

LINKING VISION, STRATEGY, GOVERNANCE AND SUSTAINABILITY

Our Vision

Our vision is to be the pre-eminent global independent energy producer based in North America. In order to do this, we must grow our business in a profitable and sustainable manner by engaging resourceful people, capitalizing on superior assets and innovation, and operating in a socially responsible manner. With tight credit markets and weaker investor confidence, many are choosing the least risky investments. Good governance is the foundation for stewardship of the resources with which we are entrusted. Good governance and transparency are key to garnering investor confidence. We believe people will have the confidence to invest in Nexen if they know and understand our vision, our strategies and the values upon which we act to achieve that vision.

Our Strategy

Until recently, credit markets were attractive, commodity prices were at all-time highs, and many companies, including Nexen, were enjoying record returns. This led to unprecedented optimism. The oil and gas industry was reinvesting cash flow in new projects and scrambling to obtain the necessary skills to bring these projects to fruition. However, when credit markets and commodity prices collapsed, our entire industry had to adapt. Many companies now find themselves in a liquidity crunch and are suspending or cancelling projects, particularly those involved in the oil sands. Has Nexen been affected by this unprecedented collapse? Of course, but we planned ahead, carried plenty of financial capacity, and our strategy is proving sound.

Our strategy is to build a sustainable energy company focused on three areas: oil sands, select conventional exploration and exploitation, and unconventional gas. We recognize that choosing the right asset mix can lead to sustainable growth only if we have the correct combination of sustainable business practices that support our long-term value creation. We also recognize that a sound strategy is not something that works only in good times or in bad times—it must be universal. We believe that our asset mix is a critical component to our strategy as it not only diversifies risk but, perhaps more importantly, reflects our capacity to assess and seize a broader set of opportunities.

Our Assets

In unconventional oil resource plays, we continue to believe that our commitment to the oil sands is well reasoned. It is the second largest hydrocarbon resource in the world and is right in our backyard. We have leading-edge technology that not only produces a superior product, but positions us well to efficiently participate in future carbon capture and storage initiatives.

In conventional exploration and exploitation, we have chosen to concentrate in areas of the world with which we are familiar: the North Sea, deep-water Gulf of Mexico and offshore West Africa. These are areas in which we've had success, where infrastructure exists, where we have significant acreage and where great potential remains.

In these areas, our commitment to sustainable business practices has shown that we can operate safely, responsibly and with success in some of the most challenging environments on the planet.

As conventional gas resources in North America decline, it is inevitable that we must turn to more unconventional resources, such as shale gas and coal bed methane (CBM). Our strategy of accumulating large shale gas land positions in the Horn River area of northeast BC and CBM land positions in Central Alberta is proving to be sound.

We also recognize that the energy mix is changing and renewable energy resources will play an increasingly important role in meeting future energy demand. We have invested in wind farm projects and are investigating other renewable sources, such as geothermal.

Nexen is a company that has lived through tough economic times and volatile commodity price cycles before. We have learned that diversity, when handled strategically, is a strength. Responsible governance means working for long-term value creation—not short-term swings in profit. Our board and management are committed to long-term value creation.

Governance and Sustainable Business Practices

A broader vision of sustainable business practices includes our approach to governance and has always been a part of how we do business. Sound governance practices results in better decision-making through defining responsibilities and accountabilities, ensuring transparent independently-verified disclosure, and by encouraging open and honest internal and external communication. Our governance practices are certainly top tier and we've enjoyed significant external recognition. Please refer to the Governance Committee Report on page 33. Similarly, our health, safety, environment and social responsibility practices demonstrate best practices and have also garnered external recognition. Please refer to the HSE & SR Report on page 36. We actively participate in

forums and solicit dialogue with our stakeholders on many fronts—from our Governance Roadshow, to community meetings with neighbours of our operations, to third-party verifiers of our Sustainability Report. Our reputation is built on developing and retaining meaningful relationships with our stakeholders, and we will continue this approach regardless of the economic environment. We also know that to succeed, our efforts in these areas must continuously improve.

At Nexen, we view sustainability as an enterprise-wide approach that focuses on long-term value creation for stakeholders and, in particular, our shareowners. Our commitment to good governance and sustainable business practices is key to how we do business at Nexen. We believe our approach to long-term value creation, which focuses on ethics and integrity, safe operations, respect for the environment and stakeholder input, is crucial to our success. Doing this responsibly is our commitment.

The Future

So what does the future hold for our industry and Nexen? We can't say precisely. However, we do know that our strategy to date has proven successful and we fully expect to emerge from the current economic situation stronger than ever. We believe that good governance is a journey, not an end point. And when it is combined with sound strategy, superior long-term value creation results. We look forward to sharing that journey with you.