

Nexen's Gender Pay Report

2017

INTRODUCTION

Empowering employees – regardless of gender, race, ethnicity or background – is central to Nexen's success. New regulations on gender pay reporting in the UK give us the opportunity to focus on this important issue company-wide.

MEASUREMENT MATTERS

There are two key measures of the pay disparity between men and women:

- **Equal pay** means that men and women doing the same or similar work receive equal pay.
- **Gender pay gap** is a measure of the difference between men and women's average earnings across a workforce.

This report addresses the gender pay gap.

UNDERSTANDING OUR UK REPORT

The UK now requires large employers to publish annual calculations showing the pay and bonus gap between their male and female workers. The data below shows our overall mean and median gender pay and bonus gap. Gender pay is based on hourly rates from a snapshot date of 5 April 2017. Bonus pay is based on all incentive pay in the 12 months previous to 5 April 2017.

How do we calculate the mean and median pay gaps?

Mean
Hourly
Pay Gap:



Difference
between the **average**
hourly pay of men
and women

Median
Hourly
Pay Gap:



Difference
between the **mid-point**
hourly pay of
men and women

Gender Gaps

	Mean	Median
Pay gap	+23.8%	+18.2%
Bonus gap	+23.5%	-17.4%

Here's what this means:

On pay gap

On an hourly basis, a pay gap exists between men and women, with males receiving higher pay on average.

On bonus gap

The negative number for the Nexen UK median bonus gap reflects the fact that typically our male employees received lower bonuses than female employees.

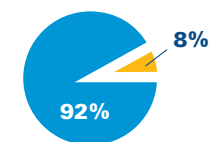
Bonus Pay

	Received a bonus
Males	99%
Females	100%

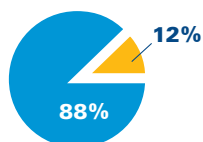
Here's what this means:

In 2016, bonuses were paid nearly equally for men and women, with only a 1% gap existing.

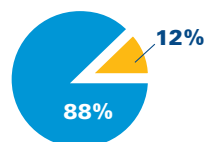
Gender Distribution in Quartile Bands



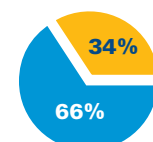
Top quartile
(high earners)



Upper middle quartile



Lower middle quartile



Lower quartile
(low earners)



What's Driving the Gap?

There are some unique factors in our UK office that influence the pay gap:

- Our offshore population is predominantly men
- Lower percentage of women in engineering and geoscience positions
- Lower percentage of women in senior leadership positions

As an organization, we recognize that there is significant room for improvement and we are committed to driving change.

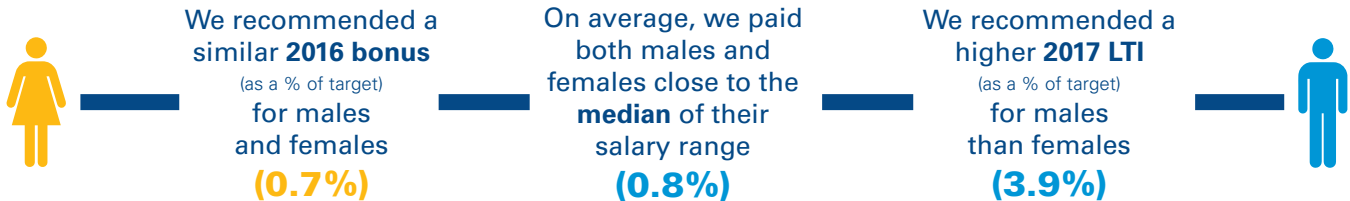
TAKING A GLOBAL PERSPECTIVE

We wanted to look at gender pay across our organization globally, not just in the UK.

Here's what we learned:

- At Nexen, there is no significant difference in how we pay men and women on a role-by-role basis, which reflects our commitment to competitive compensation as per our pay-for-performance philosophy.
- The distribution of 2016 performance ratings, including ratings for high performers, was similar for men and women.

Did you know?



Here's what this means:

On bonuses

We recommended a similar 2016 bonus (as a % of target) for males and females, with females receiving 0.7% above target on average more than males.

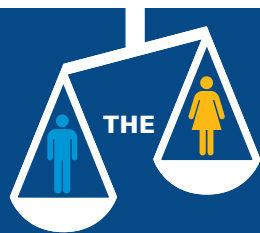
On pay

We paid both males and females close to the median of their market data, with males making 0.8% on average more than females.

On LTIs (Long Term Incentive awards)

We recommended a slightly higher 2017 Long Term Incentive award (as a % of target) for males, with males awarded 3.9% of target on average more than females.

CLOSING



GAP

Like many energy companies, Nexen has more men in senior positions and more men in technical roles, which means the average male salary is higher. We need to do better.

Our plan to reduce the gender pay gap is based on tangible actions.



We are firmly committed to increasing gender diversity in our workforce. We are putting in place a tangible plan to improve female representation within leadership as well as various functional disciplines.



We are doing this by setting goals to further build a robust talent pipeline of female leadership.



In 2018 we will communicate, both internally and externally, our commitments on this action plan.

Declaration

We confirm that the Nexen UK gender pay gap calculations are accurate and meet the requirements of the regulations.



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