



“ I’M PROUD TO WORK AT NEXEN. OVER THE YEARS, WE’VE ESTABLISHED A REPUTATION OF BEING A RESPONSIBLE OIL AND GAS DEVELOPER AND GOOD CORPORATE CITIZEN. WE REMAIN COMMITTED TO SUSTAINING SUSTAINABILITY. THAT’S NEXEN’S WAY. ”

– DAVE KIRK

HEALTH, SAFETY & ENVIRONMENT MANAGER, OIL SANDS DEVELOPMENT & EXECUTION

ABOUT NEXEN

At Nexen, it's not just what we do that matters — it's how we get the job done. And the foundation of our growth strategy is the energy and expertise of our employees, who are committed to working with integrity and engaging our stakeholders. We're proud of our record of safe, reliable and environmentally responsible energy development. That's Nexen's Way.

Nexen is an upstream oil and gas company responsibly developing energy resources in some of the world's most significant basins — including the UK North Sea, offshore West Africa, the Gulf of Mexico and Western Canada. We are strategically focused on three businesses: conventional oil and gas, oil sands and shale gas. Following the completion of the transaction with CNOOC Limited, we are also now focused on shale oil in the U.S.



NEXEN ACQUIRED BY CNOOC LIMITED

On February 25, 2013, Nexen became a wholly-owned subsidiary of CNOOC Limited — China's largest producer of offshore crude oil and natural gas and one of the largest independent oil and gas exploration and production companies in the world. CNOOC Limited is listed on the New York Stock Exchange (code: CEO) and The Stock Exchange of Hong Kong Limited (code: 00883).

We will continue to manage our global operations as well as CNOOC Limited's North and Central American assets, and we remain committed to doing so in a responsible way.

As part of the acquisition of Nexen, the largest to date between Chinese and Canadian companies, CNOOC Limited made a number of commitments including maintaining and enhancing Nexen's environmental, community and social responsibility initiatives, as well as employment levels.

CNOOC Limited makes health, safety, environment and social responsibility (HSE&SR) a top priority. To learn more about their approach to sustainability, visit:

<http://www.cnoc ltd.com/encnoc ltd/shzr>

SUSTAINING SUSTAINABILITY

At Nexen, how we work is as important as the results we deliver. Wherever we operate, we remain committed to partnering with community members and other stakeholders. We build long-term trust by sharing information, consulting with stakeholders about business decisions and working collaboratively to understand their needs and expectations.

We believe this approach to responsible development — which is shared by CNOOC Limited — provides us with a competitive advantage by allowing us to maintain our social license to operate while also fostering support for future growth.

WESTERN CANADA

At Balzac, Alberta, we're progressing through a 10-year project to decommission, reclaim and remediate a 50-year old natural gas plant and associated natural gas production facilities in the surrounding area. Work in 2012 included the removal or isolation of all electricity and natural gas sources. Now a third-party contractor, an expert in handling hazardous wastes, is removing asbestos and the sulphur base pad.



GULF OF MEXICO

In 2012, more than 100 Nexen employees, together with their families and friends, spent two Saturdays meticulously cleaning a one-mile stretch of beach at Galveston Island State Park. It's part of an employee-driven commitment to the Texas General Land Office's Adopt-A-Beach program, which runs through 2014.



UK NORTH SEA

In 2012, an intense focus on awareness, accountability and process safety resulted in our best-ever lost time injury performance. We recorded an improvement of 18% over the previous year, despite a 68% increase in activity, which included major maintenance turnarounds on the Buzzard and Scott platforms.



NORTHERN ALBERTA

We're part of Faster Forests, an initiative that's resulted in some 1.6 million trees and shrubs being planted in the oil sands region between 2009 and 2012. Along with our partners, we're planting more diverse species to more accurately mimic the natural biodiversity of the boreal forest and speed reforestation.



WEST AFRICA

In Lagos, Nigeria, our support for the community addresses social needs such as the Street Child Care and Welfare initiative. The organization provides shelter, food, clothing, medical care, counselling and education support for teenaged children.



NORTHEAST BRITISH COLUMBIA

We're committed to protecting water quality and quantity through a multi-million dollar monitoring network that engages First Nations people in project design and management. And we're working with other shale gas producers to understand potential impacts of the industry's operations on boreal caribou.



YEMEN

Nexen's legacy of responsible development is perhaps nowhere more apparent than in Yemen. Since 1997, we've provided 130 scholarships to enable students to pursue post-secondary education in Calgary, Canada.



COLOMBIA

Near the village of Sueva, we financed renovations and upgrades to a local dairy cooperative located near an area where we're exploring for shale gas. Nexen's contribution helped the cooperative qualify as a supplier to a significant national milk producer.



INSIDE

In late 2011, we undertook a materiality analysis to better understand what sustainability issues matter most to our stakeholders and to identify what impact these issues could have on our business. The content of this report reflects some of the significant issues that were identified.

All financial data is in Canadian dollars unless otherwise noted.

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SUSTAINABILITY: WHERE WE'VE BEEN, WHERE WE'RE HEADED

This publication highlights some of the sustainability initiatives underway at Nexen, with most of the information relating to activities that occurred in 2012. Detailed information — data, graphs, videos, and more — is available at www.nexeninc.com/responsibledevelopment

Our reporting is aligned with the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines (Application Level B+), which sets out principles and indicators that help corporations consistently measure sustainability performance. Please refer to our GRI index online at www.nexeninc.com/gri. This report also follows reporting guidelines from IPIECA, the global oil and gas industry association for environment and social issues.

OUR PERFORMANCE AT A GLANCE

Nexen is committed to transparent disclosure and continuous improvement. That's why we track and publicly share our health, safety, environmental and social performance through metrics that show how we're doing and where we need to continuously improve.

	2010	2011	2012
EMPLOYEE TOTAL RECORDABLE INJURY FREQUENCY¹	0.37	0.22	0.30
CONTRACTOR TOTAL RECORDABLE INJURY FREQUENCY¹	0.80	0.86	0.90
COMBINED EMPLOYEE AND CONTRACTOR TOTAL RECORDABLE INJURY FREQUENCY¹	0.67	0.67	0.76
EMPLOYEE LOST TIME INJURY FREQUENCY²	0.08	0	0.13
CONTRACTOR LOST TIME INJURY FREQUENCY²	0.25	0.21	0.18
COMBINED EMPLOYEE AND CONTRACTOR LOST TIME INJURY FREQUENCY²	0.20	0.15	0.17
COMPANY-WIDE CO₂ EQUIVALENT³ (MILLION TONNES)	6.34	5.82	4.88
COMPANY-WIDE PRODUCTION CARBON INTENSITY (TONNES OF CO ₂ EQUIVALENT/m ³ OF OIL EQUIVALENT)	0.28	0.31	0.29
FLARED GAS (MILLION m ³)	238	230	298
METHANE VENTED (MILLION m ³)	7	1	0.3
NO_x EMISSIONS (TONNES)	30,012	27,734	7,026
SO₂ EMISSIONS (TONNES)	6,657	4,266	3,503
FRESH WATER WITHDRAWN AND CONSUMED IN ONSHORE ASSETS⁴ (MILLION m ³ /YEAR)	3.46	4.11	3.52
REPORTABLE ENVIRONMENTAL EXCEEDANCES⁵	423	445	195
NUMBER OF REPORTABLE SPILLS/RELEASES⁶	83	80	89
VOLUME OF REPORTABLE SPILLS (m ³)	630	208	484
WASTE VOLUMES⁷ (KILOTONNES)	133.6	206.4	208⁸
COMMUNITY INVESTMENT (\$ MILLIONS)	11.4	11.3	13.1

¹ Total Recordable Injury Frequency represents the total number of fatalities, lost time injuries, medical treatment cases and modified work cases for every 200,000 hours worked.

² Lost Time Injury Frequency is a measure of safety performance calculated as the number of lost time injuries recorded for every 200,000 hours worked.

³ Emissions include direct emissions and indirect emissions.

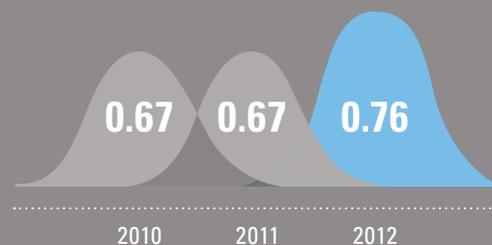
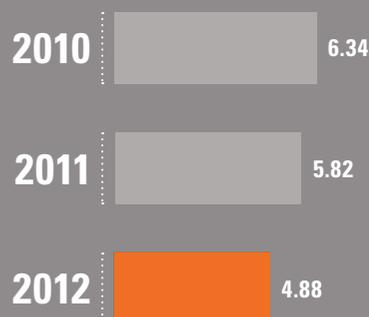
⁴ 2012 data does not include potable water.

⁵ In 2012, only non-permitted discharge notifications are reported in the overall value for the UK – 2010 and 2011 values have not been restated.

⁶ Not including natural gas releases; all volumes are estimated.

⁷ Excludes Yemen.

⁸ Excludes U.S.

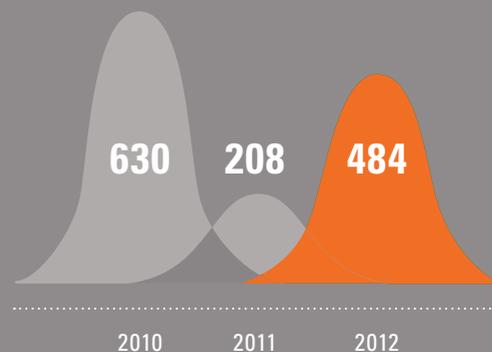
COMBINED EMPLOYEE AND CONTRACTOR
TOTAL RECORDABLE INJURY FREQUENCY¹COMPANY-WIDE CO₂ EQUIVALENT (MILLION TONNES)

COMMUNITY INVESTMENT

2010 – \$11.4 MILLION

2011 – \$11.3 MILLION

2012 – \$13.1 MILLION

VOLUME OF REPORTABLE SPILLS (m³)

VIEW FROM THE TOP

MESSAGE TO STAKEHOLDERS

Nexen is now a wholly-owned subsidiary of CNOOC Limited, one of the largest energy exploration and production companies in the world. As a result of this transaction, Nexen has access to additional opportunities, resources and expertise and plans to leverage these to further invest in our employees, our communities and the technologies that help make energy development both economically and environmentally sustainable. In short, our ownership change means we're better positioned than ever to realize Nexen's central purpose — creating value by responsibly supplying the energy that fuels people's lives.

While ownership has changed, our values, culture and principle-based approach to doing business remains unaltered. For me, one of the most revealing aspects of the acquisition process was CNOOC Limited's readiness to retain Nexen's management and employees as well as our name and brand and way of doing business; a reflection that Nexen's values are very much aligned with CNOOC Limited's code of ethics and a corporate culture that places a priority on health, safety and environmental practices. CNOOC Limited endorses "Nexen's Way" and understands who we are and what we stand for — and they recognize how Nexen's reputation for responsible development has been a large contributor to our success.

“ WE'RE COMMITTED TO BEING A SUSTAINABLE ENERGY COMPANY IN EVERY SENSE OF THE WORD. SO IT IS NOT JUST WHAT WE DO THAT MATTERS, IT'S HOW WE GET THE JOB DONE. ”

CNOOC Limited entrusted our Calgary-based headquarters with an additional US\$8 billion of North and Central American assets CNOOC Limited already owned — expanding the value of our business we're managing by 40%. Today, we are a bigger company, and with that comes an even greater responsibility to the environment and the communities where we live and work.

CNOOC Limited has also publicly committed to ensure that we have the ability to make the decisions needed to operate responsibly. By providing Nexen with this ability, CNOOC Limited shows they have full confidence in Nexen's



management and employees. That respect is mutual. CNOOC Limited has oil and gas assets in Asia, Africa, North and South America, Oceania and Europe. At the end of 2012, CNOOC Limited had more than 10,000 employees and its average daily net production was 935,615 barrels of oil equivalent. Effective business processes enable CNOOC Limited to deliver strong operational performance and profitability. The company also places a relentless priority on worksite and process

NEXEN'S WAY

HOW WE WORK. WHAT WE DO. ▶

OUR VALUES

Nexen's business has expanded and our ownership has changed, but the way we conduct our business remains the same.

Protecting people and 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.

safety. I look forward to working with CNOOC Limited to advance energy development in a world where global attention on the oil and gas industry has never been more intense.

“WE EARN OUR SOCIAL LICENSE TO OPERATE AND GROW OUR BUSINESS THROUGH OUR ACTIONS.”

That scrutiny is one of the reasons why both Nexen and CNOOC Limited publicly report our sustainability initiatives, documenting not only our successes, but our challenges as well. It enables us to proudly identify the progress we're making and commitment to the change that's required to improve. In 2012, I was most proud of the steps we took to reduce environmental exceedances, complete three major maintenance turnarounds without any lost time injuries and establish new policies and procedures for stakeholder and Aboriginal relations. I am looking forward to the work that my management team has identified in response to areas that weren't as strong. In 2013 we continue our quest to eliminate work-related injuries, spills and environmental exceedances. (For more information about Nexen's performance during 2012 and our commitments for 2013, please see pages 8 and 9).

We earn our social license to operate and grow our business through our actions: working safely and responsibly, minimizing our environmental footprint, investing in the communities where we operate, engaging our stakeholders and creating economic opportunity. As we embark on the next exciting chapter with CNOOC Limited as our new owner, I know we'll continue to prosper and grow the Nexen Way.

Kevin Reinhart
CEO, Nexen

MESSAGE TO NEXEN STAKEHOLDERS FROM CNOOC LIMITED

When CNOOC Limited acquired Nexen — the largest transaction between Canadian and Chinese entities to date — we knew we were buying a great suite of international assets. But just as importantly, we knew we had gained a company with a great reputation worldwide, led by a very strong management team with a track record of delivering value from these assets.

CNOOC Limited recognizes that Nexen's employees take pride in the values that have defined the company for decades — including high standards of health and safety, transparent corporate governance, stakeholder engagement, community investment and environmental stewardship.

CNOOC Limited understands these values have been critical to Nexen's success. These values will continue to support and guide our actions in our company's future development.

During the acquisition process, CNOOC Limited made several public commitments. In terms of sustainable development and corporate social responsibility, here are some of the key ones:

- We will invest in growth and expect to enhance capital spending, which, in turn, strengthens local economies through job creation.
- We will retain and build upon Nexen's existing and highly regarded community and charitable programs.

- We will build on Nexen's long-standing commitment to innovation, technology and environmental stewardship by, among other means, continuing to invest in oil sands research at Alberta universities and participating in multi-stakeholder groups such as Canada's Oil Sands Innovation Alliance (COSIA).
- Consistent with transparent corporate governance, we plan to make an application to list CNOOC Limited on the Toronto Stock Exchange (CNOOC Limited is already listed on the Hong Kong and New York exchanges).
- We will continue to attract, retain and motivate high-performing employees by providing competitive compensation and benefits.

I look forward to working with Nexen's talented and dedicated team as we pursue our shared commitment to excellence, value creation and responsible energy development.

Mr. Li Fanrong
CEO, CNOOC Limited



CNOOC LIMITED AND NEXEN LEADERS

Mr. Li Fanrong (left), CEO of CNOOC Limited and Kevin Reinhart (right), CEO of Nexen celebrate the acquisition of Nexen on February 25, 2013.

ABOUT NEXEN

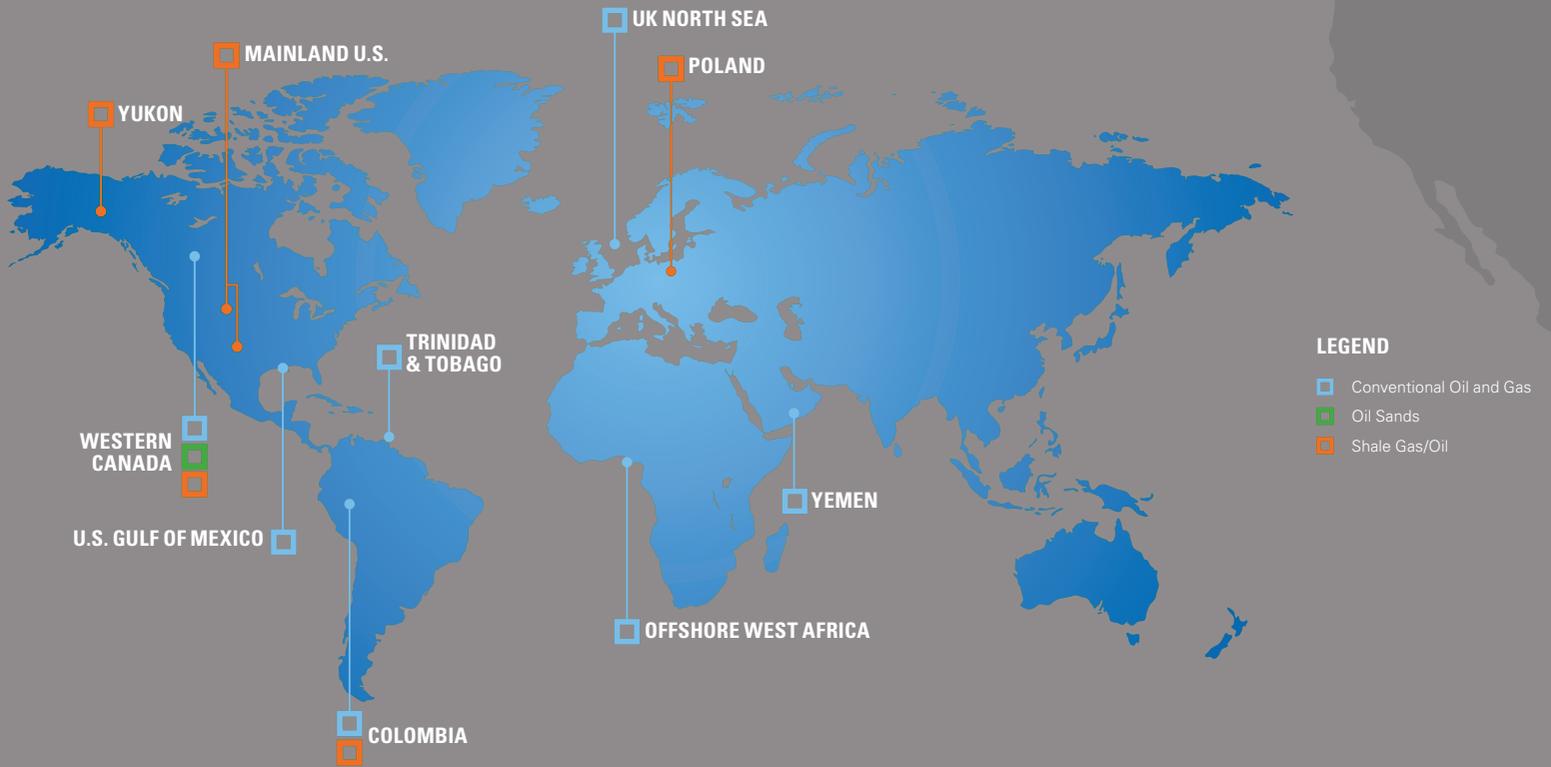
AREAS OF OPERATION

NEXEN'S WAY: RESPONSIBLY DEVELOPING WORLD CLASS ASSETS

Nexen is an upstream oil and gas company responsibly developing energy resources in the UK North Sea, offshore West Africa, the United States and Western Canada. A wholly-owned subsidiary of CNOOC Limited, Nexen has three principal businesses: conventional oil and gas, oil sands and shale gas/oil.

Our team of 3,200 employees operates under a clear set of value-based principles of excellence, personal accountability, integrity and social and environmental responsibility. It's about getting the job done, the right way.

Under CNOOC Limited's ownership, Nexen's global assets continue to be managed from our Calgary-based head office. In addition, Nexen also manages CNOOC Limited's North and Central American assets. As a result, our business is now larger and more widespread — and with that comes an even greater environmental and social responsibility.



OUR CORE BUSINESSES

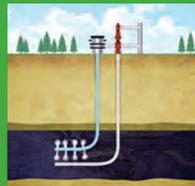
CONVENTIONAL OIL AND GAS

We have onshore production in Canada, Yemen and Colombia. The largest component of our conventional business is offshore, in the UK North Sea, Gulf of Mexico and offshore West Africa. In 2012, approximately 70% of our production came from offshore facilities.



OIL SANDS

We're a major player in Canada's oil sands industry. Our Long Lake facility averaged about 31,000 barrels of bitumen per day (bpd) in 2012 — a rate we expect to see increase to 72,000 bpd as we continue to develop Long Lake and a portion of the Kinosis lease. In addition, we have non-operating interests in the Syncrude Canada and Hangingstone projects.



SHALE GAS/OIL

We produce shale gas in northeast British Columbia, Canada. On behalf of CNOOC Limited, Nexen also manages interests in two Chesapeake Energy shale oil projects in the U.S. — Eagle Ford in south Texas and Niobrara in Colorado and Wyoming (the Colorado and Wyoming assets are primarily shale oil assets with some shale gas). We're also exploring shale gas development opportunities in Poland and Colombia.

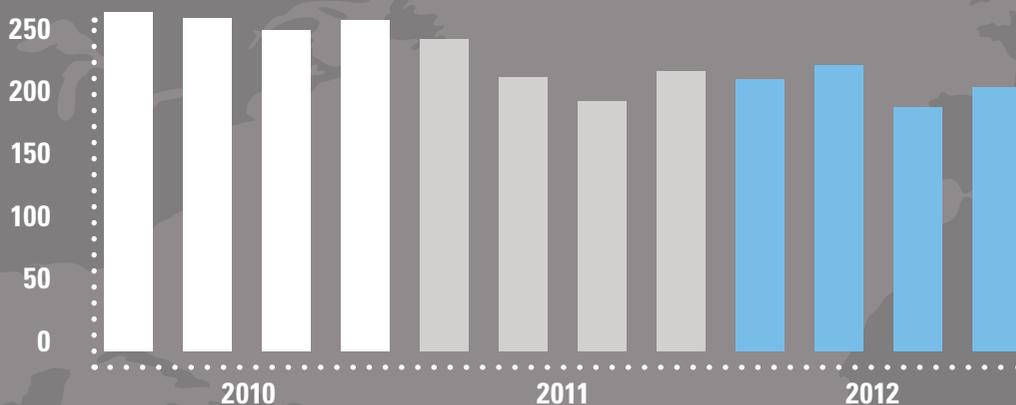


PRODUCTION OVERVIEW

In 2012, Nexen's production averaged 198,000 barrels of oil equivalent per day (boe/d) before royalties. This represents a reduction from 2010 and 2011 due to natural field declines in mature conventional fields in the U.S. Gulf of Mexico and Canada, the expiry of our contract to operate the Masila block in Yemen and the disposition of our Canadian heavy oil assets.

Nexen expects new sources of production as we advance our growth strategies for upcoming projects involving shale gas in Western Canada, deepwater development in the Gulf of Mexico and the Golden Eagle project in the UK, as well as increasing production at our Long Lake oil sands facility and the K1A project in the Athabasca oil sands.

QUARTERLY PRODUCTION BEFORE ROYALTIES (MBDOE/D)



DID YOU KNOW?

Since 2010, Nexen has achieved a commercial exploration success rate of 45%, which ranks us in the top 20% of oil and gas explorers worldwide. We're also outperforming industry in terms of keeping exploration costs low. Our discovery costs average about US\$3.50 per barrel, compared to the industry average of about US\$10 per barrel.

DELIVERING ENERGY TO THE WORLD

Canada is an energy exporting nation and one of only a few oil-producing countries able to increase production to meet global demand. Nexen is a long-standing supporter of finding new and improved ways of responsibly delivering Canada's energy resources to the world. Doing so benefits not only our business — it also represents a clear opportunity for Canadians to realize full value for the country's resources and to drive job creation and economic growth.

Nexen ships on the Trans Mountain pipeline system to Canada's west coast and supports the proposed expansion of that pipeline. We are also a funding partner in the proposed Northern Gateway pipeline project. If approved by regulators, these projects will allow us to obtain full value for our production for the benefit of Canadians.

Nexen has a long and proud history of safe, reliable and environmentally responsible energy development and working collaboratively with stakeholders. While we are proponents of projects that are intended to broaden the market reach for our products, we recognize that any development must be subject to robust regulatory and stakeholder consultation and environmental impact assessment.

THE POTENTIAL FOR LNG EXPORT

Smart, sustainable energy companies understand the value of strategic, long-term planning. Nexen moved early to acquire large blocks of high-quality, low-cost shale gas acreage in northeast British Columbia. While an abundance of natural gas supply in North America has depressed prices, Nexen believes liquefied natural gas (LNG) exports could be an attractive option for maximizing the value of our shale gas business. In 2012, INPEX Corporation of Japan and its partner JGC Corporation acquired a combined 40% working interest in Nexen's British Columbia shale gas holdings. Our partners possess world-class LNG experience as well as access to Asian LNG markets.

Nexen and our partners are assessing options for an LNG export project on the west coast of North America — one that would give us access to international markets, where natural gas pricing is more robust.

We also continue to look at options for further improving North American infrastructure links, including long-term pipeline options to deliver shale gas from British Columbia to Alberta's oil sands.

OPPORTUNITY KNOCKS

You can't produce oil unless you first find oil. We have a strong record of exploration success that generates new production sources.

In the Gulf of Mexico, we are evaluating development concepts and scenarios for Appomattox, a deepwater field located about 115 kilometres (72 miles) off the coast of Louisiana. The field is estimated to contain (net to Nexen) over 100 million barrels of oil equivalent (mmbOE) of probable reserves.

We are also evaluating development alternatives on the Stampede field, located about 274 kilometres (170 miles) southeast of New Orleans.

During 2013, we expect results from exploration offshore West Africa and the UK North Sea. And we continue to test significant unconventional exploration opportunities involving shale gas in Poland and Colombia.

Nexen now manages exploration interests on behalf of CNOOC Limited: a 60% equity interest in Northern Cross (Yukon) Ltd., which operates exploration permits in the Yukon in northwest Canada; and working interests in four exploration prospects in the Gulf of Mexico — 10% interests in Krakatoa, Logan and Cobra and 20% in Tucker.

SUSTAINABILITY

OUR APPROACH TO SUSTAINABILITY

ECONOMY. ENVIRONMENT. SOCIETY.

The three cornerstones of sustainability are solidly integrated in the way Nexen develops energy. We were one of the first companies in the upstream energy sector to report on our sustainability philosophy and performance, and we continue to be recognized for our responsible approach to developing oil and natural gas resources.

We understand that economic growth and stability are the foundation of long-term value creation. We also believe careful stewardship of the environment and the creation and sharing of social benefits are vital aspects of an effective and credible sustainability practice.

TAKING ACTION

Wherever Nexen operates, our employees translate our sustainability commitments into concrete actions. Here are just a few of the many ways we manage these commitments:

HSE&SR Management System

Nexen's Health, Safety, Environment & Social Responsibility (HSE&SR) Management System sets the standard for sustainability practices in our company. It includes specific elements built on the Plan-Do-Check-Act cycle and is incorporated throughout our operations.

Life Saving Rules

Nexen's 12 Life Saving Rules provide practical direction on safety expectations. Created from industry-recognized practices, they provide direct guidance on occupational safety matters. Rules include directives such as always conducting a hazard assessment, assessing all ground disturbance hazards, and never working under the influence of drugs or alcohol. Our employees and contractors are authorized — and expected — to stop any work that does not comply with these rules.

Risk Management

To ensure we minimize the negative environmental and social impacts of oil and gas development, all major projects undergo a risk management process that identifies the possible negative consequences of development and the steps we need to take to eliminate or mitigate those impacts. Risk management processes are applied to investment decisions, as well as project design elements that may impact air, water, land and neighbouring communities.

Audit Programs

All Nexen operations are subject to internal and external audits to ensure they meet stringent regulatory and internal health and safety, environmental and social responsibility standards. Any identified deficiencies are reported to management along with corrective action plans.

Above Ground Reviews

Nexen conducts above ground reviews to assess political, security, regulatory and social issues in countries where new investments are being contemplated.

Stage Gate Reviews

The Nexen Investment Decision Process is a stage gate review for capital projects. Divided into six stages, with internal reviews following each stage, Nexen project teams apply this process to evaluate potential projects and identify financial and non-financial risks.

Operational Excellence

Operational Excellence focuses on improving Nexen's performance through collaboration, leveraging best practices and prioritizing and aligning initiatives. The intent is to improve efficiency, with less downtime and waste, and at a lower cost that makes us more competitive.

Supply Chain

Nexen's procurement practices go beyond lowest cost, focusing instead on best value principles. We identify opportunities to generate local economic benefits through the hiring of local businesses and contractors. We also carefully consider the safety and environmental practices of prospective suppliers.

Stakeholder Engagement

Like our operations, the stakeholders we work with are diverse; their issues, interests and backgrounds vary. As a result, we engage with them through various means: information sharing, consultation and collaboration.

“ WE MEET THE WORLD'S NEED FOR CLEAN AND SECURE ENERGY BY HARNESSING OUR EXCEPTIONAL TALENT, WORLD-CLASS ASSETS AND PROGRESSIVE TECHNOLOGY TO FIND AND DEVELOP OIL AND GAS RESOURCES AROUND THE WORLD. IT'S NEXEN'S WAY OF BUILDING A PROFITABLE AND RESPONSIBLE BUSINESS. ”

SUSTAINABILITY PROVIDES NEXEN WITH A COMPETITIVE ADVANTAGE

- Access to unique opportunities, land and resources
- Better business decisions and a better operating environment
- Regulatory compliance
- Due diligence and risk management
- Employee recruitment, retention and satisfaction
- Social license to operate



LONG LAKE SAGD

Process Operator Doris Thill tightens up a valve as part of maintenance at Nexen's Long Lake oil sands processing facility situated about 40 kms southeast of Fort McMurray, Alberta.

Effective Sustainability Governance

Nexen has made a commitment to superior governance practices that demonstrate accountability to our stakeholders.

Leading and lagging performance indicators are reviewed regularly by divisional leadership and an Executive Health, Safety, Environment & Social Responsibility (HSE&SR) Management Committee that includes our CEO. This committee also monitors Nexen's performance on issues such as process safety management and climate change and reports to Nexen's Board of Directors.

Stakeholders Defined

We define stakeholders as any individuals or groups who could be impacted by our operations or who could, through their own actions, affect our business. Many people have a stake in Nexen:

- Employees, contractors and suppliers
- Governments and regulators
- Community residents and landowners
- Aboriginal/indigenous communities
- Industry partners and peers, and other industry sectors
- Customers
- Special interest groups and non-government organizations

Although all stakeholders are important to Nexen, we take considerable effort to build positive and mutually beneficial relationships. Project and operational size, the scope of the anticipated impact and the degree to which stakeholders themselves wish to be involved are considered when determining the level of engagement.



HORIZONTAL DRILLING MINIMIZES LAND DISTURBANCE

A grove of aspen trees near Nexen's Dilly Creek camp in British Columbia, Canada. Nexen is drilling for shale gas in the Horn River basin.

ABOUT NEXEN

PERFORMANCE AT A GLANCE

MAKING PROGRESS

In 2012, we improved our sustainability performance in several areas, including:

- **Reduced** the number of reportable environmental exceedances to 195, from 445 in 2011.
- **Recorded** our best-ever lost time injury frequency in our UK operations — an 18% improvement spanning 15.1 million person-hours, an increase in activity of 68%.
- **Surpassed** safety targets and completed maintenance work without any lost time injuries for three major turnarounds — at Buzzard and Scott in the UK North Sea and Long Lake in the Canadian oil sands.
- **Bolstered** our culture of integrity with a new Speaking Up Policy and resource centre for employees and contractors.
- **Advanced** the Process Safety Management System throughout our operations.
- **Achieved** reductions in oxides of nitrogen, sulphur dioxide and carbon dioxide equivalent emissions as well as greenhouse gas emissions.
- **Named** to the Canadian Carbon Disclosure Leadership Index, in recognition of our commitment to transparent disclosure of carbon emissions.
- **Named** to the Dow Jones Sustainability Index and the Global 100 Most Sustainable Corporations.

LEARNING FROM OUR AUDITORS

Just like our financial reports, it's also important for our sustainability performance to be externally reviewed. Since 2004, we've had select performance indicators assured by an external verifier. See the report from our auditors on page 44.

- **Partnered** with Geoscience BC on a multi-year regional water monitoring program in northeast British Columbia, Canada, which includes active First Nations involvement.
- **Planted** 1.6 million trees and shrubs in the oil sands region between 2009 and 2012 along with our partners in the Faster Forests initiative.
- **Created** 315 jobs in communities surrounding our exploratory projects in Colombia.
- **Developed** a comprehensive guide that outlines how to effectively engage with stakeholders and indigenous peoples.
- **Recognized** for our commitment to Aboriginal relations and stakeholder engagement with Progressive Aboriginal Relations (PAR) certification from the Canadian Council for Aboriginal Business.
- **Invested** approximately \$13.1 million in communities where we operate through grants and donations.

LOOKING FOR MORE INFO?

A more detailed version of Nexen's sustainability disclosure — including additional data, photos and videos — is available at www.nexeninc.com/responsibledevelopment

ROOM FOR IMPROVEMENT

While we're proud of our progress in 2012, we recognize there's room for improvement:

Company-wide safety performance.

We continue to concentrate on establishing more pre-planning and control measures, as well as more consistent safety processes for employees and contractors.

Total work-related injuries.

After two years of record-setting performance, our total recordable injury frequency rose to 0.76, a 13% increase over 2011. Thankfully, there were no critical injuries. We continue to focus on reducing injuries in our operations.

Environmental performance.

We are taking steps to improve environmental performance throughout our operations, including a renewed focus on the management of water use, air emissions and land.

Number of spills.

The number of reportable spills at our facilities increased by 11%. Although the increase primarily reflects changes in how regulators define a spill — as well as our commitment to report even the smallest volume of oil spilled offshore — we continue to focus our efforts to reducing spills to zero.

GHG emissions.

While greenhouse gas emissions (GHG) decreased in 2012, we recognize the need to identify additional ways to improve our performance.

“ OUR FOCUS ON SAFETY, THE ENVIRONMENT AND PERSONAL ACCOUNTABILITY IS CRITICAL. BY LIVING THESE VALUES, WE CAN TAKE NEXEN TO THE NEXT LEVEL OF PERFORMANCE. ”

PROGRESS ON OUR PROMISES

In our 2011 Sustainability Report, we highlighted several focus areas for 2012. The table below summarizes what we promised and what we've achieved.

HEALTH & SAFETY

WHAT WE PROMISED IN 2011

Complete a major audit of our Health, Safety, Environment & Social Responsibility (HSE&SR) Management System at our UK and U.S. operations.

Revise our Occupational Health & Industrial Hygiene (OH/IH) procedures and communicate them throughout the company.

Conduct assessments of our Process Safety Management System.

WHAT WE ACHIEVED IN 2012

HSE&SR Management System audits were conducted in the UK in May and in the U.S. in November.

We updated our OH/IH manual to comply with new regulations and industry-recognized practices and distributed it throughout our operations.

Internal assessments were conducted; third-party assessments were undertaken in some operating divisions.

ENVIRONMENT

WHAT WE PROMISED IN 2011

Continue implementation of the centralized water and waste data management system.

Advance the water monitoring program in our shale gas operations in British Columbia, Canada.

Continue to test new technology for using saline water instead of fresh water in oil sands and shale gas development.

Implement a program to reduce wildlife attractants at our Long Lake oil sands facility to minimize human-wildlife interaction.

WHAT WE ACHIEVED IN 2012

Waste and water data was incorporated into our data management system. Training on data systems continues in 2013.

The surface water monitoring program continues, and we are committed to continuing the program for as long as we use fresh water for our operations.

Tested our horizontal pump system again during the 2012 shale gas frac program, using saline water from the Debolt formation; preparing to test again in 2013.

Assessment conducted and actions taken to minimize attractants. Bear awareness training provided for employees and contractors.

SOCIAL RESPONSIBILITY

WHAT WE PROMISED IN 2011

Conduct a benchmark study of Nexen's approach to Aboriginal Relations and identify improvement areas.

Draft and test social performance metrics that enable us to measure our social performance.

WHAT WE ACHIEVED IN 2012

Review conducted to give direction to development of Aboriginal Relations Strategy and Indigenous Peoples Policy. Both policies were finalized in 2012.

Social performance metrics benchmark study was completed; further internal testing will occur in 2013.

OUR PRIORITIES FOR 2013

At Nexen, we are always seeking to improve our performance in health and safety, environmental management and social responsibility. Some of the initiatives planned for 2013 include:

Health, Safety and Environment

- Continue implementation of the By Choice safety program in our UK operations.
- Develop a workplace mental health strategy as part of Nexen's Occupational Health System.
- Revise the corporate oil spill response strategy.
- Conduct third-party evaluations of Process Safety Management (PSM) implementation in operating divisions.
- Conduct HSE&SR Management System Audit of Canada Gas and Operational Services Technology.
- Continue to test new technology for using saline water instead of fresh water in shale gas development.
- Incorporate air emissions data into our company-wide data management program.



Social Responsibility

- Implement the revised Human Rights Policy and Indigenous Peoples Policy.
- Conduct internal testing of social responsibility performance indicators.

INTEGRITY

INTEGRITY & COMPLIANCE

“ NEXEN HAS A PHILOSOPHY OF RECEIVING AND INVESTIGATING EMPLOYEES’ CONCERNS IN A RESPECTFUL AND CONFIDENTIAL MANNER. IT GIVES INDIVIDUALS CONFIDENCE THAT WHEN THEY RAISE AN ISSUE IT WILL BE DEALT WITH PROPERLY, AND THERE WILL BE NO REPERCUSSIONS. ”



INTEGRITY TRAINING

Educating employees about the importance of integrity and compliance at Nexen is done in several ways including through mandatory workshops. We also provide training on the prevention of improper payments.

WE CHOOSE INTEGRITY

At Nexen, we believe that it's not just what we do that matters — it's how we get the job done that makes us leaders. Because we choose to work with integrity, how we work has always contributed to our business success.

Fostering a culture of integrity helps us achieve better results. Ethical, safe and responsible behaviour builds loyalty and trust and strengthens the relationships we have and the work we do with our stakeholders.

SPEAK-UP CULTURE

In 2012, our culture of integrity was strengthened through the introduction of a Speaking Up Policy. The launch of the policy was supported by an employee communications campaign and a Speaking Up Resource Centre.

A speak-up culture is one in which stakeholders feel confident they may raise a perceived or actual concern related to our business and that it will be handled with respect, discretion and confidentiality, with no threat of reprisal or retaliation. Fear of retaliation — which can include everything from termination or demotion to gossip and exclusion from team activities — is one of the biggest potential hurdles that may prevent workers from raising concerns.

Nexen has zero tolerance for retaliation or negative action against someone who raises a concern in good faith. This is expressly stated in the Speaking Up Policy.

Ron Bailey, Senior Vice President, Natural Gas Canada & Operational Services and Technology, says, “Nexen has a philosophy of receiving and investigating employees’ concerns in a respectful and confidential manner. It gives individuals confidence that when they raise an issue it will be dealt with properly, and there will be no repercussions.”

Nexen developed the Speaking Up Policy with diligence, ensuring relevance and rigour by benchmarking leading practices and reflecting these in the final policy. The 2012 Integrity Statement of Compliance video, part of an annual process where all employees sign off on their awareness, understanding and acceptance of the Integrity Guide, also supported the launch of the new Speak Up program.

INTEGRITY INCIDENTS

When a concern is reported to Nexen’s Integrity and Compliance group, it is promptly investigated. In 2012, 50 concerns were reported, compared to 44 in 2011. Forty-one of the reports were confirmed as integrity-related and the remaining nine were transferred to the appropriate department for resolution. Of the 41 integrity-related incidents, 19 were substantiated breaches of our Integrity Guide, with two ranked as medium-risk and the rest as low-risk. All of these incidents have been resolved.

SUBSTANTIATED BREACHES OF NEXEN’S INTEGRITY GUIDE			
	2010	2011	2012 ²
EMPLOYEE RELATIONS	3	6	5
MISUSE OF COMPANY ASSETS	5	4	6
FALSIFICATION OF BUSINESS RECORDS	1	2	1
SAFETY VIOLATIONS	–	2	1
BREACH OF CONFIDENTIALITY	1	1	–
FRAUD	–	1	1
THEFT	1	–	–
CONFLICT OF INTEREST	1	–	1
VANDALISM/ VIOLENCE	–	–	2
COMMUNITY AFFAIRS	–	–	–
SOLICITATION FOR GIFTS AND ENTERTAINMENT	–	–	1
HUMAN RIGHTS	–	–	–
PRIVACY ¹	–	–	1
TOTAL	12	16	19

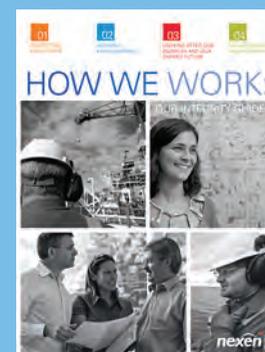
¹ New category added in 2012.
² There was one incident that was reported in 2011 and substantiated in 2012 that is reflected only in 2012 values.

INTEGRITY RESOURCES

Nexen employees have several options available for reporting concerns:

- **Their Manager** – a good starting point
- **An Integrity Leader** – a peer and colleague who receives special training in integrity-related matters; a list of integrity leaders is broadly shared with employees
- **The Integrity & Compliance Group** – the Nexen department that facilitates integrity initiatives and manages integrity concerns is available to all employees
- **The Integrity Helpline** – a confidential third-party service, available online at www.nexeninc.ethicspoint.com or by phone (1-866-384-4277).

“BY THE BOOK”



How We Work: Our Integrity Guide is provided to all new employees and contractors when they begin working at Nexen and is promoted through our internal website.

Updated regularly, the guide is Nexen’s official code of conduct. It features a series of practical questions and answers about real-life situations employees may encounter, the policies affecting their actions and resources to help them make the best decisions.

Nexen also produces a similar version for suppliers, clearly outlining the ethical standards and practices we expect them to follow.



HEALTH AND SAFETY



Safety is an intrinsic part of the Nexen way of doing business. It begins with fostering a culture of personal responsibility and accountability, with an aggressive focus on safety awareness. This 'safety first' attitude forms the foundation of a management system designed to lower risk and reduce the likelihood of incidents.

WORKING SMARTER AND SAFER

One of Nexen's core values is ensuring every employee and contractor who works with us returns home safely at the end of each work day. We support this value with an emphasis on safety training and awareness, a comprehensive audit program and an ongoing commitment to promoting health and well-being.

As an international company, the regulations in each location may be different, but our commitment to safety is unwavering. The same high safety expectations apply wherever Nexen operates.

Although we plan and execute our work carefully, our safety performance in 2012 did not meet expectations. We had some large projects, including major maintenance turnarounds, where safety performance was very good, but, in total, work-related injuries increased. After two years of record-setting performance, our 2012 total recordable injury frequency (TRIF) rose to 0.76, a 13% increase over 2011. Nexen's lost time injury frequency (LTIF) also increased by 13%, to 0.17, compared to the previous year. Thankfully, there were no critical injuries.

Eamonn O'Brien, Nexen's Senior Safety Manager explains, "We recognize that we need to concentrate on establishing more pre-planning to identify risks associated with the work and implement control measures for all risks. We also need more consistent contractor management processes. We're going to concentrate on these critical areas in 2013."



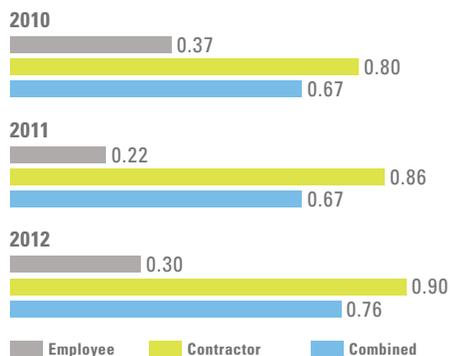
DID YOU KNOW?

The most frequently encountered workplace health hazards include:

- Chemical: dusts/fibres, fumes, mists/aerosols, gases, vapours
- Physical: noise, vibration, radiation (ionizing and non-ionizing), extreme temperatures (heat or cold stress), illumination, ventilation, naturally occurring radioactive materials, asbestos
- Biological: bacteria, viruses, fungi, moulds, parasites, insects and animals
- Ergonomic/human factors: repetitive motions, manual handling, fatigue, work station design/operations, shift work
- Psychosocial: workplace stress related to excessive workload, organizational changes, conflict management, job satisfaction, employee-job fit, fatigue, aging workforce

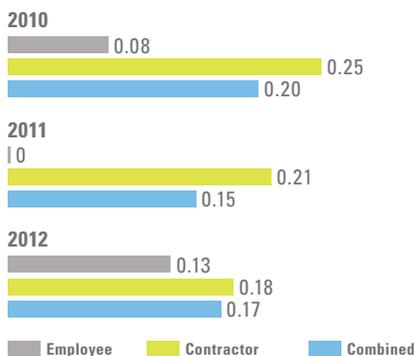
Source: IPIECA, *Managing health for field operations in oil and gas activities*

TOTAL RECORDABLE INJURY FREQUENCY (TRIF)*



*Per 200,000 exposure hours.

LOST TIME INJURY FREQUENCY (LTIF)*



*Per 200,000 exposure hours.



HEALTH & SAFETY

SAFETY DELIVERED ON TURNAROUND



ARRIVAL

Nexen employees wearing the Survival-One 1000 series passenger survival suit arrive at the Scott platform in the UK North Sea, located about 180 km northeast of Aberdeen. In 2010, Nexen's UK operations introduced the Survival-One suit for employees who travel via helicopter to offshore platforms. Nexen was one of the first operators in the UK North Sea to use the suits, which feature state-of-the-art technology that provides a superior thermal rating. The suits extend the likelihood of survival in the water to four to five hours.

UK ACHIEVES BEST-EVER LTIF PERFORMANCE

UK employees and contractors have good reason to be proud of their 2012 safety record, having achieved their best-ever lost time injury frequency (LTIF) performance.

The UK finished 2012 with an LTIF of just 0.13, an improvement of 18% on the previous year's performance. The results are impressive considering that 15.1 million person-hours were worked across numerous worksites including offshore platforms, drilling operations, projects and office, an increase of 68% over 2011.

Archie Kennedy, UK Managing Director, says "This is a fantastic achievement that provides further evidence of our commitment to safe operations. We continue to drive sustainable safety performance in all our operations, along with our focus on process safety and the elimination of hydrocarbon releases."

Historically, the UK experienced an increase in health and safety incidents during the winter months. However, through initiatives that focus on personal accountability and promoting safety awareness — such as our 12 Life Saving Rules and a new By Choice safety program rolled out mid-2012 — the UK is continuing to develop a strong safety culture.

The UK team's success continued into 2013, achieving two years LTI-free on the Ettrick offshore facility.

“ NEXEN EXPECTS EVERY EMPLOYEE AND CONTRACTOR WORKING FOR US TO RETURN HOME SAFELY AND INJURY-FREE EVERY DAY. OUR ULTIMATE GOAL IS TO ELIMINATE WORKPLACE INJURIES. ”



BUZZARD PLATFORM

View of the production deck (right) and sweetening deck (left) on Nexen's Buzzard platform in the UK North Sea, about 100 km northeast of Aberdeen, Scotland.

TURNAROUNDS SURPASS SAFETY TARGETS

Like regular tune-ups on automobiles, but on a much larger scale, maintenance turnarounds keep oil and gas production facilities running smoothly. Employees and contractors typically clock hundreds of thousands of hours as they tackle equipment upgrades and repairs that can only be made when a facility is shut down. Due to the intense activity, the non-routine nature of the work and the number of additional workers, turnaround safety management is a critical undertaking.

In 2012, Nexen conducted three major turnarounds at key operating facilities — the Buzzard and Scott offshore platforms in the UK North Sea and the Long Lake oil sands facility in northern Alberta, Canada. In each case, our employees and contractors exceeded safety targets and completed the maintenance work without any lost time injuries.

More than 65,000 person-hours were logged without a lost time injury at the Scott offshore platform. Ewan Lawson, Nexen Operations Manager at Scott, says, "The work on a turnaround is intense, there's activity everywhere and there is added time pressure to get work completed. All credit goes to the guys offshore who stayed true to Nexen's Life Saving Rules. They really delivered."

The strong safety performance at Scott is attributed to the months of planning, comprehensive risk assessments and numerous toolbox talks, all of which enhanced safety awareness, while lowering the potential for incidents.

Similar levels of safety planning supported Nexen's turnaround at the Buzzard facility, which began in September 2012 and ended in late October. The Buzzard turnaround involved seven major vessel inspections, work on various vessels and facility debottlenecking.

Sam McKillop, HSE & Assurance Manager, Nexen Petroleum UK Limited, says, "Despite a very demanding process, Nexen employees and contractors demonstrated their strong safety focus by successfully completing the turnaround without a single lost time injury, which is a major accomplishment."

At Long Lake, Nexen initiated our first planned turnaround since the oil sands facility was fully operational in 2009. The turnaround, which began in August 2012 and lasted almost two months, was among the most extensive Nexen has conducted. Almost every vessel or tank was opened for regulatory inspection and cleaning. At peak, more than 2,800 contractors and 400 Nexen employees were onsite, logging a total of 1.7 million person-hours.

Randy Visser, HSE Turnaround Lead, Oil Sands Operations, says, "The overall safety record our team achieved during the Long Lake facility turnaround was solid, with a total recordable injury frequency of 0.30."

This achievement was challenging. Long Lake's turnaround team took quick action during the opening weeks of the turnaround after some workers were observed not wearing appropriate personal protective equipment and a few near misses with vehicles occurred.

Randy explains, "We closely monitor all onsite activity on a daily basis and became concerned with what we were seeing. A major safety stand down meeting was held August 21, in which all work stopped across the site so that senior facility management could address everyone onsite."

The safety stand down had the desired effect and onsite safety performance immediately improved. Randy explains, "Sometimes taking a step back and stopping everything to focus on what's most important is necessary. Based on the results, the safety stand down was the right action for refocusing contractor awareness, compliance and support."

NO MARGIN FOR ERROR

Nexen's Scott platform in the UK North Sea underwent a major maintenance turnaround in 2012.

Pipe tie-ins, equipment upgrades and repairs to the produced water degasser were undertaken. Replacement of two of the facility's flare tips was one of the most exacting and potentially hazardous assignments. Nexen contracted a company specializing in flare tip replacement to handle the job.

Tony Ash, Nexen Operations Superintendent at Scott, said, "Positioning of a new flare tip is like placing a large candle on a matchstick. The skill of the helicopter crew replacing the flare tips is an impressive sight to watch. There's no margin for error."

The job was completed safely without incident.



HEALTH & SAFETY

FOCUS ON HEALTH AND WELLNESS

QUALITY OF LIFE AT WORK

Nexen's workplace is diverse. It includes remote offshore platforms in the UK North Sea and the Gulf of Mexico, drilling sites in the boreal forests of northern British Columbia and Alberta and several large office facilities. Each site contains specific health and wellness challenges that pose varying levels of risk.

Many field workers must contend with the impacts of living in distant or confined quarters while labouring in frequent rotation or on shifts. Employees working in office environments may encounter ergonomic issues, and all employees, regardless of their role, may face stress when having to make critical decisions, manage a tight budget or strict schedule.

Nexen recognizes safe and healthy environments don't simply happen — they are the result of awareness, careful planning and progressive occupational health management systems. We acknowledge that a healthy workplace involves every dimension of an employee's life — physical, mental and emotional. In response, Nexen took the following actions in 2012:

- Updated our Occupational Health & Industrial Hygiene Manual to comply with new regulations and industry good practice;
- Integrated the Occupational Health & Industrial Hygiene Management System into Nexen's audit tool to evaluate the effectiveness of our Health, Safety, Environment & Social Responsibility programs;
- Introduced revised standards such as the fitness for work program, which evaluates new employees or employees transferring or relocating to new positions, to ensure they are physically and psychologically ready.

Growing recognition of the importance of a healthy workplace as a driver of business benefits — including an improved safety culture and fewer incidents — is leading Nexen to concentrate more closely on mental health. In 2013, Nexen plans to introduce a supervisory training package that will enable managers to better identify and manage mental health issues amongst their teams.

ALCOHOL AND DRUG PROGRAM

Nexen implemented an alcohol and drug program in 2005 in support of our health and safety values. The program was developed to ensure a safe workplace for all workers by reducing health and safety risks associated with the use of alcohol and drugs. The illegal use of drugs and inappropriate use of alcohol and medications can adversely affect the work environment, performance, productivity, the safety and well-being of employees and potentially, the communities in which we operate. The program includes pre-employment testing, after an incident testing, or testing for reasonable cause.

The program has been implemented in several of our operating areas including the UK North Sea, the U.S. Gulf of Mexico and the Long Lake oil sands facility.

WELL-ATTENDED HEALTH AND WELLNESS FAIR

More than 70 vendors participated in Nexen's Health and Wellness Fair, held at our Calgary headquarters in June 2012. Held bi-annually, the fair introduces Nexen employees to a variety of health and wellness options and opportunities, with an emphasis on holistic health practices that reduce stress and enhance well-being.

Marie Sopko, Manager of Occupational Health & Industrial Hygiene, explains, "Nexen believes a healthy workplace spans the entire spectrum — mental, physical and emotional health. Being well-rounded mentally, physically and emotionally helps employees to better enjoy their work while maintaining positive relationships with colleagues and managing stress."

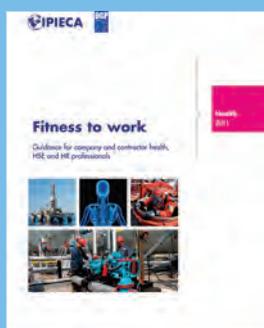


DRUMMING FOR A GOOD CAUSE

Marie Sopko, Manager of Occupational Health & Industrial Hygiene, tries her hand at drumming at the annual Nexen Health and Wellness Fair.

ADVANCING INDUSTRY HEALTH STANDARDS

Marie Sopko, Nexen's Manager of Occupational Health & Industrial Hygiene, serves as vice-chair of the Health Committee for IPIECA, the global oil and gas industry association for environmental and social issues. IPIECA has published two comprehensive guidelines: *Managing Health for Field Operations in Oil and Gas Activities* and *Fitness to Work*. The publications advance good practice and structured processes for creating healthier work environments and ensuring employees are physically and psychologically fit for work.



DRIVING SAFETY HOME

Tragic motor vehicle collisions on highways that serve as major transportation routes for the oil sands industry have sparked a wave of calls for roadway improvements. And while it's hard to argue against better infrastructure as a fix for increasingly dangerous travel routes (Highways 63 and 881), Nexen can't ignore the human element, says Aaron Gordon, Senior Safety Advisor at Long Lake.

"It all comes down to driver attitude. We need to be constantly aware of the fact that we're riding around in potential bombs with over 80,000 kilojoules of kinetic energy," he says. "What happens with that energy is almost entirely up to the driver."

The results of a police crackdown on speeding, following a head-on crash that claimed seven lives on Highway 63 in April 2012, illustrates that driver behaviour is a big part of the highway safety issue.

In an effort to ensure Long Lake employees are as safe as possible on the road, Nexen has provided driver training since 2009. The goal is to improve both the driving skills and attitude of employees who drive a company or carpool vehicle.

"We use a combination of classroom instruction and training behind the wheel to create a mindset of safe, defensive driving all the time," says Aaron.

After completing four hours of behaviour-based classroom instruction and six hours driving on a closed course, all participants have their driving skills and attitudes assessed by a professional instructor. In 2013, the goal is to have 400 employees complete the training, which is delivered during work hours.

Beyond Training

In addition to our focus on driver training, Nexen is an active participant in industry and community organizations working on traffic and road safety issues.

We were instrumental in creating the Willow Lake Traffic Working Group back in 2004. The group has successfully lobbied to have oversized load moves on Highway 881 restricted to night-time hours with RCMP escorts. The group continues to lobby for the widening of a section of this highway, where traffic volume is the highest.

Nexen is also a founding member of the Coalition for a Safer 63 and 881 — a group of like-minded organizations working to make these two main oil sands travel routes safer for everyone. The coalition continues to promote safety on highways through education campaigns, community events and rollover demonstrations. Their message is simple: rest first, slow down, drive safely.

CONTRACTOR MANAGEMENT WITH ISNETWORLD AND O-VAL

Ensuring contractors come to work at Nexen with the necessary safety and training credentials is an important part of creating a safe work environment. That's why Nexen introduced ISNetworld, an electronic contractor management system, in our Canadian operations. ISNetworld collects self-reported health, safety and environment conformance information from contractors, verifies its accuracy and stores it in an accessible format.

In 2012, Nexen directed additional resources to ISNetworld, to take full advantage of all aspects of the system. Nexen representatives attend ISN regional meetings where they communicate with the contractors. We contribute to a working group to enhance ISN systems and collaborate with other producers to align our contractor verification initiatives through the On-Site Validation Project (O-Val).

O-Val provides a consistent, standardized way for Nexen and ten other industry peers to validate self-reported contractor data at the field level. Up to 38 Alberta safety protocols are assessed to ensure contractor safety programs are adhered to as work is performed. The verification enables Nexen to recognize contractors with current and comprehensive safety programs, while helping others improve. By collaborating with industry peers, verification expenses are shared, good practices are pooled and contractor audit fatigue is reduced, improving efficiency for all parties.



HEALTH & SAFETY

PROCESS SAFETY MANAGEMENT

WINTER DRILLING “BOOT CAMP” PROMOTES SAFETY, EFFICIENCY AND RETENTION

More than 150 field supervisors, safety coordinators, rig operators and key contractors attended Nexen’s three-day Winter Drilling Program Boot Camp in 2012. Designed to enhance alignment and awareness across all workers who are involved in winter drilling activities supporting the Long Lake oil sands facility, the Boot Camp’s primary focus was safety. The group reviewed key safety policies and participated in a hands-on training exercise where participants worked together to resolve rig deficiencies during simulated well activity.

In addition to enhancing safety awareness and overall team efficiency, the Boot Camp exerts a positive influence on employee and contractor retention levels — an integral factor in drilling safety.

PROCESS SAFETY PERFORMANCE

Nexen’s framework for Process Safety Management was developed in alignment with best practices identified by the Center for Chemical Process Safety and the Chemical Industry Association of Canada. Both organizations encourage the reporting of process safety incidents as a tool to drive continuous awareness and performance improvement. Nexen’s internal reporting mechanisms capture recordable, non-recordable, high-risk incidents and near misses.

In 2012, three recordable process safety incidents occurred, all at our Long Lake oil sands facility. The first incident involved a line failure and resulted in a leak of crude oil. The second involved a fire caused by a leak on a line containing hydrocarbons, which resulted in damage of approximately \$50,000. The third incident was a pin hole leak and fire on a hydrocarbon line, which resulted in damage of approximately \$100,000. These incidents were reported and follow-up actions identified.

The learnings that result from incident investigations are used at Nexen to drive greater awareness and preventive action.

eMOC IMPLEMENTATION

We continue to implement our Process Safety Management System throughout our operations. The goal is to reduce the likelihood and consequences of incidents involving unplanned or sudden hazardous releases of materials or energy from our operations.

In 2011, Nexen introduced the electronic management of change (eMOC) application

to our conventional oil and gas operations in Canada and the U.S. This online tool captures changes to operating facilities, procedures and the organization in a manner that is accessible and pertinent to employees working in process environments. eMOC has been quickly adopted due to its flexibility and ease of use. We expect to implement eMOC in Nexen’s Oil Sands and UK divisions in 2013.

LIFE SAVING RULES

Nexen’s 12 Life Saving Rules provide practical direction on safety expectations and what safe work looks like across our company. The rules are:

- Always conduct a hazard assessment
- Ensure safe systems of work
- Follow the management of change (MOC) process
- Isolate energy sources
- No breaking of containment without a valid work permit
- Do not enter a confined space without authorization
- Work safely at heights
- Conduct safe lifting operations
- Drive safely
- Assess all ground disturbance hazards
- Do not work under the influence of drugs or alcohol
- Ignition sources are not allowed in areas where hydrocarbons may be present

Created from industry-recognized practices, Nexen’s 12 Life Saving Rules give clear and direct guidance on occupational safety. Our employees and contractors are authorized to stop any work that does not comply with these rules.



“ OUR EMPLOYEES AND CONTRACTORS ARE AUTHORIZED TO STOP ANY WORK THAT DOES NOT COMPLY WITH THESE RULES. ”



NEXEN EMPLOYEES WALK PAST ONE OF THE SHALE GAS DRILLING RIGS AT NEXEN'S DILLY CREEK SITE NORTHEAST OF FORT NELSON, BRITISH COLUMBIA, CANADA.

ENVIRONMENT



BEING RESPONSIBLE

As a responsible developer of energy resources, Nexen’s mandate includes managing impacts on air, water, land and ecosystems. We’re taking steps to reduce the impact of our operations on the environment, and we’re investing in research on new technologies that are expected to improve our performance in the longer term.

MANAGING AIR EMISSIONS

Through investments in technology, we’re working to ensure the oil and natural gas products we generate are produced in a manner that meets, or exceeds, regulatory requirements that preserve regional air quality.

Over the past three years, oxides of nitrogen (NO_x) emissions from our facilities have steadily declined. While the improvement between 2010 and 2011 was due to decreased flaring at the Long Lake oil sands facility and decreased fuel use in Yemen, the 75% drop from 2011 to 2012 primarily reflects a reduction in production in Yemen. In December 2011, our production sharing agreement on Block 14 (Masila) expired and our facility was turned over to another operator. We continue to produce about 4,000 barrels of oil per day from Block 51 (East Al-Hajr).

Company-wide sulphur dioxide (SO₂) emissions have also declined since 2010 by approximately 47%. The decrease in 2012 reflects the cessation of Yemen Block 14 operations and the shutdown of our Balzac gas plant.

In 2012, Nexen experienced a 30% increase in gas flared from our facilities, primarily due to maintenance turnaround activities at our Long Lake oil sands facility. Methane gas vented from facilities has been reduced since 2010 mainly due to the divestiture of our heavy oil operations in July of 2010.

For more information on initiatives we are undertaking to reduce air emissions from our operations, including details of our air monitoring activities, visit:

www.nexeninc.com/responsibledevelopment

	2010	2011	2012
NO_x (TONNES)	30,012	27,734	7,026
SO₂ (TONNES)	6,657	4,266	3,503
GAS FLARED (MILLION m³)	238	230	298
METHANE VENTED (MILLION m³)	7	1	0.3



GOING WITH THE FLOW

Flow lines transport bitumen to Nexen’s Long Lake oil sands facility, located 40 kilometres southeast of Fort McMurray, Alberta.

REPORTABLE ENVIRONMENTAL EXCEEDANCES

In 2012, we reduced the number of exceedances by more than 50% to 195 from 445 in 2011. The reduction is largely due to operational improvements at our Long Lake oil sands facility. During the 2012 maintenance turnaround, we replaced burners on the upgrader utility boilers that were the cause of the majority of our exceedances. In addition, we implemented procedural changes that reduced operator error.

ENVIRONMENT

RESPONSIBLE WATER USE

MANAGING WATER USE

Our quality of life depends on having a clean and sustainable water supply. For an energy producer like Nexen, water is essential to our operations, especially those that use hydrocarbon recovery technologies such as steam assisted gravity drainage (SAGD) and hydraulic fracturing.

Protecting water quality and quantity is a shared responsibility we take seriously. In northeast British Columbia, Canada where we are developing shale gas resources, we've made a special commitment to water management — beginning with a multi-million dollar monitoring network.

WATER MANAGEMENT LEADERSHIP

The Horn River basin comprises more than 11,000 square kilometres in the northeast corner of British Columbia and is estimated to hold trillions of cubic feet of natural gas. It also contains 42 distinct watersheds.

In 2012, Nexen began operating here under the parameters of a long-term water licensing agreement granted by British Columbia's Oil and Gas Commission.

Nexen has worked since 2009 to support the application for long-term water allocations for our shale gas operations in the Horn River basin. Long-term water allocation is based on monitoring water availability in real-time. Following years of intensive data collection and research, Nexen has developed a site-specific understanding of the natural range of variability, identifying water flow and quality baseline information, along with climate data. We are committed to continue the monitoring program to ensure the integrity of surface water resources can be transparently identified.

As part of the Horn River Basin Producers Group, Nexen and other area producers have partnered with Geoscience BC, and have invested more than \$1 million in equipment and resources to conduct a similar modeling program on a regional scale. We've established seven hydrometric flow stations and three climate stations, supplemented by a water quality sampling program and aquatic insect biodiversity assessment.

A key element of the program has been to engage and train members of the Fort Nelson First Nation and the Acho Dene Koe First Nation in monitoring program design and development. First Nations trainees are learning project management, environmental planning and field monitoring instrumentation and methods. This has consisted of classroom and field training, individual mentoring and online training to form and inspire water monitoring careers within their communities.

Scott Wagner, Senior Environmental Advisor, Shale Gas Operations, says, "A water study of this magnitude, with an independent monitoring regime, is one step towards building transparency and clearing up some misconceptions about the extent of water resources in the Horn River basin. It will serve as a valuable dataset to inform water allocation decisions by regulators, and will help to enhance collaboration among stakeholders."

COMPANY-WIDE WATER AND WASTE INTELLIGENCE

In 2007, recognizing the growing importance of water and waste management, Nexen began developing an environmental data management system. A centralized database and software architecture was designed, enabling employees to monitor water use and waste generation anywhere inside the company.

Kathryn Milne, Nexen Environmental Analyst, explains, "Due to Nexen's diversified set of assets, we have to manage water and waste differently for each area, which makes it difficult to standardize the data for meaningful company-wide analysis. This database standardizes and centralizes the data so it is easy to access, applies additional quality assurance and quality control to ensure high data integrity, and offers a variety of tools so we can analyze our usage for continual improvement."

ENHANCED SEISMIC MONITORING IS KEY TO SAFE HYDRAULIC FRACTURING

Nexen has been pro-actively collecting micro-seismic data in the Horn River basin since 2008. As a shale gas producer, Nexen takes the safety of our employees, the communities where we operate and the environment seriously.

In 2011, we came together with other companies to provide data, discuss seismic issues and work together to address them. We've worked with the Canadian Association of Petroleum Producers to develop Induced Seismicity Management Guidelines for Hydraulic Fracturing to ensure we understand, manage and share information on seismic issues.

We're also a proponent of enhanced seismic monitoring to ensure hydraulic fracturing continues safely. During the summer of 2012, Nexen installed five seismicity stations and monitored 331 hydraulic fracturing events during our well completion activities. To date, we have not detected any seismic events that were strong enough to be felt at surface.

We are contributing \$500,000 to upgrade the northeast British Columbia regional seismograph grid. Monitoring will allow for a better understanding of micro-seismic events and provide additional data to assist in modifying our techniques for continuous improvement.

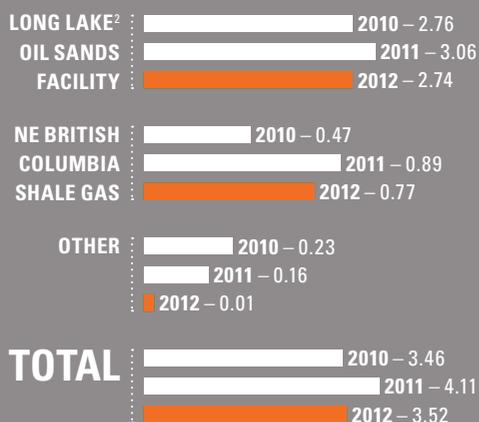
PRINCIPLES AND GUIDELINES FOR HYDRAULIC FRACTURING

Nexen has contributed to two industry publications focused on water use and hydraulic fracturing. Produced by the Canadian Association of Petroleum Producers, the publications summarize the oil and gas industry's guiding principles and recommended operating practices for hydraulic fracturing of gas wells. Key principles include the industry's commitment to safeguarding the quality and quantity of regional surface and groundwater resources, disclosure of fracturing fluid additives and advancing technologies and best practices that reduce potential environmental risks.

HOW WE'RE DOING

In 2012, our land-based operations used approximately 3.52 million cubic metres of fresh water, a decrease of approximately 0.59 million cubic metres from 2011. This decrease reflects the decommissioning of the Balzac gas plant, ceasing operations at the Masila Block in Yemen, and improved performance at the Long Lake oil sands facility.

ANNUAL FRESH WATER WITHDRAWN AND CONSUMED IN ONSHORE ASSETS¹ (MILLIONS m³/YEAR)



¹ 2012 data does not include potable water.
² Includes water use for SAGD and upgrader.

WORKING TOWARDS ZERO SPILLS

In 2012, the number of reportable spills at our business increased by 11%. The increase primarily reflects changes in how regulators define a spill as well as Nexen's commitment to report even the smallest volume of oil spilled offshore.

To achieve our goal of zero environmental incidents across all of our operations, we're working to strengthen specific processes and systems. In the UK, we are reviewing all of the spills in 2012 to identify common themes. As well, we are looking to apply learnings from a highly successful Hydrocarbon Release Reduction Project, which allowed our UK team to realize a 75% reduction in hydrocarbon releases between 2010 and 2012.

SPILLS (ALL DATA FOR 2012)

LOCATION	NUMBER ¹	VOLUME ² (m ³)
CANADA GAS & OPERATIONAL SERVICES AND TECHNOLOGY	15	29.5
ENERGY MARKETING (PIPELINES AND TANK FARMS)	0	0
OIL SANDS	29	417.4
U.S.	7	0.2
YEMEN	0	0
UK	38	36.6
COLOMBIA	0	0
TOTAL	89	483.7

¹ Reportable spills only, not including exceedances.
² Not including natural gas releases; volumes are estimated.

TRACKING OFFSHORE WATER DISCHARGE

During offshore oil and gas production, a mixture of water and hydrocarbons is extracted from the reservoir. The water is separated from the oil and gas and, once it meets strict regulatory requirements, the produced water is discharged to the ocean. Nexen reports these discharges to regulators.

PRODUCED WATER DISCHARGED OVERBOARD¹ (MILLIONS m³/YEAR)



HYDROCARBON DISCHARGED OVERBOARD^{1,2} (TONNES)



¹ No U.S. data available.
² Nexen began measuring this data in 2011. As a result, only two years of data are available.



ENVIRONMENT

HABITAT MANAGEMENT

ENSURING HEALTHY ECOSYSTEMS

From the boreal forest, across prairie grasslands, to offshore marine environments, Nexen operates in rich and sensitive ecosystems and we work hard to protect them. Independently and in partnership with industry peers, governments, academia, and other organizations, Nexen invests in research, monitoring and conservation activities that build healthy ecosystems and support biodiversity. Our work includes:

- **Wildlife protection.** In northeast British Columbia, we're working with other shale gas producers to better understand the potential impact of the industry's operations on boreal caribou, whose population is in decline.
- **Reforestation.** In northern Alberta, we're part of the Faster Forests initiative, which has resulted in approximately 1.6 million trees and shrubs being planted in the oil sands region between 2009 and 2012. Along with our partners, we're planting more diverse species to more accurately mimic the natural biodiversity of the boreal forest and speed reforestation.
- **Understanding little-known ecosystems.** When remotely operated vehicles are not being used to conduct underwater inspections on drilling rigs and platforms in our Gulf of Mexico operations, prior to 2013 they were used to conduct surveys as part of an innovative academic/industrial collaboration called SERPENT. The data and images are used by universities around the world to explore the last great frontier on our planet.

“ INDEPENDENTLY AND IN PARTNERSHIP WITH INDUSTRY PEERS, GOVERNMENTS, ACADEMIA, AND OTHER ORGANIZATIONS, NEXEN INVESTS IN RESEARCH, MONITORING AND CONSERVATION ACTIVITIES THAT BUILD HEALTHY ECOSYSTEMS AND SUPPORT BIODIVERSITY. ”



BALZAC SITE IS A HIVE OF RECLAMATION ACTIVITY

While the closure of Nexen's iconic Balzac gas plant in 2011 ended 50 years of operation, there's still a lot of work to do in decommissioning, reclaiming and remediating the plant site and associated natural gas production facilities in the surrounding area. The work is led by our Abandonment & Reclamation (A&R) team of environmental and project professionals.

Phase 1 decommissioning activities were completed in December 2011 with the removal or isolation of all sources of electricity and natural gas. Work is underway on Phase 2 activities, including the removal of asbestos and the sulphur base pad.

- The A&R team is working with a third-party environmental contractor to remove asbestos and fibreglass insulation. Our contractor is monitoring exposure, work practices and transportation of materials to an approved landfill facility. All work is being conducted based on rigorous controls and safety protocols, according to procedures approved by Alberta Occupational Health & Safety.

- Approximately 90,000 tonnes of sulphur remain onsite and will be removed. The higher purity material (over 99%) will be bagged or sent to re-melt, thus minimizing volumes to be sent to landfills. With an increase in truck traffic associated with the sulphur removal, Nexen has implemented procedures to minimize dust, and onsite activities will continue to be monitored.
- We continue to look for ways to reuse and recycle materials from the facility. We donated surplus fire-fighting equipment to the local fire department, recycled glycol instead of disposing it and continue to send scrap metal for recycling.
- All water entering the sulphur processing area is captured, treated, and tested prior to being released to the surrounding environment. In 2012, a modification to the water management plan to divert water away from this area resulted in an 80% reduction of surface water runoff released over 2011 volumes.

RECORD YEAR FOR TREE PLANTING

At our Long Lake and Kinosis sites, Nexen planted more trees and shrubs — about 240,000 seedlings — than in all previous years combined. The planting covered 190 oil sands exploration sites, which means we reforested about the same number of sites as our exploration footprint in 2012.

We're also implementing a winter planting program, based on excellent results from a 2011 research trial near Grande Prairie, Alberta. During the trial, more than 90% of black spruce seedlings survived even though temperatures hovered around -17°C during planting.

"A 90% survival rate would be considered a success under any planting conditions, but to have a survival rate this high for winter planting in wetlands under such extreme conditions is really incredible," says Jeremy Reid, Environment Specialist, Oil Sands and one of the key Nexen individuals participating in the tree planting. "This holds great promise for re-vegetating wetlands disturbed by oil sands and other human activities."

In February 2012, we used the same technique on a large-scale planting of 50,000 black spruce seedlings in critical woodland caribou habitat as part of a habitat improvement program. The work was conducted in the Algar caribou range west of our Long Lake facility. The area targeted for reclamation is 570 square kilometres, which initially had 415 kilometres of habitat-fragmenting cutlines when the program began.

2012 PLANTING PROGRAM HIGHLIGHTS

- Planted 240,000 trees and shrubs, more than in all previous years combined.
- Expanded the shrub planting to increase initial biodiversity on our reforested sites and more closely recreate the pre-disturbance condition. We also planted more species of both trees and shrubs for this purpose.
- Winter-planted about 50,000 trees off-lease as part of our Algar Caribou Habitat Restoration Program.



RECLAMATION IN ACTION

Standard reforestation efforts typically focus on replanting a small number of tree species that may not replicate the local mix of natural vegetation. Nexen and other Faster Forests' partners are planting spruce, birch and aspen seedlings, native shrubs and even wildflowers to more accurately mimic the natural biodiversity of the boreal forest and speed up the reforestation process.

ENVIRONMENT

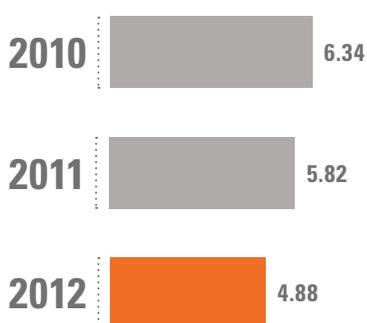
CLIMATE CHANGE

REPORTING ON GREENHOUSE GAS EMISSIONS

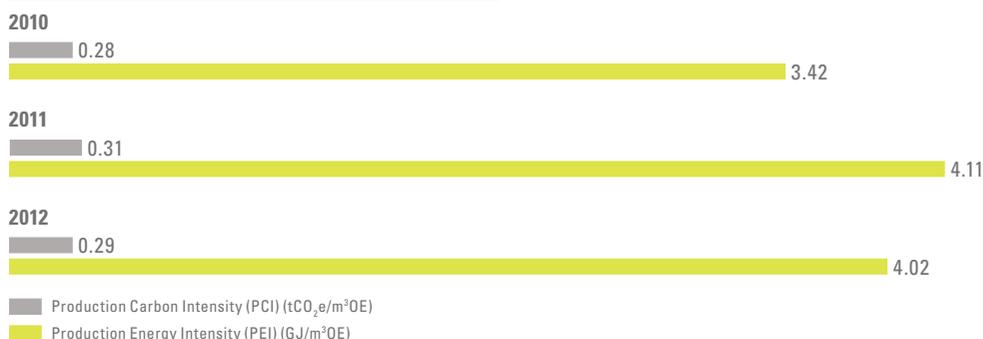
Climate change is a global issue requiring global solutions from energy producers, governments and consumers. At Nexen, we're committed to doing our part because we recognize the management of greenhouse gas (GHG) emissions is an important policy and business issue. That's why Nexen took steps early in the climate change debate, taking voluntary action to reduce our direct GHG emissions. For example, between 1997 and 2007, methane gas from our heavy oil division — normally vented — was converted to a fuel source for use in our own operations as well as for sale. This initiative prevented the release of almost eight million tonnes of GHG emissions. Today, while we continue to take action on climate change through participation in carbon markets and by engaging in public policy discussions, our primary focus is on seeking technological solutions to combat climate change. Another example is our Golden Eagle development in the UK North Sea — a \$3.3 billion offshore platform that's expected to be operational in late 2014 — where we're ensuring the most current energy efficient technology is used in the design.

On a company-wide basis, carbon dioxide equivalent (CO₂e) emissions declined to 4.88 million tonnes in 2012, from 5.82 million tonnes in 2011 and 6.34 million tonnes in 2010. The 23% decrease in 2012 over 2010 levels is primarily attributed to ceasing operations at the Masila Block in Yemen and the shutdown of the Balzac gas plant. Production carbon intensity (PCI), a measure of the amount of CO₂e emitted for every cubic metre of gross operated oil equivalent produced, decreased by about 6% in 2012 from 2011 levels. Production energy intensity (PEI), a measure of the amount of energy consumed for each gross operated cubic metre of oil equivalent production, decreased by 2% over the same period. These decreases are primarily attributed to the ceasing of operations in the Masila Block of Yemen, which had higher emission and energy intensities than the company average.

TOTAL GHG EMISSIONS (MILLION TONNES CO₂e)



GHG EMISSION INTENSITY (PCI AND PEI)



WORLD-CLASS LAB PIONEERS NEW SAGD TECHNOLOGY

Tucked away in the Schulich School of Engineering on the University of Calgary campus is a state-of-the-art testing lab aimed at taking Nexen's oil sands recovery technology to the next level. The researchers are investigating the feasibility of co-injecting gas condensate and steam to improve SAGD oil production and energy efficiency. The technology is called Expanding Solvent (ES) SAGD.

Field-scale simulations suggest that ES SAGD can improve oil recovery rates by as much as 50% while reducing steam requirements by up to 40%. "I think this may be a game changer for our oil sands development," says Mark Ewanchyna, Vice President, Resource Development. "It's exciting because of the potential benefits and the relative ease of implementation. If we can demonstrate this co-injection process successfully, from a pilot to a mini-commercial project, it holds promise for future development."

Under the direction of Mohammed Al-Murayri, Nexen Technical Project Manager, a team of four researchers is finalizing lab work.

"Reservoir modeling and analytical studies are important, but they're no substitute for the physical testing we do in this lab," says Mohammed, who oversaw the creation of the lab as part of his doctoral degree. "Nexen can be proud of what we've been able to achieve with this facility. It's a real success story of industry-academia collaboration."

A multi-disciplinary team is working toward field implementation of ES SAGD by Q4 2013. As Randy Cormier, General Manager, Research and Development, explains, "ES SAGD is one technology in Nexen's unique portfolio of research initiatives.

"We have a large resource base that will take decades to fully develop and this provides us with a tremendous opportunity to leverage technological advancements. In addition to enabling increased levels of production, these emerging technologies hold promise in reducing energy and water inputs, which in turn leads to improved economic performance and lower greenhouse gas emissions."

TESTING TOMORROW'S TECHNOLOGIES TODAY

SAGD will remain a primary recovery process for years to come and the oil sands industry will continue to devote significant effort towards improving and maturing the process. Oil sands developers, including Nexen, are also looking at new ways to recover bitumen with less energy and water use. Nexen is engaged in a portfolio of research initiatives that target improved SAGD performance as well as next-generation bitumen recovery processes including:

- Using non-condensable gas to make SAGD more energy efficient;
- Using electromagnetic radio frequency energy to heat the reservoir, thereby reducing or eliminating the need for steam;
- SAGD combined with oxygen combustion to lower steam/oil ratio;
- Alternative well configurations and drilling technologies to increase SAGD production and recovery;
- Shale breakdown techniques to improve SAGD steam penetration and distribution; and,
- New upgrading technologies that maximize distillate yield and minimize asphaltenes.

“ IN ADDITION TO ENABLING INCREASED LEVELS OF PRODUCTION, THESE EMERGING TECHNOLOGIES HOLD PROMISE IN REDUCING ENERGY AND WATER INPUTS, WHICH IN TURN LEADS TO IMPROVED ECONOMIC PERFORMANCE AND LOWER GREENHOUSE GAS EMISSIONS. ”

“ WE BELIEVE A COMBINATION OF TECHNOLOGY, PROCESS IMPROVEMENTS AND COLLABORATION WILL DRIVE CONTINUED ENVIRONMENTAL PROGRESS IN OUR INDUSTRY. ”



RESEARCH KEY

Investing in research enables many benefits as new technologies are developed to increase production, reduce costs and decrease environmental impact. Mohammed Al-Murayi, Nexen Technical Project Manager, is leading this project.



NEXEN SUMMER STUDENTS GATHER WILLOW AND POPLAR SPRIGS THAT WERE PLANTED AS PART OF AN INTERIM RECLAMATION INITIATIVE AT NEXEN'S LONG LAKE OIL SANDS FACILITY.



ECONOMIC BENEFITS



FAR-REACHING ECONOMIC BENEFITS THROUGH OIL AND NATURAL GAS DEVELOPMENT

Energy is the lifeblood of any economy. It's what heats our homes, fuels our vehicles, powers our factories — and generates the jobs, economic growth and government revenues that help shape the quality of our lives.

Global energy demand is projected to grow by more than one-third by 2035 and fossil fuels are expected to remain a dominant part of the world's energy mix. Nexen is in the business of responsibly producing oil and natural gas to help meet this demand. We are now a wholly-owned subsidiary of CNOOC Limited. This puts us in an even stronger position to develop our assets and pursue growth opportunities in a way that generates far-reaching economic benefits including direct and indirect job creation, goods and services contracting, the payment of taxes and royalties, and community investment.

A GROWING INVESTMENT IN OUR ENERGY FUTURE

In 2012, Nexen invested \$3 billion in oil and gas activities. Future investments are primarily targeted to fund growth as we move ahead with several major projects, including:

- Bringing on new production in the UK North Sea — including the Golden Eagle offshore platform, where first oil is expected in late 2014.
- Expanding bitumen production from our Long Lake oil sands lease, along with accelerated development of the nearby Kinosis lease, as part of a plan to operate our Long Lake upgrader at full capacity.
- Continuing to ramp up production at Usan, while also identifying other expansion opportunities in offshore Nigeria.
- Advancing exploration projects, including promising joint venture projects at the Appomattox and Stampede fields in the deepwater Gulf of Mexico.

As part of CNOOC Limited, Nexen has greater capacity to invest in areas that promise to create long-term value. A good example is our shale gas business. Nexen plans to make prudent investments in shale gas, primarily in British Columbia, Canada — one of the most prospective gas fields in North America.

SUPPORTING THE PUBLIC GOOD

Nexen's activities contribute directly to the economic and social well-being of countries where we operate. For example, our production before royalties averaged 198,000 barrels of oil equivalent per day in 2012, which in turn resulted in royalties and taxes of more than \$1.7 billion. These revenues are then available to governments to reinvest in essential infrastructure and programs, including schools, hospitals and transportation.

TOTAL ROYALTIES¹ AND CURRENT INCOME TAXES²

(CAD\$ MILLIONS)	2010	2011	2012
UNITED KINGDOM	1,005	1,448	1,456
YEMEN	730	779	111
CANADA³	113	95	58
UNITED STATES	21	41	37
OTHER⁴	(20)	(27)	68
TOTAL	1,849	2,336	1,730

- 1 Royalties are cash payments and, in some international operations, the government's share of Nexen's production.
- 2 Negative amounts represent income tax refunds accrued.
- 3 Includes oil sands (Syncrude and Long Lake).
- 4 Includes results of discontinued operations.

“**NEXEN'S PRODUCTION OF OIL AND NATURAL GAS IN 2012 RESULTED IN MORE THAN \$1.7 BILLION IN ROYALTIES AND TAXES. GOVERNMENT REINVESTS THE FUNDS IN ESSENTIAL INFRASTRUCTURE AND PROGRAMS, INCLUDING SCHOOLS, HOSPITALS AND TRANSPORTATION.**”

LOCAL CONTRACTING POLICY

A local contracting policy and guidelines have been approved for our operations. The policy reflects Nexen's commitment to ensure local communities have the opportunity to benefit from Nexen's presence by encouraging local vendors and contractors to bid on work resulting from our projects and activities.

BOOSTING LOCAL ECONOMIES: A CASE STUDY

As the second largest oil producer in the UK North Sea, Nexen is an engine of economic growth and employment. We employ a total workforce of approximately 1,200 at offices in Uxbridge, Aberdeen and London and in our offshore facilities. Our growth priorities include safely advancing the Golden Eagle joint venture, a £2 billion (C\$3.3 billion) investment expected to employ more than 2,000 workers during construction. Once operational, the facility is expected to employ more than 400 people and provide thousands of indirect jobs throughout its production life. More than two-thirds of the contracts for products and services for Golden Eagle are to be sourced in the UK, generating a total upfront benefit estimated at more than £1.4 billion.

AN EMPLOYER OF CHOICE

Unlike most acquisitions, the change in ownership to CNOOC Limited did not result in significant employee turnover. Just the opposite: CNOOC Limited made a commitment to retain Nexen's management and employees. In addition, CNOOC Limited provided a transition bonus to employees as a way of rewarding the work required to ensure a smooth integration process of CNOOC Limited/ Nexen occurs. CNOOC Limited also took steps to make sure the compensation and benefits provided to Nexen's employees were equal or better in value to what existed prior to the acquisition. As of December 31, 2012, Nexen directly employed 3,228 people.

MOVING FORWARD

While a highly competitive rewards package enables Nexen to remain an employer of choice, we also recognize there's much more to being a top employer than just providing competitive compensation. We continue to recruit and retain talented, high-performing individuals for our growing businesses by offering challenging careers with diverse, international operations; we ensure a collaborative and supportive culture; and we establish people practices that focus on individual career development.

For example, managers at every level of the organization take part in intensive, residential leadership development programs in partnership with the University of Oxford. As well, our New Graduate Program takes new and recent graduates from various disciplines and rotates them through different areas of the company over a three to five year period. Mentors provide coaching and feedback to the new graduates and help them choose their ultimate work placements.

STAKEHOLDER ENGAGEMENT



ENGAGING OUR STAKEHOLDERS

Nexen demonstrates respect for stakeholders and indigenous communities through early, ongoing engagement and open dialogue. We align the interests of stakeholders with our values and business principles.

Our approach is based on the belief that all stakeholders have a legitimate right to know about Nexen's planned and ongoing activities, and to be consulted on issues that affect them.

In 2012, Nexen developed a comprehensive guide that outlines how we effectively engage with stakeholders and indigenous peoples. The guide introduces guiding principles and best practices and summarizes Nexen's responsibilities as well as the recommended approaches employees and contractors should adopt when interacting with stakeholders and indigenous communities. Through our commitment to effective engagement, Nexen builds an understanding of stakeholder interests and concerns as well as the local cultures and characteristics of the communities where we operate. This lays the foundation for creating long-term, mutually beneficial relationships.

A GATHERING PLACE: NEXEN'S ANZAC COMMUNITY OFFICE

Fort McMurray is the largest community in the oil sands region of northern Alberta. Most of the business meetings and stakeholder consultation takes place in this city. But Nexen took a different approach when we began developing the Long Lake oil sands facility. Our company made a deliberate decision to locate our community office in the hamlet of Anzac, 45 kilometres southeast of Fort McMurray. Why? Because Anzac is the closest community to our Long Lake operations. It's also in close proximity to the growing number of SAGD oil sands facilities that are operating or being built in the region.

"We're the only energy company with a local office in Anzac, which demonstrates our commitment to the community and our willingness to listen to and engage our neighbours," says Neil Rutley, an Anzac resident and Senior Community Relations Advisor with Nexen. The office coordinates consultation, local business development and community investment for Nexen's oil sands operations. Its location promotes more interaction in a convenient and accessible manner. Over the past decade, the role of Nexen's community office has grown alongside the relationships it has helped cultivate.



The Anzac office is key to Nexen's business development and employment efforts in the area and is staffed with a full-time business development advisor in addition to community relations personnel. It also serves as a drop-off point for resumes and a resource for local contractors and businesses.

Neil explains, "Having a local presence enables Nexen to ensure stakeholder and Aboriginal community views are heard and well considered before decisions are made that impact Anzac and the surrounding communities. The beauty of the office is that we are part of the local conversation and we can answer questions, clarify and address situations before they become issues."

DIFFERENT WAYS TO ENGAGE

Nexen recognizes that the depth, frequency and method of engagement depends on the nature of the project and the interests of the stakeholders and indigenous communities.

Providing relevant and timely information to stakeholders and indigenous communities is a priority to help them understand the potential impacts and opportunities of the project. To achieve this, we employ various methods to gather input ranging from open houses and multi-stakeholder groups to one-on-one meetings and perception surveys. This provides multiple avenues for stakeholders and indigenous communities to ask questions and to express their views, providing Nexen the opportunity to consider these in our decision-making process.



STAKEHOLDER ENGAGEMENT

ABORIGINAL RELATIONS

INDIGENOUS PEOPLES POLICY

As a company with global operations, Nexen is committed to engaging with indigenous communities where we have activities. Meaningful engagement and consultation begins with respecting the rights of indigenous peoples, whose legally recognized lands and traditional territories are within or in close proximity to the areas where we operate.

We engage early and often with communities to build solid relationships based on mutual trust and respect of customs and culture, a shared understanding of issues, transparency, inclusiveness, two-way dialogue, and collaborative problem-solving to achieve mutually satisfactory outcomes.

The intent of our Indigenous Peoples Policy is to guide development of these relationships over the life cycle of our projects. It reinforces Nexen's commitment to foster opportunities for indigenous people to participate in the economic, environmental and social benefits of Nexen's energy developments, ensuring these benefits reflect community interests and our commitment to responsible development.

The policy also focuses our work with indigenous communities in four key areas:

- Engagement and consultation;
- Business development and capacity building;
- Aboriginal/indigenous employment; and
- Community investment.

NEXEN EARNS PAR CERTIFICATION

In September 2012, the Canadian Council for Aboriginal Business (CCAB) recognized Nexen for our commitment to Aboriginal relations and stakeholder engagement with Progressive Aboriginal Relations (PAR) certification, placing us in a group of just three Canadian oil and gas companies to have earned this distinction.

Initiated a decade ago, the PAR program is the only corporate responsibility assurance program focused exclusively on Aboriginal relations. Developed by the CCAB in consultation with



JOB PRIDE

Nexen employee Steven Wanderingspirit, a warehouse technician, works at Nexen's Long Lake oil sands facility.

Stratos, a sustainability management consulting firm, the application and evaluation process is considered rigorous, objective and credible. It draws on a variety of leading indicators from the Global Reporting Initiative, as well as on direct input from members of Aboriginal communities.

Nadine Busmann, Nexen's Manager of Stakeholder Engagement and Aboriginal Relations, explains, "The PAR program involves a 200-question application and is jury-reviewed and third-party verified. It's a comprehensive process that's designed to thoroughly evaluate a company's Aboriginal relations activities from the perspectives of community involvement, consultation and engagement, business and capacity building, and Aboriginal employment."

PAR certification is issued to companies at a bronze, silver or gold level and is granted for a three-year period, at which time a company must reapply for certification. Nexen earned silver level certification on our first application.

Much of Nexen's Aboriginal involvement is concentrated in two areas that are on or near traditional lands of Canada's Aboriginal peoples — our Long Lake oil sands facility in northern Alberta

and the Horn River basin shale gas development in northeast British Columbia. In both areas, the PAR committee indicated Nexen earned particularly high marks for our community engagement and community investment performance.

“ THE ASSEMBLY OF FIRST NATIONS RECOGNIZES THE VALUE OF PAR CERTIFICATION IN PROVIDING REAL BENEFITS FOR OUR COMMUNITIES. ”

—NATIONAL CHIEF SHAWN A-IN-CHUT ATLEO,
ASSEMBLY OF FIRST NATIONS, SEPTEMBER 2010.

Canadian Council for
Aboriginal Business 

“ WE ENGAGE EARLY AND OFTEN WITH INDIGENOUS PEOPLES AND LOCAL STAKEHOLDERS TO BUILD RELATIONSHIPS BASED ON MUTUAL TRUST AND RESPECT OF CUSTOMS AND CULTURE. ”

BUILDING BUSINESS RELATIONS WITH ABORIGINAL-OWNED AND OPERATED COMPANIES

Utilizing local businesses supports high-quality, cost effective and sustainable supply for our operations. Nexen aims to ensure indigenous communities participate in the economic benefits from our operations. This approach enables First Nation and Métis companies to benefit economically from our development while we gain the procurement and contracting services we need to run our business.

SUPPORT FOR ABORIGINAL EDUCATION AND ENTREPRENEURSHIP

Nexen is a founding member of the Horn River Producers' Group (HRPG) — a consortium of shale gas developers active in northeast British Columbia. The HRPG companies work to minimize development impacts while enhancing benefits for residents and communities.

In September 2012, the HRPG hosted a special event in support of the Martin Aboriginal Education Initiative (MAEI) — a charitable organization founded by Paul Martin, a former Canadian prime minister. MAEI's vision is to instill confidence and empower Aboriginal youth to complete their high school education, continue on with post-secondary studies and realize their dreams.

During the event, Mr. Martin delivered a motivating presentation and engaged with high school students from Fort Nelson Secondary School. MAEI has established an Aboriginal Youth Entrepreneurship Program at a number of secondary schools across Canada, including Fort Nelson. The credit course uses case studies, hands-on activities and personal mentorship so students can acquire the skills to create a product or service-based business.

HUMAN RIGHTS POLICY

Nexen was among the first upstream oil and gas companies to publish a formal Human Rights Policy, which we introduced in 2001. In early 2013, we updated this policy, creating stronger alignment with the United Nations Human Rights Council's Guiding Principles on Business and Human Rights.

Nexen works with IPIECA, a global oil and gas industry association for environmental and social issues, to promote leadership in human rights practices. IPIECA has produced a variety of publications including a training toolkit, an implementation guide for the Voluntary Principles on Security and Human Rights, and sustainability reporting indicators.



CELEBRATING ABORIGINAL AWARENESS DAY – JUNE 21

Aboriginal Awareness Day is an annual event in Canada celebrating Aboriginal, Métis and Inuit culture and heritage. At Nexen, we have extended the celebration to a week-long event as we believe we have much to learn from Aboriginal culture. In 2012, Aboriginal dancers performed at our Calgary office and lunch-and-learn sessions were featured to promote awareness. We were fortunate to have Wab Kinew, host of CBC television's 8th Fire, inspire employees at one of our lunch-and-learns. In addition, Nexen provides regular Aboriginal cultural awareness training to employees.



STAKEHOLDER ENGAGEMENT

COLOMBIA DRILLING



“ ANTICIPATING AND MANAGING THE IMPACTS OF OUR OPERATIONS ON NEIGHBOURING COMMUNITIES IS AT THE HEART OF OUR APPROACH TO SOCIAL RESPONSIBILITY. ”

DID YOU KNOW?

Wherever we operate, Nexen strives to leave behind a positive legacy. During shale gas drilling in 2012 near the Colombian village of Sueva, we financed renovations and upgrades to a local dairy cooperative, including the addition of a second 2,000 litre storage tank. Our contribution enhanced both the quality and quantity of milk produced at the facility east of Bogotá, and helped the cooperative qualify as a supplier to a significant national milk producer.

PRE- AND POST-DRILLING ASSESSMENT IN COLOMBIA

Nexen is committed to building long-term trust by sharing information, consulting with stakeholders about business decisions and working collaboratively to understand needs and expectations. Since 2011, we've been engaged with the citizens living in the communities of Sueva, Junín and Guasca in Colombia. These communities, like many in rural Colombia, have limited knowledge of energy development and how it may affect their communities.

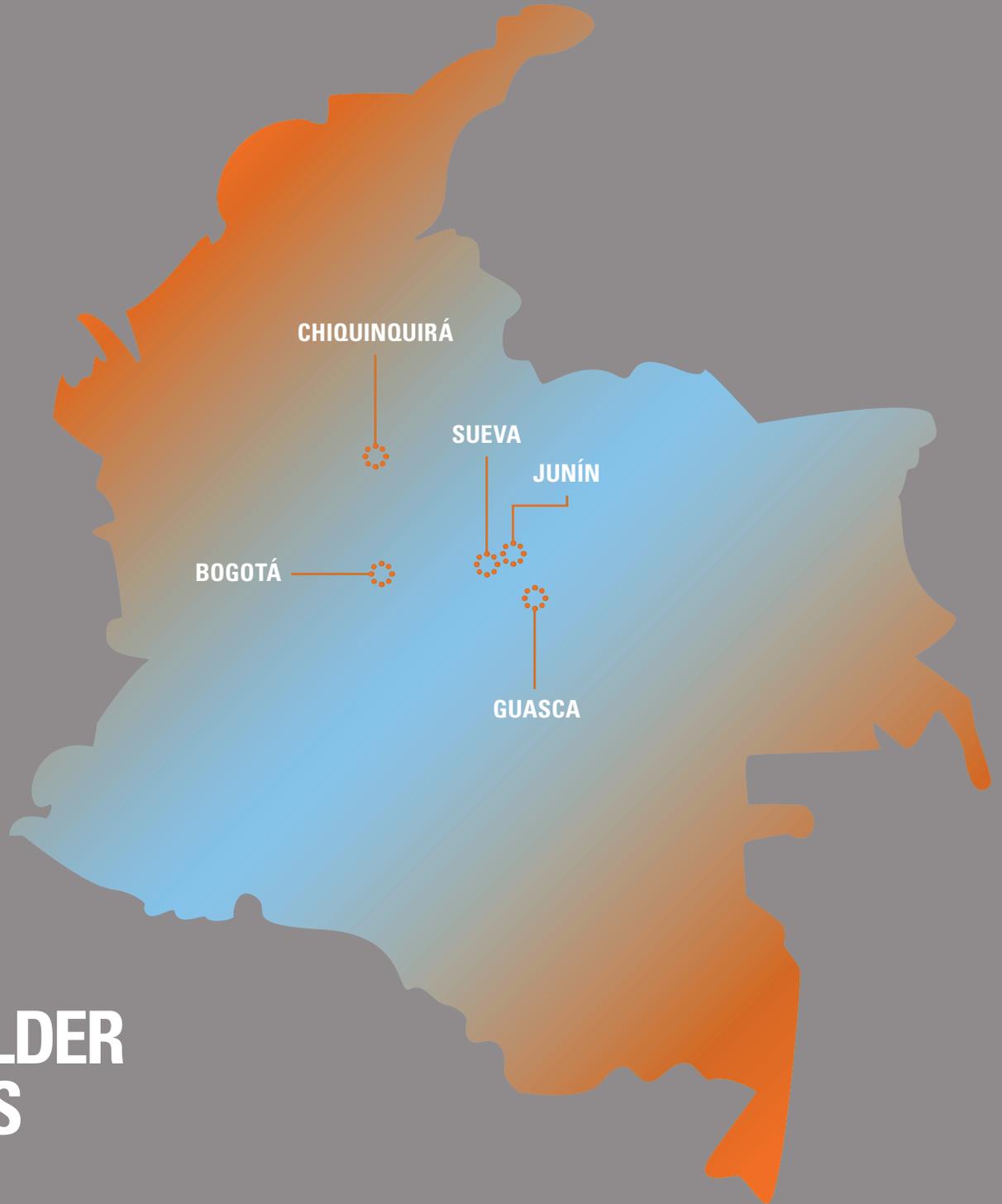
Anticipating and managing the impacts of our operations on neighbouring communities is at the heart of our approach to social responsibility. As with all of our operations, Nexen took a proactive approach. Expectations and concerns were diverse, ranging from job creation and the local economy to possible environmental impacts and the increased presence of military personnel who provide security to oil industry operations.

As a result of this consultation, Nexen initiated a major effort to explain industry processes and address community concerns. Stakeholder meetings were held with regional governmental entities, including local associations and environmental and municipal authorities.

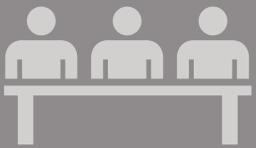
Prior to project commencement, Nexen held meetings to inform community stakeholders on mobilization and construction activities. Together, we identified local projects that Nexen could financially support, which in turn would benefit the community. In addition, Nexen gave periodic updates on adherence to environmental requirements. In total, we held 268 meetings with a total of 3,517 individuals in attendance.

In addition, we implemented a local hiring program that generated 315 jobs in the communities surrounding our exploratory projects in the Sueva and Chiquinquirá Blocks.

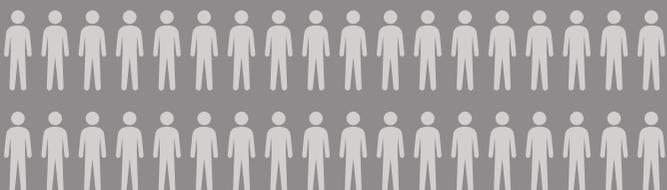
In September 2012, we went back to stakeholders to formally assess their experience with Nexen. Their response highlighted that Nexen's honest and ongoing engagement ultimately built local trust, and we were seen to have delivered fully on our commitments regarding local hiring and community investment.



268
STAKEHOLDER
MEETINGS



3,517
ATTENDEES



315 **JOBS**
GENERATED IN LOCAL
COMMUNITIES FROM
OUR HIRING PROGRAM

COMMUNITY INVESTMENT



FAMILIES REACH OUT IN THE GULF

On a spring Saturday morning in 2012, then again in the fall, Houston-based employees and contractors gathered family and friends and set out for their destination — a one-mile stretch of beach in Galveston Island State Park in the Gulf of Mexico.

These weren't family picnics, but rather the beginning of a three-year, employee-driven commitment under the Texas General Land Office's Adopt-A-Beach program, to perform a thorough cleanup of the beach twice annually through 2014.

Some 80 – 100 people participated in each of the cleanups, collecting more than 2,300 pieces of trash — broken plastic strewn among seaweed, a shoe insert, ceramic tiles, a printer cartridge and, most commonly, plastic bottle lids.

In addition to the environmental and community benefit, the beach outings promote awareness of the impact of waste on the marine environment and an appreciation of the natural environment.

"The Adopt-A-Beach program is an excellent example of Nexen's commitment to social responsibility," says Brad Koskovich, U.S. Regional Manager, Health, Safety, Environment, & Social Responsibility. "This initiative provides an opportunity for Nexen employees to engage with the community and key stakeholders on environmental issues in an area where our industry has a potential impact on the environment."

“ WE BUILD UPON OUR EMPLOYEES' COMMITMENT TO OUR COMMUNITY BY PROVIDING THEM WITH FUN AND ENGAGING OPPORTUNITIES TO VOLUNTEER IN THEIR COMMUNITY AND CONNECT WITH THEIR COLLEAGUES. ”



THE CLEAN UP KIDS

Children haul some lumber they found washed up on the beach at the Galveston Island State Park in Galveston, Texas, where Nexen employees and contractors from Houston and their families took part in a beach clean-up.



TEAM WORK

Eric Kubera leans back as son Owen drops more garbage into his bucket during the beach clean-up.

COMMUNITY INVESTMENT

GIVING BACK... & REACHING OUT

At Nexen, giving back to the communities where we live and work is deeply rooted in our values. Investing in communities is not just the way we do business; it's a point of pride for our company and something that is very much in the mindset of our management, our employees and our contractors.

As our business grows, we continue to build on the success of our unique ReachOut-branded community investment program. In 2012, Nexen contributed a total of \$13.1 million in grants and donations to communities where we operate globally. This compares with an overall contribution of \$11.3 million in 2011.

REACHOUT — GIVING, MATCHING, HELPING

Nexen's ReachOut program brings strategic vision and focus to the work we do in communities, which is channeled into three areas:

Giving

Direct financial contributions to non-profit and registered charitable organizations.

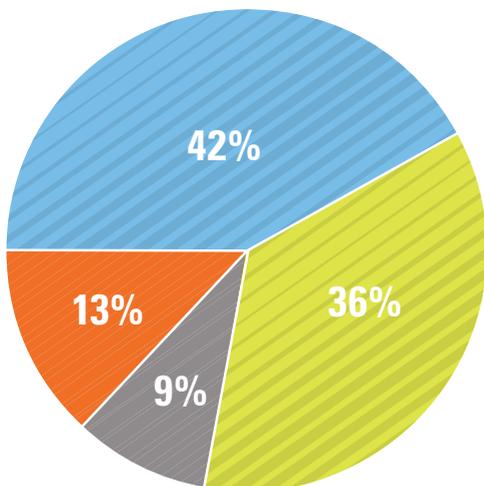
Matching

Matching employee, director and contractor contributions to registered charitable or non-profit organizations.

Helping

Employees receive two paid days off annually to volunteer and can qualify for a grant for volunteering 40 hours of personal time to a charitable or non-profit organization; and company team building initiatives to help local organizations.

HOW WE GIVE



-  **Education, Excellence and Innovation**
-  **Supporting Communities**
-  **Celebrating Arts and Culture**
-  **Other (Environmental Care and Joint Venture Contributions)**

GIVING

In 2012, Nexen invested approximately \$10.8 million in communities where we operate through grants and donations. We target giving to four funding categories: Education, Excellence and Innovation; Celebrating Arts and Culture; Supporting Communities; and Environmental Care. The latter is a new category, introduced in late 2012. We are committed to increase funding in this category in 2013.

Here are some of the notable contributions in each category:

Education, Excellence and Innovation

- Support for the Ch'nook Initiative at the University of British Columbia's Sauder School of Business. The program provides extended learning opportunities for post-secondary Aboriginal business students enrolled in institutions in Canada.
- Investments in Fort McMurray, Alberta's innovative Science & Technology Centre at Father Patrick Mercredi High School and assisting Keyano College's new Oilsands Trades and Technology Centre.
- Sponsorship for the Partners for Mental Health Foundation, a Canadian agency dedicated to improving the way we think about, act toward and treat mental health.
- In the UK, Nexen supports the Outward Bound Trust — an organization that helps young people realize their potential through outdoor learning.
- Nexen's flagship Yemen Scholarship Program has awarded scholarships since 1997, providing opportunities for 130 Yemeni students to pursue post-secondary education in Calgary. Nexen also offers Aboriginal and Oil Sands scholarships as well as a new scholarship program for engineering and business disciplines across seven universities in the UK.

Supporting Communities

- Contributing to the Alberta Shock Trauma Air Rescue Society (STARS) Foundation to help purchase medical interiors for the new A139 helicopters. The new fleet of helicopters will reduce response time, extend reach capabilities, allow care for additional patients and enable missions in adverse weather conditions.

- Supporting the Street Child Care and Welfare Initiative in Lagos, Nigeria. The organization provides shelter, food, clothing, medical care, counseling and education support for up to 25 youth.
- Donating to a wide range of programs at charitable foundations in Colombia, including programs that provide physiotherapy and language training for children with developmental disabilities, nutritional programs for children and seniors and new home builds for families living in poverty.
- Nexen has committed to cover the full cost of building the Cabin Café at the Pitcaple Environmental Project, a charity that provides employment and training for people with learning disabilities in the Aberdeenshire area of the UK.

Celebrating Arts and Culture

- Nexen supports organizations that showcase artistic innovation and inspire audiences in our communities. We are proud to support visual and performing arts organizations including Alberta Ballet, One Yellow Rabbit, Theatre Calgary, Alberta Theatre Projects, Theatre Junction Grand, the Calgary Philharmonic Orchestra, Glenbow Museum, Calgary Opera and Aberdeen Opera Company.

MATCHING

Nexen matched a total of \$1.7 million in employee, contractor and director contributions to charitable and non-profit organizations in 2012. Nexen matches employee donations dollar-for-dollar to a maximum of \$20,000.

In Calgary, we broke our United Way fund raising record in 2012, raising \$1.5 million for United Way Calgary and Area, compared with our 2011 total of \$1.48 million. Nexen also supported United Way campaigns in Fort McMurray, Dallas and Houston in 2012.

HELPING

Another unique component of our ReachOut program lies in harnessing the energy and enthusiasm of our employees to contribute their time to causes and initiatives that are important to them personally. In 2012, Nexen contributed approximately \$576,500 to communities through our employee volunteer program. The value we bring as neighbours, partners and employers includes:

- In 2012, our employees applied for \$166,000 in grants for volunteering 40 hours of personal time to qualified organizations.

- Employees also contributed more than 12,000 hours to their communities during work days in 2012 through Nexen Volunteer Days, team-building initiatives as well as summer student events and secondments to charitable and non-profit organizations. When monetized, these hours represent \$410,300 of value given back to communities.

- In 2012, 12 Nexen summer students were seconded to charitable and non-profit agencies in Calgary to complete their work terms. Agencies included Hospice Calgary, Between Friends, Providence and UNICEF.



UNITED WAY CAMPAIGN

Calgary employees create a human canvas to kick off Nexen's 2012 United Way Campaign.



SWAPPING TECH FOR TOOLS

Nexen employees shed their laptops and mobile devices to help out with a Habitat for Humanity rebuild in Calgary, Alberta.



MARTA POZNIAK (LEFT) AND JOANNA SIMPSON FROM OUR ABERDEEN OFFICE PITCH IN TO BUILD AND MAINTAIN A COMMUNITY GARDEN IN THE NEARBY COMMUNITY OF PITCAPLE. NEXEN HAS SUPPORTED THE PITCAPLE ENVIRONMENTAL PROJECT SINCE 2006 AND WILL COVER THE FULL COST TO BUILD A CAFÉ SLATED TO OPEN IN THE SPRING OF 2013. THE LONG-TERM GOAL OF THE PROJECT IS TO CREATE A COMMUNITY SPACE WHERE PEOPLE WITH DISABILITIES CAN GROW AND SELL ORGANIC PRODUCE, CARE FOR AND ENJOY A SENSORY GARDEN, AND ENJOY A TREE TRAIL AND FLOWER GARDEN.



INDEPENDENT ASSURANCE REPORT

TO THE BOARD OF DIRECTORS AND MANAGEMENT OF NEXEN INC. ("NEXEN")

We have reviewed selected performance indicators (the "Subject Matter") presented in Nexen's Sustainability Report (the "Report") for the year ended December 31, 2012. A review does not constitute an audit and, consequently, we do not express an audit opinion on the selected performance indicators.

Responsibilities

Nexen management is responsible for collection and presentation of the Subject Matter set out in the Report. Our responsibility is to express a conclusion, based on our assurance procedures, as to whether anything has come to our attention to suggest that the Subject Matter is not presented fairly in accordance with the relevant criteria.

Subject Matter

We reviewed the selected performance indicators listed below and set out in the Report [GRI Reference]:

■ Community investment [EC1]	CAD \$13.1 million
■ Fresh water withdrawn and consumed in onshore assets [EN8]	3.52 million cubic meters
■ Total CO ₂ -equivalent emissions [EN16]	4.88 million tonnes
■ Production carbon intensity [EN16]	0.29 t CO ₂ e / m3OE
■ Number of reportable environmental spills [EN23]	89 spills
■ Estimated volume of reportable environmental spills [EN23]	484 cubic meters
■ Number of reportable environmental exceedances [EN23]	195 exceedances
■ Voluntary employee turnover rate [LA2] (web only)	7.42%
■ Employee and contractor loss time injury frequency [LA7]	0.17 (# of loss time incidents per 200K hours worked)
■ Employee and contractor total recordable injury frequency [LA7]	0.76 (# of recordable injuries per 200K hours worked)
■ Employee engagement score (web only)	56%
■ Reported and substantiated integrity incidents [SO4]	19 incidents

The Subject Matter was chosen by Nexen management primarily on the basis of perceived external stakeholder interest. We did not review the narrative sections of the Report except where they incorporated the Subject Matter, nor did we review other performance indicators included in the report.

Assurance standards and procedures

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Federation of Accountants. As such, we planned and performed our work in order to provide limited assurance with respect to the Subject Matter. We obtained and evaluated evidence using a variety of procedures including:

- Interviewing relevant Nexen management and staff responsible for data collection and reporting;
- Obtaining an understanding of the management systems, processes and the relevant controls used to generate, aggregate, and report the data at Nexen operations and corporate office;
- Reviewing relevant documents and records on a sample basis;
- Testing and re-calculating information related to the selected performance indicators on a sample basis; and,
- Assessing the information for consistency with our knowledge of Nexen's operations, including comparing Nexen's assertions to publicly available information.

Our assurance criteria comprised the Global Reporting Initiative (GRI) Sustainability Reporting 3.1 Guidelines (2011), industry standards, and Nexen internal management definitions as disclosed in the Report, informed by relevant regulations. Our assurance team included individuals with environmental, health and safety, social, economic and assurance experience.

Environmental and energy use data are subject to inherent limitations of accuracy given the nature and the methods used for determining such data. The selection of different acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

Conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Subject Matter is not, in all material respects, presented fairly in accordance with the relevant criteria. This report is intended solely for use by the Management and Board of Directors of Nexen.



Deloitte LLP

Calgary, Alberta, Canada
April 17, 2013

LEARN MORE ABOUT NEXEN

AWARDS AND RECOGNITION

We're pleased to be recognized for the way we work. These awards reflect our values: good governance practices, transparent disclosure, effective stakeholder relations and a dynamic workplace that attracts and engages talented people.

Global 100 Most Sustainable Corporations from Corporate Knights Magazine, 2013



Canada's Top 100 Employers 2012, Mediacorp Canada Inc.



Alberta's Top 60 Employers, 2013, Mediacorp Canada Inc.



2012 Dow Jones Sustainability Index



Top 50 Most Socially Responsible Corporations 2012, Maclean's Sustainalytics



Aon Hewitt 2012 Green 30 List, Maclean's Magazine

CARBON DISCLOSURE PROJECT

Carbon Disclosure Leadership Index (Canada), 2012



Progressive Aboriginal Relations Certification – Silver Level, Canadian Council for Aboriginal Business



Community Engagement Award, 2012
World Shale Oil & Gas Summit



2012 Corporate Reporting Award for Oil and Gas, Canadian Institute of Chartered Accountants



Annual Report Award for Financial Statements and Analysis for Senior Oil and Gas Companies, Oilweek Magazine, 2012

Printed on McCoy Silk cover and text 10% post consumer waste. This project resulted in:

7,306 litres of water not consumed
59 kg solid waste not generated
162 kg net greenhouse gases prevented
2,000,000 BTUs energy not consumed

Environmental impact estimates were made using the Environmental Paper Network Paper Calculator Version 3.2. For more information visit www.papercalculator.org.



If you choose not to keep this book, please place it in a recycling bin.

SOCIAL MEDIA

Nexen uses social media platforms to share information about our business, our community involvement and career opportunities.



See photos of our operations, how we invest in our communities and how we are a responsible energy developer.

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Learn about Nexen, the communities we invest in and what makes us an employer of choice.

YouTube™ is a Google Brand Feature which is a distinctive brand feature of Google, Inc. www.youtube.com/Nexen



Nexen is hiring! www.linkedin.com/company/nexen





“ SHOCK TRAUMA AIR RESCUE SOCIETY (STARS) EXISTS TODAY BECAUSE OF COMMUNITY-MINDED ORGANIZATIONS LIKE NEXEN. THOUSANDS OF LIVES HAVE BEEN TOUCHED, FROM THE CRITICALLY ILL AND INJURED PATIENTS WE HELP, TO THEIR FAMILIES AND FRIENDS. ON BEHALF OF STARS, **THANK YOU FOR YOUR SUPPORT.** ”

– ANDREA ROBERTSON
STARS PRESIDENT AND CEO



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