



**Policy Name:** Shareholder Engagement Policy  
**Policy Number:** A109  
**Policy Owner:** Chief Legal Officer  
**Policy Approver:** Board of Directors  
**Approval Date:** November 28, 2011

## **Policy Statement:**

Nexen Inc. is a publicly traded company on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE) with offices and operations around the globe. Nexen Inc. and its subsidiaries and affiliates (collectively, "**Nexen**") is committed to best practices with respect to corporate governance.

The Board fully respects the views of Nexen's shareholders and believes that communication between shareholders and the Board is an essential part of maintaining our culture of strong corporate governance. Effective engagement and communication with shareholders enhances the strength and value of Nexen, by allowing investors perspectives to be heard by the Company as it sets its strategic direction. Accordingly, Nexen has established this Policy to facilitate this engagement and communication.

## **1. Definitions:**

The following definitions apply to this Policy:

**Board** – means the Board of Directors of Nexen Inc. or, where appropriate, a Committee of that Board of Directors.

**Director** – refers to a member of the Board of Directors of the Company.

**Disclosure Review Committee** – shall consist of the Chief Legal Officer, the Division Vice President, Investor Relations, the Controller and the Director, Corporate Audit.

**Nexen (or the Company)** – refers to Nexen Inc. and its majority owned affiliates.

**Employee** – refers to a regular, temporary or contract employee of the Company.

**Management** – refers to the executive officers of the Company.

**Shareholder** – refers to a holder of common shares of the Company.

## **2. Objectives:**

The objective of this Policy is to affirm the value in shareholder engagement and to describe the methods used to facilitate communications among shareholders, Nexen and the Board.

## **3. Persons Affected:**

This Policy applies equally to all Employees of Nexen.

While Nexen cannot impose policies on shareholders beyond those prescribed by law, this Policy sets out Nexen's expectations regarding communications with Nexen shareholders.

## **4. Policies and Procedures:**

### **4.1. Shareholder Communication Foundation: Clear, Transparent Disclosure**

Nexen believes that the most efficient and fair means of communicating with its shareholders is through sound disclosure practices. This provides the appropriate forum for Nexen to explain its operations, financial results, governance process and other matters to all shareholders. The Company's Disclosure Review Committee regularly meets to review proposed disclosures in periodic or timely disclosure documents, news releases, conference call scripts, Management Proxy Circular, website disclosures, etc. Nexen believes that its disclosure practices meet or exceed all applicable standards.

### **4.2. Annual Shareholder Meetings**

The primary means by which shareholders have an opportunity to communicate with the Board is through the annual meeting of shareholders. This is when shareholders can receive the audited consolidated financial statements, appoint the independent auditors, express their views on individual directors (through our modified majority vote standard), and vote on any special business that may come before the meeting (e.g. shareholders rights plan). Additionally, shareholders have the right to present shareholder proposals in accordance with Canadian regulations.

As well, the Board may determine it appropriate to hold an advisory vote on Nexen's approach to executive compensation. If an advisory vote is held and a significant number of shareholders oppose the resolution, the Board will communicate with certain of its shareholders (particularly those who are known to have voted against it) to understand their concerns and will review Nexen's approach to compensation in the context of those concerns. Shareholders who voted against the resolution are encouraged to contact the Board to discuss their specific concerns. The Board's and Management's views on all these matters are set out in the Management Proxy Circular.

Each director nominee is expected to attend the meeting, absent a compelling reason. The chair of each Board Committee will be available to respond to shareholder questions. The Board encourages shareholders to attend the annual meeting, since it provides a valuable opportunity to discuss Nexen's operations, financial results, corporate governance and other important matters. As well, the Board encourages all shareholders to fully inform themselves of the issues that are to be put to a vote and to exercise their right to vote.

### **4.3. Investor Communications**

From time to time, Nexen will make presentations regarding operations and financial results to investors through road show presentations. These presentations are made by authorized Employees of Nexen and are fully approved by the disclosure review committee. As well, Nexen regularly communicates with analysts and investors as part of Nexen's investor relations program. No Employee or Director is authorized to communicate business or financial information about Nexen that is non-public, material information, except through public disclosure officially sanctioned by Nexen.

### **4.4. Corporate Governance Roadshow**

Nexen believes that outside of regular disclosures and the annual meeting, it is important to establish a dialogue with shareholders (and other stakeholders such as regulators and exchanges) regarding corporate governance matters. To this end, Management and/or Board members will initiate regular communications (telephone conferences, in-person meetings or other forms of communication) with shareholders and shareholder representatives in order to discuss corporate governance matters.

Requests from shareholders or shareholder representatives for communications with the Board, a Committee of the Board or a Director will be considered on a case-by-case basis by the Board Chair or the Chair of the Corporate Governance and Nominating Committee. Factors that will be considered include: whether the matter relates to a topic that is within the primary area of responsibility of the Board and which a Board member can publicly discuss; whether the matter could have a material impact on Nexen's performance or stock price; the size and/or number of shareholders making the request; availability of the applicable Board member(s); and, the willingness of the requestor to invest the significant time required to prepare for such further communication.

All communication events will be limited to the predetermined topics identified in the meeting's agenda and should be attended by appropriate personnel for discussing corporate governance and other relevant matters. Board members, at their request, will be supported as necessary by management and other Nexen Employees when communicating with investors. Specific consideration will be given as to whether the shareholder or Nexen wishes to have counsel present, in order to mitigate any risk of unintended selective disclosure.

#### **4.5. Other Communications with the Board**

Shareholders may write to the Board or any Board member(s) at their discretion using the contact information listed in Appendix A.

Nexen receives inquiries on many subjects. The Board and Management have developed a process to manage inquiries so that appropriate personnel respond to them. Nexen reviews letters and emails addressed to the Board, its members or the independent directors to determine if a Board response is appropriate. While the Board oversees Management, it does not participate in day-to-day operations and is not normally in the best position to respond to inquiries on those matters. Those inquiries will be directed to appropriate personnel for response. The Board has instructed the Governance Office to review all correspondence and, in its discretion, not forward items that are:

- not relevant to Nexen's operations, policies or philosophies;
- commercial in nature; or
- not appropriate for the Board to consider.

All inquiries will receive a response from the Board or Management. The Governance Office maintains a log of all correspondence sent to Board members. Directors may review the log at any time and request copies of correspondence received.

Shareholders, or any other stakeholders, may report concerns regarding Nexen's business practices to our Integrity Resource Centre or third party service provider (Ethicspoint) using the contact information listed in Appendix A.

As well, if one wishes to raise concerns about Nexen's financial statements, accounting practices or internal controls and do not feel comfortable raising the matter using the reporting methods described above, one can make a report directly to the Chair of the Audit and Conduct Review Committee. The matter should be documented and mailed to Nexen at the address provided in Appendix A in an envelope labeled: "To be opened by the Chair of the Audit and Conduct Review Committee only".

## 5. Roles and Responsibilities:

- 5.1. The Board, Shareholders and Management acknowledge that the following matters are appropriately addressed by the Board: strategic direction, risks to strategy, Board succession planning process, Board evaluation results, CEO succession planning process, executive compensation, corporate governance and general Board oversight.
- 5.2. The Board, Shareholders and Management acknowledge that the following matters are appropriately addressed by Management: matters dealing with the Nexen's general business operations, financial results, strategic implementation and similar matters.
- 5.3. The Board, Shareholders and Management are responsible for ensuring that any discussions avoid selective disclosure of non-public material information.
- 5.4. Shareholders should ensure that shares held beneficially are tracked and voted appropriately, in order that empty-voting/over-voting is avoided.
- 5.5. It is understood that Shareholders may choose to use the services of proxy advisors, but Nexen encourages Shareholders to take the time to make themselves familiar with specific issues, and Nexen's circumstances with respect to those issues.
- 5.6. Management shall retain proxy solicitors, when appropriate, in order to better understand Shareholders and, whenever possible, their voting intentions.
- 5.7. Management will regularly update the Corporate Governance and Nominating Committee of the Board regarding corporate governance and regulatory matters, including Shareholder communication and engagement.
- 5.8. The Chief Legal Officer is responsible for establishing and maintaining the practices, procedures, and internal controls necessary to implement this Policy.

## 6. Compliance:

Any communication events with shareholders will be subject to compliance with all applicable laws, including applicable selective disclosure rules.

## 7. Guiding Principles and Related Policies:

- A103 – Corporate Governance Policy
- A160 – External Communications Policy

## 8. Revision History:

Date	Revision #	Description of Change
November 29, 2011	1 <sup>st</sup> revision	Reformatted, expanded definitions, defined roles
July 13, 2011	Policy creation	

## Appendix A: Contact Information

Board of Directors, Board Committees or Board members:

Mail: Nexen Inc.  
801 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta, Canada  
T2P 3P7  
Email: [board@nexeninc.com](mailto:board@nexeninc.com)

Integrity Resource Centre:

Mail: Nexen Inc.  
801 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta, Canada  
T2P 3P7  
Email: [integrity@nexeninc.com](mailto:integrity@nexeninc.com)  
Phone: 403.699.6789

Ethicspoint:

Online: [www.ethicspoint.com](http://www.ethicspoint.com)  
Phone: 1.866.384.45277 (toll-free in North America).