

# EAG Team Members



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# NEXEN EXTERNAL ADVISORY GROUP

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## NEXEN EXTERNAL ADVISORY GROUP STATEMENT

For the ninth consecutive year, Nexen engaged a diverse group of experts to provide feedback on our sustainability management, performance and disclosure. This engagement provides substantial value to Nexen in addressing and navigating complex sustainability issues. The group is organized and facilitated by Stratos Inc., a specialized management consultancy, and members provide their input and expertise as individuals rather than as representatives of their organizations.

## PROCESS

This process involved conference calls, meetings with Nexen staff and executives, a site visit to Nexen's shale gas operations and interviews with three local stakeholders. We were impressed with the access and transparency that Nexen provided the Advisory Group, including internal documentation, staff time and a dialogue with the CEO. We feel this openness is critical and commend Nexen for creating an effective and thorough engagement process.

This statement expresses our views on Nexen's sustainability management, performance and disclosure. Members of the Advisory Group were offered an honorarium in recognition of our time and expertise, payable to us individually or to an organization of our choice. Nexen also paid for all expenses related to our travel and accommodation.

## OVERVIEW

The Advisory Group highlights an inherent tension between sustainability and a long-term strategy founded on fossil fuel extraction. This issue is particularly critical for Nexen, whose assets are long-lived, carbon- and water-intensive. We recognize that Nexen is in many ways a sustainability leader in the oil and gas industry, and encourage it to address this tension as it develops its business strategy. Our comments below reflect the issues explored in this engagement process.

## GOVERNANCE AND INTEGRITY

While we saw evidence of good oversight of material sustainability issues and performance, we are concerned that Nexen does not have a long-term sustainability strategy. Because turnover of executive leadership can impact the continuity of sustainability performance, the Board of Directors should strengthen oversight of the development and implementation of such a strategy.

We strongly support the integration of sustainability factors into executive compensation and encourage Nexen to expand this practice by linking compensation to publically available short- and long-term sustainability goals. Transparency of sustainability goals has previously been recommended in AG letters.

We commend Nexen for seriously addressing anti-corruption and for their commitment to transparency through the Extractives Industry Transparency Initiative (EITI). We welcome the recent shift to a zero tolerance policy regarding facilitation payments and encourage Nexen to follow the UN Global Compact-Transparency International Reporting Guidance on the 10th Principle Against Corruption.

## SAFETY AND EMERGENCY PREPAREDNESS

There is evidence of a strong commitment at the senior level to safety and establishing the right processes to ensure results. We recognize Nexen's effort to implement globally, an industry best practice process safety management system, and encourage adopting a similar approach for occupational health and safety.

We question how senior management assures itself that Nexen's safety culture has traction at the site-level, and encourage the assessment of the behavioural impact of the new "Life Saving Rules" program. This assurance is equally important when it comes to contractor safety management and education. We welcome the integration of more leading safety indicators and the evaluation of safety risk. We encourage Nexen to review the adequacy of their emergency preparedness procedures to deal with climate change impacts and natural disasters (e.g. wildfires).

## WATER

Nexen has established water management principles, emphasizes water reuse and recycling, and is working with Aboriginal partners on a water monitoring program. We encourage Nexen to do more to share monitoring results and to work with industry to better engage the Horn River Basin community on long-term water plans and potential impacts. Nexen should investigate the impact of its oil sands and shale gas operations on the Mackenzie watershed in the Northwest Territories and take action to address any impacts identified.

We recommend setting targets to drive Nexen's move to saline versus fresh water use. Nexen should also set a long-term water strategy and ensure the management and disclosure of all chemicals used in shale gas operations

## STAKEHOLDER RELATIONS AND ABORIGINAL ENGAGEMENT

We acknowledge Nexen's efforts in stakeholder and Aboriginal engagement and the strong relationships with some communities. We commend Nexen for recognizing the need to better institutionalize learnings and to bring greater global consistency to their engagement systems, processes and practices. We look forward to seeing the Aboriginal relations strategy, scheduled for completion this year.

We recommend that Nexen engage external stakeholders directly in the materiality analysis. Stakeholder engagement should aim to co-create plans and to developing trust-based relations. Nexen should ensure its pace and scale of development is aligned with the community's capacity to engage. We encourage Nexen to continue to contribute to local capacity building and sustainability, and to inspire leadership through collaborative sector initiatives.

## ADDITIONAL COMMENTS

We recognize Nexen for valuable contributions such as commissioning third party research on biodiversity impacts; however, the company's increasing exceedances of environmental regulations is a negative trend.

We encourage Nexen to more aggressively address its greenhouse gas emissions and energy efficiency, and to expand transparency of its policy position on energy and climate change.

## SUSTAINABILITY DISCLOSURE

The Advisory Group reviewed draft versions of the online and printed sustainability report and provided substantive recommendations. However, we did not have the opportunity to review the final versions to see where our input was reflected. Given this limitation, we are not providing a perspective on Nexen's disclosure in this statement.

We look forward to monitoring progress on Nexen's commitments and to observing how the company's sustainability management, performance and disclosure evolve over time. We commend Nexen for its leadership in conducting this open engagement process.