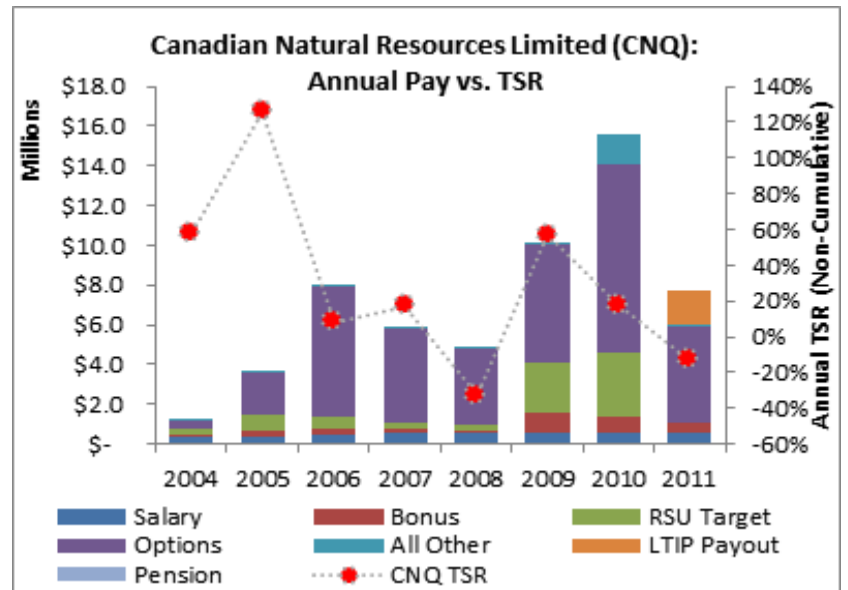
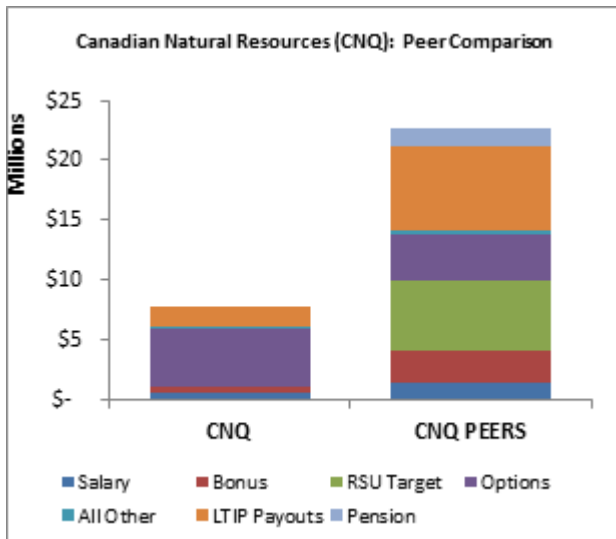


Canadian Natural Resources (CNQ): 2004-2011 Pay for Performance

PAY FOR PERFORMANCE SCORE				
1 YEAR = 2	4 YEAR = 2	6 YEAR = 3	8 YEAR = 8	TOTAL: 15/24

CNQ's CEO compensation is largely focused on options, which have historically comprised well over 50% of total pay. Options are granted based on "the number of Common Shares granted rather than on a hypothetical value based on a formula such as the Black-Scholes-Merton model" (2012 CNQ Circular p21). As a result, although option grants are based on financial performance, the value of option grants as shown in this report, being based on binomial tree fair values, may not be an accurate representation of the figures used in the CNQ board's compensation decisions.

In 2011, CNQ ranked in the middle of the pack among their peers in TSR, ROE and ROA. **Option and RSU grant values track TSR relatively closely year-over-year, enabling pay and performance to move in the same direction in each of our observation periods.** CNQ's significant focus on equity pay (cash pay represented less than 15% of total pay in 2011), appears to give them flexibility regarding year-over-year alignment.



COMPANY'S DISCLOSED PEER FIRMS	
TICKER	NAME
NYSE:APC	Anadarko Petroleum Corporation
NYSE:APA	Apache Corporation
NYSE:DVN	Devon Energy Corporation
NYSE:EOG	EOG Resources Inc.
NYSE:OXY	Occidental Petroleum Corporation
TSE:CVE	Cenovus Energy Inc.
TSE:SU	Suncor Energy Inc.
TSE:ECA	Encana Corporation
TSE:HSE	Husky Energy Inc.
TSE:NXY	Nexen Inc.

FY 2011 FINANCIAL PERFORMANCE RANKINGS						
#	PEER	TSR	PEER	ROE	PEER	ROA
1	NYSE:EOG	8.5%	NYSE:DVN	21.8%	NYSE:DVN	11.4%
2	TSE:CVE	4.1%	NYSE:OXY	17.6%	NYSE:OXY	11.0%
3	NYSE:APC	0.7%	NYSE:APA	16.5%	NYSE:APA	8.8%
4	NYSE:OXY	-2.6%	TSE:CVE	15.7%	TSE:HSE	6.8%
5	TSE:HSE	-3.4%	TSE:HSE	12.7%	TSE:CVE	6.7%
6	TSE:CNQ	-13.2%	TSE:CNQ	11.5%	TSE:SU	5.8%
7	NYSE:DVN	-20.3%	TSE:SU	11.2%	TSE:CNQ	5.6%
8	TSE:SU	-22.3%	NYSE:EOG	8.6%	NYSE:EOG	4.4%
9	NYSE:APA	-23.6%	TSE:NXY	8.3%	TSE:NXY	3.5%
10	TSE:NXY	-28.2%	TSE:ECA	0.8%	TSE:ECA	0.4%
11	TSE:ECA	-33.0%	NYSE:APC	-14.6%	NYSE:APC	-5.1%

CEO COMPENSATION RANKINGS AGAINST COMPANY'S DISCLOSED PEER FIRMS										
	PEER	TOTAL PAY	PEER	SALARY	PEER	BONUS	PEER	TOTAL CASH	PEER	TOTAL EQUITY
1	NYSE:OXY	\$26,299,145	NYSE:APA	\$1,730,871	NYSE:APA	\$4,698,079	NYSE:APA	\$6,428,950	NYSE:APC	\$14,430,956
2	NYSE:APC	\$23,455,584	NYSE:APC	\$1,565,488	NYSE:OXY	\$4,648,625	NYSE:OXY	\$5,901,447	NYSE:OXY	\$12,857,964
3	NYSE:DVN	\$17,951,402	TSE:SU	\$1,483,846	NYSE:APC	\$3,093,403	NYSE:APC	\$4,658,891	NYSE:EOG	\$11,942,956
4	TSE:SU	\$17,287,193	TSE:HSE	\$1,459,625	TSE:SU	\$3,060,000	TSE:SU	\$4,543,846	TSE:SU	\$11,621,931
5	NYSE:APA	\$17,159,910	TSE:ECA	\$1,399,929	TSE:HSE	\$2,300,000	TSE:HSE	\$3,759,625	NYSE:DVN	\$10,833,382
6	NYSE:EOG	\$14,652,555	NYSE:DVN	\$1,380,893	NYSE:DVN	\$2,275,453	NYSE:DVN	\$3,656,346	NYSE:APA	\$9,941,780
7	TSE:ECA	\$10,364,165	TSE:NXY	\$1,331,250	TSE:CVE	\$2,165,625	TSE:CVE	\$3,234,375	TSE:ECA	\$7,725,580
8	TSE:CVE	\$10,066,000	NYSE:OXY	\$1,252,821	NYSE:EOG	\$1,427,227	TSE:ECA	\$2,607,367	TSE:CNQ	\$4,860,000
9	TSE:CNQ	\$7,722,768	TSE:CVE	\$1,068,750	TSE:ECA	\$1,207,439	NYSE:EOG	\$2,356,952	TSE:CVE	\$4,821,640
10	TSE:HSE	\$7,050,398	NYSE:EOG	\$929,725	TSE:CNQ	\$500,000	TSE:NXY	\$1,331,250	TSE:HSE	\$3,027,750
11	TSE:NXY	\$5,003,511	TSE:CNQ	\$600,000	TSE:NXY	\$0	TSE:CNQ	\$1,100,000	TSE:NXY	\$1,823,834

PAY FOR PERFORMANCE SCORING

For 2012, the Clarkson Centre for Board Effectiveness (CCBE), prepared a Pay for Performance report for each firm currently listed on the TSX 60 Index that has at least 8 years of historical compensation or share price data available. The CCBE's Performance Score measures how closely CEO pay and TSR are aligned over four different time horizons. Compensation data is gathered from the firm's public filings, and valued at the time of grant. Options are valued using the binomial tree fair value method, and PSUs are valued at the grant date value of the target payout. TSR is calculated using a 30-day average start and end date share price, and assumes the reinvestment of dividends.

CCBE collected pay and performance data for up to ten peer companies for each TSX 60 constituent. Peer companies were selected from each TSX 60 constituent's performance benchmarking peer group, as disclosed in its most recent Management Information Circular. If a performance peer group was not disclosed, the CCBE collected information on the disclosed constituents of the total pay benchmarking peer group. If a peer group had more than 10 constituents, we randomly selected ten from among the disclosed list.

Our Pay for Performance Score takes into account alignment between change in CEO pay and TSR in 1-, 4-, 6- and 8-year observations. CEO pay change is 'smoothed' to account for outlying years. For example, in our 8-year observation we calculate CEO pay change as the percent change of the sum of total CEO pay from 2004-2007 against the sum of total CEO pay from 2008-2011. This helps to normalize our longer observations for unusual events like CEO turnover and large one-time payouts. The Pay for Performance Score gives significantly more weight to longer-term observations than shorter ones.

1-YEAR SCORE	4-YEAR SCORE	6-YEAR SCORE	8-YEAR SCORE
A = 3	A = 4	A = 7	A = 10
B = 3	B = 3	B = 5	B = 8
C = 2	C = 2	C = 3	C = 5
D = 1	D = 1	D = 1	D = 3
E = 0	E = 0	E = 0	E = 0

