



Policy Name: People Strategy
Policy Number: HR100
Policy Owner: Vice President Operational Services, Technology and Human Resources
Policy Approver: President and Chief Executive Officer
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Policy Statement:

The Company's people strategy (the "People Strategy") is a vision and a set of People Practices that, together with the Company's Mission and Values combine to define the relationship between the Company and its Employees. It defines what the Company will provide for its Employees and establishes the Company's expectations of its Employees.

The People Strategy Policy provides a road map that connects the Company's Values, People Strategy and Core Competencies to create a performance culture. The Company's Human Resources Policies, programs and practices and other Employee related communications support the People Strategy.

1. Definitions:

Company (or Nexen) – refers to Nexen Inc. and its majority owned subsidiaries.

Company Mission – is to grow value responsibly.

Company Vision – is to be the pre-eminent, global, independent energy producer based in North America. The Company grows the business to be successful and sustainable by engaging resourceful people, capitalizing on superior assets and innovation, and operating in a socially responsible manner.

Core Competencies – are a unique combination of skills, knowledge and behaviors that enable Employees to deliver against job expectations to set the Company apart from its peers.

Employee – means a regular full-time, regular part-time, temporary, casual or fixed-term employee of the Company.

People Practices – refers to human resources programs and practices.

Policy - refers to a course of action or principle of conduct adopted by the Company which directs organizational actions and Employee conduct. It expresses an attitude, intent or



Company position which serves as a broad directive in the conduct of the Company's business and its relationships with its Employees.

Values – refer to the Company's ideals and govern how the Company's business is conducted. They set the standards for excellence and professionalism and lay the foundation for a respectful, positive environment that will generate superior results. The Company's Values are at the heart of the Company's identity, and define the culture of the Company to set it apart from other employers. Nexen's Values include accountability, cooperation and teamwork, integrity, learning, performance, professionalism, and recognition.

2. Objectives:

The objectives of this Policy are to ensure that Employees have a clear understanding of what they can expect from the Company and in return what the Company expects from Employees; to provide a foundation and philosophy upon which all Human Resources Policies are based; and to clarify the roles and responsibilities of the Company's Human Resources groups, its managers and Employees.

3. Persons Affected:

This Policy affects all Employees working for the Company.

4. Policy:

The Company's Financial, Operations and People Strategies serve to focus resources effectively to ensure the success of the Company. "Leading our competitors through the strengths of our people" is the vision for the People Strategy. The People Strategy is an overarching philosophy and framework composed of six People Practices with supporting Policies and procedures and includes Company-defined Values and Core Competencies.

The People Strategy defines what the Company will provide to its Employees and establishes what the Company's expectations are of its Employees. The purpose of this overarching strategy is to ensure that the appropriate People Practices exist in Nexen so that Employees, management and Human Resources have clearly articulated guidelines that will result in a high performance culture. If Employees all exhibit the Company's Values, demonstrate the Company's Core Competencies, and drive towards high performance, the Company will continue to be successful in the long-term and considered an "Employer of Choice".

4.1 Expectations Based on People Strategy Between Employees and the Company

The various People Practices of the Company's People Strategy, together with the Company's Values and Core Competencies, define the nature of the commitment



between the Company and its Employees. The following outlines the key components of that commitment.

What Employees can expect from employment with the Company

- a high-performing organization that values the communities in which it operates
- an organizational structure that supports Company strategic objectives
- an organization committed to ethical business practices and compliance with legal and regulatory requirements
- established performance expectations and regular feedback on achievements
- an organization that encourages continuous improvement through effective change management and timely knowledge sharing
- consistent leadership that supports Employees in their pursuit of the Company's strategic objectives
- open and honest communication with effective multi-directional dialogue
- fair conditions of employment which meet or exceed all legislative requirements and regulations
- a respectful work environment where all Employees are free from harassment, bullying and workplace violence
- the tools necessary to perform at optimal levels and accountability for individual and team results
- competitive compensation and benefits packages
- recognition for contributions to the organization and the communities in which the Company operates
- support to continue developing knowledge and skills
- support for balanced lifestyles

What the Company expects from Employees

- come to work everyday ready to give their best to the Company and their team
- strive for excellent results
- accountability and responsibility for high performance
- commitment to successful achievement of business goals and alignment with the Company's strategic direction
- active role in their own performance and career management
- acting in accordance with Company Policies, Values, business principles and the How We Work: Our Integrity Guide both inside and outside the workplace
- effective communication with peers, subordinates, supervisors and stakeholders
- commitment to personal development of Core and technical Competencies
- commitment to continuous learning and career development
- exercise good judgment and common sense

4.2 People Practices



The Company has defined six practices within the People Strategy upon which it has established its Human Resources Policies, programs and practices that establish the Company as an “Employer of Choice” and ensure its Employees are able to contribute to the Company’s Vision and Mission.

- **Strategic Staffing** – Strategic staffing ensures that the Company has the right people, in the right places, with the right skills, at the right time. It is used to identify and address staffing implications of the Company’s strategies, now and in the future. Strategic staffing includes: workforce planning, recruiting, succession planning and job family committees. These committees are cross-divisional and ensure the development and movement of people of a particular discipline throughout the Company. The Company’s philosophy is to seek the best individual for every position, regardless of gender, race, national origin or other characteristic. To develop the most strategic workforce possible, the Company is committed to:
 - forecasting workforce needs to adequately staff and/or build organizational capability
 - building the capabilities of Employees through internal job postings, job family committees and redeployment
 - recruiting externally for key talent required for business needs and that is not available internally
 - implementing flexible work arrangements in support of personal and business needs
 - implementing flexible staffing methods to meet cyclical business needsAdditional practices will be implemented as business needs and the needs of the workforce evolve.

- **Leadership Development** – The Company is committed to developing strong leaders and managers who can motivate and create high performing teams while also being supportive of the personal needs and differences of their Employees. The Company will work to develop exceptionally strong leadership at all levels within its Employee population and will also seek to attract, recruit and engage excellent leaders as required by the business.

- **Performance and Career Communication** – Performance and career communication is a shared process for maximizing performance and accountability. Integrated with the Company’s strategic planning cycle, supervisors and Employees work together to link department, team and individual accountabilities in an effort to realize the Company’s Vision and Mission. As part of this, performance management is used as a continuous process to set goals, articulate and plan development opportunities, review progress and appraise performance. To maximize Employee performance, the Company is committed to:
 - encouraging the establishment of clear and achievable performance expectations for all Employees of the Company
 - encouraging accountability among all Employees for soliciting and providing meaningful performance feedback
 - supporting mutual conversations regarding career development and advancement



- **Reward and Recognition** – As part of the Company’s overall compensation program, the Company realizes the importance of offering rewards and incentives that recognize, validate and value outstanding performance. Rewards and recognition are based on merit, aligned with business outcomes and are competitive in the marketplace. To be an “Employer of Choice” the Company is committed to:
 - maintaining total benefit and compensation programs that are fair, equitable and competitive
 - promoting non-cash reward and recognition programs
 - recognizing exceptional effort through incentive and reward programs

- **Learning and Development** – The Company aims to support and enable Employees to meet challenges by identifying each individual’s development and learning needs so that he or she maximizes his or her current performance, realizes future potential and aligns his or her behaviour with the Company’s Values. To have the “best” people available and remain at the forefront of the industry, Employees need to upgrade their knowledge and skills. To support Employees’ learning and career development the Company is committed to:
 - sharing responsibility with Employees for their development through providing access, opportunity and support for appropriate formal and informal learning
 - encouraging and supporting cross-functional, cross-divisional development of Employees
 - providing in-house development resources and supplementing with external development opportunities

- **Continuous Improvement** – Continuous improvement is an ongoing effort to be even better. It’s a mindset and attitude that involves change management and knowledge sharing. It’s a continual process involving learning from mistakes, building on success and making improvements to take the Company to the next level. Continuous improvement pervades all aspects of Employees’ jobs and the Company’s business. The Company and Employees share responsibility for:
 - encouraging continuous improvement across all Company divisions through effective change management, after-action learning and timely knowledge sharing
 - continually assessing, simplifying and adjusting business processes

4.3 Values

The Company has identified seven Values that set standards for desired Employee behaviour and outcomes. Operating the Company’s businesses by making choices that are consistent with its Values is part of the reason for the Company’s continuing success.

- **Accountability** – Employees are responsible for their performance and contribution to the Company’s overall success. Individual and divisional goals and objectives are



aligned with the Company's goals and expectations. Accountability is to "do what you say you will do".

- **Cooperation and Teamwork** – The Company optimizes the strength of individuals and teams in order to add value. The Company encourages building and sustaining relationships that demonstrate fair treatment, trust and respect.
- **Integrity** – The Company and Employees operate with integrity in all business dealings by acting with honesty in all interactions with stakeholders. Integrity is key to the Company's long-term success and integral to its value system and culture.
- **Learning** – The Company encourages continuous learning and development for all Employees to improve productivity and maximize corporate capability.
- **Performance** – The Company delivers superior financial and operating results in pursuit of its vision of becoming the acknowledged leader in all areas of business.
- **Professionalism** – The Company's standard is excellence in business, technical specialties and employee relations. Employees conduct business in an ethical manner; demonstrating competence, commitment, respect and a high level of integrity.
- **Recognition** – The Company's recognition programs reward the contribution of high performing individuals and teams in achieving divisional and corporate objectives.

4.4 Nexen Core Competencies

The Company is committed to eight Core Competencies identified as critical for Employees to demonstrate at varying levels of proficiency, depending on their job responsibilities. The Company's Core Competencies are the essential knowledge, skills and attitudes that Employees bring to the Company and which the Company brings to the marketplace, fueling innovation and making growth possible. Since they provide a long-term strategic advantage, the Core Competencies are used to determine how the Company recruits, selects and develops people.

- **Adaptability/Managing Change** - Ability to embrace new technologies, meet emerging market demands, respond effectively to changing conditions, apply continuous improvement techniques and create new business opportunities.
- **Communication** - Ability to speak and write clearly and succinctly in a variety of settings and styles, secure information, listen effectively and convey messages that have the desired effect.
- **Cultural Sensitivity** - Ability to maintain a supportive work environment for the Company's diverse workforce. The Company promotes an environment that is



respectful, inclusive, minimizes perceived and real barriers and builds mutually beneficial partnerships.

- **Initiative** - Ability to think critically and act logically to evaluate situations and generate required steps to ensure success.
- **Leadership** - Ability to achieve desired results by encouraging and supporting the contributions of others; possession of required knowledge, skills and experience to work effectively with others throughout the Company. The Company acknowledges that any Employee can be a leader at various times in his or her career. Leadership does not have to be position-based.
- **Teamwork** – Knowledge, skill and the ability to work effectively with others to achieve optimal collective results.
- **Technical/Operating Skills** – Possession of appropriate technical and operational knowledge, skills and experience to ensure performance at a high level of accomplishment.
- **Total Business Understanding** – Knowledge and expertise in formulating competitive strategies and managing Policies, practices, trends and information affecting the total business.

5. Roles and Responsibilities:

Employees – are expected to be familiar with and abide by this Policy. They are expected to exhibit an unwavering adherence to the Company's People Practices, Values and Core Competencies.

Supervisors/Managers – are responsible for implementing the Company's People Strategy and related Human Resources Policies as they pertain to Employees reporting to them; addressing concerns directly or assisting Employees by providing them with appropriate support; and understanding the importance of their behaviour and the impact that their support of the People Strategy has in the workplace.

Corporate Human Resources – is comprised of: Talent Management which includes recruiting, workforce planning, performance and people development, organizational change, project change, and learning systems; and Human Resource Programs which includes compensation, benefits, pensions, human resources systems, payroll and global services. These specialized functions are responsible for developing and regularly reviewing Human Resources Policies and programs in order to ensure they are aligned with the Company's People Strategy. They provide technical expertise and controls as well as support to the Division Human Resources units in research and development activities.



Human Resources Representatives – work in the divisions and support supervisors and managers in the interpretation and implementation of the Company’s People Strategy and Corporate Human Resources Policies. They may help identify and design solutions unique to their client group. They provide general employee relations, coaching and organization development services and are available to support individuals and managers in interpreting and living up to their commitments as outlined in the People Strategy. Human Resources representatives may be responsible for developing and reviewing Human Resources Policies and programs that are unique to their divisional unit or location.

Vice President, Operational Services, Technology and Human Resources – reviews and updates the Policy to reflect the Company’s Values and People Strategy and ensures compliance with this Policy.

Executive Management Committee – supports the vision of the People Strategy and ensures the framework, tools and resources are in place to implement it.

President and CEO – sets the vision of the People Strategy in conversation with the Executive Management Committee and the Board of Directors.

6. Guiding Principles / Related Policies:

The following Company policies and guides may also be consulted:

- What We Value handbook
- How We Work – Our Integrity Guide
- All Human Resources Policies

7. Revision History:

DATE	REVISION #	DESCRIPTION OF CHANGE
September 30, 2010	Policy Creation	- This Tier One Policy was created to align with new policy re-formatting standards and is based on the Company’s People Strategy. It incorporates the contents of HR200 Human Resources Corporate/ Division Roles.