



CANADA



GULF OF MEXICO

Every stakeholder Every community Every generation

COLOMBIA



BRAZIL

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Values Matter.

We know what we stand for

Corporate profile

Nexen Inc. is an independent, Canadian-based global energy and chemicals company listed on the Toronto and New York stock exchanges under the symbol NXY. We explore for, develop, produce and market crude oil and natural gas worldwide. Our core operations are located in Yemen, Western Canada and the Gulf of Mexico, with producing properties in Australia and Nigeria.

Nexen is a profitable, value-driven company. We add value for shareholders through a predominantly grassroots, exploration-led strategy, supplemented by strategic acquisitions and innovative technology to competitively exploit our bitumen resource. This strategy is supported by solid core assets that provide free cash flow to finance new development projects for near-term growth and an active exploration program aimed at longer-term growth.

Throughout our operations, we are committed to the principles of corporate social responsibility. We actively support local projects and initiatives in the communities where we operate and our performance is guided by leadership in ethics, integrity, environmental protection and safety.



Aspen, our first deep-water project in the Gulf of Mexico, offers prolific wells and high netbacks.

Vision and strategy

OUR STRATEGY, STRUCTURE AND SYSTEMS UPHOLD OUR VALUES.

We are a company of conscience. Our values matter. We are concerned about every stakeholder, every community, every generation.

Dear Stakeholders,

We are pleased to share with you our 2002 Safety, Environment and Social Responsibility (SESR) Report. In some respects it is anomalous for us to present a separate report on the issues and matters covered here because we do not see SESR as somehow standing outside those covered in our more formal Annual Report to shareholders. Accordingly, this sustainability report is integrally linked to the achievement of our business objectives.

Our mission, endorsed by our Board of Directors and central to our strategic plan, is to “Grow Value Responsibly.” In other words, value creation drives every decision we make. We do this well but not at any cost. That’s why for many years Nexen has taken an integrated or triple bottom line approach which addresses financial, environmental and social performance. A company that manages its governance well from this integrated perspective and that’s transparent and accountable to its shareholders through an effective Board of Directors is the most likely to provide the best returns over time.

Nexen has a long history of leadership in these matters. We were one of the first Canadian companies to have a Safety, Environment and Social Responsibility Committee and, more recently, a Reserves Review Committee of our Board of Directors. We have generated a public SESR report since 1997, and we are a recognized leader in corporate social responsibility. We championed the development of the International Code of Ethics for Canadian Business and have been leaders in combating corruption—a cancer in many societies. One of the cornerstones of our license to operate is the trust we have built with stakeholders.

All of this has resulted in a climate of accountable behaviour at Nexen—from the individual employee who saw a need in Yemen and, on his own initiative, drilled a water well for a tiny desert community—to the participation by Nexen in world councils like the United Nations to promote poverty reduction and reduce the risks of conflict in a difficult world. It’s this type of responsible attitude that continuously strengthens our values and enables us to make better decisions for our shareholders and for the communities where we work and live.

Measuring and reporting success in SESR, in some instances, can simply be providing statistics. Some aspects of our business, however, are harder to measure. We take verification of our performance seriously and are working towards it in a sensible way. This SESR Report is part of our accountability—to tell you about some of the things we are proud of—and where we need to improve. We invite you to give us your feedback by completing the comment card.

Our corporate foundation rests on our oil, gas and chemicals operations. Our goal is to succeed financially at these businesses. We are also driven to be sustainable and to build capacity by excelling environmentally and socially. We believe we must outperform in all three aspects to continue to “Grow Value Responsibly” over the long term.



Charlie Fischer

President and Chief Executive Officer

February 2003



Randy Gossen

Vice President, Safety, Environment and Social Responsibility

Governance structure and management systems

GOVERNING WITH INTEGRITY.

We are committed to managing our performance with honesty and trust.

Structure and Governance

Nexen operates under a system of “Total Governance”, which means that our Board, management and employees work together to meet corporate goals and foster a culture of integrity throughout the organization. Our Board takes governance seriously in all respects, uses best practices and exceeds regulatory requirements.

We continuously exceed required disclosure standards. Mandates for all of our committees and the Board as a whole, together with detailed disclosure of our corporate governance practices, are included in our proxy materials which can be retrieved electronically by accessing Nexen’s public filings at www.sedar.com.

Mission and Values Statements

Our Safety, Environment and Social Responsibility mission is to provide leadership, coordination and support with respect to SESR management in all operations and administrative functions and undertake appropriate due diligence consistent with Nexen shareholders’ best interests.

SESR values:

- *Our people. They are our most important asset and we will not compromise our safety standards to achieve other corporate goals.*
- *The experience and professionalism of our people.*
- *The commitment, leadership and accountability of all personnel for SESR performance.*
- *Ongoing and open dialogue with our stakeholders.*
- *The health, welfare and safety of our people, contractors and the public.*
- *The concept of sustainable development—a balance of environmental, economic and social responsibility.*
- *The commitment of our people to a safe operating environment and protection of environmental quality.*
- *Prompt, open, frank and complete communication on SESR issues.*

Our commitment to our mission and values is exemplified by our participation in the following initiatives:

- *International Code of Ethics for Canadian Business (see pages 5 and 6)*
- *Responsible Care® (see pages 18 and 31)*
- *United Nations Global Compact (see page 11)*
- *Guidelines on Minimum Standards for HSE Governance in Joint Ventures (International Association of Oil & Gas Producers and International Petroleum Industry Environmental Conservation Association)*

With the exception of Responsible Care®, each initiative applies across Nexen. Responsible Care® has been implemented throughout our Chemicals Division and at our Balzac Gas Plant. We have started implementing it at our Masila operations in Yemen and are planning further implementation across the organization.

INTERNATIONAL CODE¹ OF ETHICS FOR CANADIAN BUSINESS

Nexen championed the development of the Code in 1997. It is a template for Canadian businesses to use when conducting business at home and abroad. Since then, many businesses have adopted the Code to ensure they operate ethically both at home and internationally. Our SESR and other integrity policies closely reflect the beliefs and values found in the Code.

Vision

Canadian business has a global presence that is recognized by all stakeholders² as economically rewarding to all parties, acknowledged as being ethically, socially and environmentally responsible, welcomed by the communities in which we operate, and that facilitates economic, human resource and community development within a stable operating environment.

Beliefs

We believe that:

- *we can make a difference within our sphere of influence (our stakeholders);*
- *business should take a leadership role through establishment of ethical business principles;*
- *national governments have the prerogative to conduct their own government and legal affairs in accordance with their sovereign rights;*
- *all governments should comply with international treaties and other agreements that they have committed to, including the areas of human rights and social justice;*
- *while reflecting cultural diversity and differences, we should do business throughout the world consistent with the way we do business in Canada;*
- *the business sector should show ethical leadership;*
- *we can facilitate the achievement of wealth generation and a fair sharing of economic benefits;*
- *our principles will assist in improving relations between the Canadian and host governments;*
- *open, honest and transparent relationships are critical to our success;*
- *local communities need to be involved in decision-making for issues that affect them;*
- *multi-stakeholder processes need to be initiated to seek effective solutions;*
- *confrontation should be tempered by diplomacy;*
- *wealth maximization for all stakeholders will be enhanced by resolution of outstanding human rights and social justice issues; and*
- *doing business with other countries is good for Canada and vice versa.*

Values

We value:

- *human rights and social justice;*
- *wealth maximization for all stakeholders;*
- *operation of a free market economy;*
- *public accountability by governments;*
- *a business environment that militates against bribery and corruption;*
- *equality of opportunity;*
- *a defined code of ethics and business practice;*
- *protection of environmental quality and sound environmental stewardship;*
- *community benefits;*
- *good relationships with all stakeholders; and*
- *stability and continuous improvement within our operating environment.*

Principles

A Concerning Community Participation and Environmental Protection, we will:

- *strive within our sphere of influence to ensure a fair share of benefits to stakeholders impacted by our activities;*
- *ensure meaningful and transparent consultation with all stakeholders and attempt to integrate our corporate activities with local communities as good corporate citizens;*
- *ensure our activities are consistent with sound environmental management and conservation practices; and*
- *provide meaningful opportunities for technology cooperation, training and capacity building within the host nation.*

B Concerning Human Rights, we will:

- *support and respect the protection of international human rights within our sphere of influence; and*
- *not be complicit in human rights abuses.*

C Concerning Business Conduct, we will:

- *not make illegal and improper payments and bribes and will refrain from participating in any corrupt business practices;*
- *comply with all applicable laws and conduct business activities with integrity; and*
- *ensure contractors,' suppliers' and agents' activities are consistent with these principles.*

D Concerning Employee Rights and Health and Safety, we will:

- *ensure health and safety of workers is protected;*
- *strive for social justice and respect freedom of association and expression in the workplace; and*
- *ensure consistency with other universally accepted labour standards related to exploitation of child labour, forced labour and non-discrimination in employment.*

1 The 'Code' is a statement of values/principles designed to facilitate and assist individual firms in developing their policies and practices that are consistent with the vision, beliefs and principles contained herein.

2 Should include: local communities, Canadian and host governments, local governments, shareholders, the media, customers and suppliers, interest groups and international agencies.

SAFETY, ENVIRONMENT AND SOCIAL RESPONSIBILITY MANAGEMENT SYSTEM

Nexen is committed to achieving excellence in safety, environment and social responsibility performance. Our SESR policy closely follows the conventions of the International Code.

The diagram to the right illustrates the 11 key elements which are the focus of our SESR program at Nexen. To implement our policy and integrate these 11 elements we:

- developed an SESR reporting structure comprised of:
 - the Board of Directors SESR Committee,
 - the Senior Executive SESR Committee,
 - the division Vice President, SESR,
 - our corporate SESR Department,
 - our divisional SESR departments,
 - business unit and operation-specific SESR departments, and
 - our SESR network of practitioners.
- support the Board and employees in fulfilling their responsibilities and accountabilities in implementing, reporting and stewarding the SESR program.
- created a flexible approach to implementing SESR activities which allows each division to integrate SESR activities in a way that is appropriate for their employees and business activities. For example, the Chemicals Division has been a leader for many years in implementing Responsible Care®, an initiative of the Canadian Chemical Producers' Association.
- implemented risk management and self-monitoring actions required to minimize negative impacts to people, the environment, society at large and our operations. Examples include hazard and operability analysis, quantitative risk assessment, management of change processes, operational inspections, monitoring and audits.
- introduced independent verification reviews/audits of our management system to validate its effectiveness and find ways to continually improve.
- document SESR actions, collect, analyze and follow-up SESR incidents, and track other performance data through an information management system.

The SESR Management System is an integral part of Nexen's proactive approach to risk management which minimizes risks to people and assets.



STAKEHOLDER ENGAGEMENT

Nexen is an active and responsible member of the communities where we operate. We believe communities have a legitimate right to know about our planned and ongoing activities and to participate in decision-making on issues that may affect their lives or livelihood. We've developed an effective consultation process to involve the public and address concerns in a way that benefits everyone.

We achieve this through meaningful and transparent consultation with stakeholders. Our goal is to integrate our activities with local communities in a way that is consistent with our core values, beliefs and vision.

We provide information before projects get started, host community meetings to answer questions and take action on stakeholder concerns so these concerns can be addressed in our project plan. During a project, we keep stakeholders informed of and involved in our activities through newsletters and meetings. We also support local projects to benefit the community in a sustainable manner.

Many of our operations in Canada have Community Advisory Panels that meet regularly. Some of these panels also have participation from non-governmental organizations (NGOs). Our international operations establish community affairs programs in the early stages of project development and these are maintained throughout the project's life. To see examples of our work in communities, see pages 12, 15 and 16.

While every effort is made to ensure that our operations are integrated with the community, on occasion community members have issues or concerns that require attention. Nexen takes such concerns very seriously and has an established response mechanism to address concerns in a timely manner. All regulatory inquiries and follow-up action are recorded.

Nexen is an active member of several industry associations that are concerned with stakeholder issues such as the International Petroleum Industry Environmental Conservation Association, the Canadian Association of Petroleum Producers, and the Canadian Chemical Producers' Association. These groups meet periodically with NGOs to review issues and concerns.



Community consultation in Colombia was a key factor in the success of our community affairs program there.



We walk our talk.

By taking action on our
five pillars of social responsibility

Business practices

A RESPONSIBLE AND RESPONSIVE BOARD OF DIRECTORS

Our Board of Directors sets the standard for our business to ensure we follow best practices across our company.

As part of Nexen's commitment to Total Governance, our Board monitors the corporate governance landscape for new and emerging issues. Our Board and its committees review performance and critical issues regularly, ensure superior governance practices are integrated into our operations and monitor the accountability and effectiveness of those practices.

Even before the significant changes in corporate governance began emerging last year, Nexen was arranging and holding meetings with the Toronto and New York stock exchanges to review our governance and disclosure practices in order to maintain best practices.

When the Sarbanes-Oxley Act of 2002 was legislated in the United States, we reviewed our policies and practices against the new standards. In many cases, this has turned out to require little more than adding a few steps and formalizing our existing practices by putting them in writing. We have continuously exceeded regulatory requirements in this regard.

In our proxy materials, we reported our governance practices against the proposed Toronto Stock Exchange guidelines. Although the proposed guidelines have not been adopted yet, they are more detailed than the existing guidelines and provide us with an opportunity to give Nexen's stakeholders a more detailed view of our governance system.

The Board also ensures that external feedback received during verification processes and from independent reviews is channeled back into the system to improve processes, procedures and reporting.

In 2002, we completed a legal and operational audit of SESR activities and incorporated the recommendations into our mandates.

Our disclosure and committee mandates are reviewed annually and revisions are made to reflect current best practices.

GOOD LEADERSHIP IS GOOD FOR BUSINESS

We've taken a leadership role in areas critical to our long-term business success.

Nexen is a proactive, forthright company. We speak out on important business issues and provide industry leadership. This helps build trust and credibility with our stakeholders, contributing to greater business stability and new opportunities.

Leading as stewards Stewardship is about being accountable to stakeholders, shareholders and the environment. Nexen is an active participant in the Canadian Association of Petroleum Producers (CAPP) stewardship initiative, which encourages companies to continuously improve their stewardship performance and make annual progress reports to stakeholders. Nexen employee Garry Mann was a leader in developing this initiative and was recognized for his contribution when he was named CAPP Steward of the Year in 2002.

Leading the industry We take an active role in many industry associations (see sidebar). In 2002, the World Petroleum Congress invited us to share our expertise on verification, building community partnerships and sustainable development. The Congress is a major event in the oil and gas industry and draws more than 3,000 delegates from around the world. In addition, Dr. Randy Gossen, Vice President, SESR was elected to the Congress Board, giving us the opportunity to take a leadership role in the Congress again. We also presented a paper at the Society of Petroleum Engineers conference in Kuala Lumpur on integrating corporate social responsibility into a corporate culture.

Nexen played a key role in writing the ethics and human rights section of a major report produced jointly by the International Petroleum Industry Environmental Conservation Association and the International Association of Oil & Gas Producers, entitled *The Oil and Gas Industry from Rio to Johannesburg and Beyond; contributing to sustainable development*. The oil and gas sector was invited by the United Nations Environment Programme to contribute a document tracing a decade of progress in sustainability in the lead up to the World Summit on Sustainable Development in Johannesburg in August 2002.

Leading around the world In the last few years, Nexen has joined ranks with some of the world's largest corporations to participate in a unique initiative developed by the United Nations. The Global Compact is a network of companies, non-governmental organizations, labour and governments who have agreed to work with the UN to address the common global issues of environmental protection, human rights and labour. As part of our commitment to the Global Compact, Nexen is now in the detailed planning phase for implementing a joint water and sanitation management program in Yemen with the UN and other donors. We also co-chaired an initiative addressing the role of business in zones of conflict.

INDUSTRY LEADERSHIP

Our employees provide leadership to a wide range of industry associations and non-governmental organizations to help influence policy development and public dialogue. These include:

- *Alberta EcoTrust Foundation*
- *Alliance for Environmental Technology*
- *American Chemistry Council*
- *Brazil Chemical Association (Associação Brasileira da Indústria Química (ABIQUIM))*
- *Canadian Association of Petroleum Producers (CAPP)*
- *Canadian Business for Social Responsibility*
- *Canadian Chemical Producers' Association (CCPA)*
- *Chlorate Process Safety Association*
- *Chlorine Institute*
- *Conference Board of Canada*
- *International Petroleum Industry Environmental Conservation Association (Chaired by Nexen)*
- *Nature Conservancy of Canada*
- *Oil Spill Response Limited*
- *Saskatchewan Climate Change Stakeholders Advisory Committee*
- *Saskatchewan Minister of Labour—Safety Advisory Council*
- *Transparency International*
- *United Nations Global Compact*
- *World Petroleum Congress (Vice President, Congress Program)*

Safety and environment

TRANSFORMING OUR FOOTPRINT TO A FINGERPRINT

Some would say you can't undo the past. In some cases, we believe you can.

In the late 1950s we drilled and completed a sour gas well at a location that is now within an established community in Calgary, Alberta, Canada. Back then, environmental considerations were still in their infancy and the use of earthen sumps to store diesel-based drilling fluids was common practice. When drilling was completed, most of the diesel-based drilling mud was removed or burned off and the sump filled in with native material. This was the industry standard and accepted abandonment process at the time.

A regulatory file review indicated that a reclamation certificate for this well was not on file. We also had little information on this wellsite other than some drilling records that showed approximately 45,000 litres of diesel fuel had been used in drilling mud.

After a detailed file review and initial on-site investigation, we found the sump—under a cul-de-sac in a condominium complex. Contaminated soil was buried 1.5 to 2 metres beneath the surface but posed no immediate health risk. However, the problem remained and we knew this material needed to be removed.

In 2002, we completed a \$2.8 million reclamation project at this urban location. The process involved removing sub-surface soil contaminated from the drilling mud and replacing it with clean soil.

The project required constant communication with affected residents and stakeholders to involve them in decision-making processes. Meetings, letters and one-on-one contact were all used to ensure the support of residents, regulators and the community.

Removing the contaminated soil required excavating the entire cul-de-sac and disconnecting all utilities. This meant moving the residents out for the duration of the project. We established a payment schedule to cover costs and inconvenience during their three-week period of vacancy.

Once everyone moved out, crews dug down to the old wellsite, removed the contaminated material and trucked it to a soil treatment and recycling facility. The hole was then filled with clean soil, compacted and the surface revegetated, leaving residents and regulators very pleased with the outcome.

REMEDIATION

Residents' Perspectives

"I compose this letter in the hopes of expressing our satisfaction in the way we have been treated by the employees and associates of Nexen Inc. We had the opportunity to interact with many of the people working on the Jefferson Lake Project and were treated with professional respect. A few have even gone above and beyond their duty in keeping us informed at all times.

...Nexen Inc. has acted as a good corporate citizen as they emphasized at the early meetings, which at some point were rather tense, to leave us "whole" as they referred to it. It seems that at this particular time to be true barring any unforeseen circumstances."

Gerry & Jenny Van Oyen

"...Nexen did a marvelous job without any selfish motive but with generous motive of helping, supporting and pleasing all the Condo Owners... The way you have taken pain to complete the challenging task will be remembered for many, many years."

Mr. & Mrs. Rudy Lalji



REDUCING OUR EMISSIONS

We are actively reducing greenhouse gas emissions in all our operations. We also believe in protecting Canadians' interests.

Greenhouse gases. These two words have sparked a highly charged debate in Canada over the past year with the federal government, provincial governments, industry associations and non-governmental organizations all vying for the ear and support of the public. Nexen's President and CEO Charlie Fischer, along with Senior Vice President Roger Thomas and SESR Manager Wishart Robson, have undertaken and continue to take leadership roles as this public policy issue unfolds.

In the past century, greenhouse gas emissions around the world have been increasing in pace with population growth and consumption of fossil fuels. In recent years, scientists have been trying to determine what might happen to the earth's climate if current levels of greenhouse gases increase significantly. The Kyoto Protocol, launched in 1997, attempted to create a blueprint to curb emissions worldwide.

The protocol requires Canada and most of the developed world to reduce emissions an average of 5% below 1990 levels by the target date of 2010. If Canada's emissions continue growing, by 2010 Canada would have to reduce its emissions by approximately 30 per cent. Now that Canada has ratified the Kyoto Protocol, we are assessing its impact on our current and future activities.

In fact, Nexen has already taken steps to face the future. We have been measuring and reporting our greenhouse gases for a number of years and have taken positive steps to reduce our emissions levels where it made sense. In 1995, we started capturing, compressing and selling methane gas from our Canadian heavy oil operations instead of venting it to the atmosphere. Last year we captured about 950,000 tons of carbon dioxide equivalent (1,900,000 tons in total since 1995); as a result, emissions in 2001 from our Canadian operations were essentially the same as they were in 1990, despite growing production volumes.

Nexen recognizes the need to continue developing Canadian technology to reduce our emissions. Accordingly, Nexen directly supports research and development activities focusing on geological sequestration which we believe has the potential to safely store large volumes of CO₂ for centuries.

WORKPLACE SAFETY OF PARAMOUNT IMPORTANCE

We do the right thing for the right reasons, even when it costs.

Every year, hurricane season hits the Gulf of Mexico with exasperating regularity, leaving a path of destruction. In 2002, two hurricanes—Lili and Isidore—tore through the Gulf and our offshore oil and gas production was shut down for both storms. Hurricane Lili caused severe damage to two of our platforms and affected our production volumes. Since the safety of our people is our primary concern, they were safely evacuated in a timely manner.

We have specific processes in place to ensure employees are safely out of the storm before problems occur. When a tropical storm or hurricane enters the Gulf, all personnel are notified and, depending on the strength of the storm, all non-essential personnel may be sent to shore. Employees on the platforms begin securing all loose items, checking fuel and batteries for emergency generators, and testing navigational lights and foghorns on the platform. Once the storm is estimated to be within 24 to 72 hours of a Nexen location, boats and helicopters are prepared for evacuating employees. When the hurricane is no less than 24 hours from a Nexen facility, all remaining employees on the platform are evacuated to shore by boat or helicopter and production is shut-in to ensure safety and environmental protection throughout the storm. When the storm has passed, employees return to work and assess the storm damage. Where damage is extensive, construction crews are called in to make repairs before the facility can be brought online again.

Employee relations

INSTILLING INTEGRITY ACROSS OUR COMPANY

Integrity isn't the job of any one person or department. It's everybody's responsibility.

Integrity is one of our core values and to reinforce it to employees, we developed our Integrity Workshop. The workshop teaches employees why asking the right questions and honest, direct communication are critical to our success. They are also provided with the tools, resources and information they need to put these principles into practice.

The Integrity Workshop is compulsory for all Nexen employees and contractors. By the end of 2002, a total of 170 Integrity Workshops had taken place throughout our company with 2,655 participants. In 2002, we developed an interactive computer-based tool for use by staff in remote locations. And last year, for the first time, we invited external stakeholders to participate in the Integrity Workshop, including staff from the Canadian Embassy in Colombia and suppliers in Australia.

Delivering integrity training makes it clear to employees what our expectations are and ensures that everyone understands their role. In late 2002, we started a process that will ask employees for feedback on Nexen's overall integrity performance. This "evergreening" process will help us identify areas that need to be improved and highlight best practices that can be shared across our company.



Nexen staff in Australia celebrate 1,000 days without a lost-time injury.

UNDERSTANDING LEADS TO OPPORTUNITY

The success of our Aboriginal employment strategy is built on understanding and relationships.

In Canada, we have developed positive and ongoing relations with Aboriginal people living near our operating areas. We have encouraged them to participate in our industry and to benefit from it.

We understand that a relatively young and growing Aboriginal population creates both opportunities and challenges for Aboriginal and non-Aboriginal communities, especially in the area of employment. Nexen is committed to developing education and employment strategies to ensure Aboriginal people are prepared to compete for job opportunities.

Building relationships with Aboriginal employment and business organizations has given us the chance to make Aboriginal people aware of our employment opportunities and enhance our recruitment efforts. Attendance at career fairs and hosting campus information sessions provide opportunities for Aboriginal students to learn more about Nexen and our industry. In addition, we have employees who specialize in developing employment and recruitment programs to ensure our success in gaining a representative workforce.

Education is an important stepping stone toward career opportunities. We support programs and awards to help Aboriginal people succeed in their educational pursuits. In the fall of 2002, we revamped our Aboriginal Educational Award Program by targeting a variety of education levels and communicating the program more widely. As a result, six Aboriginal students studying in areas relevant to the oil and gas industry will receive financial support to assist them in their studies.

Understanding comes from spending time in communities. In September 2002, we participated in a gathering among First Nations elders, industry members and regulatory representatives. The Athabasca Tribal Council's Second Annual Traditional Knowledge and Communications Gathering held at Kozo Lake, NWT, was very successful in helping us develop positive relationships with Aboriginal people in Canada.



We enjoyed taking part in a special Tribal Council gathering at Kozo Lake, NWT.

Community involvement

DEMONSTRATING CONSISTENT COMMUNITY VALUES

Our community relations program helps communities at home and abroad.

The support Nexen enjoys in the communities where we operate is an important contributor to our success. That's why we support charitable organizations, community projects, scholarships and other endeavours. It makes sense that if we benefit economically from a particular area, we contribute to the local community.

To put this philosophy into practice, we have developed a Community Investment Program, which had a budget of \$3.6 million in 2002, to coordinate donations to a wide range of programs in communities where we have operating interests.

One of the projects we support in Canada, the United States, Australia and Yemen is United Way. In 2002, employees dug deeper than ever before to donate over \$475,000, which was a 31% increase over the previous year and which was matched by Nexen in January 2003.

Another community relations project we supported last year took place in Colombia amid the rugged mountains on the Fusa Block—one of our exploration areas.

The oil and gas industry in Colombia had gained a reputation for causing problems in communities and people were suspicious and skeptical. Our job was made even more difficult by the knowledge that armed political extremists were active in this area.

The Fusa Block encompasses 13 municipalities and 150 villages. An environmental study identified a high level of water pollution caused by improper handling of agricultural waste. The toxic water was causing countless diseases and we decided to concentrate our community program on improving this situation.

We met with villagers to explain our exploration program. We also let them know we were willing to financially support environmental projects in their communities and asked them to submit ideas.



These children in Colombia enjoyed a natural resource workshop.

Environmental projects included planting trees, developing a recycling centre, installing 50 solid waste collectors at key locations, holding water management workshops, supplying composting toilets to low-income families, refurbishing local schools and holding children's workshops about natural resources. In total, 70 projects were implemented at a cost of US\$140,000.

As a result of our program, we earned the trust and respect of local villagers. Their support was key in maintaining a calm atmosphere across the region with minimal interference throughout our exploration and drilling phases.

EDUCATING THE NEXT GENERATION

Nexen's scholarship program proves to be an unprecedented success story.

One of our biggest success stories is the Yemen scholarship program we developed in 1997 to commemorate our tenth year of operations in Yemen. So far, we have awarded 50 scholarships with 10 more to be given out in 2003. Nexen also supports post-secondary scholarships in Canada at the universities of Calgary, Alberta and Saskatchewan and the British Columbia Institute of Technology.

The Yemen program provides an opportunity for talented Yemeni post-secondary students to study in Calgary at either the University of Calgary or the Southern Alberta Institute of Technology. Competition is fierce with up to 1,000 students applying for ten scholarships awarded each year. The students who are awarded scholarships must commit to return to Yemen after completing their studies.

Determined to make our program a success, the Scholarship Steering Committee developed a rigorous candidate selection process where those students with the ability to succeed would be selected. In addition, the scholarship recipients are placed in an intensive Yemen-based English-language program to enable them to meet the admission requirements of Canadian universities.

Over 80% of our students have consistently received above-average grades over the course of their studies (a GPA of 3.0 or higher). Approximately 30% of the students have achieved honours status at some point with GPAs over 3.8.

The Yemen scholarship program has generated goodwill and expanded relationships in the private and public sectors in Yemen and Canada. Our candidate selection process has been recognized internationally as an effective template for other scholarship programs in developing countries.

In the summer of 2003, the first 10 graduates from the scholarship program will return to Yemen to put their knowledge to work. These students and those who follow them will have the education and energy to contribute substantially to further developing their country.



Yemeni scholarship students

Partner, customer and supplier relations

RESPONSIBLE EMERGENCY RESPONSE

Emergency response plans for Nexen Chemicals reflect our concern for safety beyond the boundaries of our plants.

Nexen Chemicals carefully manages its products and services from development to delivery and follows the Responsible Care® principles and codes of practice. We have management systems to ensure that our products are shipped, handled and used safely. This protects us, the public and the environment.

We assess carriers and transportation routes to manage the risk of transportation incidents and we are prepared to handle this risk responsibly through our emergency response plan. Nexen Chemicals' representatives regularly provide information and training on the hazards, safe handling and disposal methods for our products.

We are active members of the Transportation, Community Awareness and Emergency Response (TRANSCAER) program, organized through the chemical industry. TRANSCAER outreach programs teach first responders about hazards and response techniques related to our chemical products.

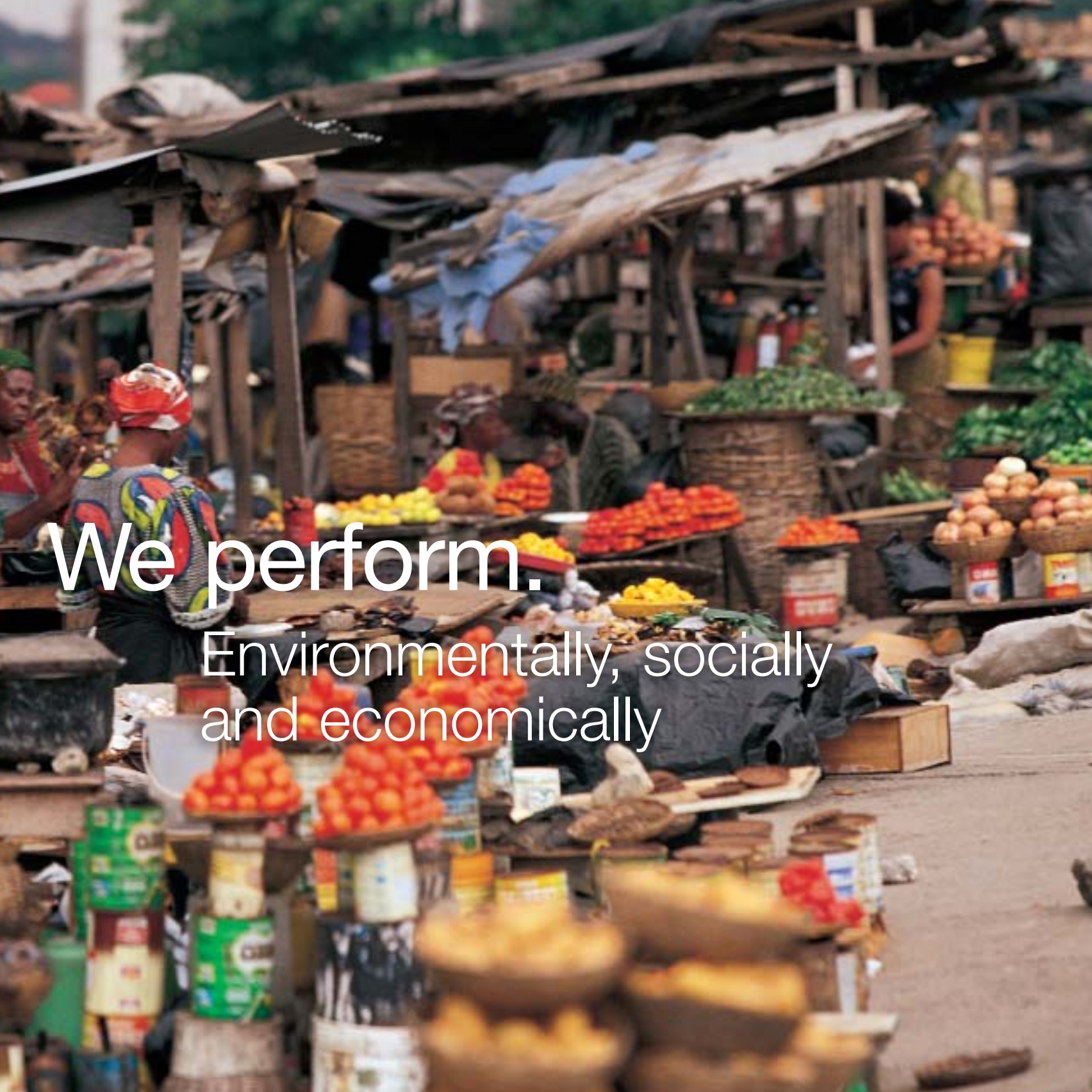
In July 2002, Nexen's chlor-alkali facility in North Vancouver, B.C. staged a mock chemical spill through the TRANSCAER program. The training session was held at Vancouver, Washington and gave emergency personnel a chance to become familiar with various chemicals shipped through that area. Emergency personnel toured the tanker trucks and railcars used to transport chemicals and, with the help of a qualified towing company, took turns righting a tanker truck that was tipped on its side.

In August 2002, Nexen Brazil facilitated a chemicals emergency response drill on the roads of Espirito Santo State. The event involved firefighters, police and environmental agencies.

Nexen Chemicals completed the Canadian Chemical Producers' Association Responsible Care® re-verification in November 2002. See page 31 for more details.

The TRANSCAER training program in Vancouver, Washington showed emergency personnel how to respond safely to a chemical spill.





We perform.

Environmentally, socially
and economically

2002 performance against objectives

Achieved	Progress Made	Performance against 2002 SESR Objectives
		CORPORATE DIVISION
	●	Ensure due diligence and full regulatory compliance.
	●	Attain zero major environmental and safety events and continuously improve our SESR performance through continued special emphasis on high risk activities such as drilling and well servicing.
	●	Complete development and implementation of a revised SESR management system based on eleven key elements.
	●	Refine and revise environmental performance indicators to better reflect operational variables and environmental significance.
	●	Support implementation of Responsible Care® in the Balzac sour gas processing and Yemen Masila operations and develop a strategy to implement Responsible Care® across all divisions.
	●	Conduct a third-party audit of Nexen's SESR management system and a cross-section of our operations.
	●	Ensure that emergency response capability is in place and tested in all areas of operation and is integrated with the corporate Crisis Management Plan.
	●	Establish a Nexen major marine spill response management team.
	●	Develop and implement a focused and effective approach to manage risks and opportunities associated with climate change.
	●	Effectively implement all remediation projects in a manner that meets stakeholder expectations.
	●	Provide effective SESR technical support to all new and emerging International Division exploration and production projects.
	●	Provide support across all divisions in integrating corporate social responsibility aspects into business practices.
	●	Plan, organize and conduct effective and efficient public consultation programs for new projects and ongoing operations, with particular focus on Nexen's sour gas exploration and production reclamation operations in Canada.
	●	Review and optimize management system for industrial hygiene, with particular focus on workplace ergonomics issues.
	●	Participate in industry association activities and take a leadership role for issues of particular importance to Nexen (e.g. climate change, corporate social responsibility, public safety and sour gas, SESR performance stewardship, UN Global Compact).

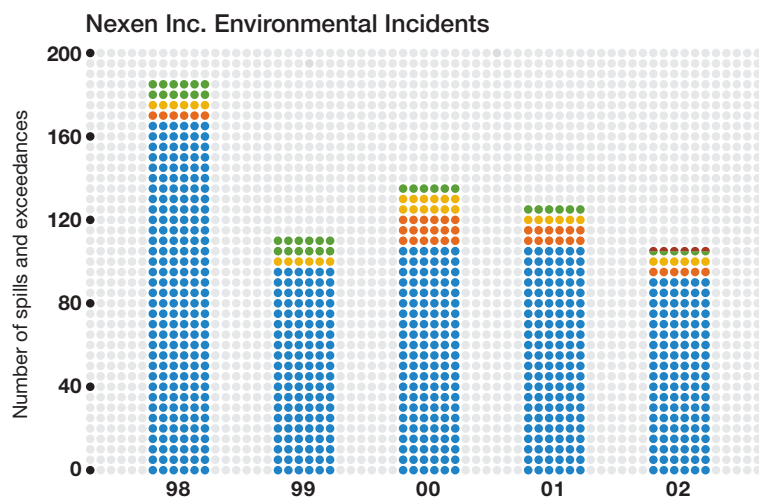
Achieved	Progress Made	Performance against 2002 SESR Objectives
		CANADIAN OIL AND GAS DIVISION
	●	Ensure due diligence and full regulatory compliance.
	●	Attain zero major environmental and safety events and continuously improve our SESR performance through continued special emphasis on high risk activities such as drilling and well servicing.
	●	Ensure that emergency response capability is in place and tested in all areas of operation and is integrated with the corporate Crisis Management Plan.
		INTERNATIONAL DIVISION
	●	Continue to contribute to capacity building in Yemen by enhancing the training and competency of the national SESR workforce.
	●	Maintain and enhance the proficiency of the Yemen Masila Emergency Response Team through staging of realistic training exercises.
	●	Commence implementation of Responsible Care® in the Yemen Masila operations.
	●	In cooperation with the UN Global Compact, plan, organize and begin implementing a community water and sanitation project in a village near the Yemen Masila operation.
	●	In Colombia, work with environmental authorities, other governmental entities and communities in order to develop Nexen exploration projects (Villarrica, Fusa) and field operations in Atadero 1 and other projects in accordance with best practices.
	●	Conduct emergency response exercises for Australia's emergency response team and annually for field operations.
	●	Continue with host community programs associated with operations in Ejulebe, Nigeria.
		U.S. OIL AND GAS DIVISION
	●	Strive to achieve zero reportable safety and environmental events.
	●	Conduct Minerals Management Service Safety and Environmental Management Plan audits at two locations.
	●	Develop training guidelines for Minerals Management Service Well Control and Production Safety Training.
		CHEMICALS DIVISION
	●	Continue to enhance the Responsible Care® concepts through new approaches to ongoing opportunities, awareness, leadership and recognition.
	●	Develop a plan to upgrade and revise engineering standards and continue efforts to harmonize policies/procedures.
	●	Improve value derived from participation and involvement in issues related to external committees.

Environmental performance

PROGRESSIVE IMPROVEMENT

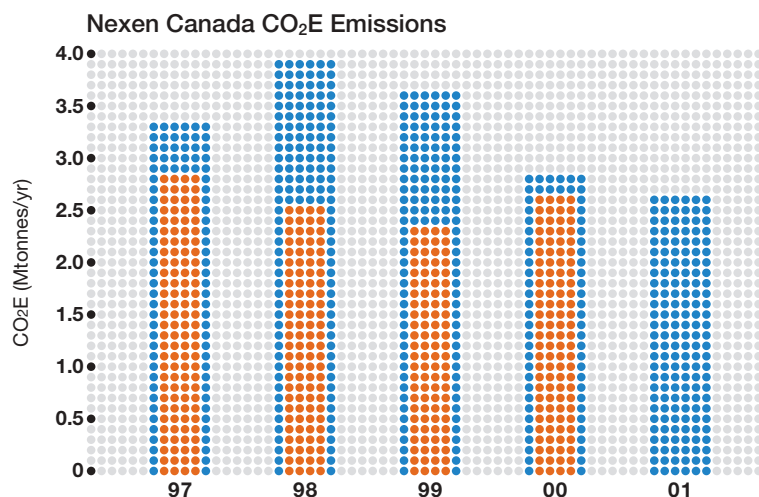
We know we're not perfect. Measuring and reporting our results challenges us to continuously improve.

GHG Emissions (CO₂E), Oil Production Carbon Intensity and Oil Production Energy Intensity values from 1997 to 2000 have been restated due to methodological refinements. Changes in these metrics were fairly substantial due to more accurate heavy oil venting data. Greenhouse gas related information has been prepared by an independent third party.



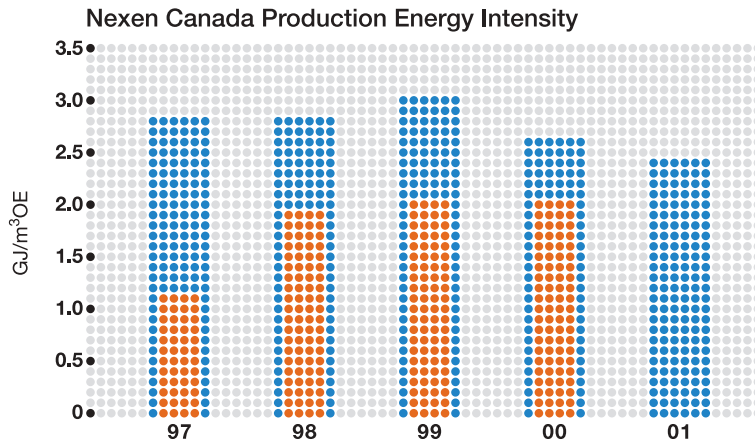
Nexen Inc. Environmental Incidents

- Our number of reportable environmental events continues to decline. We had the lowest number in Nexen's history in 2002 and have had no major/significant events since 1998.
 - Our Chemicals Division achieved a best-ever record of more than one year without a reportable environmental event.
- Nexen Canada • United States • International
• Chemicals • Corporate



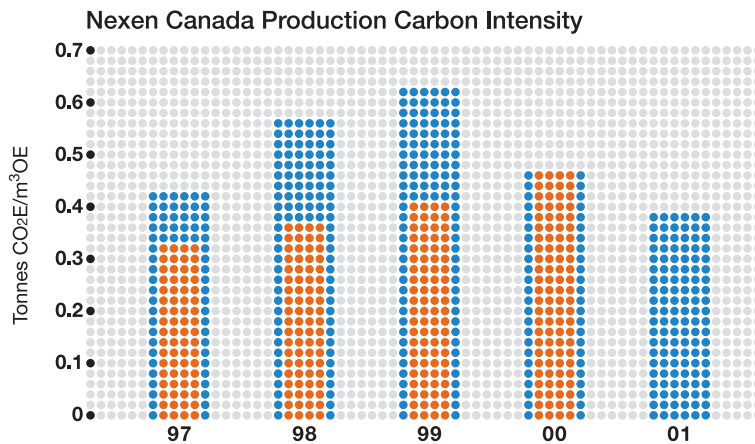
Nexen Canada CO₂E Emissions

- Nexen Canada's CO₂E emissions continue to decline, mainly attributable to our gas-capturing projects in the Heavy Oil Business Unit.
- Nexen Canada • Volumes before restatement



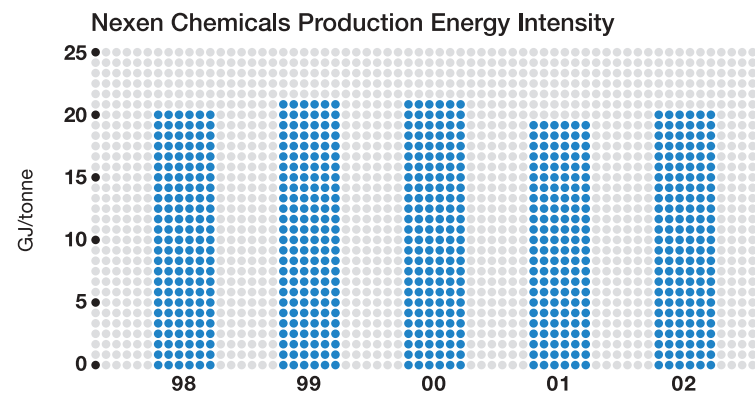
Nexen Canada Production Energy Intensity

- Production energy intensity at Nexen Canada continues to improve, a result of significant increases in sweet gas and conventional oil which require less energy input to the production process than heavy oil and sour gas.
- Nexen Canada • Volumes before restatement



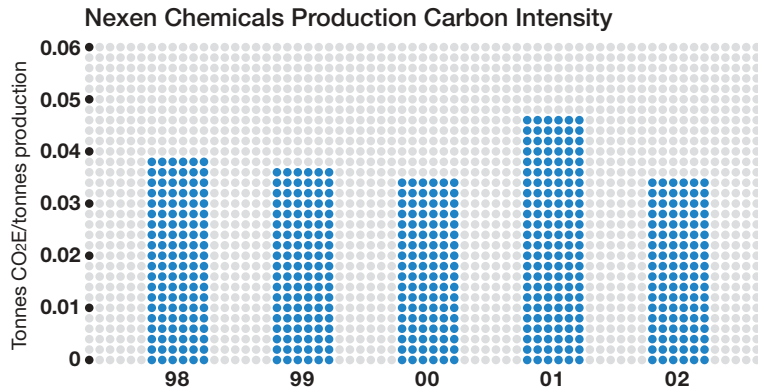
Nexen Canada Production Carbon Intensity

- Carbon intensity at Nexen Canada continues to decline as we invest in capturing vent gas in the Heavy Oil Business Unit.
- Nexen Canada • Volumes before restatement



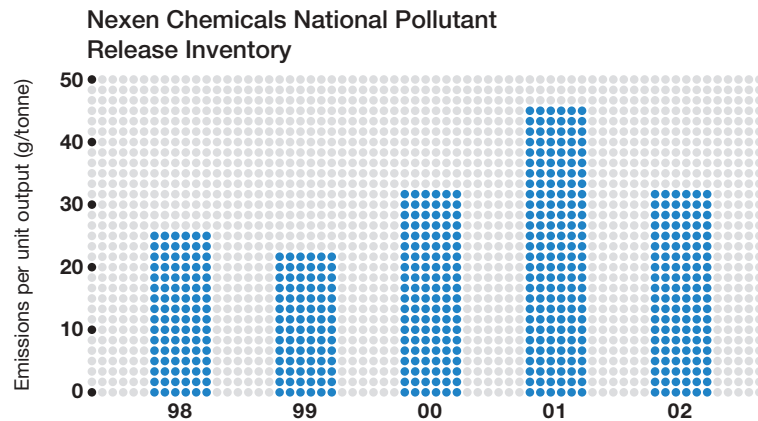
Nexen Chemicals Production Energy Intensity

- The production energy intensity increased slightly in 2002 to 20.0 from 19.7 GJ/tonne in 2001 due to higher production rates at some facilities.



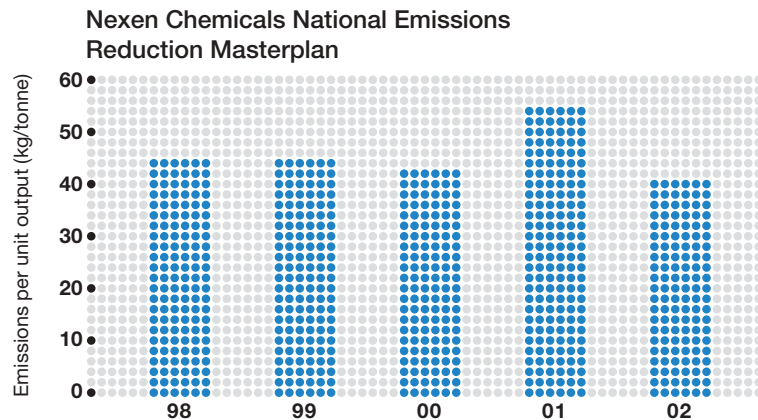
Nexen Chemicals Production Carbon Intensity

- Production carbon intensity decreased in 2002 due to a reduction in the use of fuel oil.



Nexen Chemicals National Pollutant Release Inventory

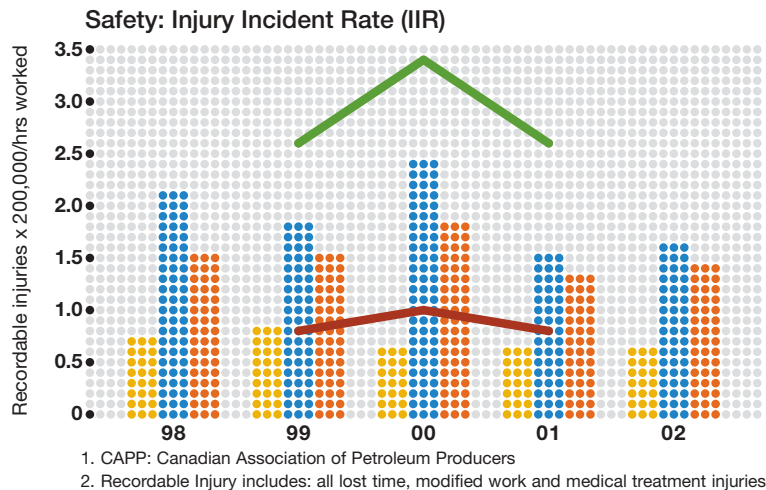
- National Pollutant Release Inventory emissions decreased in 2002 compared with 2001 as a result of improvements in the hydrogen scrubbing system at the Amherstburg facility and a reduction in the burning of fuel oil at North Vancouver.



Nexen Chemicals National Emissions Reduction Masterplan

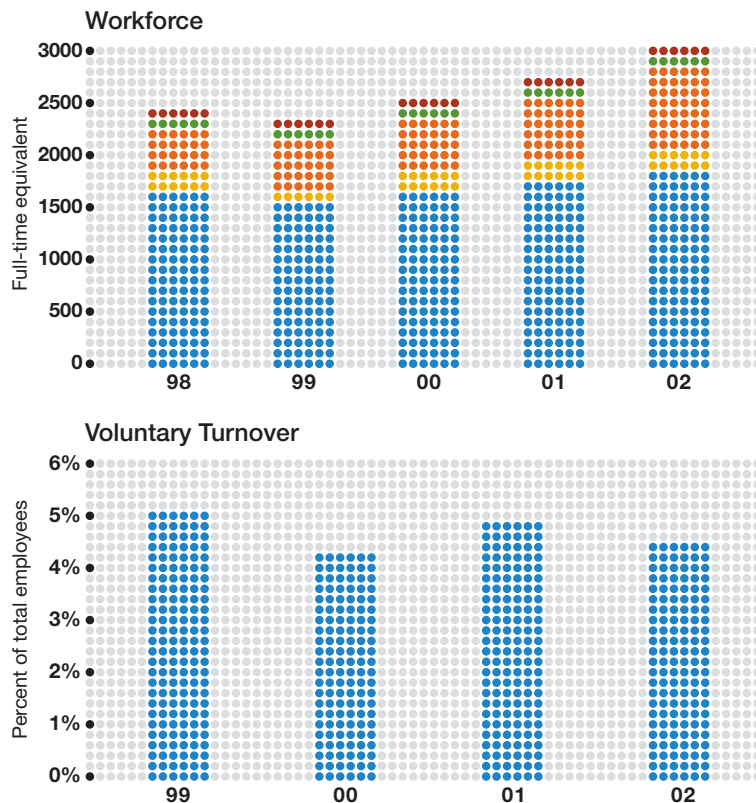
- National Emissions Reduction Masterplan emissions decreased in 2002 compared with 2001 due to a reduction in the use of fuel oil.

Safety and social performance



Safety Highlights

- The IIRs for employees and contractors were slightly higher than in 2001, but were still the second lowest on record (since 1985).
 - Nexen Chemicals reported best-ever performance in contractor safety IIR and combined employee and contractor safety IIR in 2002.
 - Our worst incident was a pipeline contractor fatality in Yemen. Our response was comprehensive.
 - We enhanced contractor safety in Yemen and Canada, focusing on drilling and well servicing.
- Employee • Contractor • Combined
 CAPP Stewardship Average: • Employee • Contractor

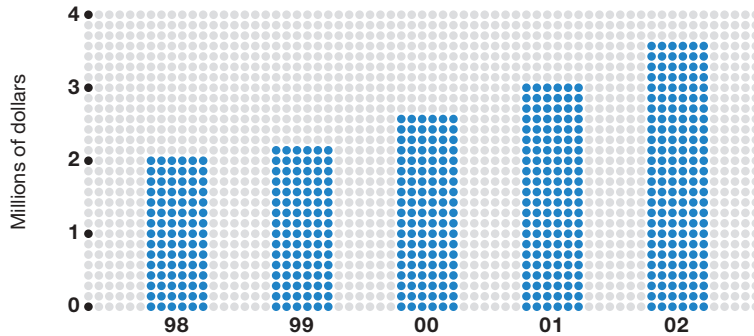


Workforce Highlights

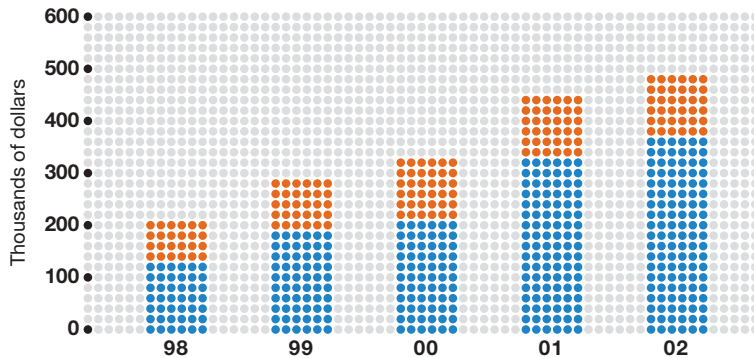
- In 2002, Nexen spent \$4.9 million or \$1,757 per employee on training and development.
 - More than 2,600 employees and contractors have participated in Nexen's Integrity Workshop to date.
 - Our recent turnover rate has averaged about 4.6%.
 - Nexen ranked 37th of the 50 Best Companies to Work For in Canada in 2003.
 - Nexen held its fifth annual Innovation Forum, with 135 employees sharing knowledge and information, and celebrating successes. Topics ranged from 'Consultation versus Confrontation' on partnerships with stakeholders to 'Synthetic Oil Strategy Development' to 'Employee Self Service' about our human resources information system.
 - All employees are eligible for reimbursement of monies spent towards a physical wellness program of up to \$350 per calendar year.
- Permanent Employees (excludes those on leave)
• Fixed-Term Employees • Nationals*
• International Contractors • Other Contractors (>6 months)

* In 2002, counts include permanent and fixed-term nationals, hence the increase from 2001.

Charitable Giving: Charitable Donations



Charitable Giving: Employee Matching Gift Program



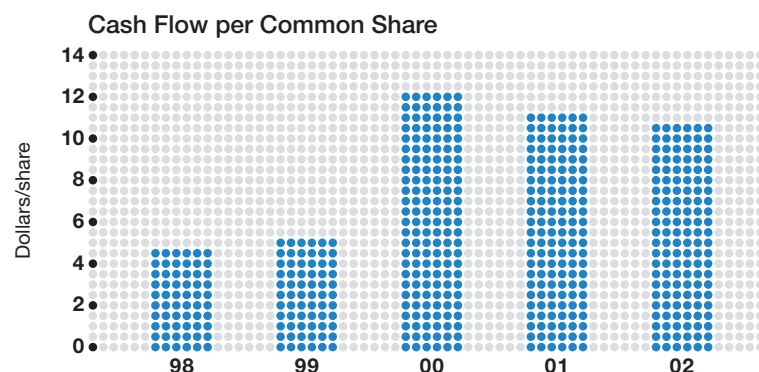
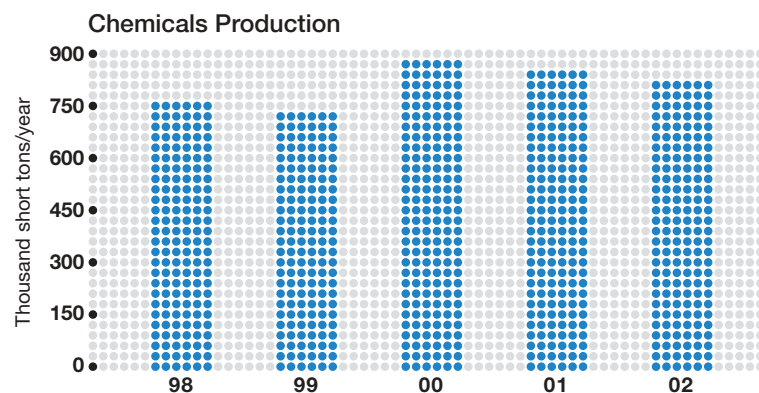
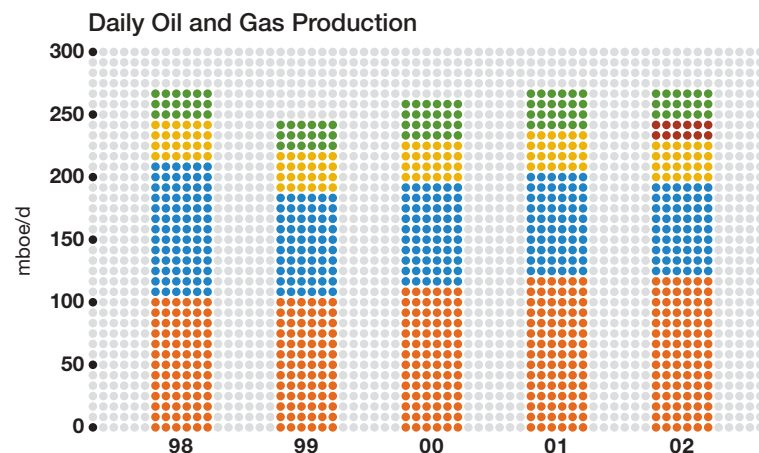
Charitable Giving Highlights

- Nexen is *A Caring Company*, as designated by Imagine, Canada's national program to promote public and corporate giving, volunteering and support to the community. Part of our commitment includes donating a minimum of 1% of average, domestic, pre-tax profits to charitable organizations.
 - The results of Nexen's United Way employee-driven campaigns continued to grow:
 - 31% increase in giving in Calgary over 2001
 - 100% participation at Amherstburg, Houston, Regina and Taft
 - 149 Leaders of the Way in Calgary (donors of \$1,000 or more)—an increase of 59%, for which we received United Way's prestigious Leadership Giving Award.
 - Donations were also made to a variety of organizations. Some examples are: Alberta Children's Hospital Foundation, Alberta Ecotrust Foundation, the Calgary Drop-In Centre, Science Centres in Calgary and Regina, St. John's Ambulance in Vancouver, the National Aboriginal Achievement Foundation, Job Safety Skills Society in Saskatchewan, the Kidslink Foundation in Dallas and many community-based initiatives which were supported by our international operations.
- United Way • Other



Nexen staff beautify the Development Disabilities Resource Centre as part of the United Way Day of Caring in Calgary.

Economic performance



ECONOMIC PERFORMANCE

Strong financial performance and discipline are top priorities at Nexen. We have been profitable in 31 of the last 32 years and, over the past three years, have generated over \$1.5 billion in earnings.

Oil and Gas Highlights

- Oil and gas production was unchanged from 2001.
- On a working-interest basis, we added 109 million equivalent barrels of proved reserves with the drill bit.
- Net of dispositions, we replaced 104% of our annual production of 98 million equivalent barrels on a proved basis.
- At year-end, proved and probable reserves totaled 1.22 billion equivalent barrels and equaled 12 years of current annual production.

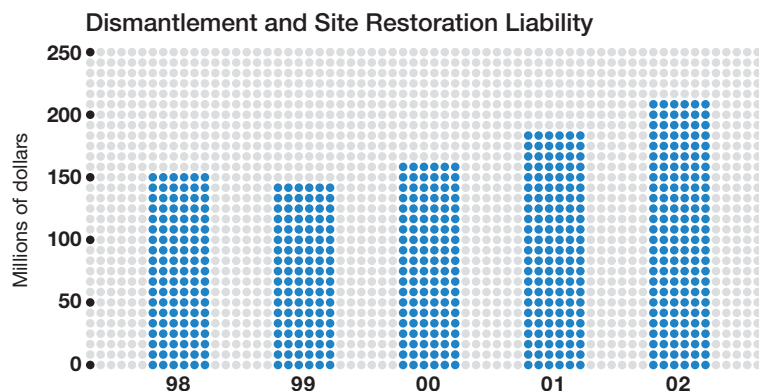
- Yemen • Canada • United States
- Australia • Other

Chemicals Highlights

- Expansion projects were completed at the Nexen Chemicals Brandon, Manitoba and Aracruz, Brazil facilities in 2002.
- Brandon is one of the lowest-cost plants in the global industry.
- Brazil sodium chlorate facility expanded by 70%; the chlor-alkali facility expanded by 30%.
- Both expansions were completed on time and on budget.

Cash Flow Highlights

- We generated \$1.38 billion in cash flow (\$10.71 per share), compared to the \$1.42 billion (\$11.20 per share) we generated last year.
- Net income was \$452 million (\$3.34 per share) on net sales of \$2.61 billion as compared to \$450 million (\$3.40 per share) in 2001 on net sales of \$2.59 billion.



NOTES

- Future dismantlement and site restoration costs for resource properties, facilities, production platforms and pipelines, chemical manufacturing facilities and the Syncrude Joint Venture are provided using either their associated proved and proved developed reserves or their estimated remaining lives.
- These future costs are currently estimated at approximately \$544 million for all of the company's facilities.
- At December 31, 2002, \$205 million has been provided in the accounts for future dismantlement and site restoration costs. These costs are based on engineering estimates of the anticipated method and extent of site restoration in accordance with current legislation, industry practices and costs.
- The annual provision for dismantlement and site restoration is included in depreciation, depletion and amortization, and amounted to \$43 million in 2002.
- Expenditures are charged against the liability as incurred.
- Corporate dismantlement and site restoration expenditures for 2003 have been budgeted at \$24.1 million.

Nexen operates more than 4,000 wells globally and actively manages both its operating and shut-in wells.

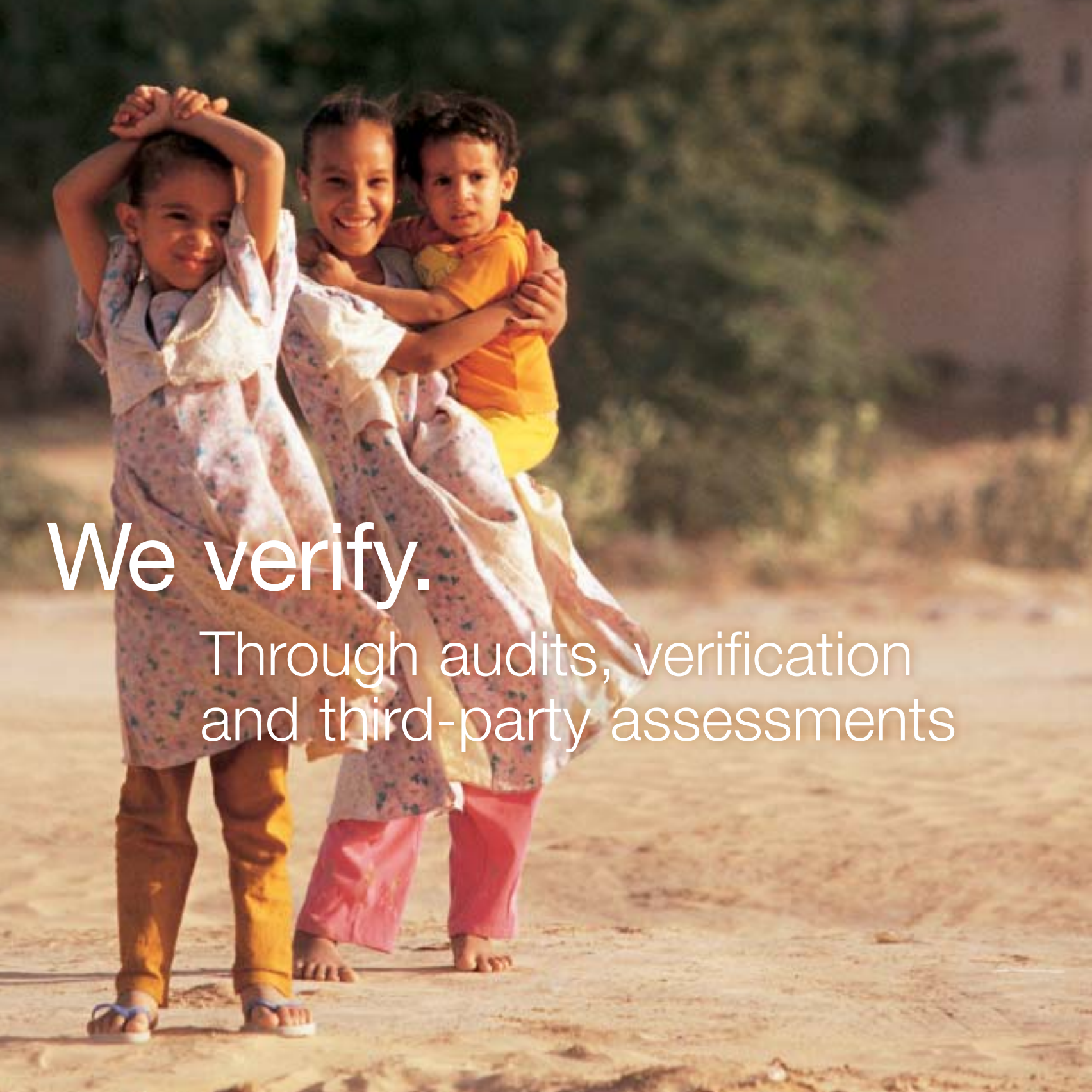
WELL SITE RECLAMATION

	2002			2001			2000			1999		
	Producing	Shut-In	Abandoned	Producing	Shut-In	Abandoned	Producing	Shut-In	Abandoned	Producing	Shut-In	Abandoned
Canada ¹	3,863	1,095	62 ²	4,188	929	66	3,838	662	60	3,153	662	100
United States	145	240	0	145	234	0	141	210	6 ³	152	199	3
International	242	4	0	245	1	0						
Total	4,250	1,339	62	4,578	1,164	66	3,979	872	66	3,305	861	103

¹ includes U.S. wells managed by Nexen Canada

² includes 17 wells transferred to other operators

³ includes 1 platform and 2 pipelines



We verify.

Through audits, verification
and third-party assessments

Our values matter

TO EVERY STAKEHOLDER, EVERY COMMUNITY, EVERY GENERATION

That's why we're committed to providing assurance about the completeness, accuracy and rigor of our systems.

We believe in integrating economic, environmental and social considerations into our strategic planning. This is called a triple bottom line approach and reflects our commitment to corporate social responsibility.

Although we do our best to put this philosophy into practice, we need to consistently measure our performance to ensure we are meeting our objectives. Our ultimate goal is to demonstrate to stakeholders that we do what we say we will do and that our actions withstand external scrutiny. We are continually seeking innovative ways to improve our performance. To achieve this, we are developing an independent verification process that can attest to the completeness, accuracy and rigor of our processes.

In 2002, we established an internal Verification Working Group which is examining the meaning of verification, developing a method for verification, determining the role of Responsible Care® and deciding on the composition of the verification team. During the year, the group approached a number of stakeholders to obtain different views on verification to help them create a meaningful and valuable process for Nexen.

Verification is not new at Nexen. We have been measuring our performance in many areas for a number of years. We participate in a number of different verification processes to help us determine how well we are implementing the principles of corporate social responsibility. The following is a description of some of them.

SESR AUDITS AND INSPECTIONS

Audits are an important part of our operations and are completed on a regular basis. They enable us to assess and inspect our operations to make sure we comply with regulatory requirements and our own policies, standards and procedures. Formal audits are a documented process to objectively evaluate Nexen's systems, activities, facilities and performance. They also help identify any continuous improvement opportunities.

Audits may be conducted by Nexen personnel, independent third parties, regulatory agencies or joint venture partners. They can focus on regulatory matters, safety, environment and social responsibility matters or particular issues such as workplace safety, environmental issues or aviation safety.

Internal audits must be conducted every three or four years and external third-party audits take place every three to five years. In 2002, we conducted 12 different audits and plan a similar level of auditing for 2003.

In addition to audits, we also complete hundreds of inspections each year. Inspections are routine or planned examinations of an operating facility or other entity by knowledgeable personnel who are looking for any SESR risks or hazardous situations. Regulatory authorities may also conduct inspections, with or without prior notice. The findings and follow-up actions of all inspections are documented and promptly attended to.

Responsible care verification

ROUND 1 RESPONSIBLE CARE® VERIFICATION COMPLETED AT BALZAC GAS PLANT

The Balzac Gas Plant, north of Calgary, has been breaking new ground since it first opened in 1962. Innovative partnerships, new technology and new production techniques have made it a leader in the gas business. In 2002, it became the first oil and gas plant in the world to implement Responsible Care®—an initiative originally found only in chemical facilities.

Responsible Care® is a blueprint for developing formal policies to manage business activities safely and responsibly and create ways to communicate effectively with the public. After implementing Responsible Care® early in the year, the process was audited in the fall by a five-member verification team.

The mandate of the team was to ensure compliance with the Responsible Care® codes of practice and make sure management systems were in place for ongoing compliance. It was the first time auditors from the chemical industry had a chance to see Responsible Care® in the oil and gas industry.

Upstream oil and gas ventures such as seismic, drilling and completions were all new territory.

The five-day verification process required numerous interviews with Balzac staff, key employees at Nexen's head office in Calgary, and Balzac residents. In addition, all Responsible Care® documentation was reviewed.

The final audit report from the verification team was very positive. Now that the Responsible Care® system has been officially sanctioned, Balzac is looking forward to sharing the benefits of this process.

Nexen has begun implementing Responsible Care® in the Yemen Masila operations. We anticipate seeking Round 1 verification in 2004.

ROUND 3 RESPONSIBLE CARE® VERIFICATION COMPLETED FOR CHEMICALS DIVISION

The Canadian Chemical Producers' Association Round 3 Responsible Care® re-verification for Nexen Chemicals was conducted in November 2002. The external verification team consisted of representatives from industry and non-industry groups, and the public. The verification team visited the Nexen Chemicals locations in Calgary, North Vancouver, Beauharnois and Amherstburg. A report is expected in the first quarter of 2003. Responsible Care® re-verification is done every three years, and the next one will include the other Nexen Chemicals plants in Canada.

For more information on Responsible Care®, visit www.ccpa.ca.

VERIFICATION

A Citizen's Perspective

"...I recently served as a volunteer citizen member of an assessment team to evaluate the level of corporate responsibility in the Nexen Organization. Their business is based on natural gas, much of it sour gas, containing deadly hydrogen sulphide....

In the course of the assessment we examined all aspects of the operation from the headquarters to the field. We asked tough questions of dozens of people and toured facilities for four days.

What we found was a corporation from CEO to fieldworkers committed to public safety and ensuring the quality of their products. They even carefully monitor all independent truckers who move supplies and product from the plant.

...I commend the Nexen Corporation and their affiliates as outstanding Canadian corporate citizens who really do exemplify Responsible Care® to their community and are an example to Canadian industry."

John Gough, Balzac



Social responsibility indexes

Our inclusion on the following indexes reinforces our belief that we are on the right track with our approach to social responsibility and verifies that our performance is on par with the top companies around the world.

Jantzi Social Index In 2002, Nexen was added to the Jantzi Social Index, a common stock index of 60 Canadian companies that pass a set of broadly based social and environmental screens. According to Michael Jantzi Research Associates, Nexen was selected:

“...because of its overall social record. In particular, the company has a strong environment, health, and safety management system and has a positive record in the area of employee relations. The company also has a record of generous charitable community giving. In addition, the company has implemented a management system that accounts for political, social, and human rights issues in international operations.”

For more information on the Jantzi Social Index, go to www.mjra-jsi.com.

Dow Jones Sustainability World Index For the second year in a row, Nexen is one of a handful of Canadian companies to be included on the Dow Jones Sustainability World Index (the DJSI World). This index is made up of the top 10% of Dow Jones companies with outstanding business practices. Nexen was one of only two Canadian oil and gas companies to be included in the DJSI World.

Launched in 1999, the Dow Jones Sustainability Indexes were the world’s first global indexes tracking the performance of the leading sustainability-driven companies worldwide. Companies listed on the DJSI World index are drawn from 2,500 of the biggest companies in the Dow Jones Global Index.

In part, the report containing the results of this year’s corporate sustainability assessment conducted by SAM Research stated:

“Nexen has an excellent overall sustainability performance compared to the industry average, and is clearly positioned among the best in its industry. In the economic dimension, Nexen scored well above the industry average with a clear outperformance in codes of conduct. Having adopted a sustainability assessment based on the International Code of Ethics for Canadian Business, Nexen effectively manages risk in international operations. The assessment ensures accordance with international standards, such as the UN’s Global Compact and helps to reduce risks in countries with a poor human rights track record. The company’s management capabilities, in the environmental dimension are above average compared to its industry, highlighted by the company’s recognition of the Kyoto Protocol’s implications in the wake of tightening emission regime. However, there is room for improvement in regard to high GHG emissions and setting of clear environment targets. In addition, Nexen’s performance in the social dimension is above average in its industry, addressing key issues such as socially responsible investing opportunities, external communications through NGO/community and other stakeholder involvement, public reporting and a high degree of transparency in public reporting.”

The detailed scores of each assessed criteria of this year’s corporate sustainability assessment appears on the following page (copyright by SAM Research). For more information on the Dow Jones Sustainability Indexes, visit www.sustainability-indexes.com.

Detailed Benchmarking Report



DJSI World
2002

Nexen Inc.

Oil, Gas and Coal Companies
Canada

Corporate Sustainability Assessment Results

Explanations:

The percentage scores reflect the company's performance across the economic, environmental and social dimension compared to its industry average and best performing company in each criteria. The values for the criteria are on a scale from 0 to 100% and are unweighted. Please refer to the DJSI World Guidebook on www.sustainability-index.com for further information on the criteria and SAM's Corporate Sustainability Assessment Methodology.

Company Score (%)
is the actual score
of the company

Average Score (%)
is the industry group's
average score

Best Score (%)
is the highest score
reached by a company
in the specific industry

**Weighting of Criteria in
Total Score (%)**
is the weighting of the criteria
to calculate the total score.
By multiplying "company score"
with this weighting and then
adding all criteria scores you
will be able to calculate the total
score of your company.

Economic Dimension

Criteria	Company Score (%)	Average Score (%)	Best Score (%)	Weighting of Criteria in Total Score (%)
Codes of Conduct/Compliance	90	57	100	3
Corporate Governance	80	56	81	5.4
Customer Relationship Management	80	66	100	3
E&P Costs	50	22	100	3.2
Financial Robustness	80	57	100	3.6
Investor Relations	75	41	80	2.4
Refining Costs	100	46	100	3.2
Risk & Crisis Management	88	69	100	3.6
Scorecards/Measurement Systems	60	46	100	4.2
Strategic Planning	58	42	90	3
Supply Chain Management	48	54	95	1.8

Environmental Dimension

Criteria	Company Score (%)	Average Score (%)	Best Score (%)	Weighting of Criteria in Total Score (%)
Advanced Environmental Management	76	35	88	4.8
Cleaner Fuels	40	46	100	4.8
Environmental Management	71	69	100	3
Environmental Performance	43	27	85	4.2
GHG Emissions and Carbon Strategy	46	27	94	4.8
Public Reporting	100	59	100	0.45
Releases to the Environment	50	27	83	4.8
Renewable Energy	50	21	100	5.6
Strategic Planning	50	63	100	1.5

Social Dimension

Criteria	Company Score (%)	Average Score (%)	Best Score (%)	Weighting of Criteria in Total Score (%)
Employee Satisfaction	54	30	100	1.2
External Stakeholders	61	66	100	4.2
Labor Practices Indicators	70	50	100	3
Management Attention to Human Resources	73	39	100	1.8
Occupational Health & Safety	55	39	68	4.8
Organizational Learning	73	41	98	3
Public Reporting	100	53	100	1.35
"Remuneration, Benefits, Flexible Work Schemes"	37	22	61	2.4
Social Impacts on Communities	74	44	87	4
Strategic Planning	100	42	100	1.5
Workforce Capabilities	11	17	63	2.4

2003 SESR objectives

Corporate Division

- *Ensure due diligence and full regulatory compliance.*
- *Assist divisions in attaining zero major environmental and safety events.*
- *Continuously improve performance with emphasis on high-risk areas of drilling and well servicing.*
- *Roll out revised SESR Management System (SESR-MS).*
- *Seek third-party review of the effectiveness of the SESR-MS.*
- *Enhance performance indicators and participate in industry association initiatives.*
- *Establish performance indicators and procedures to ensure necessary data are collected.*
- *Ensure emergency response capability is in place, tested and integrated with the Corporate Crisis Management Plan.*
- *Establish a response management team for major marine spills.*
- *Manage risks and opportunities associated with climate change and the Kyoto Protocol.*
- *Effectively implement all remediation projects to meet stakeholder expectations.*
- *Identify and support pollution prevention and eco-efficiency projects.*
- *Obtain feedback from employees on our integrity performance.*
- *Put in place an innovative, independent, third-party verification process.*
- *Provide support to divisions.*

Canadian Oil & Gas Division

- *Attain zero major environmental and safety events.*
- *Target 5% reduction in reportable environmental events.*
- *Target 67% reduction in employee IIR.*
- *Target 10% reduction in contractor IIR.*
- *Reinvigorate the 'Impact 21' contractor safety improvement initiative.*
- *Complete implementation of the revised Safety Management System.*
- *Continue development and adoption of environmental procedures.*
- *Complete collection of supporting data and establish improvement targets for waste and resource utilization.*
- *Begin implementing Responsible Care® across the division.*

International Division

Yemen

- *Top quartile SESR performance.*
- *Ensure SESR management systems are in place to continuously improve performance.*
- *Enhance the competency of the SESR workforce.*
- *Maintain proficiency in emergency preparedness.*
- *Maintain high standards of healthcare for workers.*
- *Enhance the environmental management systems to reduce long-term liability.*
- *Implement Responsible Care® with a target of verification by CCPA in 2004.*
- *Initiate a water and sanitation improvement project in cooperation with the UN Global Compact and other donor agencies.*

Australia

- *Continue the LTI-free and zero spills record.*
- *Complete the Safety Case and Environment Plan updates.*
- *Complete environmental, major hazard and compliance audits.*
- *Complete an annual major emergency response exercise.*
- *Obtain initial regulatory approval for subsea remediation and abandonment plans for the Buffalo field.*

Colombia

- *Obtain acceptance of, and successfully implement, community relations programs to support exploration programs.*
- *Ensure contractors meet Nexen Colombia policies and regulatory commitments in the field.*
- *Monitor contractor performance and community engagement programs via trusted third parties.*

Nigeria

- *Continue with host community programs associated with Ejulebe operations.*
- *Carry out preparatory planning for the decommissioning and abandonment of the Ejulebe operations.*

U.S. Oil and Gas Division

- *Strive to achieve zero reportable safety and environmental incidents.*
- *Validate/update process hazards analyses for platforms in the Eugene Island and West Delta Areas.*
- *Increase operator training, focusing on regulatory issues to help improve performance.*

Chemicals Division

- *Continue to refine and enhance our Responsible Care® management systems to improve safety and environmental performance.*
- *Improve the Management of Change process.*
- *Improve incident investigation and root cause analysis.*
- *Revise the internal Responsible Care® audit process.*
- *Complete Responsible Care® verification of the facility in Aracruz, Brazil.*

Corporate information

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Stock Symbol: NXY

The Toronto Stock Exchange
New York Stock Exchange

Annual Report and Statistical Supplements

Available at www.nexeninc.com
under Investor Relations.

Stakeholders

Nexen's stakeholders include shareholders, our workforce, communities where we operate, suppliers, non-governmental organizations, partners, government at all levels, unions and customers. We invite constructive enquiry from stakeholders.

Reporting Period

January 1 to December 31, 2002 unless otherwise stated. We publish our Safety, Environment and Social Responsibility Report on an annual basis. This is our sixth report.

Safety, Environment & Social Responsibility Contact

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Glossary

Climate Change A change in the global climate that can be attributed to human activities that is in addition to any changes caused by natural process.

Corporate Social Responsibility (CSR) Defined by the World Business Council for Sustainable Development as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.

Critical Sour Wells Wells with the potential for large hydrogen sulphide (H₂S) releases, or for any release that can affect population centres.

Dollar or \$ All dollar amounts are in Canadian currency unless otherwise stated.

Environmental Incidents Spills and environmental exceedances.

Geological Sequestration Permanent storage, or storage for geologically significant periods, of CO₂ either directly from anthropogenic (human) sources or from the atmosphere.

Global Compact An initiative by Kofi Annan, Secretary General of the United Nations, to engage the private sector in helping address the common global issues of environmental protection, human rights and labour.

Greenhouse Gas Emissions (GHG) Gas that retains heat in the earth's atmosphere and may contribute to the potential environment risk of global climate change. These gases include carbon dioxide, nitrogen oxides and methane and are produced by natural processes and human activities.

Injury Incident Rate (IIR) Number of medical aids plus modified work plus lost time multiplied by 200,000, all divided by the number of worker-exposure hours.

International Code of Ethics for Canadian Business A statement of values and principles that addresses the areas of community participation and environmental protection, human rights, business conduct, employee rights, health and safety.

Kyoto Protocol A protocol to the International Convention on Climate Change requiring nations to reduce GHG emissions.

Lost-Time Injuries (LTI) Injuries that result in workers being unable to report to their next scheduled work shift.

Major Incident Incidents that result in a critical injury or fatality, regulatory enforcement action, significant adverse impact to the environment or a company's reputation, or a significant monetary loss to a company.

Non-Governmental Organization (NGO) Groups with mutual interests and objectives that are non-profit and independent of government.

Production Carbon Intensity The mass of carbon dioxide emissions emitted during the production of each cubic metre of oil and gas or tonne of chemicals production. The greenhouse gas potentials of other greenhouse gases are included in the calculation.

Production Energy Intensity Energy consumed (gigajoules) in the production of each cubic meter of oil and gas or tonne of chemical production.

Recordable Injuries Injuries that require medical interventions, resulting in workers being unable to report for their next scheduled work shift (lost-time injuries) or requiring workers to be assigned to duties other than their normal work.

Responsible Care® A commitment to the responsible management of a product through its entire life cycle; a registered trademark of the Canadian Chemical Producers' Association.

SESR Safety, environment and social responsibility.

Sour Gas Natural gas containing H₂S, which is flammable, has a strong rotten egg odour, and can be dangerous to animals and humans.



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