



## Case Study – Auditable Governance

### Organization – Nexen Inc.

Before its purchase by CNOOC, Nexen was an international oil and gas exploration and production company with assets throughout the world. It was listed on the Toronto and New York Stock Exchanges and through 2009 voluntarily filed a 10-K in the US. In essence, Nexen governed itself as though it was a domestic US company for the purposes of Securities and Exchange Commission legislation, including the Sarbanes-Oxley Act of 2002 (SOX), while still complying with all Canadian securities and corporate requirements.

In 2004, entirely new mandates were developed for the board and all of its committees. The mandates went beyond regulatory requirements to set out all governance activities undertaken. In this way, they provided a benchmark to ensure that the board and committees knew exactly what their specific responsibilities were.

In 2006, roadmaps and calendars were developed as a way to “translate” mandate requirements into the actions undertaken to fulfill them. These documents became the heart of the entity level audit requirements reviewed by internal and external auditors pursuant to SOX and similar legislation in Canada.

### Project – Translating words into action

Preparing the roadmaps and calendars required intensive consultation with all operating and corporate divisions required to report to the board and the committees. The names and formats of documents provided for each mandate item were determined and actual timing of provision was indicated. In the course of creating the roadmaps and calendars, standard processes were clarified and operating improvements were highlighted that enhanced workflow and transparency.

The roadmaps and calendars provided complete checklists for all board and committee meetings throughout the year and ensured that directors and executive management were on exactly the same page when it came to documentation and reporting to be provided to the board. For each mandate item there was one or more corresponding tasks or reports due during the yearly cycle. The board and management were able to quickly check that each necessary item appeared on the appropriate agenda and that the relevant documents or presentations were provided. At year-end, the internal and external audit teams could follow the workflows from the mandates through to the board packages and minutes to verify that required activities had been completed.

### Outcome

**Nexen’s entity level controls were easily auditable, with minimal effort and Nexen’s board could focus on the business at hand, taking comfort that they were carrying out their responsibilities.**