

15 September 2009

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 "F" Street NE
Washington DC 20549-1090

Re: File No. S7-13-09 on Proxy Disclosure and Solicitation Enhancements

Dear Ms. Murphy:

We write as global asset owners and managers, with more than \$650 billion under management, to express our support for the proposed rule amendments contained in S7-13-09. It is an important SEC initiative that will improve the disclosure process and help shareholders make better-informed proxy voting and investment decisions. However, we also provide specific comments, from our perspectives as international investors with experience under practices in other markets, about how the proposal could be changed to encourage clearer and more useful communication between companies and shareholders.

Enhanced Compensation Disclosure

We fully support the proposed broader disclosure and discussion of how a company's compensation policies relate to risk exposures. We also see the proposed compensation table disclosure of the full grant date fair value of equity awards as necessary to informed exercise of shareholder advisory votes on executive compensation and to decisions on election of director candidates. However, we would support adding the following requirements:

- Movement from management signature to compensation committee affirmation of the CD&A, in order to interject board responsibility and accountability for the analysis and disclosures contained in the CD&A;
- Description of how employee compensation practices relate to the company's long-term strategy and strategy execution. The performance of a company's strategy underpins the stock market valuation of the business. Compensation performance targets and metrics exhibiting a close link to strategy and strategy execution would provide a clear signal to management about what behaviours are critical to long-term company performance;
- Explicit disclosure and discussion of how compensation policies relate to material company-specific extra-financial risks (factors outside the financial statements that influence long-term performance, such as product quality measures,

employee turnover, customer satisfaction, exposure to regulatory changes, etc.). As the economic crisis has demonstrated, many important risk factors are not evident within current financial performance numbers, and incentive structures around extra-financial risks can greatly influence long-term company performance;

- Inclusion of aggregate grant date fair value, individual award grant date fair value and annual changes in value for reporting equity awards in compensation tables. This would provide a much clearer picture to investors and facilitate shareholder evaluation of the board's approach to board management of executive compensation;
- Disclosure of all non-trivial company payments to the compensation consultant for the past three years, regardless of the source, even if paid to an affiliate of the consultant or involving advice on broad-based health or retirement plans;
- Explicit CD&A description of the board's approach to each of the key compensation plan issues that relate to alignment of pay with company long-term performance on a risk-adjusted basis, including:
 - Minimum equity ownership requirements and "hold through retirement" provisions for equity awards;
 - Internal pay equity ratios at least two levels down from the CEO and pay equity trends over the past three years (which we see as potential indicators of poor succession planning, inefficient organizational structure, lack of board independence, and company exposure to "imperial CEO" risk);
 - Use of tax gross-ups;
 - Clawbacks for recovering improperly-earned compensation;
 - Complete maximum "walk-away" numbers for compensation that could be due to each named executive if terminated without cause;
 - Executive compensation plan complexity, indicated by the number of overlapping compensation plans, individual award components and remuneration variables used by the company; and
 - Backward-looking disclosure of incentive targets, metrics and awards, after no more than three years, where such information was originally withheld as confidential.

Enhanced Director and Nominee Disclosure

We applaud the enhanced disclosures proposed by the SEC. Current information provided to shareholders about director candidates at US companies is woefully inadequate and below standards in many other developed markets. However, we believe the proposal misses some important information that is needed by shareholders in order to effectively evaluate both the quality of board candidates and the performance of nominating committee members. A suggested form of Director Candidate Information Request which elicits that information and was developed over the past two years by a group of global institutional investors, with input from corporate directors, executive

search firms, proxy voting advisors, academics and corporate legal counsel, is attached. We have also attached an example director candidate proxy disclosure section from the Canadian company, Nexen, which provides additional candidate information. We commend both attachments to you as potential models, and we would like to highlight the following items which we believe should be required proxy disclosures:

- Identification of how the skills and attributes of each candidate relate to strategic goals or plans adopted by the board, in tabular form if feasible;
- Comments from candidates on their views on key governance and company issues;
- Explanation of whether (and how) each candidate will be available to respond to questions from shareholders;
- Description of the process and criteria used by the nominating committee to identify each candidate, with particular attention to the committee's consideration of diversity in viewpoints and experience, as relevant to the company;
- Delineation of any role played by company named executives in the candidate selection and nomination process; and
- A list of all prior director and executive officer lawsuits and legal proceedings from the prior ten years involving each candidate.

New Disclosure About Company Leadership Structure

The proposed disclosures about company leadership structure and the board's role in risk management are critical to addressing systemic governance and investment process flaws that became apparent during the economic crisis. We see several additional items as also essential:

- Where a company does not have an independent board chair, it should be explicitly required to explain how the board will ensure that it is able to function independently, particularly when evaluating performance of the CEO, determining the CEO's compensation, reviewing the CEO's proposed budget and strategic plan, and effectively planning for CEO succession;
- When boards use an independent lead director, the lead director's position charter should be included in the proxy, to demonstrate the level of authority accorded that role; and
- To avoid confusing separate roles of the CEO and board chair, the rule should focus on description of "board," rather than "company," leadership structure. While this might seem like a minor difference, we are painfully aware that executives and directors at many US companies have difficulty understanding the separate role of the board's leader as different from the role of CEO as the company's leader. The proposed rule's language should be changed accordingly.

We appreciate the important work that is being done by the SEC on improving proxy disclosures and clarifying proxy solicitation rules. We hope these comments will be helpful and that final rules can be in place for the 2010 proxy season. Feel free to contact any of us, if you have questions or if we might be of assistance.

Sincerely,

Dr. Daniel Summerfield
Co-Head of Responsible Investment
Universities Superannuation Scheme – UK

Ann Byrne
Chief Executive Officer
Australian Council of Super Investors - Australia

Abigail Herron
Corporate Governance Manager
The Co-operative Asset Management - UK

Elizabeth E. McGeveran
Senior Vice President
Governance & Sustainable Investment
F&C Management Ltd. – Boston

Wayne Kozun
Senior Vice President, Public Equities
Ontario Teachers' Pension Plan – Canada

Marcel Jeucken
Head of Responsible Investment
PGGM Investments - Netherlands

Frank Curtiss
Head of Corporate Governance
Railpen Investments – UK

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Nominating Committee Information Request:
Selection of Director Candidates

Introduction and Instructions

We are requesting information about the process of selecting director candidates. Shareholders can exercise their voting rights in a more informed manner if they understand the dynamics of the board of directors and the process for nominating director candidates. Please respond to the below listed questions. We do not expect a detailed response but would appreciate clear and concise information.

Information Request

1. **Nominating Process.** Please describe the process the Nominating Committee adopted in order to develop selection criteria and identify the director candidate(s).
2. **Independence.** Please describe the role (if any) that the Chief Executive Officer played in determining non-management director candidates.
3. **Criteria for Selection.** Describe the criteria developed for use by the Nominating Committee in selecting the director candidate and briefly explain how those criteria apply to the candidate. For example, what knowledge, skills and experiences would the candidate bring to the company in regard to:
 - Achieving company strategic objectives;
 - Representing shareholder interests;
 - Supplementing competencies and skills of other board members;
 - Providing diversity of perspective and background relevant to the company's business;
 - Providing expertise required on specific committees;
 - Evaluating the company's long-term business plans, capital structure, risk exposures and organizational design; and
 - Recruiting, developing, compensating, evaluating and coaching executive talent.^a
4. **Shareholder Questions.** If applicable, how and when will the candidate be available to respond to shareholder questions, and how can shareholders participate, submit questions and receive all responses?

^aThese criteria are listed only as an example and should not be substituted for what was actually used by the Nominating Committee.

Director Candidate Information Request

Introduction and Instructions.

We are requesting information about new director candidates. As shareholders, the election of directors is one of our most important responsibilities. In order for shareholders to cast votes in an informed manner, please respond to the questions listed below. The responses should include current, personal views and are not intended to preclude a candidate from exercising future discretion. Attention to quality, rather than quantity, of information in responses is appreciated.

Information Request.

1. **Effectiveness.** Why do you believe you would be an effective director at the company?
2. **Independence.** Please tell us about any financial, business, family or personal relationships with members of the company's senior management or board that are not disclosed in the proxy (if any) and, if you are a non-management candidate, explain how they might/might not affect your independence.
3. **Company Issues.** If there are particular issues you would like the company to address or goals you would like to achieve as a director, please comment on them.^b You may include longer-term concerns, such as environmental risks and other extra-financial issues, as you deem appropriate.
4. **Corporate Governance.**
 - (a) To help shareholders understand your views on key corporate governance and investor responsibility issues, if not previously described, please comment on any changes or improvements in governance practices you would like to see made at the company, if any.
 - (b) Please briefly summarize your general views on key corporate governance issues, regardless of whether they are applicable to the company. Some of the areas you might want to comment on are set out below. Feel free to add explanatory comments on additional issues.
 - The appointment of an Independent Board Chair
 - Requiring that director candidates receive a majority of shareholder votes to be elected
 - Shareholder access to the proxy for nomination of director candidates

^bThese questions are not intended to imply that candidates should have a particular agenda or platform. They only seek information about any personal views or priorities a candidate would bring to the board.

- Communication between shareholders and independent directors on governance matters
- Company use of, and shareholder approval of, anti-takeover devices
- Shareholder advisory votes on selection of company auditors
- Board consideration of shareholder resolutions which have been approved by a majority shareholder vote
- Company reporting and disclosure of environmental and other major risk exposures
- The disclosure and use of company-related political/campaign contributions
- Advisory shareholder votes on executive compensation
- Independence of the Board's executive compensation consultant

Any Additional Governance-Related Comments:

5. Other Matters. If there are other comments that you would like shareholders to know when voting their proxies, please provide them.

2009 MANAGEMENT PROXY CIRCULAR

TRANSPARENT

NEXEN INC. 2009 MANAGEMENT PROXY CIRCULAR

nexen

BOARD OF DIRECTORS

Three directors are new nominees. Mr. Berry joined the board on December 8, 2008 and Mr. Bertram and Mr. Romanow joined the board on January 1, 2009 (see pages 13 and 16)

NOMINEES

These management nominees were elected to the board at the annual meeting on April 29, 2008, 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
Robert G. Bertram
Dennis G. Flanagan
S. Barry Jackson
Kevin J. Jenkins
A. Anne McLellan, P.C.
Eric P. Newell, O.C.
Thomas C. O'Neill
Marvin F. Romanow
Francis M. Saville, Q.C.
John M. Willson
Victor J. Zaleschuk

See page 13 for their biographies.

OTHER PUBLIC COMPANY APPOINTMENTS

Directors are required to consult with the Board Chair when considering an appointment to the board of another public company. See page 18 for details of other public company appointments.

AREAS OF EXPERTISE

Nexen maintains a skills matrix that tracks the board's expertise. Our directors bring varied experience, knowledge and complementary skills to the board. Specifically, the board has expertise in managing and leading growth; international operations; governance, board and CEO experience; human resource

management; health, safety, environment and social responsibility stewardship; and oil and gas and financial acumen. See page 19 for details of the areas of expertise.

INDEPENDENT BOARD

All directors, except for Mr. Romanow and Mr. Flanagan, are independent. See page 20 for details.

MEETING ATTENDANCE

Nexen directors attended 99% of the board and committee meetings in 2008. All directors attended the 2008 AGM. See page 21 for details.

SESSIONS WITHOUT MANAGEMENT

The board and board committees have sessions without management at each regularly scheduled meeting and as deemed necessary at special meetings. See page 21 for details.

RETIREMENTS

Mr. Fischer retired from the board effective December 31, 2008. Since Mr. Hentschel and Mr. Thomson have both reached the age of 75, they are not standing for re-election in 2009. We thank each of these gentlemen sincerely for their contributions to Nexen.

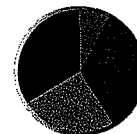
DIRECTOR COMPENSATION

Non-executive directors are paid retainers for board and committee membership and fees for each meeting they attend in person or by phone. Total fees and retainers earned by all board members in 2008 were \$1,572,017. See page 22 for details.

The board is formed with a skill set to support Nexen's business.

Continuing education and evaluations promote engagement and performance.

DIRECTOR TENURE



■ 0-3 years 33.3%
■ 4-8 years 25%
■ 9-14 years 33.3%
■ 15 years 8.3%

Board performance is enhanced by near 100% attendance at all meetings and sessions without management.

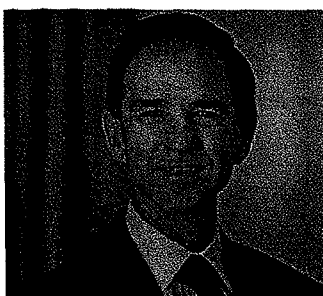
MARCH 2, 2009

KEY SECTIONS

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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

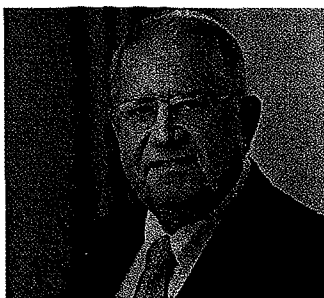
Independent
Director since Jan. 1, 2009

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

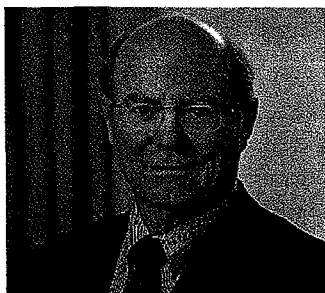
Not Independent
Director since May 17, 2000

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

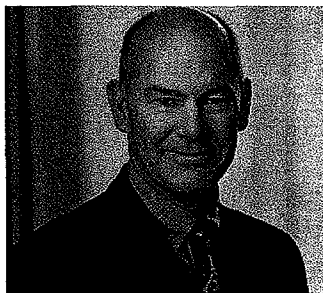
Health, Safety,
Environment and
Social Responsibility
(HSE & SR) Committee
Chair since May 6, 2003

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

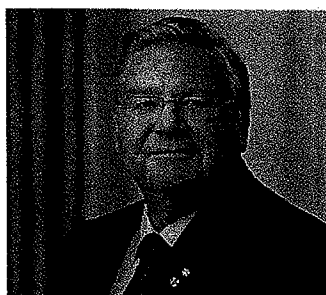
Areas of Expertise:
Growth
International
Governance
HSE & SR
Diversity

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, O.C.
Edmonton, Alberta, Canada

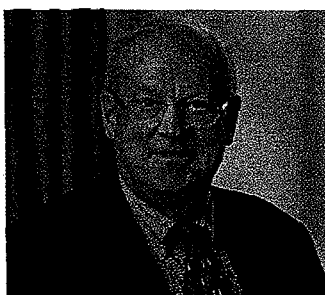
Independent
Director since Jan. 5, 2004

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

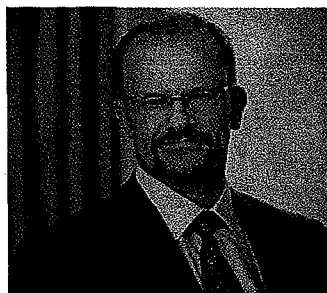
**Audit committee
financial expert**

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

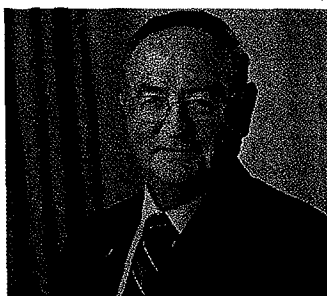
Not Independent
Director since Jan. 1, 2009

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.



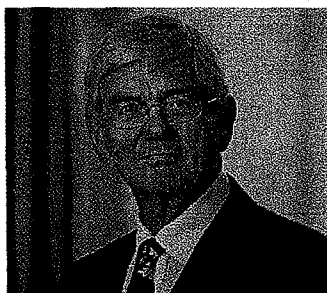
Francis M. Saville, Q.C.
Calgary, Alberta, Canada

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) ¹ | TSX | None ² |
| | TransCanada PipeLines Limited (Chair) ¹ | | None ² |
| | 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:

¹ Board meetings for these two companies are held at the same time.

² 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 Nominating, Corporate Governance and Risk Committee |
| | Zaleschuk | |
| 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 |
|--|--|
| Managing/Leading Growth —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 |
| International —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 |
| CEO/Senior Officer —Experience working as a CEO or senior officer for a major organization with international operations. | 9 |
| Exploration —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 |
| Compensation —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 |
| Oil and Gas —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 |
| Governance/Board —Prior or current experience as a board member of a major Canadian organization (public, private or non-profit sectors) with international operations. | 10 |
| Financial Acumen —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 |
| Health, Safety, Environment and Social Responsibility (HSE & SR) —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 |
| Diversity —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 |
| Marketing Expertise —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 ¹ |

Note:

- ¹ 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.

INDEPENDENCE AND BOARD COMMITTEES

The board affirmed director independence under our categorical standards for director independence (categorical standards), attached as Schedule C (page 79), which were adopted in 2003 and most recently amended on February 11, 2009. Our categorical standards meet or exceed the requirements in SEC rules and regulations, the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), the NYSE rules, *National Policy 58-201—Corporate Governance Guidelines, Multilateral Instrument 52-110—Audit Committees*, and applicable provisions of National Instrument 51-101—Standards of Disclosure for Oil and Gas Activities. See page 72 for details on the process to determine director independence.

Mr. Romanow is not independent as he is Nexen's President and CEO.

Mr. Flanagan is not independent as his son is Senior Vice President, Engineering of TriAxon Resources Ltd. (TriAxon). In 2006, TriAxon acquired a company that was party to contracts with a Nexen subsidiary. Under one of the contracts, Nexen paid approximately \$4.5 million to TriAxon between July and December 2006 for products purchased at market price. Accordingly, Mr. Flanagan is not technically independent as of July 1, 2007. Mr. Flanagan was not aware that the company acquired by

TriAxon held contracts with Nexen. The board has determined that Mr. Flanagan's independence has not been compromised by this transaction and, accordingly, the board continues to include him in their meetings without management.

Ms. McLellan has been counsel with Bennett Jones LLP (BJ), Barristers and Solicitors, Edmonton, Alberta since June 27, 2006. BJ provided legal services to us in each of the last five years. Ms. McLellan does not solicit or participate in those services, does not receive any fees we pay to BJ, nor is she a partner or an employee of the firm. She is independent under our categorical standards.

Mr. Saville has been counsel with Fraser Milner Casgrain LLP (FMC), Barristers and Solicitors, Calgary, Alberta since February 1, 2004. Prior to that time, he was a senior partner of the firm. FMC provided legal services to us in each of the last five years. Mr. Saville does not solicit or participate in those services, does not receive any fees we pay to FMC, nor is he a partner or an employee of the firm. He is independent under our categorical standards.

We have not had an executive committee of the board since July 11, 2000.

| | Committees (Number of Members) | | | | | |
|---------------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------|-----------------|------------------------------|
| | Audit ^{1,2} (6) | Compensation ¹ (7) | Governance ¹ (7) | Finance (6) | HSE & SR (8) | Reserves ³ (7) |
| Management Director—Not Independent | | | | | | |
| Marvin F. Romanow | | | | | | |
| Outside Director—Not Independent | | | | | | |
| Dennis G. Flanagan | | | | ✓ | ✓ | ✓ |
| Independent Outside Directors | | | | | | |
| William Berry ⁴ | | | | | | |
| Robert G. Bertram ⁴ | | | | | | |
| David A. Hentschel | | | | ✓ | ✓ | ✓ |
| S. Barry Jackson | ✓ | ✓ | | | Chair | ✓ |
| Kevin J. Jenkins ⁵ | ✓ | Chair | ✓ | | ✓ | |
| A. Anne McLellan, P.C. | | ✓ | ✓ | ✓ | ✓ | |
| Eric P. Newell, O.C. | ✓ | | ✓ | | ✓ | ✓ |
| Thomas C. O’Neill ^{5,6} | Chair | ✓ | ✓ | | | ✓ |
| Francis M. Saville, Q.C. | | ✓ | ✓ | ✓ | ✓ | |
| Richard M. Thomson, O.C. ⁵ | ✓ | ✓ | Chair | ✓ | | |
| John M. Willson | ✓ | ✓ | ✓ | | | Chair |
| Victor J. Zaleschuk | | | | Chair | ✓ | ✓ |

Notes:

- 1 All members are independent. All Audit Committee members are independent under additional regulatory requirements applicable to them.
- 2 Experience of the members of the Audit Committee that indicates an understanding of the accounting principles we use to prepare our financial statements is shown in their biographies on pages 13 through 17.
- 3 A majority of the Reserves Committee members are independent.
- 4 Mr. Berry and Mr. Bertram will receive committee appointments on April 28, 2009, as determined by the board.
- 5 Audit committee financial expert under US regulatory requirements.
- 6 The board has determined that Mr. O'Neill's service on the audit committees of four other public companies and one not-for-profit organization does not impair his ability to serve as Chair of Nexen's Audit Committee. The board considered that Mr. O'Neill has over 30 years of experience as a chartered accountant and, since retiring as Chair of PwC Consulting in 2002, his only business commitments are to the boards and committees on which he serves.

MEETING ATTENDANCE

Directors are expected to attend the AGM. All directors were at the 2008 AGM.

In 2008, the board and committee attendance rate averaged 99%. All directors attended regularly scheduled board and committee meetings held on February 11 and 12, 2009. Six of seven members of the Reserves Committee attended the special meeting held on February 6, 2009. The number of meetings held in 2008 is set out below.

Directors have a standing invitation to attend all committee meetings, regardless of membership. They are specifically invited to attend the succession plan review by the Compensation Committee in December.

| Name | Board Meetings Attended in 2008 ¹ | | Committee Meetings Attended in 2008 | |
|-----------------------|--|------------|-------------------------------------|------------|
| Berry ^{2,4} | 1 of 2 | 50% | – | – |
| Fischer ³ | 10 of 10 | 100% | – | – |
| Flanagan | 10 of 10 | 100% | 14 of 14 | 100% |
| Hentschel | 10 of 10 | 100% | 14 of 14 | 100% |
| Jackson | 10 of 10 | 100% | 21 of 21 | 100% |
| Jenkins | 10 of 10 | 100% | 22 of 22 | 100% |
| McLellan ⁴ | 10 of 10 | 100% | 21 of 22 | 95% |
| Newell | 10 of 10 | 100% | 19 of 19 | 100% |
| O'Neill ⁴ | 10 of 10 | 100% | 20 of 21 | 95% |
| Saville (Chair) | 10 of 10 | 100% | 22 of 22 | 100% |
| Thomson | 10 of 10 | 100% | 22 of 22 | 100% |
| Willson | 10 of 10 | 100% | 21 of 21 | 100% |
| Zaleschuk | 10 of 10 | 100% | 14 of 14 | 100% |
| Total | 121/122 | 99% | 210/212 | 99% |

Notes:

1 There were five regularly scheduled and five special board meetings in 2008. Four of the special board meetings were held by telephone conference call.

2 Mr. Berry was appointed to the board on December 8, 2008. Committee appointments will take place in April 2009.

3 Mr. Fischer was not a member of any committee of the board.

4 The director was unable to attend one meeting. If able to attend, the director's meeting attendance would have been 100%. Directors unable to attend a special meeting were briefed in advance of the meeting on the business to be considered. The director's views were communicated to the meeting and the director indicated agreement with the resolutions proposed and ultimately passed.

SESSIONS WITHOUT MANAGEMENT AND MEETINGS HELD

Sessions without management are held at each regularly scheduled board and committee meeting. At each special board or committee meeting, the directors determine whether or not there is reason to hold a session without management present. The chair presides over these sessions and informs management what was discussed and if any action is required. All eight meetings from January 1 to March 2, 2009, had sessions without management.

| Board/Committee | Sessions Without Management in 2008/Meetings Held | | |
|------------------------|---|------------|--------------|
| | Regular | Special | Overall |
| Board | 5/5 | 3/5 | 8/10 |
| Audit Committee | 5/5 | – | 5/5 |
| Compensation Committee | 5/5 | 2/2 | 7/7 |
| Governance Committee | 5/5 | – | 5/5 |
| Finance Committee | 5/5 | – | 5/5 |
| HSE & SR Committee | 5/5 | – | 5/5 |
| Reserves Committee | 3/3 | 1/1 | 4/4 |
| Total | 33/33 | 6/8 | 39/41 |

DIRECTOR COMPENSATION

Nexen provides all directors with a comprehensive compensation package of annual cash retainers, meeting fees and equity-based incentives in the form of deferred share units (DSUs). The package provides competitive remuneration for the increasing responsibilities, time commitments and accountability of board members. Management, the Compensation Committee and the board regularly review the compensation for competitiveness against a peer group of oil and gas companies. We target and currently provide total compensation between the 50th and 75th percentile to attract and retain qualified talent to our board.

Directors may choose select benefits coverage at Nexen's expense, including basic life insurance, extended health care, dental, business travel accident insurance and reimbursement of provincial health care premiums (in certain jurisdictions). Directors do not receive compensation from a non-equity incentive plan. Mr. Zaleschuk, a former CEO of Nexen, is a retiree in Nexen's pension plan. His pension benefit is for previous employee service.

See page 24 for more information on DSUs.

Director Compensation Table

| Name | Total Fees Earned ¹ | DSU Awards ² | All Other Compensation ³ | Total Compensation |
|--------------|--------------------------------|-------------------------|-------------------------------------|--------------------|
| Berry | 6,217 | 96,800 | – | 103,017 |
| Flanagan | 110,000 | 96,800 | 96,054 ⁴ | 302,854 |
| Hentschel | 114,500 | 96,800 | 4,458 | 215,758 |
| Jackson | 135,500 | 96,800 | 5,887 | 238,187 |
| Jenkins | 137,300 | 96,800 | 6,579 | 240,679 |
| McLellan | 130,200 | 96,800 | 2,719 | 229,719 |
| Newell | 126,600 | 96,800 | 7,383 | 230,783 |
| O'Neill | 154,100 | 96,800 | 6,105 | 257,005 |
| Saville | 254,500 | 154,880 | 5,731 | 415,111 |
| Thomson | 143,300 | 96,800 | 9,552 | 249,652 |
| Willson | 144,500 | 96,800 | 6,459 | 247,759 |
| Zaleschuk | 115,300 | 96,800 | 4,876 | 216,976 |
| Total | 1,572,017 | 1,219,680 | 155,803 | 2,947,500 |

Notes:

1 Includes all retainers and meeting fees, including those paid in DSUs.

2 The value of DSUs granted on December 8, 2008, based on the closing market price of Nexen common shares on the TSX on December 5, 2008, of \$19.36 per share. See page 24 for details.

3 The total value of perquisites provided to each director is less than both \$50,000 or 10% of total fees, and is not included in this column. Amounts reflect life insurance premiums paid by Nexen, reinvested dividends earned in 2008 valued at the closing market price of Nexen common shares on the TSX on the payment dates, travel allowance paid by Nexen and Canexus fees as set out in note 4.

4 Mr. Flanagan is the Board Chair of Canexus and was paid fees of \$59,000, received deferred trust units of Canexus valued at \$21,840 and distributions on his trust units of \$10,630 in 2008. The total is included in this column.

Retainers and Fees

Annual board and committee retainers are paid quarterly and pro-rated for partial service. The same fees are paid for attending meetings in person or by conference call. A travel allowance of \$1,500 was introduced in 2007. It is paid when a non-executive director travels outside his or her home province or state, or travels more than three hours, round trip, to attend a Nexen meeting or site visit. Nexen also reimburses directors for out-of-pocket travel expenses.

| | 2008 | 2009 |
|---|----------------------|----------------------|
| Board Chair Retainer | 250,000 ¹ | 250,000 ¹ |
| Board Member Retainer | 35,000 | 35,000 |
| Audit Committee Chair Retainer | 19,700 | 19,700 |
| Other Committee Chair Retainer | 5,300 | 5,300 |
| Committee Member Retainer | 9,100 | 9,100 |
| Board and Committee Meeting Fees (per meeting attended) | 1,800 | 1,800 |

Note:

¹ As of January 1, 2008, the Board Chair is paid only this retainer and the travel allowance. He does not receive any other retainers or meetings fees.

2008 Retainers and Fees

| Name | Annual Board Retainer | Annual Committee Retainers | Annual Committee Chair Retainer | Board Meeting Fees | Committee Meeting Fees | Travel Allowance | Total Fees Earned | Total Fees Credited in DSUs ¹ | | Total Fees Earned in Cash |
|--------------|-----------------------|----------------------------|---------------------------------|--------------------|------------------------|------------------|-------------------|--|-----|---------------------------|
| | | | | | | | | \$ | % | |
| Berry | 2,917 | – | – | 1,800 | – | 1,500 | 6,217 | – | | 6,217 |
| Flanagan | 35,000 | 27,300 | – | 18,000 | 25,200 | 4,500 | 110,000 | – | | 110,000 |
| Hentschel | 35,000 | 27,300 | – | 18,000 | 25,200 | 9,000 | 114,500 | – | | 114,500 |
| Jackson | 35,000 | 36,400 | 5,300 | 18,000 | 37,800 | 3,000 | 135,500 | 132,500 | 98% | 3,000 |
| Jenkins | 35,000 | 36,400 | 5,300 | 18,000 | 39,600 | 3,000 | 137,300 | – | | 137,300 |
| McLellan | 35,000 | 36,400 | – | 18,000 | 37,800 | 3,000 | 130,200 | 127,200 | 98% | 3,000 |
| Newell | 35,000 | 36,400 | – | 18,000 | 34,200 | 3,000 | 126,600 | 123,600 | 98% | 3,000 |
| O'Neill | 35,000 | 36,400 | 19,700 ² | 18,000 | 36,000 | 9,000 | 154,100 | – | | 154,100 |
| Saville | 250,000 | – | – | – | – | 4,500 | 254,500 | – | | 254,500 |
| Thomson | 35,000 | 36,400 | 5,300 | 18,000 | 39,600 | 9,000 | 143,300 | 134,300 | 94% | 9,000 |
| Willson | 35,000 | 36,400 | 5,300 | 18,000 | 37,800 | 12,000 | 144,500 | – | | 144,500 |
| Zaleschuk | 35,000 | 27,300 | 5,300 | 18,000 | 25,200 | 4,500 | 115,300 | – | | 115,300 |
| Total | 602,917 | 336,700 | 46,200 | 181,800 | 338,400 | 66,000 | 1,572,017 | 517,600 | | 1,054,417 |

Notes:

¹ Details of DSU holdings are set out in the table on page 24.

² Mr. O'Neill is the Audit Committee Chair.

Share Ownership Guideline

One way our directors demonstrate their commitment to Nexen's success is through share ownership. On February 14, 2008, the board approved a guideline for directors to own or control at least 16,800 shares or DSUs. This amount is intended to represent at least three times both the base annual board retainer of \$35,000 and the value of the base annual DSU grant. Directors must accumulate DSUs as follows:

- 5,600 by year 1
- 11,200 by year 2
- 16,800 by year 3

New directors, if eligible, are required to take their annual retainer in DSUs until the current threshold is met. Eligibility is based on country of residence and Mr. Berry, as a US resident, is not eligible to take his annual retainer in DSUs. If there is a change in share value or number of DSUs granted that affects a director's ability to meet the requirement, he or she will have nine months to meet the threshold again.

All directors surpass these guidelines.

DSUs Granted in 2008

| Position | Grant Date | DSUs (#) | Base Price ¹ (\$) | Value of DSUs ² (\$) |
|-------------------------------|--------------|-------------|---------------------------------|------------------------------------|
| Board Chair | Dec. 8, 2008 | 8,000 | 19.36 | 154,880 |
| Other Non-executive Directors | Dec. 8, 2008 | 5,000 | 19.36 | 96,800 |

Notes:

- 1 The closing price of a Nexen common share on the TSX on December 5, 2008.
2 The number of DSUs times the base price.

Mr. Bertram was appointed to the board on January 1, 2009 and received a grant of 5,000 DSUs. The effective date of the grant was January 2, 2009 with a base price of \$21.45 per DSU, which was the closing market price of Nexen common shares on the TSX on December 31, 2008. The value of the DSU grant was \$107,250. Mr. Berry was appointed to the board on December 8, 2008 and received DSUs as set out in the table above.

TOPS EXERCISED OR EXCHANGED AND AWARDS VESTED DURING 2008

Directors are required to comply with our trading policy described on page 63. In 2008, no tandem options (TOPs) were exercised or exchanged by the board. In 2009 and 2010, all remaining TOPs held by directors will reach their expiry periods. Under the DSU plan, there are no vesting provisions and no value realized on vesting.

Deferred Share Units

Nexen has two DSU plans. Under the first plan, eligible directors may elect annually to receive all or part of their fees in DSUs, rather than cash. The second plan was implemented in 2003 and replaced stock options as the long-term incentive to align director and shareowner interests.

DSUs provide directors with a stake in Nexen while they serve on the board. DSUs do not have voting rights as there are no shares underlying the plans. A DSU is a bookkeeping entry that tracks the value of one Nexen common share. When cash dividends are paid on our common shares, eligible directors are credited DSUs equal to the dividend. DSUs accumulate over a director's term of service and are only paid when the director leaves the board. Then, at Nexen's option, payments may be made in cash or in Nexen common shares purchased on the open market.

TOPS HOLDINGS AND VALUE OF IN-THE-MONEY TOPS ¹

Directors have not received TOPs as long-term incentive compensation since 2002.

| Name | Date Granted | Expiry Date | Exercise Price ² (\$) | Granted ² (#) | Vested and Unvested TOPs at March 2, 2009 ¹ | | Vested TOPs at March 2, 2009 | |
|------------------------|---------------|---------------|----------------------------------|--------------------------|--|---|------------------------------|-------------------------|
| | | | | | Number of Securities Underlying Unexercised TOPs | Value of Unexercised TOPs ³ (\$) | Number (#) | Value ³ (\$) |
| Flanagan | Dec. 12, 2000 | Dec. 11, 2010 | 9.0250 | 60,000 | 20,000 | 138,700 | 20,000 | 138,700 |
| Hentschel | Dec. 14, 1999 | Dec. 13, 2009 | 6.8125 | 40,000 | 40,000 | 365,900 | 40,000 | 365,900 |
| | Dec. 12, 2000 | Dec. 11, 2010 | 9.0250 | 60,000 | 60,000 | 416,100 | 60,000 | 416,100 |
| Total | | | | 100,000 | 100,000 | 782,000 | 100,000 | 782,000 |
| Jenkins | Dec. 12, 2000 | Dec. 11, 2010 | 9.0250 | 60,000 | 60,000 | 416,100 | 60,000 | 416,100 |
| Saville | Dec. 14, 1999 | Dec. 13, 2009 | 6.8125 | 40,000 | 11,004 | 100,659 | 11,004 | 100,659 |
| | Dec. 12, 2000 | Dec. 11, 2010 | 9.0250 | 60,000 | 60,000 | 416,100 | 60,000 | 416,100 |
| Total | | | | 100,000 | 71,004 | 516,759 | 71,004 | 516,759 |
| Thomson | Dec. 14, 1999 | Dec. 13, 2009 | 6.8125 | 60,000 | 60,000 | 548,850 | 60,000 | 548,850 |
| | Dec. 12, 2000 | Dec. 11, 2010 | 9.0250 | 90,000 | 90,000 | 624,150 | 90,000 | 624,150 |
| Total | | | | 150,000 | 150,000 | 1,173,000 | 150,000 | 1,173,000 |
| Zaleschuk ⁴ | Dec. 12, 2000 | Dec. 11, 2010 | 9.0250 | 400,000 | 240,000 | 1,664,400 | 240,000 | 1,664,400 |

Notes:

¹ Includes TOPs granted to non-executive directors prior to 2003. Excludes grants that have been fully exercised.

² Grant prices and number of TOPs granted have been adjusted to account for Nexen's share splits.

³ The difference between the market value of Nexen common shares on the TSX on March 2, 2009 of \$15.96 per share and the grant price of the TOPs, times the number of TOPs.

⁴ Mr. Zaleschuk's TOPs granted as executive compensation, not director compensation.

EQUITY OWNERSHIP AND CHANGES FROM MARCH 3, 2008 TO MARCH 2, 2009

| Name | March 3, 2008 | | | March 2, 2009 | | | Net Change | | | Equity at Risk | |
|----------------------|---------------------|-----------------------|----------------|----------------|-----------------------|----------------|-------------------------|-----------------------|-----------------------|-------------------------|--|
| | Shares (#) | TOPs ¹ (#) | DSUs (#) | Shares (#) | TOPs ¹ (#) | DSUs (#) | Shares ² (#) | TOPs (#) | DSUs ³ (#) | Value ⁴ (\$) | Multiple of Annual Retainer ⁵ |
| Berry ⁶ | - | - | - | - | - | 5,012 | - | - | 5,012 | 79,992 | - |
| Bertram ⁶ | - | - | - | 16,000 | - | 5,103 | 16,000 | - | 5,103 | 336,804 | 2 |
| Flanagan | 31,264 | 20,000 | 30,536 | 31,264 | 20,000 | 35,743 | - | - | 5,207 | 1,208,132 | 9 |
| Hentschel | 70,814 | 100,000 | 30,531 | 70,925 | 100,000 | 35,739 | 111 | - | 5,208 | 2,484,357 | 18 |
| Jackson | 72,000 | - | 38,361 | 72,000 | - | 48,871 | - | - | 10,510 | 1,929,101 | 14 |
| Jenkins | 12,362 | 60,000 | 43,611 | 12,415 | 60,000 | 48,903 | 53 | - | 5,292 | 1,394,735 | 10 |
| McLellan | 100 | - | 17,359 | 300 | - | 27,520 | 200 | - | 10,161 | 444,007 | 3 |
| Newell | 12,000 | - | 48,360 | 12,000 | - | 58,573 | - | - | 10,213 | 1,126,345 | 8 |
| O'Neill | 16,000 | - | 40,453 | 16,000 | - | 45,724 | - | - | 5,271 | 985,115 | 7 |
| Romanow ⁷ | 81,337 | 785,480 | - | 187,747 | 720,400 | - | 106,410 | (65,080) ⁸ | - | 5,122,732 | - |
| Saville | 48,860 | 71,004 | 37,962 | 48,860 | 71,004 | 46,225 | - | - | 8,263 | 2,034,316 | 15 |
| Thomson | 92,004 | 150,000 | 62,630 | 92,004 | 150,000 | 73,355 | - | - | 10,725 | 3,812,130 | 28 |
| Willson | 22,055 ⁹ | - | 43,025 | 15,055 | - | 48,929 | (7,000) | - | 5,904 | 1,021,185 | 7 |
| Zaleschuk | 62,982 | 240,000 | 32,298 | 63,152 | 240,000 | 37,517 | 170 | - | 5,219 | 3,271,077 | 24 |
| Total | 521,778 | 1,426,484 | 425,126 | 637,722 | 1,361,404 | 517,214 | 115,944 | (65,080) | 92,088 | 25,250,028 | |

Notes:

¹ Total TOPs granted, vested and unexercised.

² Changes from accumulations under dividend reinvestment plan, employee savings plan, exercise of TOPs for shares or direct share purchases, sales or donations.

³ Includes December 8, 2008 grants valued at \$19.36 per DSU of 5,000 DSUs to each non-executive director, except for Mr. Saville who was granted 8,000 DSUs as Board Chair, and DSUs paid in lieu of cash fees.

⁴ Reflects the market value of common shares, vested TOPs and DSUs using the closing price of Nexen shares on the TSX on March 2, 2009 of \$15.96 per share.

⁵ This is calculated for non-executive directors only and reflects the value of equity at risk, divided by \$131,800, being the current annual base retainer amount of \$35,000, plus the 2008 annual base DSU grant valued at \$96,800.

⁶ Mr. Berry joined the board on December 8, 2008 and Mr. Bertram joined the board on January 1, 2009. They are positioned to meet the share ownership guideline set out on page 24.

⁷ Mr. Romanow's TOPs are granted as executive compensation, not director compensation.

⁸ Includes 154,920 TOPs that vested, less 220,000 exercised or exchanged, since March 3, 2008.

⁹ Amount includes 51 common shares not previously reported.

DIRECTOR EDUCATION

| 2008 | Topic | Presented/Hosted By | Attended By |
|------------|--|--|--|
| Jan. 10 | Preparing for year-end audit committee meetings | Deloitte & Touche LLP | O'Neill (presenter) |
| Jan. 24 | Petroleum Industry Research Associates (PIRA) conference call regarding commodity prices | PIRA Energy Group | Flanagan O'Neill Jenkins Saville McLellan Fischer Willson Zaleschuk |
| Feb. 13 | Corporate governance and securities regulatory update | Eric Miller, VP, General Counsel and Secretary | All directors |
| Feb. 13 | Climate change presentation | Wishart Robson, Senior Advisor, Safety and Climate Change | All directors |
| Feb. 14 | Presentation on global trends across all major industries relating to major project administration, cost and project management execution challenges | Independent Project Analysis group | All directors |
| April 21 | PIRA conference call regarding commodity prices | PIRA Energy Group | Flanagan O'Neill Jenkins Saville Fischer Willson Zaleschuk |
| April 28 | Corporate governance and securities regulatory update | Eric Miller | All directors |
| April 28 | International Financial Reporting Standards (IFRS) update and transition overview | Brendon Muller, Controller and Deloitte & Touche LLP | All directors |
| May 2-4 | Financial literacy for directors and executives | Institute of Corporate Directors/Rotman School of Management/KPMG | McLellan |
| June 5 | Audit committee roundtable series: Risk oversight in an evolving environment | KPMG | Willson |
| July 2 | Nexen's policy on corporate responsibility | 2008 World Petroleum Congress | Saville (presenter) |
| July 3 | PIRA conference call regarding commodity prices | PIRA Energy Group | Flanagan O'Neill Saville Fischer Willson Zaleschuk |
| July 16 | Corporate governance and securities regulatory update | Eric Miller | All directors |
| July 16 | Business systems continuity | Kim McKenzie, VP and Chief Information Officer | All directors |
| July 16 | Nexen's emergency response plan | Randy Gossen, Division VP, Health, Safety, Environment and Social Responsibility | Jackson Flanagan Hentschel Jenkins McLellan Newell Saville Zaleschuk |
| July 17 | Overview of resource plays and importance of employing market-based valuation methodology | Gardner Walkup / Cambridge Energy Research Associates | All directors |
| Oct. 2 | Current trends in executive compensation | Towers Perrin | Jenkins |
| Oct. 6 | Long Lake (LL) education session and site visit overview • status update on Phase 1 • lessons learned | John Birdgeneau, VP Bitumen Exploration and Production Dean Miller, GM Business – Steam Assisted Gravity Drainage – LL Mike Backus, Project Planner Phase 2 LL | All directors |
| Oct. 7 | Long Lake site visit | Nolan Palmquist, GM – Operations LL | All directors |
| Oct. 14-15 | Annual boardroom summit | Corporate Board Member Magazine and Euronext | Zaleschuk |
| Oct. 21 | PIRA conference call regarding commodity prices | PIRA Energy Group | O'Neill Saville Fischer Willson Zaleschuk |
| Oct. 28 | Report on First Nations and social license | Lloyd Martell, Manager, Aboriginal Partnerships Kristjan Geekie, Director, Community Consultation and Regulatory Affairs | Jackson Flanagan Hentschel Jenkins McLellan Newell Saville Zaleschuk |
| Oct. 28 | Corporate governance and securities regulatory update | Eric Miller | All directors |
| Dec. 4 | Directors' briefing on the global financial crisis | PricewaterhouseCoopers | O'Neill |
| Dec. 8 | PIRA conference call regarding commodity prices | PIRA Energy Group | Saville Fischer |
| Dec. 8 | Corporate governance and securities regulatory update | Eric Miller | All directors |
| Dec. 8 | Attended all committee meetings as part of director orientation | Committee Chairs | Berry |
| Dec. 10 | Business and human rights workshop | Jeff Flood, GM, Social Responsibility | McLellan Newell Saville |
| Jan. 12/09 | Director orientation | Nexen executive management | Berry Bertram |
| Feb. 2009 | Annual integrity statement of compliance | Nexen online | All directors |

COMMITTEE REPORTS

- We have a financially informed board. Each director is a member of either the Audit Committee or the Finance Committee
- Relevant areas of expertise and the number of members who are skilled or expert are disclosed for each committee
- No changes in committee memberships occurred during the year

AUDIT COMMITTEE (100% INDEPENDENT)

The Audit Committee assists the board in overseeing accounting and financial reporting controls, audit processes and implementation of the ethics policy.

The Committee reviews the Form 10-K and recommends it to the board for approval.

Audit and audit-related fees were 92% of the fees Nexen paid to the independent auditors in 2008.

INDEPENDENT AUDITORS' FEES (\$)

| | |
|----|-----------|
| 08 | 4,686,400 |
| 07 | 4,454,600 |

COMPENSATION COMMITTEE (100% INDEPENDENT)

The Compensation Committee assists the board in overseeing key compensation and human resource policies, CEO and executive compensation, and executive succession and development.

An outside consultant worked for the Committee to provide market data and analyze executive compensation plans and practices.

COMPENSATION COMMITTEE OUTSIDE CONSULTANT FEES (\$)

| | |
|----|--------|
| 08 | 58,900 |
| 07 | 49,610 |

GOVERNANCE COMMITTEE (100% INDEPENDENT)

The Governance Committee assists the board in managing corporate governance, director selection, board committee appointments and performance evaluations.

See page 33 for the Committee's report on nominating a new director for election.

FINANCE COMMITTEE (MAJORITY INDEPENDENT)

The Finance Committee assists the Audit Committee and the board in overseeing financial policies, strategies and risk management practices, pension matters and transactions that could materially affect Nexen's financial profile.

In the first quarter of 2008, the Committee paid a quarterly dividend of \$0.025 per share. In the last three quarters, it paid dividends of \$0.05 per share.

In February, the Committee reviewed and recommended a share repurchase program and in December, it reviewed and approved the financing plan for the 2009 annual operating plan.

HSE & SR COMMITTEE (MAJORITY INDEPENDENT)

The HSE & SR Committee assists the board in overseeing Nexen's health, safety, environment and social responsibility systems.

See page 37 for the Committee's report on Nexen's initiatives to address climate change.

RESERVES COMMITTEE (MAJORITY INDEPENDENT)

The Reserves Committee assists the Audit Committee and board in overseeing the annual review of Nexen's petroleum, natural gas and Syncrude reserves, and disclosure of reserves data and related oil and gas and mining activities.

The Committee reviewed and recommended our 2009 reserves and related oil and gas and mining disclosures to the board.

MARCH 2, 2009

KEY SECTIONS

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Tom O'Neill, Chair



Barry Jackson



Kevin Jenkins



Eric Newell



Dick Thomson



John Willson

AUDIT COMMITTEE REPORT

The Audit Committee is responsible for appointing (subject to shareowner approval), compensating and overseeing the independent registered chartered accountants (IRCAs). The IRCAs are accountable to and report directly to the Committee, and understand that they must maintain an open and transparent relationship with the Committee, which represents our shareowners.

All Committee members are independent and knowledgeable on our financial reporting controls, and internal and external audit processes. Five members are skilled or expert in financial acumen, particularly financial accounting, reporting and internal controls—expertise most relevant to the Committee's mandate. See director biographies on pages 13 through 17 and the skills matrix chart on page 19 for additional information.

The Committee assists the board in overseeing Nexen's system of internal accounting and financial reporting controls, internal and external audit processes, and implementation of the ethics policy.

Management is responsible for our internal controls and financial reporting process. The IRCAs are responsible for independently auditing our: i) consolidated financial statements according to Canadian and US generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States); and, ii) internal control over financial reporting according to the standards of the Public Company Accounting Oversight Board. The Committee monitors and oversees these processes.

Changes to Committee Membership in 2008

The Committee membership did not change in 2008.

Key Activities for 2008

- Met separately with management and the IRCAs to review the December 31, 2008 consolidated financial statements;
- Discussed matters required by Canadian and US regulators with the IRCAs;
- Received written disclosures from the IRCAs required by US regulators;
- Discussed with the IRCAs that firm's independence;
- Discussed the scope and result of the audit with the IRCAs;
- Oversaw the compliance activities by management to report on the effectiveness of internal control over financial reporting as at December 31, 2008;
- Reviewed and approved the quarterly consolidated financial statements;
- Recommended to the board that the audited consolidated financial statements be included in Nexen's annual report on Form 10-K for the year ended December 31, 2008, based on the reviews and discussions referred to above; and
- Reviewed Nexen's progress on its planned transition to International Financial Reporting Standards.

Audit Partner Rotation

To comply with applicable law, the lead audit partner of our IRCAs is replaced every five years.

Sections 302 and 404 of Sarbanes-Oxley

Nexen is a voluntary filer of the Form 10-K in the US and has complied with the requirements of Sections 302 and 404 of Sarbanes-Oxley since December 31, 2004. Accordingly, Nexen is in compliance with *National Instrument 52-109—Certification of Disclosure in Issuers' Annual and Interim Filings*. In 2008, management assessed our internal control over financial reporting and concluded that it was effective as of December 31, 2008. The integrated audit report for 2008 is included in our Form 10-K.

IRCA's Engagement and Fees Billed

Before Nexen or any subsidiary engages the IRCA's for additional audit or non-audit services, the Committee must approve the engagement. Since May 6, 2003, the Committee has approved all audit, audit-related, tax and other services provided by the IRCA's. The Committee concludes that the services provided by the IRCA's as described in "All Other Fees" below maintain that firm's independence.

| Type of Fee | Billed in 2007 | Billed in 2008 | Percentage of Total Fees Billed in 2008 |
|---|----------------------------|----------------------------|---|
| Audit Fees | | | |
| For the integrated audit of Nexen's consolidated financial statements included in our annual report on Form 10-K | 2,966,000 ¹ | 2,812,000 ² | |
| For the integrated audit of the consolidated financial statements of Canexus ³ | 145,000 | 215,600 ⁴ | |
| For the first, second and third quarter reviews of Nexen's consolidated financial statements included in Form 10-Qs | 90,000 | 110,000 | |
| For the first, second and third quarter reviews of the consolidated financial statements of Canexus ³ | 45,000 | 45,000 | |
| For comfort letters and submissions to commissions | 153,500 | 3,000 | |
| Total Audit Fees | 3,399,500 | 3,185,600 | 68% |
| Audit-Related Fees – Nexen and Canexus³ | | | |
| For the annual audits and quarterly reviews of subsidiary financial statements and employee benefit plans | 828,100 | 1,144,700 | |
| Total Audit-Related Fees | 828,100 | 1,144,700 | 24% |
| Tax Fees – Nexen and Canexus³ | | | |
| For tax return preparation assistance and tax-related consultation | 116,400 | 139,800 | |
| Total Tax Fees | 116,400 | 139,800 | 3% |
| All Other Fees | 110,600⁵ | 216,300⁵ | 5% |
| Total Annual Fees | 4,454,600 | 4,686,400 | 100% |

Notes:

1 Consisting of \$1,366,000 to complete the 2006 audit and \$1,600,000 to commence the 2007 audit.

2 Consisting of \$936,000 to complete the 2007 audit and \$1,876,000 to commence the 2008 audit.

3 Includes fees for Canexus Income Fund, Canexus Limited Partnership and its subsidiaries.

4 Consisting of \$121,500 to complete the 2007 audit and \$93,100 to commence the 2008 audit.

5 Annual renewal fees for an upstream information database used in our UK office.

External Recognition and Verification

Nexen was recognized in 2008 with the Award of Excellence for Corporate Reporting in the Oil and Gas category of the Corporate Reporting Awards from the Canadian Institute of Chartered Accountants.

Committee Approval

Based on the Committee's discussions with management and the IRCA's, and its review of both their representations,

the Committee recommended to the board that the audited consolidated financial statements be included in Nexen's annual report on Form 10-K for the year ended December 31, 2008.

Submitted on behalf of the Audit Committee:

| | |
|--------------------|--------------|
| Tom O'Neill, Chair | Eric Newell |
| Barry Jackson | Dick Thomson |
| Kevin Jenkins | John Willson |



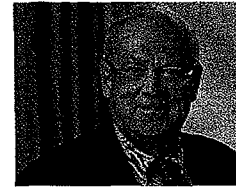
Kevin Jenkins, Chair



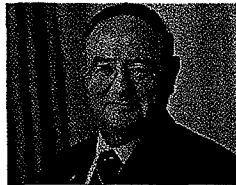
Barry Jackson



Anne McLellan



Tom O'Neill



Francis Saville



Dick Thomson



John Willson

COMPENSATION COMMITTEE REPORT

The Compensation Committee assists the board in overseeing key compensation and human resource policies, CEO and executive compensation, and executive management succession and development. The Committee reports to the board, as set out in its mandate, and the board or independent directors give final approval on compensation matters.

All Committee members are independent and knowledgeable in our compensation programs and their long-term implications.

Five members are skilled or expert in compensation—expertise most relevant to the Committee's mandate. See director biographies on pages 13 through 17 and the skills matrix chart on page 19 for additional information.

Changes to Committee Membership in 2008

The Committee membership did not change in 2008.

Committee Work Plan

The Committee held seven meetings and sessions without management present in 2008. While each meeting agenda is subject to change as business needs arise, the timing of the Committee's main activities are provided in this table.

Agenda Items

| | |
|---|-----------------|
| Approved compensation disclosure and Committee report in the proxy circular | February 2008 |
| Recommended the prior year's incentive bonus plan pay-out factor | |
| Recommended the current year's bonus performance target and compensation program | |
| Reviewed CEO's prior year accountabilities and results, and provided a bonus recommendation | |
| Reviewed CEO's current year accountabilities recommendations and provided a salary recommendation | |
| Reviewed competitive analysis of long-term incentive program | July 2008 |
| Reviewed market activity update | October 2008 |
| Reviewed workforce plan | |
| Recommended long-term incentive grants | December 2008 |
| Reviewed market activity update | |
| Reviewed succession and development plan | |
| In camera meetings | At each meeting |

Key Activities in 2008

The key activities reviewed and recommended during the year are outlined below.

- Compensation programs and budgets for base salary, annual cash and long-term incentives (Tandem Option Plan (TOPs) and Stock Appreciation Rights Plan (STARs);
- Salaries, bonuses and grants of TOPs to the executives;
- Retention programs for key business initiatives;
- CEO performance on short-term and long-term corporate goals and objectives;
- CEO compensation, which was approved by the independent directors of the board;
- CEO's annual objectives and our executive management succession and development plans;
- CEO and CFO appointments and compensation;
- Directors' annual deferred share unit grants;
- Impact of current compensation on change of control agreements;
- Employee benefit plans;
- Competitive updates on compensation programs, market forecasts and workforce planning;

- Executive compensation disclosure and Committee report for the proxy circular; and
- Canadian Securities Administrators' new rules on executive compensation disclosure.

Outside Consultant

The Committee engaged Mercer (Canada) Limited (Mercer) to confidentially report and analyze market data on the CEO's compensation, in light of our operations and compensation programs. Mercer also provided a compensation report on a select group of our executives. The reports included competitive information from a list of peer companies recommended by Mercer. The Committee's decisions are its responsibility and may reflect factors other than the information and recommendations provided by Mercer and management.

Mercer did not provide compensation consulting services to management in 2008. We participated in compensation surveys in Canada and internationally, and purchased select published results. Management must obtain Committee approval before retaining Mercer for consulting services.

Fees Billed by Outside Consultant (Mercer)

| Type of Fee | Billed in 2007 | Billed in 2008 | Percentage of Total Fees Billed in 2008 |
|---|----------------|----------------|---|
| Committee Work—assessment of CEO and executive compensation | 49,610 | 58,900 | 100% |
| Management Work—consulting services | — | — | — |
| Total Annual Fees | 49,610 | 58,900 | 100% |

External Recognition and Verification

Nexen was recognized in 2008 by *Benefits Canada* magazine for having one of Canada's 30 Best Pension and Benefits Plans.

Committee Approval

The Committee has reviewed and discussed with management the compensation disclosure in this document, including the information in the Board of Directors section (pages 22 to 24), the Compensation Discussion and Analysis section (pages 41

to 48) and the Executive Compensation section (pages 51 to 68). It has recommended to the board that the disclosure be included in the circular and, as appropriate, the Form 10-K.

Submitted on behalf of the Compensation Committee:

| | |
|----------------------|-----------------|
| Kevin Jenkins, Chair | Francis Saville |
| Barry Jackson | Dick Thomson |
| Anne McLellan | John Willson |
| Tom O'Neill | |



Dick Thomson, Chair



Kevin Jenkins



Anne McLellan



Eric Newell



Tom O'Neill



Francis Saville



John Willson

GOVERNANCE COMMITTEE REPORT

The Governance Committee assists the board in overseeing implementation of our corporate governance programs. It recommends nominees for director appointments and manages the evaluation process of the board, its committees and individual directors and chairs. This oversight ensures we implement best-in-class governance practices appropriate for Nexen.

All Committee members are independent and knowledgeable on our corporate governance programs. Six members are skilled or expert in governance and board experience or diversity—expertise most relevant to the Committee's mandate. See director biographies on pages 13 through 17 and the skills matrix chart on page 19 for additional information.

Changes to Committee Membership in 2008

The Committee membership did not change in 2008.

Key Activities in 2008

- Recommended two new directors for appointment to the board to replace two retiring directors;
- Recommended revised share ownership guidelines for directors;
- Reviewed our annual meeting vote results;
- Recommended updates to governance documents including mandates for the board, individual directors and all board committees, the external communications policy and the corporate governance policy;
- Received regular reports on management's dialogue with governance-related stakeholders;

- Recommended a new online performance evaluation process with updated questions; and
- Consulted with Dr. Richard Leblanc, Assistant Professor of Corporate Governance, York University, on the board's performance evaluations.

Corporate Governance Practices

Our governance practices are reported in two tables in Schedule A (page 72) which set out our compliance with:

- *National Instrument 58-101—Disclosure of Corporate Governance Practices*; and
- the NYSE governance rules.

The Board and Committees

The Committee reviews board and committee memberships annually, considering director independence, skills and preferences. The board is large enough to permit a diversity of views and provide expertise in running the committees, without being so large as to detract from effectiveness. Each year, a skills matrix (see page 19) is compiled and reviewed by the Committee. This matrix sets out areas of expertise determined to be essential to ensure appropriate strategic direction and oversight by the board. It also assists with board recruitment. The Committee's review of board experience indicates that the current mix of skills is appropriate.

Nominating a New Director for Election

The Committee identifies and assesses candidates for board appointment or nomination. Our forward-looking skills matrix has identified skills with the greatest opportunity to strengthen the board.

Before recommending a new board candidate, the Committee considers his or her performance, independence, competencies, skills and financial acumen. Character and behavioural qualities, including credibility, integrity and communication skills, are considered. The Committee Chair and/or Board Chair meets with the candidate to discuss his or her interest and ability to devote sufficient time and resources to the position. Prior to nomination, potential directors must disclose possible conflicts of interest with Nexen, and background checks, as appropriate, are completed.

Mr. Hentschel and Mr. Thomson are retiring from the board at our annual meeting in April due to mandatory retirement. To fill these vacancies, two directors have been appointed to the board. Mr. Berry joined on December 8, 2008. He brings skills and expertise in international operations and business development, and health, safety and environment management. Mr. Bertram joined on January 1, 2009 and brings skills and expertise in governance and board experience, managing and leading growth, and financial acumen.

The Committee maintains an evergreen list of potential directors whose skills complement the board and whom the Committee recommends joining the board, if the individual is available when an opening arises.

Mr. Fischer resigned from the board effective December 31, 2008 upon his retirement as President and CEO. Mr. Romanow became a member of the board effective January 1, 2009 by virtue of his appointment as President and CEO. He is not independent and does not sit on any committees.

The Committee will also consider a board nominee recommended by a shareowner. See page 5 for information on communicating with the board.

Performance Evaluations

The board and management work together to foster continuous, open and honest communication, where concerns are brought forward and dealt with as they occur. In this spirit, the annual board evaluation is seen as an opportunity to review the past year and consider contributions, successes and opportunities for improvement. Visit www.nexeninc.com for a special report on our director evaluation process. See page 74 for more details.

Our six-part performance evaluation review is our primary tool for determining who should be on the board. In light of this

review, the board does not have a tenure policy and has flexible term limits. Nexen's average board tenure of director nominees is 8.5 years. Our retirement age is 75.

The Committee recommended a new online evaluation process in 2008. They also considered comments from the last evaluation to further explore executive compensation and risk management.

The board rates its overall effectiveness on a 10-point scale, where 10 is the best. The average rating was 8.9 for 2008 and 9.23 for 2007. The decline in the average score is partly explained by a change in the rating scale from fractional to whole numbers in 2008.

External Recognition and Verification

We received the following recognition for our governance practices during 2008:

- The Award of Excellence in Corporate Governance Disclosure in the 2008 Corporate Reporting Awards from the Canadian Institute of Chartered Accountants;
- Recognition from the Canadian Coalition for Good Governance for new best practices in shareholder communication and compensation disclosure;
- Finalist for the Stakeholder Communication Award at the 2008 Petroleum Economist Awards in the UK;
- The Best Corporate Governance Practices in North America by IR Global Rankings;
- Ranked 7th, with a score of 92 out of 100, in the Report on Business 2008 corporate governance rankings; and
- Current global rating of 10 out of 10 from GovernanceMetrics International for governance practices and disclosure.

Committee Approval

The Committee has reviewed and discussed the governance disclosure in this document, including the information in the Board of Directors section (pages 13 through 26) and in the Special Report and Schedule A (pages 70 through 75). It has recommended to the board that the disclosure be included in the circular and, as appropriate, the Form 10-K.

Submitted on behalf of the Governance Committee:

| | |
|---------------------|-----------------|
| Dick Thomson, Chair | Tom O'Neill |
| Kevin Jenkins | Francis Saville |
| Anne McLellan | John Willson |
| Eric Newell | |



Vic Zaleschuk, Chair



Dennis Flanagan



Dave Hentschel



Anne McLellan



Francis Saville



Dick Thomson

FINANCE COMMITTEE REPORT

The Finance Committee assists the Audit Committee and the board in reviewing financial policies and strategies, capital structure, financial risk management practices, pension matters and transactions which could materially affect our financial profile.

Five of the six Committee members are independent. All members are knowledgeable on our financial programs and policies and matters relating to corporate finance. Four members are skilled or expert in financial matters, particularly as it pertains to corporate finance, debt and equity markets—expertise most relevant to the Committee's mandate. See director biographies on pages 13 through 17 and the skills matrix chart on page 19 for additional information.

Changes to Committee Membership in 2008

The Committee membership did not change in 2008.

Financial Policies and Strategies

One of the Committee's most significant responsibilities is to approve the financing plan for our annual operating plan. Our 2009 annual operating plan, including a proposed oil and gas capital investment program of \$2.6 billion, was approved in December 2008 after the Committee approved the financing plan.

The Committee also recommends dividends on our common shares and regularly reviews our dividend policy. In February 2008, the Committee recommended an increase in the

quarterly dividend. In the first quarter of 2008, we declared quarterly dividends of \$0.025 per share and in the last three quarters, we declared dividends of \$0.05 per share. The Committee also recommended a share repurchase program during 2008.

Key Activities in 2008

- Regularly reviewed financing strategies, including leverage, liquidity, dividend levels, share repurchases and other financing activities;
- Regularly reviewed our investor relations management and activities;
- Regularly reviewed risk management reports on our marketing and trading operations and our key financial and business risks;
- Regularly reviewed the status and funding of our pension plans; and
- Regularly reviewed our insurance program.

Transactions Affecting Nexen's Financial Profile

The Committee reviews Nexen's financial profile and financing options for major transactions.

Submitted on behalf of the Finance Committee:

| | |
|----------------------|-----------------|
| Vic Zaleschuk, Chair | Anne McLellan |
| Dennis Flanagan | Francis Saville |
| Dave Hentschel | Dick Thomson |



Barry Jackson, Chair



Dennis Flanagan



Dave Hentschel



Kevin Jenkins



Anne McLellan



Eric Newell



Francis Saville



Vic Zaleschuk

HSE & SR COMMITTEE REPORT

The HSE & SR Committee assists the board in overseeing the development, implementation and monitoring of policies and programs that manage health, safety, environment and social responsibility issues and ensure Nexen continues to institute best-in-class practices. The Committee encourages, assists and counsels management in maintaining and improving performance.

Seven of the eight Committee members are independent. All members are knowledgeable on our HSE & SR programs and policies and skilled or experts in health, safety, environment and social responsibility or international business—expertise most relevant to the Committee’s mandate. See director biographies on pages 13 through 17 and the skills matrix chart on page 19 for additional information.

Changes to Committee Membership in 2008

The Committee membership did not change in 2008.

Key Activities in 2008

- Met regularly with management to review overall HSE & SR performance and statistics;
- Regularly reviewed HSE & SR-related risk management and audit activities;

- Reviewed progress toward process safety management (PSM) audits and implemented recommendations;
- Regularly monitored follow-up actions on recommendations from a management system audit by PricewaterhouseCoopers;
- Reviewed the annual sustainability report;
- Reviewed industry air and water emissions position papers; and
- Received regular security reviews.

Special Presentations

- The Committee receives occasional presentations so members are aware of emerging issues and trends. In 2008, topics included:
 - Climate change, including Canadian and European Union/UK legislation, carbon storage initiatives and the growing global carbon trading market;
 - HSE & SR management system audit by PricewaterhouseCoopers;
 - Review of Long Lake and upgrader start-up;
 - A case study on Nexen’s emergency response capabilities; and
 - Aboriginal partnerships in the Long Lake project.

Corporate Social Responsibility

The Committee oversees Nexen's commitment to corporate social responsibility. We continue to be a recognized industry leader in social responsibility. Details on our recent activities will be set out in the 2008 sustainability report that will be available later this year. The 2007 sustainability report is available at www.nexeninc.com.

Climate Change

The Committee regularly discusses with management the rapidly evolving issue of climate change in the North American and international political landscapes. While uncertainties persist, we continue to seek greenhouse gas emission reductions to comply with the strategy approved by the board in 2005 and revisited in 2007. The board also received specific updates on Canada's regulatory framework, our participation in the Greenhouse Gas Credit Aggregation Pool and progress made by the Integrated CO₂ Network, where we are one of the anchor companies. Nexen was recognized, for the second consecutive year, as a climate disclosure leader by the Conference Board of Canada based on our submission to the Carbon Disclosure Project in 2008 and our board governance on climate change.

Process Safety Management

Nexen views process safety management (PSM) as a high priority and regularly reviews relevant corporate standards. In 2008, the Committee received presentations relating to PSM and updates as to our efforts to ensure our PSM systems continue to be robust and effective. The Committee will continue to receive updates in 2009.

External Recognition and Verification

Nexen was recognized for our HSE & SR performance during 2008, as follows:

- Included for the eighth consecutive year in the Dow Jones Sustainability Index;
- Included for the sixth consecutive year in the Jantzi Social Index;
- Received the Oilweek Magazine award for sustainability reporting for the second consecutive year;
- Recognized for the second consecutive year as one of 15 Climate Disclosure Leaders by the Conference Board of Canada;
- Recognized by Corporate Knights as one of Canada's Best 50 Corporate Citizens;
- Short-listed for the Goldman Sachs SUSTAIN Focus List of global companies; and
- Received the Fort McMurray Chamber of Commerce Environmental Leadership Award for our Long Lake Project.

Submitted on behalf of the HSE & SR Committee:

| | |
|----------------------|-----------------|
| Barry Jackson, Chair | Anne McLellan |
| Dennis Flanagan | Eric Newell |
| Dave Hentschel | Francis Saville |
| Kevin Jenkins | Vic Zaleschuk |



John Willson, Chair



Dennis Flanagan



Dave Hentschel



Barry Jackson



Eric Newell



Tom O'Neill



Vic Zaleschuk

RESERVES COMMITTEE REPORT

The Reserves Committee assists the Audit Committee and the board in overseeing the annual review of our petroleum, natural gas and Syncrude reserves, and disclosure of reserves data and related oil and gas and mining activities.

Six of the seven Committee members are independent. All members are knowledgeable about our reserves estimating processes and disclosure requirements. Six members are skilled or expert in oil and gas, particularly Nexen's strategy, operational issues and technology—expertise most relevant to the Committee's mandate. See director biographies on pages 13 through 17 and the skills matrix chart on page 19 for additional information.

Changes to Committee Membership in 2008

The Committee membership did not change in 2008.

Key Activities in 2008

- Received regular updates on reserves-related regulatory developments, including SEC reserves rules modernization initiatives;
- Received regular updates on projected annual reserves additions and production performance variations;
- Reviewed the continuing appointment of independent qualified reserves evaluators, change in evaluator for the US deep water properties and any engagements of such evaluators for other services;

- Approved having at least 80% of the proved reserves assessed by independent qualified reserves evaluators;
- Reviewed our process for determining the year-end reserves estimates, including procedures to provide information to the independent qualified reserves evaluators; and
- Assessed and revised the reserves policy in light of regulatory developments and best practices.

Committee Approval

In February 2009, after meeting with management, the internal qualified reserves evaluator and each of the independent qualified reserves evaluators (including sessions without management), the Committee recommended approving our annual reserves and related oil and gas and mining disclosures to the board.

Submitted on behalf of the Reserves Committee:

| | |
|---------------------|---------------|
| John Willson, Chair | Eric Newell |
| Dennis Flanagan | Tom O'Neill |
| Dave Hentschel | Vic Zaleschuk |
| Barry Jackson | |