



Policy Name: Trading in Securities and Reporting Policy

Policy Number: A152

Policy Owner: VP, General Counsel, Corporate

Policy Approver: Chief Legal Officer

Approval Date: September 15, 2011

Nexen Inc. is a publicly traded company on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE) with offices in Canada, the United States, the United Kingdom, and Norway. As such, trades in securities of Nexen Inc. may be subject to the securities laws of those countries, and the rules of the TSX and NYSE. Nexen Inc. and its subsidiaries and affiliates (collectively, "**Nexen**") is committed to the principles of fair and open markets for publicly traded securities and compliance with all applicable securities laws and exchange rules.

Securities law generally prohibits trading or dealing in the securities of a company on the basis of material non-public or inside information. Anyone violating these laws is subject to personal liability and could face criminal penalties in one or more countries. The obligation to prevent insider trading violations is therefore an important one for Nexen and its Employees. Accordingly, Nexen has established this Policy to assist all Employees in complying with their obligations, and to protect Nexen from potential liability arising from breaches by those to whom it is responsible at law. This Policy does not replace the individual responsibility to understand and comply with the legal prohibitions on insider trading and dealing.

1. DEFINITIONS:

The following definitions apply to this Policy:

Business Day - a day on which banks are open for business in Calgary, Alberta, Canada.

Chief Legal Officer - the person holding the most senior legal position concerning legal affairs in the Company.

Company - a corporation, partnership, trust, or other entity.

Employee - all directors, officers, employees, consultants and advisors of Nexen.

Insider - a director, officer, or significant shareholder of a company, and anyone else (including an employee or consultant to a company) who has, or may be deemed to have, Material Non-Public Information concerning a company by virtue of their job title or



responsibilities. Under securities law, insiders of a company are subject to a higher standard of scrutiny and disclosure requirements in their trading activities than other people who trade in securities. An Employee may be considered an “insider” under Canadian law without being an “insider” under United States, English or European Union law.

Material Non-Public Information (or Inside Information) - is information relating to the business and affairs of a company that:

- i) a reasonable investor would consider important in making an investment decision regarding the purchase or sale of the company’s securities, or
- ii) would reasonably be expected to significantly affect the market price or value of any of the securities of the company;

and has not been previously disclosed or published to the general public. Information is considered to have been disclosed or published to the public if: (i) the information has been generally disclosed by means of a broadly disseminated news release (including press releases, securities filings), and (ii) public investors have been given a reasonable amount of time to analyze the information.

Material Non-Public Information may be either positive or negative information. While it is not possible to define all categories of material information, examples of information that should be considered material are as follows:

- Financial results
- News of a pending, proposed or completed merger, acquisition or disposition
- News of a major discovery, project sanction, joint venture, or other business operation, transaction or development
- Impending bankruptcy or financial liquidity problems
- Changes in dividend policy
- New equity or debt offerings
- Significant exposure from actual or threatened litigation
- Changes in senior management
- Changes in corporate structure

Related Person - a spouse, child, parent, and a person living in an Employee's household, a partnership in which an Employee is a general partner, a trust of which an Employee is a trustee, and an estate in which an Employee is an executor.

Security or securities - a debt or equity instrument issued by a company from time to time, including common stock, preferred stock, units, options for common stock, preferred stock or units, stock appreciation rights (STARs), and derivative securities relating to a company’s securities whether or not issued by that company.

Trade or deal - includes, without limitation, any purchase, sale, disposition, or transfer of



beneficial ownership of a security and any act, advertisement, solicitation, subscription, conduct, agreement, or negotiation, whether on or off market, directly or indirectly in furtherance thereof, specifically including the exercise of options and STARS. Trading and dealing, for the purposes of this Policy, excludes:

- i) The automated, regular monthly purchases of securities made through Nexen's Employee Savings Plan or Dividend Reinvestment Plan, however, securities that have been acquired through such Employee Savings Plan or Dividend Reinvestment Plan are subject to this Policy and may not be sold by an Employee who is in possession of Material Non-Public Information;
- ii) Enrollment in Nexen's Employee Savings Plan or Dividend Reinvestment Plan;
- iii) Trades through a pre-approved trading plan that complies with Rule 10b5-1 of the Securities Exchange Act of 1934; and
- iv) Trades pursuant to an "automatic securities purchase plan" (ASPP) or "automatic securities disposition plan" (ASDP, as contemplated by Ontario Securities Commission Staff Notice 55-701).

2. OBJECTIVES:

This Policy describes four sets of rules:

- prohibitions against insider trading and giving trading advice;
- the imposition of a blackout periods or close periods on trading in securities of Nexen;
- the disclosure of material non-public information; and
- the requirement for certain Employees to report all trades in Nexen securities.

3. PERSONS AFFECTED:

This Policy applies equally to all directors, officers, employees, consultants and advisors of Nexen (collectively, the Employees) regardless of their position, level or function. Employees are responsible for ensuring compliance by their families and other members of their households.

This Policy applies to trades in securities of Nexen. It applies not only to securities owned by an Employee (legally or beneficially), but also to securities over which an Employee exercises control or direction, such as those held by a trust, estate, or company controlled by the Employee. This Policy also applies to securities of other companies under circumstances described below.



This Policy applies not only during the course of an Employee's service to Nexen, but also after the completion or termination of such service to the extent the Employee possesses Material Non-Public Information at the time such service is completed.

Please note that the laws of Canada and the United States regarding insider trading and reporting apply to persons living outside those jurisdictions, regardless of nationality, when the securities are traded in a Canadian or United States market such as the TSX or NYSE. This includes persons living in the United Kingdom, Norway, the United States, Yemen, United Arab Emirates, Colombia and Singapore.

This Policy is primarily based on applicable Canadian, United States, United Kingdom, and European Union rules. However, it is the responsibility of each Employee to also comply with applicable law in the jurisdiction which the Employee is resident. The requirements of applicable law may be more onerous than those described in this Policy.

4. STATEMENT OF POLICY AND PROCEDURES:

4.1. Prohibited Activities

- 4.1.1. **Insider Trading** - No Employee may, directly or indirectly through any person acting on their behalf, trade in Nexen securities while in possession of Material Non-Public Information concerning Nexen.
- 4.1.2. **Trading During Blackouts** - No Employee may, directly or indirectly through any person acting on their behalf, trade in Nexen securities during any Blackout Period or Close Period imposed on that Employee specifically, or during any Blackout Period or Close Period imposed on Employees generally. Employees are encouraged to advise all Related Persons to observe the Blackout Period on trading in Nexen securities.
- 4.1.3. **Trading During Distributions** - Insiders are prohibited by law from trading in Nexen securities during any period in which those securities are being distributed pursuant to a prospectus offering, restricted private placement, take-over bid, issuer-bid or pursuant to an amalgamation, arrangement, capital reorganization or similar transaction where proxies are being solicited.
- 4.1.4. **Tipping and Disclosure of Information** - No Employee may disclose or "tip" Material Non-Public Information concerning Nexen to any other person or company (including agents, service providers, analysts, individual investors, members of the investment community and news media, Related Persons and other friends or family members) unless such disclosure is necessary in the ordinary course of business and made in accordance with Nexen's Confidential Information Policy and External Communications Policy.



Maintaining the confidentiality of Nexen's information is essential for competitive, security, and other business reasons, as well as to comply with securities laws. Employees must treat all information they learn about Nexen or its business plans in connection with their employment as confidential and proprietary to Nexen. Inadvertent disclosure of Nexen's confidential information or Material Non-Public Information may expose Nexen and its Employees to significant risk of investigation and litigation. Accordingly, Employees should be discreet with such information and not discuss it in public places where it can be overheard such as elevators, restaurants, dinner parties, taxis and airplanes. Discussion of confidential information on cellular phones or other wireless devices is discouraged. In addition, carrying confidential information through airport security, whether in hardcopy or digital format (such as on a Blackberry, laptop, or other electronic storage device) is discouraged as it may be subject to search, seizure and viewing by airport security officials.

4.1.5. **Advice** - No Employee may give trading advice of any kind to anyone while possessing Material Non-Public Information about Nexen, except that Employees should advise others not to trade in Nexen securities if such trade might violate the law or this Policy. To avoid even the appearance of impropriety, Employees should refrain at all times from providing advice or making recommendations regarding the purchase or sale of Nexen securities.

4.1.6. **Insider Trading in Other Companies** - This Policy also applies to Material Non-Public Information relating to other companies, including joint venture partners, publicly-traded affiliates, customers, vendors and suppliers of Nexen, when that information is obtained in the course of employment with, or providing services on behalf of, Nexen. That is, the prohibitions on insider trading and tipping apply to the securities of other companies and Material Non-Public Information concerning that other company.

Accordingly, no Employee may: (a) trade in securities of any other public company while possessing Material Non-Public Information concerning that company; (b) "tip" or disclose Material Non-Public Information concerning any company to anyone; or (c) give trading advice of any kind to anyone concerning any other company while possessing Material Non-Public Information about that company that such Employee learned in the course of service to Nexen.

4.1.7. **Derivative Trading** - No Employee may, in respect of Nexen securities, take any speculative positions, whether through the use of puts or calls, collars, spread bets, and CfD's (contracts for difference), engage in short selling (i.e., selling securities not owned or not fully paid for), or take any other derivative positions of any kind which would give effect to the foregoing.



Actions which could be perceived as speculative or influenced by positive or negative perceptions of Nexen's prospects are not in the best interests of Nexen or its shareholders and therefore Nexen's policy is that Employees must avoid the appearance of speculative trading in Nexen securities.

Nexen provides incentive benefits to some of its Employees to voluntarily acquire Nexen securities as a long term incentive to align the commitment, interests and day-to-day activity and performance of those persons with the long term interests of Nexen and its shareholders. Speculating in Nexen securities or taking derivative positions which de-link the intended alignment of interests is prohibited.

If a trade in securities becomes the subject of scrutiny, it will be viewed after-the-fact with the benefit of hindsight. Employees are therefore advised that before engaging in any trade, they should carefully consider how the trade may be construed with the benefit of hindsight.

4.2. Blackout Periods and Close Periods

Nexen reserves the right to restrict an Employee's trading of Nexen securities and securities in any entity of which Nexen is an insider. Such a restriction is generally referred to as a "Blackout Period" or "Close Period" and is enforced when there is, or is potential for, a significant event pending, or there is information which is available but not due for disclosure until approved by management or board of directors (e.g. quarterly information). According to the circumstances, Blackout Periods may apply generally to all Employees or only a select group of Employees. Nexen has established and will enforce the following Blackout Periods:

4.2.1. For Quarterly and Annual Results:

- 4.2.1.1. a general trading blackout on Nexen securities applicable to all Employees beginning five Business Days prior to the public release of quarterly or annual financial and operating results and ending: (i) at the close of trading on the TSX on the Business Day on which the financial statements are publicly disclosed where the quarterly financial statements are released prior to the opening markets on that Business Day; or; (ii) at the close of trading on the



TSX on the Business Day following the day on which the financial statements are publicly disclosed where the financial statements are released following the close of markets on the immediate preceding Business Day;

- 4.2.1.2. a specific trading blackout on Nexen securities applicable to all Employees who are involved in the preparation or review of the quarterly or annual financial and operating results beginning at the end of the financial quarter to be reported and ending: (i) at the close of trading on the TSX on the Business Day on which the financial statements are publicly disclosed where the quarterly financial statements are released prior to the opening markets on that Business Day; or; (ii) at the close of trading on the TSX on the Business Day following the day on which the financial statements are publicly disclosed where the financial statements are released following the close of markets on the immediate preceding Business Day;

- 4.2.2. *For Other Material Announcements:* a blackout from trading Nexen securities at any other time and applicable to all or any Employees, as determined by Nexen's management or Board of Directors.

When more complex matters, such as a prospective major acquisition or disposition, are announced it may be necessary to allow additional time for the information to be digested by investors and analysts. In such instances, Nexen may circulate a notice extending a Blackout Period.

Employees may apply to the Chief Legal Officer in writing for relief from the prohibition against trading in securities during any particular Blackout Period, such request to include the rationale for the trade and the supporting justifications for relief from the prohibition. The decision of the Chief Legal Officer in response to any such request shall be final and determinative.

4.3. Pre-Clearance of Trades

Before initiating any trade in Nexen securities, Employees are required to call the Trading in Company Securities Line and leave a message asserting their knowledge (or lack of knowledge) of Material Non-Public Information. Instructions are provided on the telephone. Once the assertion has been made, Employees are cleared to trade. Clearance of a trade is valid for a 48-hour period. If the trade is not made within that period, the trade must be re-asserted to the Trading in Company Securities Line.

The Trading in Company Securities Line telephone number is +1 (403) 699-6000.

4.4. Pre-Arranged Trading Programs



Employees may establish a pre-arranged trading program or limit orders (“PTPs”). A PTP may be made by providing irrevocable written instructions to trade a Nexen security (including the exercise or exchange of Options and the exercise of STARs) at a certain future date or dates or at a specified price, as follows:

- 4.4.1. PTPs for Tandem Options to be exchanged for cash and the exercise of STARs may only be established via the form available from the Stock Administration group.
- 4.4.2. PTPs with a broker for the exercise or exchange of Options may be in the form agreed upon with the broker.

Insiders of Nexen who are required to file public reports of a trade (reporting insiders) must provide a copy of any of these PTPs to the Stock Administration group. PTPs may not be placed for trades which may occur during known or reasonably anticipated Blackout Periods. PTPs may not be established, modified or terminated with knowledge of Material Non-Public Information. A PTP will not safeguard an individual against an allegation of insider trading if the individual has influence over trades within the PTP.

4.5. Insider Reporting

The following summary of Canadian law and reporting procedures is offered for informational purposes only, and is not a substitute for legal advice regarding individual circumstances.

Certain insiders who buy, sell or otherwise transact in securities of Nexen in Canada must file an insider trading report through the System for Electronic Disclosure by Insiders (“SEDI”) at www.sedi.ca in accordance with applicable securities laws. The following rules apply to those reporting insiders:

SEDI Profiles – Reporting insiders are required to file and update their insider profile on SEDI (i) if there is a change in the insider’s name, his/her relationship to Nexen, or if he/she ceases to be a reporting insider, within ten (10) calendar days of the event, or (ii) if there has been any other change to the insider profile, at the next time of filing an insider report or amended insider profile.

Initial Reports - An initial report must be filed within ten (10) calendar days of the date on which a person or corporation becomes a reporting insider. An initial report is not required, however, when a person becomes a reporting insider if he or she has no direct or indirect beneficial ownership, control or direction over securities of Nexen.

Changes in Beneficial Ownership - A reporting insider must report any changes in his or her direct or indirect beneficial ownership of, or control over, securities of Nexen within five (5) calendar days of the date such change takes place. Changes



in ownership can arise from purchases and sales of securities, option grants and exercises, and an accumulation of securities through employment savings plans and dividend reinvestment plans.

Stock Options – A reporting insider must report the grant of an option or the exercise of an option and an insider report must be filed with respect to these matters within five (5) calendar days of the date such transaction takes place.

Filing – A reporting insider is required to use SEDI to report insider trades. Reporting through SEDI can be completed by reporting insiders themselves through the internet or through an agent. Insiders are referred to the internet website for SEDI at www.sedi.ca.

The Stock Administration Group may from time to time notify individual Employees that it believes they are or have become reporting insiders under Canadian rules. The Stock Administration Group will also assist those reporting insider Employees with the completion and filing of the necessary forms **provided the Employee provides all necessary information to the Stock Administration Group as requested and in a timely fashion.** Nevertheless, responsibility for complying with insider reporting obligations rests with the individual Employee, and Nexen assumes no responsibility for any errors or omissions that may occur in providing such assistance to Employees.

4.6. Reporting Violations and Investigations

Violations of this Policy must be reported to the Stock Administration Group. Investigations into reports of Policy violations will be conducted in a confidential and consistent manner, and will be initiated by the Chief Legal Officer.

5. ROLES AND RESPONSIBILITIES:

- 5.1.** The Chief Legal Officer is responsible for establishing and maintaining the practices, procedures, and internal controls necessary to implement this Policy and for initiating any notices of Blackout Periods.
- 5.2.** The Stock Administration Group of the Legal Department is responsible for administration of this Policy.
- 5.3.** The Vice President, Human Resources is responsible for providing all newly appointed directors and all newly hired Employees with a copy of this Policy and for obtaining an acknowledgement that they have read and understood this Policy.
- 5.4.** The Chief Legal Officer is responsible for issuing a semi-annual reminder to all Employees of their obligations under this Policy



5.5. The Stock Administration Group will promote awareness and comprehension of the Policy amongst Employees through the delivery of information sessions and through the Integrity Program.

6. COMPLIANCE:

Violation of this Policy may lead to disciplinary action, as well as civil and criminal liability. Potential consequences include:

6.1. Liability for Insider Trading. Employees may be subject to disgorgement of profits (or losses avoided), tripled in some cases, monetary penalties, and imprisonment for engaging in trades in securities made on the basis of Material Non-Public Information regarding the issuer of the securities.

6.2. Liability for Tipping. An Employee may also be liable for improper trades by any tippee who receives Material Non-Public Information from that Employee. Large penalties may be imposed even when the disclosing person did not profit from the trading. The Canadian and United States Securities Commissions and regulatory organizations use sophisticated electronic surveillance techniques to uncover insider trading.

6.3. Possible Disciplinary Actions. Employees who violate this Policy may also be subject to disciplinary action by Nexen, which may include immediate termination of employment for cause. If Nexen discovers that anyone subject to this Policy has violated applicable securities laws, Nexen may refer the matter to the appropriate regulatory authorities.

7. RELATED POLICIES:

- A160 – External Communications Policy
- A161 – Confidential Information
- A141 – Security of Information
- A102 – Ethics

Any questions about this Policy and its application should be directed to the Stock Administration Group. The Stock Administration Group's telephone number is +1 (403) 699-5295. Click on this link to see the Stock Administration page on the Loop:

<https://domino.global.ad/corp/legal/dsaw.nsf/htmlpages/home?opendocument>

8. REVISION HISTORY:

Date	Revision #	Description of Change
September 15, 2011	5 th Revision	- Changes in policy content include the removal



		of references to Canexus and the addition of a clause restricting trading during a period while the Company is distributing securities.
June 23, 2010	4 th Revision	- changes to insider reporting deadlines to comply with new legislation
November 16, 2009	3 rd Revision	- Content and formatting revisions based on benchmarking review
November 29, 2006	2 nd Revision	- miscellaneous changes to policy content
May 1, 2003	1 st Revision	- miscellaneous changes to policy content
February 1, 1995	Policy creation	