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October 1, 2012

Nexen is pleased to provide additional information addressing our actions related to the ten principles of the UN Global Compact. Supplemental to Nexen's 2011 Sustainability Report, we have included information that is available from our website, [www.nexeninc.com](http://www.nexeninc.com).

The relevant sections of our external website that are attached include:

- Human Rights
- Employee Relations
- Environment - Habitat Management
- Environment – Waste
- Anti-Corruption

In addition, we have attached a copy of Nexen's Employee Relations Policy.

If you would like additional information please visit our website at [www.nexeninc.com](http://www.nexeninc.com) or contact us at [sustainability@nexeninc.com](mailto:sustainability@nexeninc.com).

Sincerely,

A handwritten signature in black ink that reads "Jeff Flood". The signature is written in a cursive, flowing style.

Jeff Flood  
General Manager, Social Responsibility  
Nexen Inc.

## Human Rights



### Respecting Universal Rights

Wherever we operate, Nexen's commitment to respect human rights remains the same. We do so by striving to ensure business decisions are examined for their potential impact on human rights and by taking steps to ensure employees and contractors are never complicit in human rights abuses. We do this because we believe supporting human rights is a fundamental aspect of responsible energy development.

### UN Guiding Principles

In June 2011, the UN Human Rights Council unanimously endorsed Professor John Ruggie's [Guiding Principles on Business and Human Rights](#) (PDF 0.2MB). The Guiding Principles provide a blueprint for companies to reduce the risk of causing or contributing to human rights harm.

Nexen is working through [IPIECA](#), the global oil and gas industry association for environmental and social issues, to develop a coordinated, effective industry response to the Guiding Principles. Together with IPIECA's 32 member companies and 14 industry associations, we will update our systems and processes for due diligence and grievance mechanisms and more clearly communicate our industry's performance when it comes to respecting human rights.

As our work with IPIECA progresses, Nexen is committed to updating our existing [Human Rights Policy](#) in 2012. This policy, one of the first to be published by an upstream oil company, includes our commitment to internationally recognized human rights and to respect the rights of employees and communities.

### Managing Human Rights Risk

One of the ways we assess and manage human rights risk is through a process known as Above Ground Reviews (AGRs). These reviews assess a country's political, security, regulatory and social issues through interviews with government officials, industry operators, journalists, non-governmental organizations and security specialists. In addition to conducting AGRs prior to making an initial investment in a new location, updates are conducted on a regular basis.



## Security & Human Rights

Nexen operates in parts of the world where concerns about civil strife, violence, terrorism and human rights abuses are an issue. The safety and security of our employees, our assets and our host communities are fundamentally important. We closely monitor global political and security situations, and we have detailed contingency plans in place in the event of a crisis.

We also insist that anyone employed or contracted to provide security for Nexen respect human rights as recognized under universally accepted international laws and standards. Nexen screens all third-party security providers we hire, and they're trained according to our company's standards. Paul Nelson, Director of Global Security for Nexen, explains: "When we operate in a foreign environment, we integrate local and Canadian standards and clearly communicate our expectations to those who work on our behalf. Regular meetings and ongoing training ensure these expectations are understood and demonstrated."

Nelson emphasizes that relations with local stakeholders is the front line of security. "Engaging with host communities and developing positive relationships help keep our people and facilities safe and our reputation secure. Communities can also be a critical source of information about local tensions that may affect our operations or our people."

## Employee Relations



### Attracting & Retaining Top Talent

Nexen is a knowledge-rich company where the talent, commitment and expertise of our employees provide a competitive advantage. That's why we offer challenging, interesting careers with competitive rewards that attract a skilled and engaged workforce. At the end of 2011, we had approximately 3,000 regular employees worldwide (including regular, rotational and expatriate employees).

### Measuring Engagement

One of the tools Nexen has used since 1999 is a best employers study. The feedback we receive from this survey is shared with management who use the information to improve our human resource practices, including programs aimed at strengthening individual performance, career opportunities and recognition. The survey also provides feedback on leadership traits, communications effectiveness and process improvements we can implement to make our company more efficient.

Employee feedback from 2011 indicated employees want to see improvements in performance management, [career development](#) and how we communicate company goals and performance. In response, we've taken action on a number of fronts:

- We've improved performance management processes for both managers and employees through a number of tactics. These include establishing measurable departmental and individual goals aligned with company objectives, conducting training sessions at all levels of the organization and holding management accountable for the completion and communication of individual performance appraisals for all eligible employees.
- We're creating more structured career management and leadership development programs which include our Technical Talent Framework – a newly implemented technical assessment process aimed at accelerating the development and success for technical staff. We've also developed the Nexen Catalyst Program to enhance middle management leadership skills through a partnership with the globally renowned Saïd Business School at the University of Oxford. More leadership development programs available for all management levels are being launched in 2012.
- We're communicating [Nexen's Way](#), an employee document which clarifies our company's purpose, values as well as our organizational goals and strategies. Senior executives are also increasingly visible across the company and



play a key role in communicating our priorities as well as the expectations we have of our workforce to deliver high performance.

## Supporting Communities through Employment

Nexen is committed to providing meaningful employment opportunities to Canada's Aboriginal people. This means striving to hire Aboriginal people in numbers that reflect the proportion of Aboriginal people in the communities where we operate as well as ensuring Aboriginal people are hired at all levels of the organization.

To do this, we utilize targeted recruitment strategies such as summer student employment programs and campus visits. In addition, Nexen assists Aboriginal communities to build capacity for educational success, providing scholarships for Aboriginal students and supporting educational programs such as [Sunchild E-Learning](#), [The National Aboriginal Achievement Foundation](#) and the [Banff Centre's Aboriginal Leadership and Management Program](#). While these organizations and the Aboriginal communities they serve benefit from our involvement, Nexen also benefits through what we learn from the diverse cultures of the Aboriginal people of Western Canada.

## Performance

### Employees by Region

	Employee Type			Grand Total
	Regular	Fixed Term	National	
Canada	1,959	47	0	2,006
Norway	2	0	0	2
Other <sup>1</sup>	9	0	51	60
United Kingdom	501	0	0	501
United States	331	0	0	331
Yemen	29	0	138	167
<b>Total</b>	<b>2,831</b>	<b>47</b>	<b>189</b>	<b>3,067</b>

1 Other includes employees in the following locations: Barbados, Colombia, Nigeria, Singapore and United Arab Emirates.

### Percentage of Yemeni National Employees

(%)

	2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>2</sup>
	88	90	91

1 Percentage of total Yemeni workforce calculated for Yemen Masila (Block 14) workforce only.

2 Percentage of total Yemeni workforce calculated for Yemen Block 51 workforce only (Block 14 was divested in 2011).

### Nexen-wide Demographics

(%)

	2009	2010	2011
Workforce in Managerial Roles and Above	28	29	29
Women in the Workforce	32	32	35
Women in Managerial Roles and Above (% of total women, not total population)	14	15	16

### Percentage of Unionized Workforce

(%)

	Fixed-term	Regular	National	Total	%
Canada	0	24	0	24	0.79
Yemen	0	29	138	167	5.49
<b>Total</b>	<b>0</b>	<b>53</b>	<b>138</b>	<b>191</b>	<b>6.28</b>

### Breakdown of Workforce - by Employment Type

	Full-time	Part-time	Total
Canada	1,945	61	2,006
United Kingdom	487	14	501
United States	331	0	331
Yemen	167	0	167
Other <sup>1</sup>	60	0	60
Norway	2	0	2
<b>Total</b>	<b>2,992</b>	<b>75</b>	<b>3,067</b>

1 Other includes employees at the following locations: Barbados, Colombia, Nigeria, Singapore and United Arab Emirates.



# Net Employment Creation

(Year-over-year change in overall headcount)

Location	2011						2010			Change 2011 over 2010		
	Regular	Fixed	Nigeria National	Colombia National	Yemen National	Singapore National	Regular	Fixed	National	Regular	Fixed	National
Canada	1,959	47	-	-	-	-	1,944	68	-	15	(21)	0
Norway	2	-	-	-	-	-	29	1	-	(27)	(1)	0
Other <sup>1</sup>	9	-	13	38	-	-	7	-	46	2	0	5
United Kingdom	501	-	-	-	-	-	431	-	-	70	0	0
United States	331	-	-	-	-	-	333	-	-	(2)	0	0
Yemen	29	-	-	-	138	-	76	11	979	(47)	(11)	(841)
<b>Total</b>	<b>2,831</b>	<b>47</b>			<b>189</b>		<b>2,820</b>	<b>80</b>	<b>1,025</b>	<b>11</b>	<b>(33)</b>	<b>(836)</b>
			<b>3,067</b>				<b>3,925</b>			<b>(858)</b>		

1 Other includes employees at the following locations: Barbados, Colombia, Nigeria, Singapore and United Arab Emirates.



**Voluntary Turnover Rate**  
(%)

	2009	2010	2011 <sup>1</sup>
	3.88	7.72	8.87

1 As of January 15, 2012.

**Employee Engagement Score<sup>1</sup>**  
(%)

	2009	2010	2011
	73	61	53

1 The feedback we receive from the engagement survey is shared with management who utilize the information to improve our human resource practices, including programs aimed at strengthening individual performance, career opportunities and recognition.





## Habitat Management

### Building Healthy Ecosystems that Support Biodiversity

Nexen operates in areas of rich and sensitive ecosystems such as Canada's boreal forest and prairie grasslands as well as offshore marine environments in the UK North Sea and Gulf of Mexico. We recognize that earning the social license to operate and grow our business is dependent on our ability to explore for, and develop, energy reserves without adversely affecting natural ecosystems and wildlife. As a result, we integrate ecosystem considerations into our business practices and operations. This helps us minimize risks and maximize opportunities to make a positive contribution to protect ecosystems in all of the areas that we operate.

### Minimizing Impacts Through Subsea Research

Learn how remotely operated vehicles are used in the study of marine science in the Gulf of Mexico.

The deep sea (below 200 meters) is the largest habitat on earth. But little is known about life in this ecosystem because of its inhospitable nature; sunlight does not penetrate those depths, temperatures hover just above the freezing point, and the pressure renders human access only possible through pressure-controlled vehicles.

To operate and learn more about these environments, Remotely Operated Vehicles (ROVs), sometimes described as a "robot submarines" are used. ROVs are the "eyes and hands" needed to complete numerous deep subsea missions, from turning bolts to closing valves. Oceaneering International Inc. is a leading provider of ROVs and operated it on behalf of Nexen below a rig in the deepwater Gulf of Mexico.

When the ROV is not being used to directly support rig operations, it's employed as part of an innovative academic/industrial collaboration known as SERPENT (Scientific and Environmental ROV Partnership using Existing industrial Technology). By performing bottom and mid-water column surveys, the [Gulf SERPENT Project](#) is able to document the range of habitat for known species while also visually identifying wildlife that's rarely, if ever, been sighted. During initial surveys conducted in partnership with Nexen, high quality videos were obtained of two deep sea cephalopods (squids). Experts at the Smithsonian Institute later identified the first squid as *Histioteuthis corona* and the second squid as *Mastigoteuthis hjorti*. SERPENT is also being used at Nexen's offshore platforms in the UK North Sea.

"Both species are seldom observed," says Mark Benfield, an Oceanography & Coastal Sciences professor at Louisiana State University and a member of the Gulf SERPENT Project, "and each new sighting provides new insights into their behaviour and distribution."

## Wildlife



A young bull moose near our shale gas operations in the Horn River basin of northeastern B.C.

### Getting to Know our Neighbours

Nexen operations share habitat with a variety of key species that contribute to ecosystem biodiversity – from bears to migratory birds to rare deepwater squid and plant species. The more we understand their life histories and environments, the more able we are to adjust our activities and minimize disturbance.

Both independently and in partnership with industry peers, governments, universities, and other organizations, Nexen invests in research, monitoring and conservation activities that build the healthy ecosystems that support biodiversity.

### Protecting Wildlife

In northeastern British Columbia, Nexen, along with nine other shale gas producers, is working to better understand the potential impact of the industry's operations on boreal caribou. Boreal caribou are listed as “threatened” under the federal Species at Risk Act and habitat disturbance caused by both natural events and industrial activity has been linked to increased predation of caribou calves.

The four-year study, undertaken by University of Alberta researchers, involves placing GPS radio collars on boreal caribou and their predators to track activity during calving season. The goal is to identify where caribou calves are most vulnerable to predators – and where survival rates are highest – and then put this information to practical use to increase rates of calf survival.

Other examples of initiatives we've taken to protect wildlife and maintain a healthy ecosystem include:

- Supporting grizzly bear research through the [Foothills Research Institute Grizzly Bear Program](#), while also making operational decisions to avoid building roads through areas with high populations of grizzly bears.
- Contributing to the [Alberta Biodiversity Monitoring Institute](#), which collects valuable monitoring data on more than 2,000 species and habitats in the province.
- Donating to the Alberta [Institute for Wildlife Conservation](#) to protect bald eagles, hawks, great horned owls, red fox and other wildlife near the site of the former sour gas plant in Balzac, Alberta, that is now being reclaimed and remediated.

- Supporting the work of [Nigerian Montane Forest Project](#) to protect the ecological integrity of Nigeria's montane forests.
- Implementing an invasive species program to control potentially harmful non-indigenous species such as certain types of weeds in our land-based developments and non-indigenous mussels, fish and jellyfish in our marine operations.
- Introducing bird deterrent devices to discourage migratory birds from entering areas where they may be harmed.

## Habitat Stewardship



Our Long Lake oil sands facility is situated in the distance.

Responsible habitat management must consider a variety of scales. While focusing on key species is a valuable exercise, it is also important to consider the landscape as a whole. Our activities – whether it's drilling wells or building large oil sands projects – disturb land, and we work to minimize that impact in a number of ways:

- Prior to development, Nexen conducts environmental assessments, engages local stakeholders and identifies sensitive ecosystems so we can determine how best to mitigate impacts when developing our oil and gas projects.
- In our conventional oil and shale gas operations, we use narrow seismic lines, directional drilling and reuse old seismic lines when possible to avoid unnecessary land disturbance.
- We share infrastructure, including access roads and pipelines, with other developers. For example, in northeastern British Columbia, Nexen and other industry operators share the use of the 100-kilometre Komie Road (owned by another energy developer) to access our wellsites and other assets. Pipelines carrying production from multiple producers will be built alongside the Komie Road to localize industry's footprint as much as possible. In addition, public access to the road is restricted to ensure wildlife in the region is not exposed to additional hunting pressure.

## Reforestation



A strand of Aspen trees near our shale gas operations in northeastern B.C.

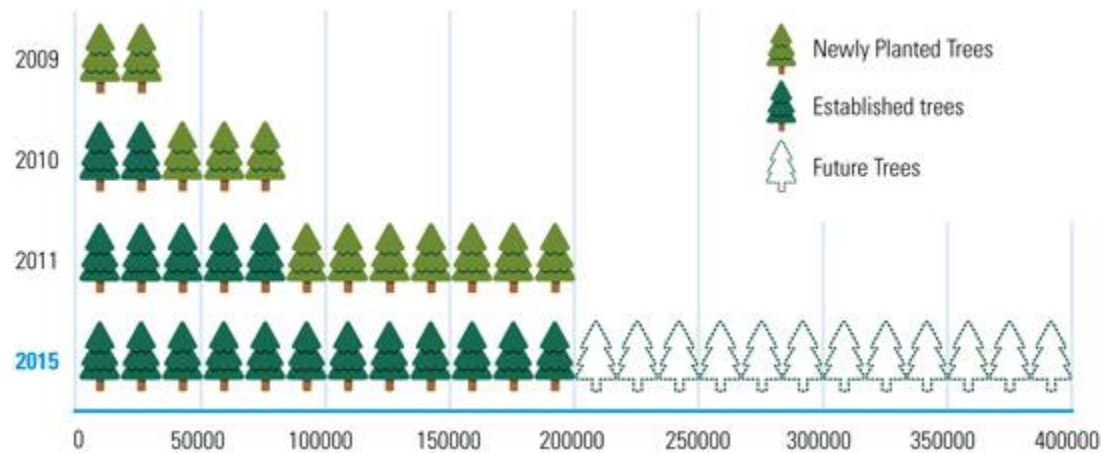
As part of the collaborative work we do with [Canada's Oil Sands Innovation Alliance \(COSIA\)](#), Nexen is the executive sponsor of the Land Stewardship Working Group, chaired by Nexen employee Will Hughesman, Manager of Regulatory Affairs, Community Consultation & Regulatory Affairs. The objectives of this group include:

- Reducing the landscape footprint of in-situ and mining oil sands development
- Reversing the decline of wildlife species of concern in northeastern Alberta

As such, the group is working on a number of ground-breaking fronts. Among them is the Faster Forests initiative, which has resulted in approximately one million trees and shrubs being planted between 2009 and the end of 2011. This initiative is also introducing more diversity to the forest floor. 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.

The stewardship group is also advancing winter wetland planting. The wetlands of the boreal forest are important for water quality and animal habitat, but they're difficult to access for planting during the warmer months due to the bog-like nature of this land. In 2011, black spruce seedlings were successfully planted in wetlands in mid-winter and 90% of the 900 seedlings planted survived. As a result of this success, the initiative will be expanded in 2012 to include other species planted in greater numbers.

## Post Production



At Nexen we're committed to reclaiming the land we use. One way we're reclaiming land at our Long Lake oil sands site is by planting new trees to replace those that we've disturbed. At the end of 2011 approximately 200,000 trees had been planted at site – a number that's expected to double by 2015.

## Terrestrial Remediation & Reclamation

Once oil and gas activities are completed, most jurisdictions require disturbed habitats to be returned to 'equivalent land capability' – meaning that industry is required to reclaim the land. Remediation involves removing any contamination on site, and reclamation involves contouring the land and planting species to start successional regrowth of the area.

Establishing vegetation on sites can be as simple as natural re-generation of native species or providing assistance through planting woody or herbaceous vegetation.

For example, at our Long Lake oil sands facility, many of our core hole exploration sites were planted to enhance the reclamation process of establishing healthy forest. Reclamation efforts included the planting of 100,000 seedlings at Long Lake in 2011 with plans to plant an additional 120,000 in 2012 to mitigate areas disturbed by seismic and core hole exploration.

We've been actively reclaiming oil and gas sites for many years now:

- In Canada, we have reclaimed and received regulatory closure on approximately 532 hectares of land since 2004. Our Canadian operations exist in a variety of landscapes and ecosystems, each of which has their own unique challenges that require innovative methods to successfully return to their original state.
- Legacy sites such as our historic Manatokan Thermal Pilot plant at Cold Lake, Alberta required an innovative method to reclaim the land. Through the application of science, agronomy and a cooperative attitude of communication with both the landowner and regulators, Nexen received a reclamation certificate in early 2012.

Remediation and reclamation requires the engagement of a diverse group of stakeholders to ensure the land is returned the desired end land use. These positive relationships between government agencies, landowners and the communities we operate in allow us to successfully close the life cycle of our assets.



## Rigs-to-Reefs

In the marine environment, our non-producing offshore assets also have to be safely decommissioned. This process requires wells being cemented shut and remaining structures removed. However, offshore oil and gas structures often serve as surrogate 'scaffolding' for marine organisms, such as coral, to attach to, which create diverse habitats.

Under specific conditions, the Gulf of Mexico is now allowing some offshore oil and gas structures to remain as part of a 'Rigs-to-Reefs' program. Not only does this program provide valuable habitat for a variety of marine species, it also supports local industries such as recreational diving and fishing. Nexen has piloted this program in decommissioning one of our platforms and is in the process of determining what future structures could be incorporated into the program.

A similar program has been launched in Europe, called the '[Living North Sea Initiative](#)'. Both the oil and gas industry and UK regulators are evaluating the feasibility of implementing this program in the North Sea.





## Waste

### Enhancing Waste Data Management

Nexen devotes significant energy to improve our waste management processes and minimize waste related impacts to the environment. A key step in this process involves establishing a baseline set of high quality data that can be used for analysis. To this end, Nexen is enhancing our waste data management processes company-wide, with an anticipated completion date of 2012.

One outcome of this process is our ability to disclose annual company-wide waste generation. We began to collect this data in 2010, which provides us with a benchmark to measure our progress in subsequent years. Our volume of waste increased in 2011 over 2010 primarily as a result of increased drilling during the year.

#### Waste Volumes (kilotonnes)

	2010	2011 <sup>1</sup>
Hazardous Waste	69.0	92.1
Non Hazardous Waste	64.6	114.3
<b>Total</b>	<b>133.6</b>	<b>206.4</b>

1 excludes Yemen

### New Approach: Electronic Waste Management Tracking System

Most jurisdictions, including Alberta, have rigorous legislation to promote the proper storage, handling, and disposal of industrial waste. Associated with this legislation is a documentation system that makes it possible for regulators to audit waste management processes in our industry. This documentation system has historically been paper-based.

In 2011, Nexen and an industry partner initiated an electronic alternative to the paper manifest documents that have traditionally managed and tracked hazardous waste shipments in Alberta. With the approval of the Alberta [Energy Resources Conservation Board](#) (ERCB), our industry regulator, Nexen is now testing the pilot program at our [Long Lake](#) oil sands facility.

The traditional paper-based process requires waste generators to complete five-carbon paper forms that are cumbersome, difficult to manage and track. The electronic alternative eliminates data entry and reduces the amount of time required to prepare waste documentation by half. It also dramatically reduces efforts required for record keeping and tracking wastes to receiving locations.

In addition to these benefits, being able to identify and track wastes electronically by volume and class in real time offers better analysis opportunities, so more emphasis can be directed to identifying waste reduction opportunities.



"This is the first pilot of its type and has the potential to fully modernize the ERCB's waste tracking system across Alberta. In addition, the electronic manifest system has the potential to reduce non-compliances that are created by challenges with the current system."

- Bill Arling, Nexen's Manager, Environment

## Lightening our Load

Large volumes of contaminated soil and bedrock are sent to landfills every year. When contamination has been identified, the contaminant must be removed or remediated from the site. In most cases, this involves digging up the contaminated land and sending it to a landfill. New soil, often in short supply, is then purchased to fill the resulting hole. While this practice is expensive and generates large volumes of waste, it is sometimes necessary to satisfy regulatory criteria within a reasonable timeframe. In contrast, on-site treatment provides an opportunity to both reduce waste generation and protect valuable soil, but it is more complex and takes longer to complete.

When remediating an old wellsite, which was drilled in 1957, Nexen identified more than 70,000 m<sup>3</sup> of contaminated soil and bedrock, likely due to the existence of a flare pit, sump and minimal environmental standards at that time.

Using a 'Modified Trommel' process offered by TR3 Energy, and Trium's 'In-Situ Chemical Oxidation Process' (ISCO), we were able to treat the contaminated land onsite, minimizing waste-related impacts in three ways: no contaminated soil/bedrock was landfilled, no transportation was required to move the contaminated soil/bedrock to the landfill, and no additional soil was required to replace the void. In other words, a bit of upfront planning and creative thinking helped Nexen reduce our environmental footprint.



## Anti-Corruption

### Imbedding Standards at All Levels of Our Company

Corruption, whether in the private or public sector, is a significant impediment to sustainable economic and social development. It's also illegal. As a responsible global citizen, Nexen is committed to doing business free from all forms of corruption.

This commitment is endorsed by our executive management team who emphasize that compliance with our standards of integrity is supported at the highest level of our organization. These standards apply to all of us — every employee, director and officer is required to comply with our policies and is personally responsible for refusing to pay bribes or make improper payments.

### Supporting our Culture of Integrity

Nexen's culture and processes support our commitment in this area. Our [Prevention of Improper Payments Policy](#) requires that all employees comply with applicable laws everywhere we operate. "[How We Work: Our Integrity Guide for Suppliers](#)" sets out expectations for our suppliers regarding high risk behaviours, including those relating to corruption. The Prevention of Improper Payments Policy is periodically reviewed for best practices, vetted by external counsel and reviewed by our Compliance Committee.

The Compliance Committee is comprised of members of our executive management team and provides oversight on potential high risk payments. Approvals required under the Prevention of Improper Payments Policy are dealt with by this Committee, which also receives a quarterly report on high risk payments. This information is also reported to the Board of Directors. As an additional control, our internal audit department assesses corruption risk on a periodic basis and conducts investigations if necessary.

We have also developed a risk-based Prevention of Improper Payments workshop that provides employees in high risk positions with guidance on avoiding improper payments.

## Performance



An integrity training workshop at Nexen.

## Integrity Incidents

When a concern is reported to Nexen's Integrity and Compliance group it is investigated promptly. In 2011, 44 concerns were reported, compared to 35 in 2010. Thirty-two of the reports were confirmed as integrity-related and 12 non-integrity related issues were transferred to the appropriate department for resolution. Of the 32 integrity-related incidents, 16 were substantiated breaches of the Integrity Guide with two ranked medium-risk and the rest ranked low-risk.

### Substantiated Breaches of Nexen's Integrity Guide

Category	2009	2010	2011
Employee Relations	3	3	6
Misuse of Computer Assets	5	5	4
Falsification of Business Records	-	1	2
Safety Violations	-	-	2
Breach of Confidentiality	1	1	1
Fraud	-	-	1
Theft	-	1	-
Conflict of Interest	3	1	-
Vandalism/Violence	1	-	-
Community Affairs	1	-	-
Solicitation for Gifts & Entertainment	-	-	-
Human Rights	-	-	-
<b>Total</b>	<b>14</b>	<b>12</b>	<b>16</b>

## Integrity Leaders

In November, 2011, 20 Integrity Leaders gathered in Calgary to attend the Integrity Leaders' Boot Camp. The purpose of the gathering was to share learnings, leverage knowledge and strengthen Nexen's culture of integrity by equipping Integrity Leaders for their role. Nexen brings Integrity Leaders for a face-to-face meeting at least once annually.



## Recognition

Early in 2011, Transparency International recognized Nexen among the leaders in its ["Promoting Revenue Transparency, 2011 Report on Oil and Gas Companies"](#) (PDF 4.1MB). The report examined the reporting practices of 44 leading global oil and gas including reporting on anti-corruption programs.



**Policy Name:** Employee Relations

**Policy Number:** HR 217

**Policy Owner:** Vice President - Human Resource Programs and Corporate Administration

**Policy Approver:** Vice President, Operational Services, Technology and Human Resources

**Approval Date:** September 30, 2010

## **Policy Statement:**

Employee Relations involves the commitment between the Company and its Employees to foster a respectful work environment where Employees bring their best to work, are engaged, perform at their best levels and act with integrity in all activities. The Company is committed to maintaining employee/employer relationships that support the Company's business goals, adhere to fair employment practices, motivate Employees and ensure healthy Employee engagement. The Company's global policies and practices reflect this commitment.

The Company shall comply with applicable laws in the relevant jurisdictions.

## **1. Definitions:**

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

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

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

**Corrective Action** – means intervention when unacceptable behaviour occurs. The Corrective Action Guidebook suggests appropriate Corrective Action measures. In the UK, Corrective Action refers to the Disciplinary Procedure and appropriate disciplinary action.



**Employee** – means a regular full-time, regular part-time, temporary, casual or fixed term employee of the Company. For the purpose of this policy a “Regular Employee” is an Employee of the Company whose end date of employment is not defined.

## **2. Objectives:**

The objective of this policy is to ensure that all Employees have a clear understanding of the fair employment practices of the Company and associated legislated requirements and to set expectations for them to abide by these practices and requirements.

## **3. Persons Affected:**

This policy affects all Employees working for the Company.

## **4. Policy:**

This policy is based on the principle of respect and fair treatment throughout all phases of Employees’ careers from recruitment, through employment and career development to departure.

The Company is committed to:

- providing fair conditions of employment which, at a minimum, conform to all legislative requirements and regulations applicable to the Company
- providing a respectful, inclusive and harassment-free workplace
- providing safe and proper working conditions consistent with industry and local standards
- establishing reasonable standards of performance, supplying the tools and resources to do the job, providing clear directions and instructions to Employees, and applying job performance standards and workplace rules in a fair and consistent manner
- promoting and maintaining channels for open communication
- providing mechanisms to prevent and resolve disputes among Employees or between the Company and Employees

### **4.1. Equality and Diversity**

The Company ensures that its employment policies and practices prevent discrimination as described in the Company’s Human Rights Policy in all aspects of the employment process including but not limited to recruitment, selection, hiring, terms of employment, evaluation, promotion, training, development, discipline, remuneration, retirement and termination of employment.

The Company’s employment-related decisions are based on relevant qualifications, merit, performance and other job-related factors that offer equal opportunities to all applicants and Employees.



The Company recognizes and respects the diverse cultures and perspectives of its Employees and believes that the variety of experiences, backgrounds and talents that Employees bring to the workplace lead to innovation and new ideas that maximize the Company's capabilities. The Company promotes a diverse and inclusive workforce and requires that all Employees exhibit proficiency in the Company's Core Competencies.

#### **4.2. Employee Representation/ Labour Relations/ Unions**

The Company recognizes the principle of freedom of association and where labour organizations have been certified as representatives of a group of Employees, strives to build a relationship based on mutual integrity, respect, cooperation and open communication. The Company maintains and follows grievance resolutions according to collective agreement provisions in any agreements entered into by the Company.

#### **4.3. Employee Dialogue / Communication and Consultation**

The Company recognizes the value of open communication and joint consultation between management and Employees. It therefore encourages the exchange of information, ideas and views about matters of mutual interest and concern through a variety of channels including town hall meetings, "lunch and learn programs" and other Employee information sessions. The Company participates in regular Employee opinion surveys to measure Employee engagement and may utilize the results of the survey to improve Human Resources programs and practices.

#### **4.4. Corrective Action**

The Company maintains positive, fair and consistent Corrective Action procedures to improve Employee performance and intervene when unacceptable behaviour or performance occurs. The Corrective Action Guidebook suggests appropriate Corrective Action measures. In the UK, the Disciplinary Procedure provides direction on appropriate disciplinary action.

#### **4.5. Terminations, Layoffs and Redeployment**

If redundancies occur the Company is committed to treating Employees with dignity and respect throughout such a transition process.

The Company will make reasonable efforts to find alternative suitable positions for Employees within the Company. If alternatives are not found, the Company will manage the layoffs according to the requirements of local legislation and may in certain circumstances provide further support in the form of monetary payment, counseling and career management.

There may be situations other than redundancies where an Employee may be redeployed. For example, the Employee returns from an extended leave of absence (e.g. long-term disability) and his or her original position has been filled. In this event, redeployment may be required.



## 5. Roles and Responsibilities:

**Employees** - are responsible for reading and complying with the fair employment practices outlined in this policy and other related Company policies and seeking clarification as required from their supervisor/ manager or Human Resources representative.

**Corporate Human Resources** - is responsible for ensuring the Company complies with Human Resources policies and procedures globally. Human Resources consults with and receives direction from Nexen legal counsel on all policy changes. The Corporate Human Resources Employees who are the resident experts in various areas of human resources work with Human Resources Representatives at all locations to continuously improve programs so that they are competitive and meet Employees' needs, and to ensure global alignment with the Company's Values and policies. They are also responsible for ensuring that policies and procedures are updated on a regular basis to reflect legislated changes to employment law in all jurisdictions.

Human Resources coordinates all Corrective Action situations and processes related to harassment investigations and terminations of employment.

**Labour Relations Activities** - A Division Human Resources Manager is responsible for directing the negotiation and administration of the Division's collective bargaining agreements and will be involved or consulted in matters related to the interpretation of collective agreement provisions, the establishment and administration of workplace rules, Corrective Action or disciplinary procedures and the resolution of union grievances.

The development of the Division's negotiation mandate will be coordinated by the Division Human Resources Manager who will recommend the mandate to the Division Vice President/Senior Vice President and the Vice President Operational Services, Technology and Human Resources for approval before negotiation commences.

**Human Resources Representatives** – are responsible for ensuring Employees and managers understand the terms and conditions of the Company's Human Resources policies and procedures. They work directly with these groups to identify issues and resolve problems. They are responsible for creating strategies to improve conditions that are unique to their location and interacting with specialists in Corporate Human Resources to implement these strategies.

**Health, Safety, Environment & Social Responsibility (HSE&SR)** – is responsible for promoting a safe and healthy work environment consistent with industry and regulatory standards.

**Legal Department** - is responsible for providing Corporate Human Resources with expertise on legislated changes to employment law to ensure the Company's



employment policies and procedures are up to date and compliant with legislation in all locations in which the Company operates.

**Supervisors/Managers** - are responsible for ensuring this policy is applied within their departments and for contacting Human Resources for clarification as required. They are responsible for maintaining and promoting the principles of this policy in their hiring practices and in their relationships with other Employees.

## 6. Compliance:

Compliance with this policy is an obligation of all Employees.

## 7. Codes of Practice:

See the Corrective Action Guidebook concerning the Corrective Action Process and the UK Disciplinary Procedure.

## 8. Company Policies:

The Company policies related to this policy include:

- How We Work: Integrity Guide
- HR100 People Strategy
- HR257 Respectful Workplace Policy
- HR202 Reward and Recognition
- HR 240 Performance and Career Communication Policy
- HR203 Work-life Balance/ Wellness Policy
- HR249 Alcohol and Drugs Policy
- A 105 Human Rights Policy
- A106 Privacy of Personal Information Policy
- A136 Health, Safety, Environment & Social Responsibility

There are location-specific policies and guides related to this policy.

## 9. Revision History:

DATE	REVISION #	DESCRIPTION OF CHANGE
September 30, 2010	3 <sup>rd</sup> revision	- Expanded to include equality and diversity, Employee dialogue/ communication and consultation; and terminations, layoffs and redeployment.
January 2010	2nd revision	- Policy updated to remove redundant content addressed in newly created Respectful Workplace Policy (HR257)
April 13, 2002	1 <sup>st</sup> revision	- Miscellaneous changes



February 1, 1995	Policy Creation	- New policy created and approved
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