recommendations, as appropriate.
- Review annually the purpose of the committees of the Board, recommend to the Board any changes deemed necessary or desirable to the purpose of the committees and whether any committees should be created or discontinued, and recommend to the Board the directors and chairman to be appointed to each Committee.
- Review outside directorships in other publicly-held and for profit companies by senior management of the Company. No such outside directorships will be accepted without the prior approval of the Committee. The CEO may serve on no more than three boards of publicly-held companies and no other officer may serve on more than one board of a publicly-held or for profit company.
- The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director candidates. The Committee shall also have the authority to obtain advice and assistance from internal or external legal or other advisors as it deems necessary. The Committee shall have the sole authority to approve the terms of any such engagement, including fees, with funding provided by the Company.
- The Committee shall review the composition, expertise and availability of the committee members on an annual basis. The Committee shall also perform an annual self-evaluation of the Committee and its activities.
- The Committee shall also review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for its approval.
- The Committee shall develop and recommend to the Board an annual performance evaluation process for the Board and its committees. The Committee shall oversee the process which the Board and its committees use to conduct annual performance evaluations and shall confirm annually that each of the other committees has reviewed and reassessed their committee charters. The Committee shall also oversee the evaluation of management.
- Such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board of Directors.

MEETINGS

The Committee will meet at least two times per year as determined by the Board of Directors. Special meetings may be called, as needed, by the Chairman of the Board or the Chairman of the Committee. All meetings of the Committee will be held pursuant to the Bylaws of the Company with regard to notice and waiver thereof, and written minutes of each meeting will be duly filed in the Company records. Reports of meetings of the Committee shall be made to the Board of Directors at its next regularly scheduled meeting following the Committee meeting accompanied by any recommendations to the Board of Directors approved by the Committee.