

# State of Connecticut

DENISE L. NAPPIER  
TREASURER



Hartford

September 15, 2009

## Via Electronic Mail

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: *Proxy Disclosure and Solicitation Enhancements (S7-13-09)*

Dear Ms. Murphy:

I write to express support for the Securities and Exchange Commission's Proposed Rule, *Proxy Disclosure and Solicitation Enhancements* (the "Proposed Rule"). As principal fiduciary of the \$21.8 billion Connecticut Retirement Plans and Trust Funds ("CRPTF"), I have long been an advocate for responsible executive compensation policies and practices, including a more rational correlation between pay and long-term company performance, greater transparency surrounding executive pay — such as disclosure of compensation consultants — and greater shareholder input on compensation-related issues. I have also supported initiatives to strengthen the accountability of corporate boards and enhance their role in risk oversight.

These initiatives reflect my conviction that corporate governance can and does affect the value of companies in the CRPTF's portfolio. Robust board oversight is a valuable counterweight to management's undue influence. Appropriate incentives linked to company performance reward superior performance without encouraging excessive risk taking. The Proposed Rule will give investors meaningful information about corporate governance and compensation that will enable them to evaluate company practices and make better-informed voting and investment decisions.

Attached are my comments concerning some of the questions raised by the Commission as well as suggested changes to strengthen various provisions of the Proposed Rule. My main point calls on the SEC to consider adopting the following as part of the Final Rule.

## **Proposed Reforms in the CD&A**

- Disclosure of pay elements that impact risk and decision-making, including internal pay equity, “hold-to-retirement,” and clawback provisions;
- Discussion of performance metrics and specific targets for performance measurement periods that have ended;
- Disclosure of realizable compensation, accumulated wealth and walk-away pay;

## **Compensation Consultant Disclosure**

- Disclosure of all fees paid when a consulting firm provides executive compensation/director consulting and other kinds of services to the same company;
- Disclosure of policies and procedures at compensation consulting firms designed to mitigate conflicts of interest, including equity ownership and incentive compensation arrangements;

## **Compensation Committee Report**

- Requirement for board compensation committees to sign off on the compensation committee report such that the report is deemed “filed” and inclusion of the CD&A disclosure within this report;

## **Proposed Reforms Related to the Board of Directors**

- Extension of disclosure of director skills and experience to include qualifications to serve on key committees, such as audit and compensation committees; and
- Clarification of “material risk” to include risk related to sustainability, such as climate risk.

Beyond our comments, please also know that I support the perspective of the Council of Institutional Investors in its separate comment letter to the SEC on the Proposed Rule.

I appreciate the opportunity to express my views to the Commission on this matter. Please feel free to contact Assistant Treasurer of Policy Meredith Miller should you have any questions concerning these comments. Ms. Miller can be reached at (860) 702-3294 or [meredith.miller@ct.gov](mailto:meredith.miller@ct.gov).

Sincerely,



Denise L. Nappier  
State Treasurer

Attachment

## **Comments of Connecticut State Treasurer Denise L. Nappier Proxy Disclosure and Solicitation Enhancements (S7-13-09)**

### **Background**

The CRPTF has long viewed executive compensation as among the most important corporate governance issues. How a board chooses to pay executives reveals a great deal about how well the board is fulfilling its responsibilities on behalf of shareholders. As the financial crisis has demonstrated, misaligned incentives can induce executives to take risky actions that are not in companies' and shareholders' long-term best interests. Recently, public and media attention has reinforced the CRPTF's commitment to effecting compensation reform.

To that end, the CRPTF has promoted initiatives at individual companies on a variety of executive compensation issues with a focus on fostering pay practices that reward long-term sustainable performance at portfolio companies. The CRPTF also engaged Citigroup and AIG on issues related to risk and executive pay. Shareholder proposals seeking an advisory vote on executive pay at three companies—Sun Microsystems, CVS Caremark and Tupperware Brands—garnered majority shareholder support, while two others received significant votes in favor. Other initiatives dealt with compensation consultants, internal pay equity, severance policy and “hold-to-retirement” requirements.

Throughout these engagements, the CRPTF has stressed the importance of ensuring that shareholders have sufficient disclosure about pay policies and practices to make informed voting and investment decisions. Settlements of proposals at Limited Brands, Merck and Avon Products led those companies to include enhanced disclosure on compensation consultants in their proxy statements. Similarly, the CRPTF's engagements at Goodyear Tire & Rubber and Lockheed Martin in 2009 resulted in more proxy disclosure regarding the role of internal pay equity in the pay-setting process; similar engagements in 2008 also brought about disclosure improvements.

The CRPTF has also been active on issues related to board accountability and leadership, as well as board oversight of risk. A shareholder proposal pressing for an independent board chairman at Walt Disney Co. contributed to the company's decision to separate the roles. This year, the CRPTF sponsored proposals on the subject at Exxon Mobil and Time Warner. The CRPTF also continues to engage with companies on other issues critical to the bottom line, including board diversity and climate risk.

### **Proposed Reforms to the CD&A**

The changes the Commission has proposed to the Compensation Discussion and Analysis (“CD&A”) section of the proxy statement will provide investors with meaningful information that will improve the quality of voting and investment decisions. The changes should apply to all companies that file proxy statements, as there is no reason to believe that compensation policies and practices have less impact at smaller companies or companies in particular industries, the recent focus on financial companies notwithstanding.

The Commission's proposal to require companies to include in the CD&A a discussion of how compensation policies and practices create risk that may have a material effect on the company is commendable. Especially critical is its coverage of policies and practices applicable

not only to senior executives but also to employees further down in the organization. Although the compensation of senior executives is important because they oversee the development and execution of company strategy, the compensation of lower-level personnel, such as risk managers, traders and business area heads, can have at least as large an impact on risk. The Commission should expand this discussion to include elements of director pay that could create a material risk, since the incentives provided to directors can also skew decision making.

The Commission should provide more guidance to companies in determining whether a risk is material for purposes of this discussion. Experience under the principles-based approach of the CD&A has shown that many companies will use the absence of a specific requirement or illustration to conclude that disclosure is not necessary on a topic. For that reason, it would be useful for the Commission to provide examples of the types of risks included in this new discussion.

Further, the Commission should require disclosure, including not just description, but analysis, on several specific items that apply to companies of all sizes and industries and about which there is widespread agreement regarding their possible material impact on risk. Those items are:

- Whether a company has a “hold-to-retirement” or similar policy and, if it does, that policy’s terms; if not, why not;
- Whether the company has a clawback or similar policy and, if it does, a description of that policy; if not, why not;
- Whether the company has any mechanism for retaining some portion of executive bonuses for a period of time to ensure that the performance on which the bonus was based was sustainable; if not, why not; and
- Whether and how the company considers internal pay equity in setting executive pay; if it doesn’t, why not.

To allow shareholders to determine whether compensation received by an executive is the result of performance goals set by the compensation committee, the degree to which the executive meets those goals, and the timing of actual payments of compensation, the Commission should require a tabular presentation that clearly delineates these. The presentation should include (a) the potential (or realizable) compensation for the current year for each Named Executive Officer (NEO) in each compensation category, based on the performance metrics set for that executive (this could be a range), (b) the compensation in the past year, based on performance against performance metrics, and (c) the actual compensation received during the past year (including vesting of restricted stock, exercise of stock options, salary, bonus, etc.).

To clearly show how compensation is related to performance, companies should also be required to disclose performance metrics and specific targets for performance measurement periods that have ended. Investors have been disappointed by the frequency with which companies have refused to disclose this information, claiming that to do so would cause competitive harm. The likelihood of such harm with respect to targets no longer in use is remote, and not disclosing them prevents investors from accurately assessing how strong the link is between pay and performance and whether the choice of performance metrics or targets incentivizes the taking of excessive risk.

Finally, the Commission should mandate disclosure of accumulated wealth and walk-away pay in the CD&A. Specifically, the Commission should require companies to disclose the

total value of all equity (including the value of all vested stock options) and pension benefits held by a NEO at the end of the reporting period. Moreover, investors would greatly benefit from tabular disclosure of walk-away pay, including potential payments under different termination scenarios such as retirement, termination for cause, termination without cause, or a change-in-control. Such disclosure would provide shareholders with a more complete picture of compensation practices and awards at the companies in which they invest.

### **Compensation Consultant Disclosure**

We thank the Commission for considering our May 12, 2008, rulemaking petition<sup>1</sup> to require disclosure of more information on consultants engaged to advise on executive compensation and strongly support the Proposed Rule. Although consultants' advice and survey data are often cited by companies in justifying levels of pay and pay programs, investors do not have any way of knowing whether this advice is independent. Specifically, investors aren't able to assess the extent to which a consultant's objectivity might be compromised by the provision of other consulting services, not related to executive compensation, for the company or its management.

There is reason to believe that conflicts of interest involving compensation consultants are worthy of concern. A 2007 study by the House Committee on Oversight and Governmental Reform ("Oversight Committee Study"), using data subpoenaed from consulting firms, found that on average, consulting firms that provided both executive compensation and other kinds of consulting to companies were paid nearly 11 times more for the other consulting than for the executive compensation services. At 27 companies, this ratio was higher than 20 to one.<sup>2</sup>

The Oversight Committee Study also found that more acute conflicts of interest, as measured by the fee ratio between executive compensation and non-executive compensation services, were associated with higher levels of executive compensation.<sup>3</sup> And although the Oversight Committee did not probe compensation consultant companies on the issue of equity ownership, it did suggest that consulting firms may actively seek out potential employees who can cross-sell other products and services unrelated to the consulting function.<sup>4</sup>

All of this adds up to a strong case for requiring disclosure of services other than executive compensation consulting a firm has provided to an executive compensation client or its board, the fees associated with all engagements, the role of management in hiring the consulting firm for these other services and whether the compensation committee has approved the provision of other services. To provide a complete picture of actual or potential conflicts of

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<sup>1</sup> Rulemaking Petition No. 4-558, "Request for rulemaking requiring companies to disclose in the proxy statement the fees associated with all engagements for a single company and any ownership interest a consultant working for the compensation committee may have in the parent consulting firm," May 12, 2008.

<sup>2</sup> House Committee on Oversight and Governmental Reform, "Executive Pay: Conflicts of Interest Among Compensation Consultants," at 4 (Dec. 2007). I am aware of other studies that purport to find no relationship between full-service compensation firms and higher executive pay. Because there currently is no requirement that companies disclose fees for executive consulting and other consulting services, these studies rely on narrow slices of information, which precludes them from drawing meaningful conclusions.

<sup>3</sup> *Id.* at 6-7.

<sup>4</sup> *Id.* at 8-9.

interest, the Commission should also require disclosure of any policies the consulting firm has regarding (a) ownership of equity interests in the firm by consultants who provide executive compensation consulting services and (b) incentive compensation arrangements that base an executive compensation consultant's compensation on revenue derived from services outside the realm of executive compensation.

The Proposed Rule requires disclosure of information relating to potential conflicts of interest when a consultant has provided both consulting on executive/director compensation and other consulting services. The Proposed Rule states that a consultant is not considered to have provided executive/director consulting services simply by virtue of having “consult[ed] on any broad-based plan that does not discriminate in scope, terms or operation, in favor of executive directors or officers . . . .” Although a carveout of this type is sensible, it should be defined narrowly to ensure that the services it describes are confined to plan design and not to recommending that a compensation committee take any particular action—such as making a specific grant or award—under the plan.

The comment record for this release documents that several consulting firms met with Commissioners Aguilar and Paredes following the release of the Proposed Rule to present a model proxy disclosure on the selection and role of the compensation consultant. Notably, this model omits disclosure of the fees paid for executive compensation consulting and other consulting services provided to the company and it omits any mention of equity ownership by the consultant who provides executive compensation services.

Unlike the Proposed Rule, which gives the investor the ability to determine if potential conflicts of interests may exist, the model gives the compensation committee complete discretion to make that decision, subject to disclosure of its reasoning. Specifically, the model provides disclosure of fees paid to the consultant's firm for non-compensation consulting services only as a percentage of firm revenues. This approach ignores the findings by the Oversight Committee which showed that 37% of the Compensation Committees who used compensation consultants that also provided services to management characterized such consultants as “independent” in the annual proxy statement. Moreover, the percentage cited above ignores the relevant ratio for conflicts of interest: the proportion of total fees paid for services provided to the Compensation Committee versus fees for services provided to the company and its management. Finally, the percentage of revenues approach does not address the cross-selling incentives that may exist when a single firm provides services to both the Compensation Committees and to management.

### **Compensation Committee Report**

Under the current rules, the CD&A is part of the company's disclosure and is deemed “filed” with the Commission. The Compensation Committee Report, a skeletal section stating whether the Compensation Committee reviewed and discussed the CD&A and whether it recommended that the CD&A is included in the company's annual report and proxy statement, is deemed filed. The Compensation Committee Report, however, contains none of the substantive information regarding executive compensation policies and practices that appears in the CD&A.

As a result, the members of the Compensation Committee do not have ownership of the CD&A, despite the fact that it is their decisions that determine its contents. The unsatisfactory disclosures found in the CD&A since it was created by the Commission's 2006 rule revisions

may stem, at least in part, from this disconnect between compensation disclosures and the directors responsible for them. The disavowal of responsibility by key actors in the Bank of America/Merrill Lynch bonus debacle—with both sides blaming the lawyers—illustrates the nature of the problem.

To remedy this situation, the Commission should fold the CD&A into the Compensation Committee Report and require that the Compensation Committee Report appear in the proxy statement above the names of the Compensation Committee's members. The Compensation Committee Report should be deemed "filed," subjecting it to liability under the Exchange Act. These changes would restore accountability to the Compensation Committee, which is where it belongs.

### **Proposed Reforms Related to the Board of Directors**

The Commission's proposed changes designed to elicit more disclosure regarding director nominees and the role of the board will be helpful to investors in evaluating individual directors and assessing the board as a whole. The proposed disclosures regarding directors, especially the proposed new information on the experience, skills and qualifications they bring to the board, should appear each year, so shareholders can get a complete picture of the board even if they are not voting on some of the directors that year.

The Commission should extend the disclosure requirements dealing with directors' qualifications to board committees, including committees such as finance, risk management and corporate responsibility committees; although these are not considered to be "key" monitoring committees, they may be as important as key committees at some companies. Companies should be encouraged to disclose this new information in a user-friendly format; attached to this letter is an example of such disclosure provided by Canadian public company Nexen, Inc.

Requiring that companies disclose the current board leadership arrangement, why it believes that arrangement is the best one for the board under the circumstances, and information regarding the lead director role (if there is one) fills a gap in current disclosure. Although more large companies are shifting toward having independent board chairmen, the single CEO/chair arrangement is still the norm among U.S. public companies. Investors currently do not know why particular board leadership structures are in place at companies.

The Commission has asked whether it should require specific disclosure regarding board diversity. There is strong evidence that board diversity is associated with better firm performance. A recent report by the California Public Employees Retirement System entitled "Board Diversification Strategy: Realizing Competitive Advantage and Shareholder Value," found that more diverse boards, especially those with more women, were in place at higher-performing companies. Companies whose boards were in the top quartile for female membership outperformed those in the bottom quartile by 53% for return on equity, 42% for return on sales and 66% for return on invested capital. Accordingly, disclosure regarding the role of diversity in the director nomination process will be useful to investors in making voting and investment decisions.

The Commission's proposal that companies must explain the role of the board in risk management will be a timely and welcome addition to the proxy disclosure. The recent financial crisis has highlighted the effect of lax board oversight of risk; investors learned only after the

fact that many companies' boards did not fully understand the nature and extent of risks the companies had assumed. This discussion will complement the enhanced disclosure regarding the qualifications of directors, including the discussion of how directors are a good fit for any risk management or similar committee.

As with the compensation risk discussion, the Commission should provide guidance regarding the kinds of risks covered by the rule. Specifically, the Commission should make sure it is clear in the adopting release that "material risk" can encompass risk relating to sustainability, such as climate risk. Recently, studies<sup>5</sup> have found serious shortcomings in companies' risk disclosure dealing with climate change, even among companies whose strategies expose them to material risk from the effects of climate change and regulation designed to mitigate it. Compensation arrangements that promote a short-term outlook or that focus exclusively on particular financial metrics can lead executives to pursue strategies that increase companies' risk in this area. Accordingly, disclosure of this impact should be required in the new section.

An analysis of the board's role in succession planning would also be useful in enabling investors to understand how the board manages risk. The Commission should require companies to disclose whether it has approved and maintains a CEO succession plan and, if it has, to describe the key terms of that plan. Also of value to investors would be disclosure about whether CEO succession planning has been delegated to a board committee, and, if so, which one.

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<sup>5</sup> See, e.g., The Corporate Library, "Climate Risk Disclosure in SEC Filings: An Analysis of 10-K Reporting by Oil and Gas, Insurance, Coal, Transportation and Electric Power Companies," June 2009.

2009 MANAGEMENT PROXY CIRCULAR

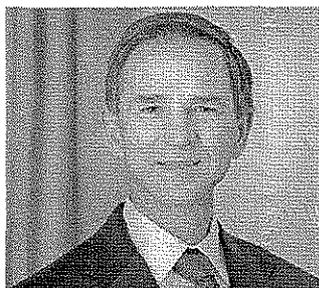
TRANSPARENT

NEXEN INC. 2009 MANAGEMENT PROXY CIRCULAR

nexen

## NOMINEES

All current directors were elected at the annual meeting on April 29, 2008, and are management nominees for election to the board, except for Mr. Berry who was appointed on December 8, 2008 and Mr. Bertram and Mr. Romanow who were appointed to the board effective January 1, 2009.



**William B. Berry**  
Houston, Texas, United States

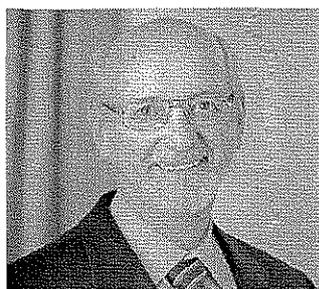
**Independent**  
Director since Dec. 8, 2008

**Areas of Expertise:**  
Growth  
International  
CEO  
Exploration  
Compensation  
Oil and Gas  
HSE & SR  
Diversity

William Berry, 56, is a retired oil and gas executive. He was formerly Executive Vice President of ConocoPhillips from 2003 to 2008. He also held senior executive positions with Phillips Petroleum Co. His career in the oil and gas industry began in 1976 and includes experience working in West Africa, the North Sea, Asia, Russia, the Caspian Sea and North America.

Mr. Berry has Bachelor and Masters of Science degrees in Petroleum Engineering from Mississippi State University.

He is a director of Willbros Group, Inc.



**Robert G. Bertram**  
Aurora, Ontario, Canada

**Independent**  
Director since Jan. 1, 2009

**Areas of Expertise:**  
Growth  
Compensation  
Governance  
Financial  
Diversity

Robert Bertram, 64, is a retired pension investment executive. He was the Executive Vice President of Ontario Teachers' Pension Plan Board (Teachers) from 1990 to December 2008. He led Teachers investment program and had oversight of the pension fund's growth to \$108.5 billion from \$19 billion when it was established in 1990. Prior to that, he spent 18 years at Telus Corporation, formerly Alberta Government Telephones. Before leaving Telus, he was Assistant Vice President and Treasurer.

Mr. Bertram has a Bachelor of Arts degree in History from the University of Calgary and a Master of Business Administration from the University of Alberta. He is a Certified Financial Analyst (CFA) charter holder and a holder of an ICD.D designation (Institute of Corporate Directors and the Rotman School of Business).

Robert is the Chair of the Strategic Committee of Glass Lewis LLC and a director of The Cadillac Fairview Corporation and Maple Leaf Sports and Entertainment Ltd. He is also a director of several not-for-profit boards and societies, including the Canadian Public Accountability Board (CPAB).



**Dennis G. Flanagan**  
Calgary, Alberta, Canada

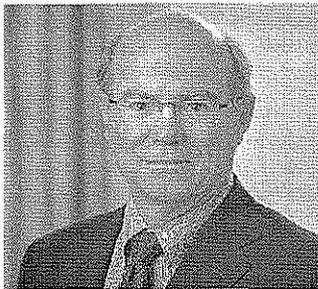
**Not Independent**  
Director since May 17, 2000

**Areas of Expertise:**  
Growth  
International  
CEO  
Oil and Gas  
Governance  
Financial  
Diversity

Dennis Flanagan, 69, is a retired oil and gas executive. He worked in the oil and gas industry for more than 40 years with Ranger Oil Limited (Ranger) and ELAN Energy Inc. (ELAN), most recently as Executive Chair of ELAN until it was bought by Ranger in 1997. He was involved in all phases of exploration and development in Canada, the US and the UK North Sea.

Mr. Flanagan completed the Registered Industrial and Cost Accountant program, the predecessor to the Certified Management Accountant program, in 1967. He worked in various accounting and management positions at Ranger, including as the Chief Financial Officer (CFO) and Executive Vice President (EVP).

Dennis is Chair of Canexus Income Fund, an affiliate controlled by Nexen, and a director of NAL Oil & Gas Trust. He is also founding Chair of STARS (Shock Trauma Air Rescue) Foundation.



**S. Barry Jackson**  
Calgary, Alberta, Canada

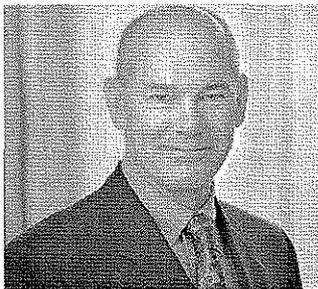
**Independent**  
Director since Sept. 1, 2001  
  
Health, Safety,  
Environment and  
Social Responsibility  
(HSE & SR) Committee  
Chair since May 6, 2003

**Areas of Expertise:**  
Growth  
CEO  
Compensation  
Oil and Gas  
Governance  
HSE & SR  
Diversity

Barry Jackson, 56, is a retired oil and gas executive. He was formerly the Chair of Resolute Energy Inc. and Deer Creek Energy Limited. He was also President, Chief Executive Officer (CEO) and a director of Crestar Energy Inc. (Crestar). He has worked in the oil and gas industry since 1974 and held senior executive positions with Northstar Energy Corporation and Crestar.

Mr. Jackson has a Bachelor of Science degree in Engineering from the University of Calgary and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He has served on the boards of several public companies and on the audit committees of some of those boards.

Barry is Chair of TransCanada Corporation and TransCanada PipeLines Limited and a director of WestJet Airlines Ltd.



**Kevin J. Jenkins**  
Calgary, Alberta, Canada

**Independent**  
Director since Dec. 17, 1996  
  
Compensation and  
Human Resources  
(Compensation)  
Committee Chair since  
April 27, 2006

**Audit committee  
financial expert**

**Areas of Expertise:**  
Growth  
International  
CEO  
Compensation  
Governance  
Financial  
HSE & SR

Kevin Jenkins, 52, is a Managing Director of TriWest Capital Partners, an independent private equity firm. He was President, CEO and a director of The Westaim Corporation from 1996 to 2003. From 1985 to 1996 he held senior executive positions with Canadian Airlines International Ltd. (Canadian). He was elected to Canadian's board of directors in 1987, appointed President in 1991 and appointed President and CEO in 1994. Earlier in his career, he was CFO of Canadian.

Mr. Jenkins has a Bachelor of Laws from the University of Alberta and a Master of Business Administration from Harvard Business School.

Kevin is Vice Chair and a director of World Vision Canada.



**A. Anne McLellan, P.C.**  
Edmonton, Alberta, Canada

**Independent**  
Director since July 5, 2006

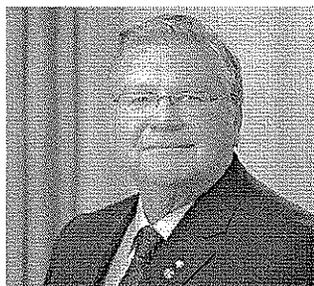
**Areas of Expertise:**  
Growth  
International  
Governance  
HSE & SR  
Diversity

The Honourable Anne McLellan, 58, has been counsel at Bennett Jones LLP, Barristers and Solicitors, and Distinguished Scholar in Residence at the University of Alberta in the Institute for US Policy Studies since 2006. Previously, she served as the Liberal Member of Parliament for Edmonton Centre from 1993 to 2006. Between 2003 and 2006, she served as the Deputy Prime Minister and Minister of Public Safety and Emergency Preparedness. Before that, she served as Minister of Health, Minister of Justice and Attorney General, Minister of Natural Resources and Federal Interlocutor for Métis and Non-Status Indians.

Prior to entering politics, Ms. McLellan taught law at the University of New Brunswick and the University of Alberta, serving as Associate Dean of the Faculty of Law at the University of Alberta from 1985 to 1987 and as Acting Dean from July 1991 to June 1992.

Ms. McLellan holds Bachelor of Arts and Bachelor of Laws degrees from Dalhousie University and a Master of Laws degree from King's College, University of London. She was appointed to the Privy Council of the Government of Canada in 1993.

Anne is also a director of Agrium Inc. and Cameco Corporation.



**Eric P. Newell, D.C.**  
Edmonton, Alberta, Canada

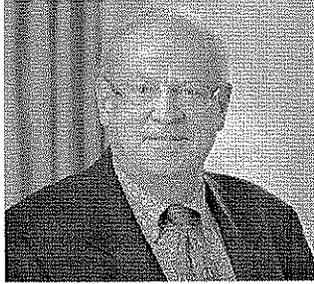
**Independent**  
Director since Jan. 5, 2004

**Areas of Expertise:**  
Growth  
International  
Compensation  
Oil and Gas  
Financial  
HSE & SR

Eric Newell, 64, is the retired Chancellor of the University of Alberta, a position he held from 2004 to 2008. He is the retired Chair and CEO of Syncrude Canada Ltd. (Syncrude), positions he held from 1994 and 1989, respectively, until 2004. He served as President of Syncrude from 1989 to 1997. Prior to that, he worked with Imperial Oil Limited and Esso Petroleum Canada Ltd.

Mr. Newell holds a Bachelor of Applied Science degree in Chemical Engineering from the University of British Columbia and a Masters of Science in Management Studies from the University of Birmingham, England. He has received Honorary Doctorates of Law from Athabasca University, University of Alberta, University of British Columbia and University of Lethbridge, and an Honorary Diploma from Northern Alberta Institute of Technology (NAIT). He is an Officer of the Order of Canada and a member of the Alberta Order of Excellence.

Eric is the Chair of CAREERS: The Next Generation and Alberta Energy Research Institute, Vice Chair of Lieutenant Governor Arts Award Foundation, and a member of the boards of C.D. Howe Institute, Telus World of Science, The Gairdner Foundation, Junior Achievement of Northern Alberta and The Learning Partnership. As past President of the Alberta Chamber of Resources, he led the creation of the National Oil Sands Task Force in 1995.



**Thomas C. O'Neill**  
Toronto, Ontario, Canada

**Independent**  
Director since Dec. 10, 2002  
Audit Committee Chair  
since April 27, 2005

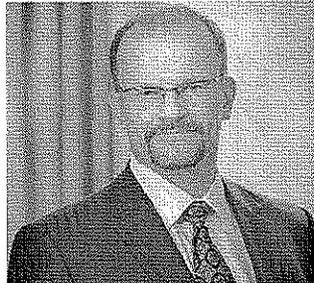
**Audit committee  
financial expert**

**Areas of Expertise:**  
Growth  
International  
CEO  
Compensation  
Governance  
Financial  
Marketing

Tom O'Neill, 63, is the retired Chair of PwC Consulting. He was formerly CEO of PwC Consulting; COO of PricewaterhouseCoopers LLP, Global; CEO of PricewaterhouseCoopers LLP, Canada; and Chair and CEO of Price Waterhouse Canada. He worked in Brussels in 1975 to broaden his international experience and from 1975 to 1985 was client service partner for numerous multinationals, specializing in dual Canadian and US-listed companies.

Mr. O'Neill has a Bachelor of Commerce degree from Queen's University. He was designated a Chartered Accountant in 1970 and made a Fellow (FCA) of the Institute of Chartered Accountants of Ontario in 1988. He has an Honorary Doctorate of Law from Queen's University.

Tom is the Chair of BCE Inc., Vice Chair of Adecco S.A. and a director of Loblaw Companies Limited and The Bank of Nova Scotia. He is a member of the External Audit Committee of the International Monetary Fund and a director of St. Michael's Hospital.



**Marvin F. Romanow**  
Calgary, Alberta, Canada

**Not Independent**  
Director since Jan. 1, 2009

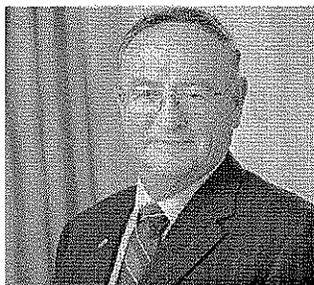
**Areas of Expertise:**  
Growth  
International  
CEO  
Compensation  
Oil and Gas  
Governance  
Financial  
Marketing

Marvin Romanow, 53, has been President and CEO of Nexen since January 1, 2009. He was Executive Vice President and CFO since June 1, 2001. Prior to this, he held a variety of finance positions at Nexen, beginning with Vice President, Finance in 1997 and CFO in 1998. His career has spanned many financial and operating roles, including professional and leadership roles in corporate finance, planning, business development, exploration and development, and reservoir engineering.

Mr. Romanow has a Bachelor of Engineering degree (with great distinction) and a Master of Business Administration from the University of Saskatchewan. He is also a graduate of Harvard's Program for Management Development and, in 2007, he completed INSEAD's Advanced Management Programme. He was recognized as Canada's "CFO of the Year" in 2007 and in September of the same year received the Petroleum Economist award for "Energy Executive of the Year 2006".

Marvin is a director of Canexus Income Fund. He is an advisory member of the Human Resources, Compensation and Pension Committee of Syncrude Canada Ltd., a joint venture in which Nexen owns 7.23%. He is also a director of Canadian Energy Research Institute.

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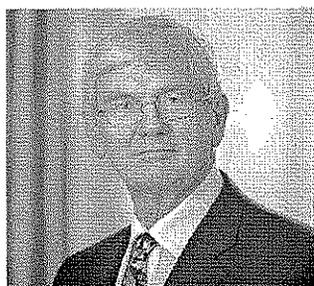
**Francis M. Saville, O.C.**  
Calgary, Alberta, Canada

**Independent**  
Director since May 10, 1994  
Board Chair since  
April 27, 2005  
**Areas of Expertise:**  
Growth  
Governance  
HSE & SR  
Diversity

Francis Saville, 70, Chair of Nexen, is counsel with Fraser Milner Casgrain LLP, Barristers and Solicitors. He joined the firm in 1965 and had an extensive practice in the areas of energy and environmental law, as well as municipal law and land-use planning. He specialized in representing energy corporations in regulatory applications.

Mr. Saville has Bachelor of Arts and Bachelor of Laws degrees from the University of Alberta and he was appointed a Queen's Counsel in 1984. He holds the ICD.D designation (Institute of Corporate Directors and the Haskayne School of Business).

In 2008, Francis was elected Chair of the board of trustees of the Lester B. Pearson College of the Pacific.



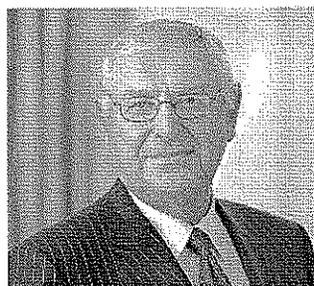
**John M. Willson**  
Vancouver, British Columbia, Canada

**Independent**  
Director since Dec. 17, 1996  
Reserves Review (Reserves)  
Committee Chair  
since April 27, 2006  
**Areas of Expertise:**  
Growth  
International  
CEO  
Compensation  
Governance  
HSE & SR  
Diversity

John Willson, 69, is a retired mining executive. He was the President and CEO of Placer Dome Inc. from 1993 to 1999. He was President and CEO of Pegasus Gold Inc. from 1989 to 1992 and was with Cominco Limited prior to that. During his career, he worked in Ghana, Montana, Washington State, British Columbia, the Northwest Territories and Greenland.

Mr. Willson was raised in Portugal and England. He holds Bachelor and Master degrees in Mining Engineering from the Royal School of Mines, University of London, England.

John is a director of Finning International Inc. He is also a member of the board of the YMCA of Greater Vancouver.



**Victor J. Zaleschuk**  
Calgary, Alberta, Canada

**Independent**  
Director since June 1, 1997  
Finance Committee  
Chair since April 27, 2006  
**Areas of Expertise:**  
Growth  
International  
CEO  
Compensation  
Oil and Gas  
Governance  
Financial  
HSE & SR  
Diversity

Vic Zaleschuk, 65, is a retired oil and gas executive. He was the President and CEO of Nexen from 1997 to 2001. He joined Nexen in 1986, as the company was developing operations in Yemen and expanding its international strategy. From 1986 to 1994, he was Senior Vice President (SVP), Finance and from 1994 to 1997 he was SVP and CFO. Prior to Nexen, he worked with Co-Enerco, Dome Petroleum Ltd., Siebens Oil & Gas Ltd. and Hudson's Bay Oil & Gas Ltd.

Mr. Zaleschuk holds a Bachelor of Commerce degree from the University of Saskatchewan and was designated as a Chartered Accountant in 1967.

Vic is Chair of Cameco Corporation and a director of Agrium Inc.

**RETIREMENTS**

Mr. Fischer retired from the board, effective December 31, 2008, at which time he also retired as President and CEO. Mr. David Hentschel and Mr. Richard Thomson are not standing for re-election in 2009. They each reached Nexen's mandatory retirement age for directors in 2008. We thank them for their valuable contributions and dedicated service to Nexen and our shareowners.

Mr. Hentschel served on the board for 24 years and Mr. Thomson for 12 years. Both worked with Nexen through significant events and growth, including becoming independent from Occidental Petroleum Corporation, the share listing on the New York Stock Exchange and name change to Nexen Inc., acquiring our UK North Sea assets, restructuring our chemicals business into Canexus Income Fund and implementing phase one of our Long Lake oil sands project. In addition, Mr. Hentschel served during our acquisitions of Wascana Energy Inc. and US Gulf of Mexico assets, and production startup in Yemen.

## OTHER PUBLIC COMPANY DIRECTORSHIPS/COMMITTEE APPOINTMENTS

Name	Other Public Company Directorships	Stock Exchange	Committee Appointments
Berry	Willbros Group, Inc.	NYSE	Compensation Committee Nominating and Corporate Governance Committee
Bertram	None	-	None
Flanagan	Canexus Income Fund (Chair)	TSX	None
	NAL Oil & Gas Trust	TSX	Audit Committee Chair, Reserves Committee
Jackson	TransCanada Corporation (Chair) <sup>1</sup>	TSX	None <sup>2</sup>
	TransCanada PipeLines Limited (Chair) <sup>1</sup>		None <sup>2</sup>
	WestJet Airlines Ltd.	TSX	None
Jenkins	None	-	None
McLellan	Agrium Inc.	TSX	Corporate Governance and Nominating Committee Environment, Health and Safety Committee
	Cameco Corporation	TSX	Human Resources and Compensation Committee Nominating, Corporate Governance and Risk Committee Safety, Health and Environment Committee
Newell	None	-	None
O'Neill	Adecco S.A.	SWX	Audit Committee Corporate Governance Committee
	BCE Inc. (Chair)	TSX	Chair, Audit Committee
	Loblaw Companies Limited	TSX	Chair, Audit Committee
	The Bank of Nova Scotia	TSX	Audit Committee
Romanow	Canexus Income Fund	TSX	None
Saville	None	-	None
Willson	Finning International Inc.	TSX	Chair, Human Resources Committee Governance Committee
Zaleschuk	Agrium Inc.	TSX	Chair, Audit Committee Human Resources and Compensation Committee
	Cameco Corporation (Chair)	TSX	Human Resources and Compensation Committee Nominating, Corporate Governance and Risk Committee Reserves Oversight Committee

*Notes:*

<sup>1</sup> Board meetings for these two companies are held at the same time.

<sup>2</sup> Mr. Jackson is a non-voting member of the Governance Committee and the Human Resources Committee.

### Interlocking Service as at March 2, 2009

In assessing board member independence, we acknowledge these relationships, but are confident that they do not present any actual or perceived conflicts to independence.

Company	Directors in Common	Committees in Common
Agrium Inc.	McLellan	None
	Zaleschuk	
Cameco Corporation	McLellan	Human Resources and Compensation Committee and
	Zaleschuk	Nominating, Corporate Governance and Risk Committee
Canexus Income Fund	Flanagan	None
	Romanow	

## AREAS OF EXPERTISE

We maintain a skills matrix and directors indicate their expertise level in each area according to:

- 1 no or limited application;
- 2 basic application;
- 3 skilled application—they have significant operational experience in the area, but not at a senior executive level; and
- 4 expert application—they have senior executive experience in the area.

The areas of expertise in the nominee directors' biographies reflect areas where they are most skilled. See the Committee Reports on pages 29 through 38 for expertise relevant to each committee.

Skill/Experience Description	Number of Nominee Directors with Skilled or Expert Application
<b>Managing/Leading Growth</b> —Senior executive experience driving strategic insight and direction to encourage innovation and conceptualize key trends to continuously challenge the organization to sharpen its vision while achieving significant organic growth.	12
<b>International</b> —Senior executive experience working in an organization with global operations where Nexen is or may be active. Has a thorough understanding of different cultural, political and regulatory requirements.	9
<b>CEO/Senior Officer</b> —Experience working as a CEO or senior officer for a major organization with international operations.	9
<b>Exploration</b> —Experience as a senior executive or top functional authority leading an exploration department in a major upstream or integrated exploration and production company. May have formal education in geology, geophysics or engineering.	5
<b>Compensation</b> —Senior executive experience or board compensation committee participation with a thorough understanding of compensation, benefit and pension programs, legislation and agreements. This includes specific expertise in executive compensation programs including base pay, incentives, equity and perquisites.	10
<b>Oil and Gas</b> —Senior executive experience in the oil and gas industry, combined with a strong knowledge of Nexen's strategy, markets, competitors, financials, operational issues, regulatory concerns and technology.	9
<b>Governance/Board</b> —Prior or current experience as a board member of a major Canadian organization (public, private or non-profit sectors) with international operations.	10
<b>Financial Acumen</b> —Senior executive experience in financial accounting and reporting, and corporate finance, especially with respect to debt and equity markets. Familiarity with internal financial controls.	8
<b>Health, Safety, Environment and Social Responsibility (HSE &amp; SR)</b> —Thorough understanding of industry regulations and public policy related to workplace health, safety, environment and social responsibility. May have had an active leadership role in the shaping of public policy in Canada and abroad. Demonstrated commitment to Nexen's HSE & SR values.	10
<b>Diversity</b> —Contributes to the board in a way that enhances perspectives through diversity in gender, ethnic background, geographic origin, experience (industry and public, private and non-profit sectors), etc.	9
<b>Marketing Expertise</b> —Senior executive experience in the energy marketing industry, combined with a strong knowledge of Nexen's strategy, markets, competitors, financials, operational issues and regulatory concerns.	4 <sup>1</sup>

*Note:*

- <sup>1</sup> The number of non-executive directors with marketing expertise is one less than last year. With the appointment of three new director nominees, the board as a whole has maintained the same level of marketing expertise.