



**Policy Name:** Gifts and Entertainment

**Policy Number:** A108

**Policy Owner:** Vice President & Chief Compliance Counsel

**Policy Approver:** Vice President, General Counsel & Secretary

**Approval Date:** February 1, 2010

## **Policy Statement:**

This gifts and entertainment policy establishes guidelines for the practice of exchanging gifts, meals and other forms of entertainment or gratuities. At all levels of the organization Nexen relies upon individual judgment, guided by our policies, in determining whether the exchange of gifts or entertainment is necessary and reasonable.

### **1. Definitions:**

**Associate** - Any organization, group or individual who could influence, be perceived to influence or benefit from a business decision of Nexen including customers, suppliers and business partners.

**Business Expense** - Any expense directly related to or associated with Nexen conducting business. For entertainment to be directly related to conducting business there must be an expectation of deriving a business benefit (i.e. conducting business is the primary purpose of the activity).

**EMC** - The Executive Management Committee of Nexen.

**Employee** – Refers to all regular full-time, part-time, temporary, casual and fixed-term Employees of the Company.

**Entertainment and Hospitality** - Entertainment and hospitality includes meals, receptions, tickets to, or participation in, leisure, social or sporting events where the business associate is in attendance. Such activities are given or received with the intent of initiating or developing a business relationship. When the giver of the hospitality does not attend, the event is defined as a gift.

**Gifts and Gratuities** - Gifts and gratuities are given as a mark of friendship or appreciation and may include goods, services or honoraria. They should be given without expectation, advantage or presumption or obligation of reciprocation. Gifts and gratuities have no role in the business process other than to acknowledge or enhance a relationship or promote the giver's enterprise by incorporating a logo or message on a promotional item.

**Nexen (or the Company)** – Refers to Nexen Inc. and its majority owned subsidiaries.



## **2. Objectives:**

The objective of this policy is to ensure employees do not give or receive extravagant, uncustomary or lavish gifts to or from Associates, including gifts of money, perceived value or other factors which might influence or be perceived to influence, a business decision of Nexen or an Associate.

## **3. Persons Affected:**

This Gifts and Entertainment policy applies to all Nexen employees.

## **4. Policy:**

Exchanging gifts and entertainment is an accepted business practice that helps Nexen to build strong relationships with its Associates. Gifts or entertainment may be accepted when they do not obligate, appear to obligate or inappropriately influence the recipient.

While a reasonable level of hospitality is acceptable, no Employee should accept a level of hospitality from an Associate greater than what could reasonably be offered in return.

Employees responsible for gifts and entertainment expenditures are expected to be thoughtful when making expenditures and to exercise discretion and good judgment.

To determine whether this Policy is being applied properly, Employees should consider how management, other Employees or stakeholders could interpret a decision related to the giving or receiving of the gift or entertainment.

For further guidance on gifts and entertainment for public officials, refer to Section E of Policy A153, Prevention of Improper Payments.

Due to the numerous variables involved in the giving and receiving of gifts and entertainment, guidelines cannot be provided for every possible scenario. When in doubt, Employees should seek the guidance of their supervisor, the Integrity Resource Centre, their Integrity Leader or a member of Nexen's Legal Department.

## **5. Roles and Responsibilities:**

The Chief Legal Officer and Chief Financial Officer are responsible for establishing and maintaining the practices, guidelines and internal controls pertaining to this Policy.

The Chief Legal Officer is responsible for the establishment of a system (the "Divisional Tracking System") for tracking inappropriate items and exceptions to this Policy as noted above.



The Divisional Tracking System will:

- Establish processes to ensure proper authorization of exceptions to this Policy;
- Allow for the tracking and review of inappropriate items and exceptions;
- Be subject to audit.

Each member of the EMC is responsible for putting in place and maintaining a mechanism within their area of responsibility and for ensuring that the standards of this Policy are satisfied.

## **6. Reporting:**

If an Employee has any concerns or believes a gift or offer of entertainment is questionable, the matter should be discussed with their supervisor, an Integrity Leader, the Integrity Resource Centre or the Legal Department.

Any Employee who becomes aware of a violation or potential violation of this Policy must contact the Integrity Resource Centre, an Integrity Leader or the Legal Department immediately. Determination of whether a violation of this Policy has occurred will be made by the Chief Legal Officer in consultation with the Chief Financial Officer.

If an Employee is found to be in violation of this Policy, appropriate corrective action, including dismissal may be taken.

Any Employee making a bona fide report of an alleged violation shall be fully protected and indemnified by Nexen.

## **7. Guidelines:**

The following guidelines are not meant to be exhaustive in addressing the type of gifts and entertainment circumstances that may arise. Rather, they are meant to be illustrative regarding Nexen's standard of what is reasonable.

- The exchange of the item occurs infrequently;
- The exchange could be easily reciprocated by Nexen;
- The benefit arising from the exchange is of limited actual or perceived value;
- There is a legitimate business purpose associated with the exchange;
- No perceived or actual obligation is created as a result of the exchange;
- The item complies with Nexen's Travel and Business Expense Policy (A120);
- The item complies with Nexen's Prevention of Improper Payments Policy (A153).

The following are examples of acceptable gift and entertainment practices:

- The exchange of nominal gifts such as pens, calendars, caps, shirts and mugs;



- Invitations to business-related meetings, conventions, conferences or product training seminars where the associated value is not excessive and there is a benefit to Nexen in attending;
- Invitations to social, cultural or sporting events if the value is not excessive and if attendance serves a customary business purpose such as networking or business development.

## **8. Inappropriate Items & Exceptions:**

Items received by Employees that do not meet the above guidelines should be returned to the giver of the item with an explanation that acceptance of the item would not comply with Nexen's guidelines. Perishable items may be donated to a charity or made available to fellow Employees. In either case, the giver of the item should be notified of the action taken. In addition, the Employee's supervisor must be notified and the matter documented in the Divisional Tracking System described in this Policy.

In some cultures, the return of a gift or refusal of an invitation may be considered offensive. In such cases, accepting the item on behalf of Nexen would be acceptable provided the item is immediately turned over to Nexen. The item and the action taken must be disclosed to the recipient's supervisor and documented in the Divisional Tracking System described in this Policy.

To assist in the interpretation of this Policy, the following are not acceptable:

- Any item received prior to or during a competitive bid process from a bidder whether the Employee is involved in the tender process or not;
- Entertainment that cannot be utilized in a reasonable period of time (i.e. a single event ticket would be reasonable; seasons tickets would not);
- The intentional solicitation of gifts or entertainment (including the solicitation of prizes, donations or sponsorships from any third party for a charitable, recreational or social activity sponsored by Nexen); this does not apply to activities that Employees are involved in personally or in a voluntary capacity;
- An honorarium for services that an Employee would not have been asked to provide except because of their Nexen position (i.e. delivering a speech at a conference). The Employee may accept meals, transportation and lodging in connection with providing those services;
- Gifts that exceed a value of CDN \$250 (or such other lower amount that local management may determine) that haven't received prior approval by an Employee's supervisor or manager.

Note that this limit does not apply to the giving or receiving of entertainment. The exchange of multiple gifts, with the intent of circumventing the CDN \$250 limit, is not permitted.

Exceptions to this Policy, although rare, may be acceptable provided that:



- Prior written approval is obtained from a member of the EMC;
- The Integrity Resource Centre is notified; and
- The item is recorded in the Divisional Tracking System described in this Policy.

The following is a list of items that may be acceptable if the above requirements are met:

- Events that involve complimentary air travel (i.e. business educational trips to visit a plant or manufacturing facility);
- Events involving complimentary accommodation;
- Invitations to golfing, fishing, sports events or similar trips provided that such events are:
  - usual and customary for the Employee's position and the industry;
  - promote good working relationships with Associates; and other industry peers are present;
- Exchange of gifts or gratuities in excess of CDN \$250 or any lower amount that local management determines is appropriate (i.e. gifts for official events or ceremonial occasions).

## 9. Related Policies:

The following Nexen policies should also be consulted:

- How We Work: Our Integrity Guide
- Travel and Business Expense - Policy (A120)
- Prevention of Improper Payments - Policy (A153)

## 10. Revision History:

DATE	REVISION #	DESCRIPTION OF CHANGE
February 1, 2010	2 <sup>nd</sup> Revision	Formatting changes to correspond with new policy standards
March 15, 2007	1 <sup>st</sup> Revision	Minor clarification changes to original draft
October 12, 2006	Policy Creation	Recognized need for further guidance on the subject