

MESSAGE FROM THE TOP

NEXEN'S WAY HOW WE WORK. WHAT WE DO. Our Values

PROTECTING PEOPLE & THE ENVIRONMENT

We each play a role in protecting the safety and well-being of ourselves, our co-workers and the communities and environment in which we work.

COMMITMENT TO EXCELLENCE

We drive for, and reward, high performance. We are passionate about delivering results and innovative in overcoming obstacles.

ACCOUNTABILITY We each know our responsibilities and are accountable for our decisions, behaviour and actions. We measure our results to validate our individual and shared ownership of Nexen's successes and shortcomings.

INTEGRITY We conduct business in an ethical manner and build relationships based on collaboration, honesty and respect.

COURAGE We're not afraid to break from the pack. We have the confidence to speak up and make difficult decisions. We take informed risks based on facts to create value responsibly.

CEO's Message To Stakeholders

As a global upstream oil and gas company, Nexen's purpose is straightforward: we create value by responsibly supplying the energy that fuels people's lives. By exploring and developing some of the world's most significant basins, we're doing our part to provide the clean, secure and affordable energy consumers, and growing economies, require. At a time when a quarter of the world's population lack access to basic energy needs, that's a mandate we can pursue with pride.

But just as important as the mandate are the means. At Nexen, we're committed to being a sustainable energy company in every sense of the word. So it's not just what we do that matters — it's how we get the job done. Nexen's Way is to be true to our values, starting with integrity. We conduct business in an ethical manner and build relationships based on collaboration, honesty and respect. We take steps to reduce the impact of our operations on water, land and air. Finally, we earn and maintain our social license to operate by working safely and responsibly while investing in our host communities and openly engaging all of our stakeholders.



With global energy demand on the rise, building a sustainable future is about responsibly developing a wide range of energy sources. While renewable forms of energy hold promise, it's going to take time and investment to make them viable and competitive. In the meantime, hydrocarbons will remain the world's dominant energy source.

Nexen is strongly positioned to help meet this energy demand. Our portfolio is strategically focused in three businesses—conventional oil and gas, oil sands and shale gas. All of these resources present technical and sustainability challenges,



Nexen's Way: Responsibly developing the energy that fuels people's lives. The oil Nexen produces is sold to refineries internationally where it's refined into a variety of products including transportation fuels like gasoline, diesel and jet fuels.

amplified by fluctuating commodity prices, which can swing widely over the construction of a project, let alone its full life-cycle. We address these challenges by committing to operational excellence, which includes individual accountability among employees and contractors for meeting high safety and environmental performance standards as well as production targets.

For example, Nexen is a major player in Canada's oil sands—an important source of new oil but one that comes with environmental, social and economic challenges and opportunities. Nexen continues to invest in new technologies to increase production, and reduce costs and environmental impacts. We're also putting industry minds together by co-founding Canada's Oil Sands Innovation Alliance (COSIA), a collaborative effort by oil sands producers to accelerate improvement in environmental performance. We work with our neighbouring communities as well—a commitment that has made the oil sands industry one of the largest employers of Aboriginal peoples in the country.

This combination of investment in technology and innovation, collaboration with industry peers and community engagement is one that is repeated across Nexen's operations. From offshore operations, where we're strengthening safety and emergency response preparedness processes, to our shale gas assets in British Columbia, where we're leading the industry in developing new technology to reduce our fresh water use.

Our commitment to responsibly develop energy is one that's made at every level of our company and ingrained in all that we do. And every day, we challenge ourselves to do better:

- As a publicly traded company, we are ultimately **responsible to our shareholders**. We must invest their capital wisely to support growth of their investment. In sustainability terms, this includes up-front design considerations, where an early investment can pay dividends over the life-cycle of our assets.
- We are **responsible to our employees and contractors** to provide a challenging, rewarding and safe place to work. Our new Life Saving Rules are evidence that we take this responsibility seriously.
- As a **responsible member of the energy industry**, we contribute to public policy issues, including government's response to climate change and providing insight on how best to regulate energy resources such as shale gas and deepwater developments.
- And as a **responsible member of society**, we have to manage our use of natural resources and the impacts of our operations on the environment we share. This means working to reduce water use and limit emissions and waste generated. How we achieve this in a context where the easy-to-develop resources are declining will require the engagement of policy makers and energy consumers.

At Nexen, we live by a core set of values. Operating with integrity, compliance with the law and respect for our stakeholders not only helps our operating performance—we believe it's the best way to succeed. That's Nexen's Way.

Kevin Reinhart
*Interim President and
 Chief Executive Officer*

**PROGRESS & CHALLENGES:
 A CEO'S PERSPECTIVE**

Nexen made progress on many of our sustainability goals in 2011—but we continue to work to address outstanding challenges. Despite impressive gains on key employee safety measurements, contractor injuries increased and, tragically, there was an off-site, work-related contractor fatality. We recorded significant decreases in spills, but continued to experience an unacceptably high number of environmental exceedances.

Nexen placed a renewed focus on social responsibility in 2011. We worked to refine our Human Rights and Aboriginal Relations policies, drafted a guide to improve engagement of stakeholders and indigenous peoples and began to develop key benchmarks for monitoring and measuring our social performance. We also recognized the need to improve local hiring, particularly building Aboriginal capacity.