

**Policy Name:** Community Investment

**Policy Number:** A104

**Policy Owner:** Vice President, Corporate Relations

**Policy Approver:** Chief Legal Officer

**Approval Date:** September 15, 2011

## Policy Statement

This Policy and its associated *Guide to Community Investment at Nexen* ("Guide") establish the governance of Nexen's Community Investment program to ensure our community contributions reflect our corporate culture and values, align with our business objectives, contribute to the well-being of our host communities and establish and maintain a consistent approach in order to effectively deliver value to Nexen's Stakeholders.

### 1. Definitions

**Amateur Sport Organization:** A Non-profit Organization operating exclusively to foster local, national or international amateur sports competition for youth.

**Charitable Organization:** A type of Non-profit Organization focussed on serving the public interest or common good.

**Chief Legal Officer:** The corporate officer holding the most senior legal position concerning legal affairs in the Company and associated with an executive officer position.

**Community Investment:** Voluntary activities Nexen undertakes to support its business objectives through effective investment in the communities and countries where we do business. Support can take the form of philanthropic investments, social investments, Employee volunteering, Community Sponsorships and Gifts In-Kind in the form of goods and services.

**Community Investment Committees:** CCIC and LCIC.

**Community Investment Operating Principles:** The principles set out in the Guide.

**Community Organization (Community-Based Organization):** Non-profit Organizations that operate within a single local community that are often run on a voluntary basis and are self-funded. There are variations in terms of size and organizational structure; some are formally incorporated, with a written constitution and a board of directors, while others are much smaller and are more informal.

**Community Sponsorship:** A form of Sponsorship that is distinguishable from Corporate Sponsorship because of its expected benefit to the community. It is marked by a higher benefit to the community and can enhance Nexen's credibility and/or reputation through affiliation with respected organizations.



**Compliance Committee:** the Compliance Committee as defined in Nexen's Prevention of Improper Payments Policy (A153).

**Contractor:** Individuals engaged by Nexen to provide services under a consulting or other contract arrangement.

**Corporate Community Investment Committee (CCIC):** The CCIC is composed of members drawn from corporate head office and appointed by the President and CEO. Reference Section 4.1.d for further details.

**Corporate Sponsorship:** A form of Sponsorship primarily intended to benefit the commercial interests of the sponsor such as increasing sales, building brand awareness, etc. The benefit to the other party is generally not a significant factor in deciding on the transaction. The transaction originates from the commercial interests of the sponsor and / or a private sector vendor.

**Director:** A duly elected or appointed member of the Board of Directors of Nexen with oversight responsibility and specific duties that contribute actively and collectively to the effective governance of Nexen.

**Donation:** A monetary gift made to a Charitable, Non-profit, Community or First Nations (Canada) Organization with no expectation of returned benefit.

**Employee:** Includes all regular full-time, part-time, temporary, casual and fixed-term employees of Nexen.

**Gift In-kind:** A non-monetary gift made to a Charitable, Non-profit or Community Organization. Examples might include: free use of Nexen facilities (e.g. for events, community meetings); materials and equipment (e.g. used computers); prizes and gifts for fundraisers and auctions.

**Gift-Matching (Matching):** Grants to match the personal contributions of Employees, Contractors and Directors to registered Charitable and Non-profit Organizations.

**Guide to Community Investment at Nexen (Guide):** The Guide provides clear and objective criteria for Donations, Community Sponsorships and Employee volunteer programs and applies to Community Investments made by the corporate head office and all divisions, business units and country operations.

**High Risk Country:** A country that the Compliance Committee determines is at high risk with regard to improper payments based upon such criteria as the annual Transparency International Country Perceptions Index.

**Local Community Investment Committee (LCIC):** LCICs are composed of members selected from the local operations and their membership on the LCIC is approved by the Vice President or Senior Manager. Reference Section 4.1.d for further details.

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

**Non-profit Organization:** An organization not conducted or maintained for profit, whose net earnings are devoted exclusively to charitable, educational, or recreational purposes. All charities are Non-profit Organizations but not all Non-profit Organizations are charities.

**Public Official:** Any officer or employee of a government or any of its agencies or a government owned or controlled corporation, any officer or employee of a public international organization, any official or candidate of a political party, or any person acting in an official capacity for any such entity.

**ReachOut (Giving - Matching - Helping):** Nexen's Community Investment program, branded as the ReachOut program, includes the following three main components:

- **Giving:** The giving of cash Donations, Sponsorships and Gifts In-kind to Charitable, Non-profit and Community Organizations. Reference Section 4.1 for further details;
- **Matching:** The matching of individual Employee, Contractor and Director Donations to eligible Charitable and Non-profit Organizations. Reference Section 4.2 for further details; and
- **Helping:** Recognizing and encouraging Employee volunteerism through Volunteer Days, Volunteer Grants and Team-Building Volunteerism. Reference Section 4.3 for further details.

**Sponsorships:** Community Sponsorships or Corporate Sponsorships.

**Stakeholders:** Nexen's Stakeholders encompass those who influence the rules and conditions under which we operate and includes representatives from all respective levels of governments, Aboriginal peoples, regulators, Non-Profit Organizations, media, communities, operating partners, and associations and Employees, Contractors and Directors.

**Team-Building Volunteerism:** Organized by Employees, team volunteerism events provide Employees with an opportunity to get involved in their community under the banner of Nexen ReachOut program and in the company of their colleagues. Participation is voluntary and generally occurs during work hours.

**Volunteer Days (or Nexen Volunteer Days):** A set number of hours or days of release-time per year to be used for volunteerism with a registered Charitable, Non-profit or Amateur Sports Organization during regular working hours. The value of the release-time can be monetized and considered a Community Investment.

**Volunteer Grants:** A cash Donation made by Nexen, on behalf of an Employee or Director, to a Charitable, Non-profit or Amateur Sports Organization to recognize and reward the volunteer efforts of an Employee or Director.

## 2. Objectives

The objectives of this Policy are to:

- 1) Define the three main components of the ReachOut program;
- 2) Establish guidelines for program administration, funding requests, and approval authorities under the Giving component of the ReachOut program;
- 3) Set funding and eligibility criteria for beneficiary organizations under the ReachOut program;
- 4) Define Employee, Contractor and Director eligibility under the Matching and Helping components of the ReachOut program; and
- 5) Establish and maintain a consistent approach to Community Investment throughout Nexen's operations.

### **3. Persons Affected**

This Policy is applicable to all personnel referenced in Section 5, and others who are involved directly or indirectly in the support of Nexen's Community Investment activities. The Policy also applies to Employees, Contractors and Directors who apply for and utilize the benefits under the ReachOut program.

## **4. Policy**

### **4.1 GIVING**

#### **4.1.a Funding and Eligibility Criteria**

Nexen's Giving program will consider providing cash Donations, Sponsorships and Gifts In-kind to Charitable, Non-profit, Community and First Nations (Canada) Organizations that meet one or more of the following criteria:

- 1) The presence of Nexen in any given geographical area and the impact of those operations on local Stakeholders;
- 2) The project meets a need that is not duplicated or addressed by existing services or facilities;
- 3) The project provides long-term, sustainable, positive results and maximizes the benefit for its intended purpose;
- 4) The project and applicant organization are aligned with Nexen's corporate values, including integrity and sustainability, and Community Investment Operating Principles;
- 5) The project is viewed by Nexen as an opportunity to improve social or recreational conditions in the area that will benefit local residents, which may include Employees;
- 6) In adherence to Nexen's Human Rights Policy (A105), the services or activities of the applicant organization do not discriminate against ethnic origin, gender, sexuality, colour, language, national or social origin, economic status, religion, political or other consciously held beliefs;

- 7) Charitable and Non-profit Organizations must provide proof of status as defined by the laws of the country in which they operate:
  - Registration number from the Canada Revenue Agency in Canada;
  - 501(c)3 status in the United States;
  - Registration number from the Charity Commission in England and Wales;
  - Registration with the Office of the Scottish Charity Regulator; and
  - Non-profit Organizations that are not registered charities must provide their business number if Canadian or the equivalent information if located in another country.
- 8) Community Organizations that are not registered must provide proof of formal operation, such as a list of board members, previous funders or municipal/community support or partnership;
- 9) First Nations organizations operating within the Indian Act Section 87 (Canadian legislation);
- 10) The applicant organization is financially viable and effectively managed (based on Nexen's determination), and can provide current financial statements and a published list of directors and officers upon request;
- 11) The applicant organization clearly outlines the use of the funds and the expected benefits and/or outcomes to the community;
- 12) Requests from organizations which have previously received support should include a clear statement of the benefits that resulted from that support; and
- 13) There are opportunities for Nexen to leverage the investment through existing partnerships or through the involvement of Employees in a volunteer or advisory capacity.

#### **4.1.b Exclusions**

The following types of requests are not eligible to receive funding under Nexen's Community Investment budget:

- 1) Advertising in books, yearbooks, handbooks, journals, event programs, film, video, television or recruitment initiatives that are not a component of a negotiated Corporate Sponsorship or Donation commitment; these types of advertising requests may be considered by Corporate Communications
- 2) Advocacy groups or lobbying organizations
- 3) Support for individuals or stand-alone research
- 4) Feasibility studies, contingency funds or deficit campaigns

- 5) Conferences, seminars, congresses and workshops; these types of Sponsorships may be considered by a Nexen Division, Business Unit, Country or Operation under the category of Corporate Sponsorship as outlined in Section 1.1 of the Guide.
- 6) Service clubs and fraternal organizations
- 7) Third-party professional fundraising organization
- 8) Professional associations and events
- 9) Private foundations or clubs
- 10) Travel, accommodation or meal expenses
- 11) Religious organizations except for when they provide social support services to community members regardless of religious affiliation
- 12) Professional sports teams
- 13) Students or alumni associations
- 14) Organizations that discriminate on the basis of ethnic origin, gender, sexuality, colour, language, national or social origin, economic status, religion, political or other conscientiously held beliefs
- 15) Nexen Employees, Contractors and Directors, or members of their families, are not eligible to apply for funding where an Employee, Contractor or Director, or members of their families, would be a direct or indirect beneficiary of the funding (must at all times comply with Nexen's Related Party Transactions Policy (A157))
- 16) Donations to politicians, political parties or related entities will not be made from the Community Investment budget; details of Nexen's prescribed policy and procedures in relation to political Donations are included under Nexen's Prevention of Improper Payments Policy (A153).

*Note: In specific instances where justification is made to support an initiative which may fall under one of these categories, the CCIC will have the authority to make an exception on a case-by-case basis.*

#### **4.1.c Application Process**

Effective February 2011 Nexen will only accept applications for funding that are made through its online application system available on Nexen's external website. The online application will allow Nexen to: better track and manage its Donation and Sponsorship requests; reduce administration time; report efficiently with a consistent format Company-wide; and ensure the Company has an accurate reporting of its Community Investments globally.



If an organization does not have the capacity to access or use the online application, the organization may submit in another format (e.g., hardcopy or electronically via email) or request assistance from Nexen to submit an online application.

#### **4.1.d Giving Oversight**

Both the CCIC and LCICs must adhere to the same operating rules and principles in order to ensure a transparent and consistent approach to Nexen's grant making activities as outlined the Guide.

## **Corporate Community Investment Committee (CCIC) Administration**

Nexen's global Community Investment activities are consolidated at Nexen's corporate head office by the CCIC. The CCIC is composed of members drawn from corporate head office and appointed by the President and CEO. The CCIC consists of the following members:

- President and CEO
- Executive Vice President, Canada
- Chief Legal Officer
- Vice President, Corporate Relations
- Vice President, HSE & SR
- Manager, Community Investment
- Administrator, Community Investment

The mandate of the CCIC is to provide oversight and direction to ensure Nexen's community Company-wide contributions reflect the Company's corporate culture and values, and align with the Company's business objectives.

The CCIC meets quarterly to:

- Receive and consolidate quarterly and annual Community Investment reports from Nexen Divisions / Business Units / Countries / Operations;
- Review requests for funding;
- Approve requests for funding of CAD/USD/GBP20,001 or more;
- Discuss relevant Community Investment issues; and
- Ensure global alignment of funding based on Nexen's operating environments.

## **Local Community Investment Committee (LCIC) Administration**

Each regional or local operation shall establish a LCIC to review and approve local funding requests. Membership on the LCIC is generally appointed by the Vice President or Senior Manager for the Nexen Division / Business Unit / Country / Operation. Members are generally selected from the local operations and include representation from various internal stakeholder groups. LCICs must develop operating procedures in alignment with this Policy. LCICs are required to report their Community Investments to the CCIC on a quarterly and annual basis.

### **4.1.e Approval Authorities**

Approval authorities are outlined below under the assumption that a request for funding meets Nexen's eligibility requirements:

- **Requests up to and including CAD/USD/GBP 5,000:** Senior Vice President or Senior Manager has the authority to approve requests without going to the LCIC.
- **Requests from CAD/USD/GBP 5,001 to CAD/USD/GBP 20,000:** LCIC has the authority to approve requests in this range.

- **Requests of CAD/USD/GBP 20,001 or more:** All funding requests in excess of CAD/USD/GBP 20,001 must be sent to the CCIC for approval.

#### **4.1.f Approvals in High Risk Countries**

Nexen recognizes that in some of the countries in which it has operations, the charitable and non-profit sector is not regulated or formalized to the same extent that it is in North America and Europe. As such, Nexen's Prevention of Improper Payments Policy (A153) must be followed when making charitable contributions in High Risk Countries.

At a minimum and prior to making charitable contributions in a High Risk Country, the Compliance Committee must confirm that the charity is:

- a bona fide Charitable or Non-profit Organization;
- not controlled or otherwise closely associated with any Public Official with decision-making authority relevant to the Company's business; and
- the individuals controlling or managing the Charitable or Non-profit Organization are included on any sanctioned listed.

Charitable contributions in High Risk Countries must be approved on the following basis as outlined in Nexen's Prevention of Improper Payments Policy (A153):

- Country Manager: Up to USD 1,000
- LCIC: Between USD 1,000 and USD 5,000
- Compliance Committee: Above USD 5,000

## **4.2 MATCHING**

### **4.2.a Criteria and Eligibility Requirements**

- 1) Nexen will match Employee, Contractor and Director Donations to eligible Charitable and Non-profit Organizations dollar-for-dollar. The minimum value of a Gift-Match is CAD/USD/GBP 25 up to a maximum of CAD/USD/GBP 20,000 per calendar year per Employee, Contractor and Director. Note: UK employment legislation does not allow for UK companies to match Contractor donations thus Contractors contracted by majority owned UK-domiciled subsidiaries of the Company are not eligible to have their donations matched by the Company.
- 2) Nexen offices in Canada and the United States participate in annual United Way campaigns. Nexen will match Employee, Contractor and Director Donations to the United Way dollar-for-dollar. There is no minimum or maximum value for a United Way Gift-Match.
- 3) The recipient Charitable or Non-profit Organization must meet the eligibility criteria as defined under Sections 4.1.a (6) and 4.1.a (7) of the Policy.

- 4) Charitable and Non-profit Organizations in Canada, the UK, and the US are eligible beneficiaries under this Matching program.
- 5) In order for Donations to be matched, an Employee, Contractor or Director must submit a tax receipt. The name of the Employee, Contractor or Director must be noted on the receipt.
- 6) Nexen will match eligible Donations that are made in the current and prior year. Applications for matching gifts must be submitted no later than December 31<sup>st</sup> of the year following the Donation date in order for it to be matched by Nexen.

#### **4.2.b Exclusions**

Exclusions as they relate to *Matching* are identified under Sections 4.1.b (11), 4.1.b (14), 4.1.b (15) and 4.1.b (16) of the Policy.

### **4.3 HELPING**

#### **4.3.a Criteria and Eligibility Requirements**

##### **Volunteer Days**

- 1) The *Helping* program provides all eligible regular full-time and part-time Nexen Employees in Canada, the US and UK, who work a minimum of 20 hours per week, with up to two paid days per calendar year to volunteer during regular working hours with Charitable, Non-profit and/or Amateur Sports Organizations.
- 2) The recipient Charitable or Non-profit Organization must meet the eligibility criteria as defined under Sections 4.1.a (6) and 4.1.a (7) of the Policy.
- 3) Non-profit, Charitable and/or Amateur Sports Organizations in Canada, the UK, and the US are eligible beneficiaries under this program.

##### **Volunteer Grants**

- 1) Employees in Canada, the US and UK are eligible to apply for a total of CAD/USD/GBP 1,250 in grants per calendar year consisting of: (1) a CAD/USD/GBP 1,000 grant for a Charitable or Non-profit Organization for volunteering 40 hours of personal time (i.e. outside of regular working hours); and (2) a CAD/USD/GBP 250 grant for an Amateur Sport Organization for volunteering an additional 40 hours of personal time. Grant(s) must be directed to one of the organizations with which the Employee has volunteered. Employees may request to have a CAD/USD/GBP 1,000 grant equally divided between two organizations.
- 2) Regular full-time and part-time Employees, who work a minimum of 20 hours per week, are eligible to apply for volunteer grants. Directors are also eligible to participate in this program.

- 3) The recipient Charitable or Non-profit Organization must meet the eligibility criteria as defined under Sections 4.1.a (6) and 4.1.a (7) of the Policy.
- 4) Applications for volunteer grants must be submitted by January 15<sup>th</sup> of the year following volunteer service.

### **Team-Building Volunteerism**

- 1) Nexen also supports team-building initiatives whereby Employee teams can volunteer with a Charitable or Non-profit Organization to promote team cohesion and development while supporting the host community or country.
- 2) The recipient Charitable or Non-profit Organization must meet the eligibility criteria as defined under Sections 4.1.a (6) and 4.1.a (7) of the Policy.
- 3) Charitable and Non-profit Organizations in Canada, the UK, and the US are eligible beneficiaries under this program.

### **4.3.b Exclusions**

Exclusions as they relate to *Helping* are identified under Sections 4.1.b (11), 4.1.b (14), 4.1.b (15) and 4.1.b (16) of the Policy.

## **5. Roles and Responsibilities**

The Nexen Vice President, Corporate Relations will ensure that this Policy is applied and supported in all areas of the Company's business.

Nexen Division / Business Unit / Country / Operation Vice President or Senior Manager will ensure that this Policy is implemented throughout their area for which they have management responsibilities by assigning specific responsibilities to appropriate staff. Policy implementation will include harmonization of their particular policies, standards and operational practices with this Policy.

Nexen Corporate Community Investment Manager will support the implementation of this Policy Company-wide.

## **6. Compliance**

This Policy is owned by the Vice President, Corporate Relations who is responsible for the resolution of any conflicts, violations, issues or concerns regarding the Policy and Guide.

Primary responsibility for Policy compliance lies with the approving managers. This responsibility will be supported by management reporting and may be subject to periodic internal audits.



Charitable contributions made in High Risk Countries must comply with Nexen's Prevention of Improper Payments Policy (A153)

Failure to comply with the Policy and Guide may result in disciplinary action up to and including termination of employment.

## 7. Guiding Principles / Related Policies

The ReachOut program is not an entitlement and participation shall always be at the discretion of the Company. The Company reserves the right to cancel or suspend the ReachOut program.

More detailed direction can be found in the Guide to Community Investment (A404).

For further Policy guidance, please refer to the following Nexen policies/guidelines:

- Policy A098 How We Work: Our Integrity Guide For Suppliers
- Policy A099 How We Work: Our Integrity Guide
- Policy A105 Human Rights Policy
- Policy A115 Corporate Visa Policy
- Policy A153 Prevention of Improper Payments Policy
- Policy A157 Related Party Transactions Policy

## 8. Revision History

DATE	REVISION #	DESCRIPTION OF CHANGE
September 15, 2011	2 <sup>nd</sup> Revision	- More comprehensive content incorporating standardized policy format - Section added on new <i>Helping</i> program (Employee volunteer program)
October 2007	Policy Creation	- New Policy created and approved