

100% COMPLIANCE

Nexen's governance practices comply with the governance rules of the Canadian Securities Administrators and those of the SEC and NYSE. The first table sets out our compliance with *National Instrument 58-101— Disclosure of Corporate Governance Practices* and the second sets out our compliance with the governance rules of the NYSE.

Schedule A Form 58-101F1: Corporate Governance Disclosure

Board of Directors

Independent directors

See page 32 for the 11 board members who are independent under our categorical standards.

Directors who are not independent

Mr. Romanow is not independent as he is our President and CEO. Our categorical standards, attached as Schedule C, require analysis of the nature and significance of relationships between the directors and Nexen to determine independence. See page 32 for this analysis.

Majority of independent directors

Eleven of the 12 nominees (92%) proposed by management for election to the board are independent under our categorical standards. To assist the board with its determination, all directors annually complete a detailed questionnaire about their business and charitable relationships and shareholdings. Nexen reviews all information provided and applies the tests set out in the categorical standards to make initial determinations of independence. The findings are presented to outside legal counsel for confirmation. Finally, management's recommendations and outside legal counsel's views are presented to the board to pass a resolution on director independence.

Other directorships

See page 23 for directorships Nexen board members hold with other public entities.

Meetings without management or non-independent directors

The non-executive directors of the board and the board committees meet without management at every regularly scheduled meeting and whenever they see fit. Board committees meet with external consultants and internal personnel, without management, when they see fit. See page 34 for the number of sessions without management held in 2010 and from January 1 to February 28, 2011.

Following sessions without management, the chair advises the Secretary of any issues to be brought forward or included in the minutes.

Board chair independence

Mr. Saville, the Board Chair, is independent under our categorical standards. The Board Chair provides independent, effective leadership to the board in the governance of Nexen. He also sets the tone for the board and its members to foster ethical and responsible decision-making, appropriate oversight

of management and top-tier corporate governance practices. The Board Chair position description addresses governance; sustainable business practices; leadership; board and shareholder meetings; board and management relationships; and director recruitment, retention, evaluation, orientation and education.

Director attendance

Overall director attendance rate in 2010 is 99%. See page 33 for director attendance for all board meetings in 2010 and from January 1 to February 28, 2011.

Board Mandate

The board mandate is included in Schedule D.

Position descriptions

Board and committee chair position descriptions

The position descriptions for the Board Chair and each individual committee chair address board and committee governance; sustainable business practices; leadership; ethics; board, committee and shareholder meetings; board, committee and management relationships; committee reporting; director recruitment and retention; evaluations; orientation and education; and, advisors and resources.

CEO position description

The CEO position description addresses leadership, community, sustainable business practices, ethics and integrity, governance, disclosure, strategic planning, business management, risk management, organizational effectiveness, succession and CEO performance.

Orientation and Continuing Education

Orientation

Under its mandate, the Governance Committee is responsible for developing and implementing the orientation for all board members. Nexen's orientation program for new directors includes:

- information on the role of the board and each of its committees;
- company and industry information; and
- the contribution individual directors are expected to make.

New directors attend a one-day session of management presentations, including specific information on Nexen's: operations; reserves; strategic plan; risk and risk management; governance; health, safety, environment and social responsibility; human resources; and, integrity and corporate values. All directors have a standing invitation to attend committee meetings, and new directors are requested to attend one full set of committee meetings to understand each committee's oversight responsibilities and that of the board overall.

Continuing education

- Under its mandate, the Governance Committee is responsible for developing and implementing ongoing director education.
- Directors are surveyed, in conjunction with the performance evaluation, to determine areas that would assist in maximizing effectiveness. This information is the basis for developing annual continuing education.
- Presentations are made to the board at all regularly scheduled meetings to keep them informed of changes within Nexen and in regulatory and industry requirements and standards. The presentation subjects are determined in part from education requested or recommended by directors.
- Specific information on risks, commodity pricing, supply and demand and the current business and commercial environment is regularly provided.
- Site visits to various operating facilities are arranged for directors. In September 2010, Messrs. Berry, Bertram, Jackson and Romanow received a UK/Europe overview and had a Buzzard platform tour and Ettrick flyover.
- Nexen pays for director education and membership in the Institute of Corporate Directors (ICD). All directors are members of ICD.
- See page 39 for a list of continuing education that directors received in 2010.

Ethical Business Conduct

Ethics Policy

- Our board-adopted Integrity Guide is described on page 5 and is available at www.nexeninc.com or by request to the Governance Office as set out on page 5.
- Each year, directors, officers, employees and designated contractors are required to acknowledge their compliance with the Integrity Guide through an online statement of compliance.
- The board, through the Audit Committee, receives a report on the annual statement of compliance process, regular reports on compliance with the Integrity Guide and integrity initiatives, and information on concerns reported.
- The board has never granted a waiver from the provisions of the Integrity Guide for a director or executive officer. Accordingly, no material change report has been required.
- At year end, 85% of our workforce had completed Nexen's integrity workshop. All directors, officers, employees and designated contractors have completed the 2010 annual statement of compliance.
- In 2010, 35 reports were made to the Integrity Resource Centre. Of the 35 reports, 20 were integrity-related allegations, all of which were investigated and 94% have been resolved as of December 31, 2010. Fifteen reports were deemed to be not integrity-related allegations and were transferred to the appropriate department for resolution. Five integrity inquiries were made in 2010.

Material interests

The directors and officers are required to complete an annual statement of compliance under Nexen's Integrity Guide, which also includes compliance with our conflict of interest policy. This ensures directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest. The board ensures that a director who has a material interest in a transaction or agreement doesn't participate in discussions if competitive information is being presented or vote on that matter at board meetings. A report of executive officers' material interests is presented to the board.

Culture of ethical business conduct

- The board mandate, applicable to all directors, addresses sustainable business practices, ethics and integrity.
- The board promotes ethical business conduct through its support of Nexen's culture of integrity. The program is a core ingredient in our sustainability model. It provides employees with resources to integrate ethical business conduct into everyday decisions. All board members have participated in an integrity workshop, which is mandatory training for all Nexen employees.
- The Audit Committee mandate also speaks to ethics, the code of ethics and its compliance programs. The Committee receives a compliance report at each regularly scheduled meeting.
- Our integrity helpline is an important part of the program. It is a secure reporting system for employees, customers, suppliers, partners and other external stakeholders to raise concerns on a confidential basis. All concerns raised via the helpline are reported to the Audit Committee.

Nomination of Directors

Identification of new candidates for board nomination

See the Governance Committee report on page 50 for this information.

Independent nominating committee

All seven members of the Governance Committee are independent under our categorical standards.

Nominating committee mandate

The Governance Committee mandate addresses governance leadership; code of ethics; governance documents and disclosure; board and committee evaluations; director nominations and resignations; share ownership policies; director orientation and education; risk management; meetings and reporting requirements; and, advisors and resources. See page 50 for the Committee report.

Compensation Committee

Director and officer compensation

The Compensation Committee is tasked with recommending compensation for Nexen's directors and officers. CEO compensation is reviewed by the Committee and recommended to the independent directors for approval.

Independence

All seven Compensation Committee members are independent under our categorical standards.

Mandate

The Compensation Committee mandate addresses compensation and human resources leadership; CEO goals, objectives and performance; director, Board Chair, CEO and overall compensation programs and risk management; succession and development; meetings and reporting requirements; committee governance; and advisors and resources. See page 47 for the Committee report.

Outside consultant

See page 49 for disclosure about the Compensation Committee's outside compensation consultant.

Other Board Committees

There are three additional standing board committees whose mandates address, in addition to the specific areas given below, committee meetings, reporting, governance, advisors and resources.

- The Finance Committee mandate speaks to the financial leadership, management and risk management, and transactions. Its report is on page 53.
- The HSE & SR Committee mandate covers health, safety, environment and corporate social responsibility, leadership, performance, compliance and risk management. Its report is on page 54.
- The Reserves Committee mandate addresses reserves leadership and reserves evaluation and related disclosures. Its report is on page 56.

Board Assessments

The Governance Committee leads the process of performance evaluations of the board, all board committees, the Board Chair, Committee Chairs and individual directors. See page 30 for details on the performance evaluation process.