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ENERGY

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Re: Proposed Multilateral Instrument 51-104, Multilateral Policy 58-201 and Multilateral Instrument 58-101

The following comments are provided by Talisman Energy Inc. ("Talisman") in response to the Alberta Securities Commission's request for comment regarding the alternative proposal, Multilateral Instrument 51-104 *Disclosure of Corporate Governance Practices,* and the CSA's notice and request for comment regarding the proposed Multilateral Policy 58-201 *Effective Corporate Governance* and Multilateral Instrument 58-101 *Disclosure of Corporate Governance Practices*, along with their respective forms.

Talisman is a large, independent, Canada-based oil and gas producer with operations and related activities, whether directly or through its subsidiaries, in Canada and around the world. Talisman's head office is located in Alberta and it is a reporting issuer in every province and territory of Canada. Accordingly, the Company supports efforts to harmonize securities regulation across the country and shares the ASC's hope that a uniform approach to corporate governance disclosure regulation will be adopted across Canada.

Talisman supports the alternative proposal of MI 51-104 as it provides sufficient flexibility to accommodate the needs of different industries and evolving ideas of what constitutes best practices. There is no one set of generally accepted best practices that is appropriate for all industries for all time. Different industries face different challenges and issues. Corporate governance practices evolve and change, sometimes rapidly. Talisman believes that suggesting what constitutes best practices, even if the adoption of such practices is not mandatory, is inappropriate. The Company shares the concern raised that the format of the required disclosure in MI 58-101 could put pressure on issuers to adopt those practices whether or not they are appropriate for them. Talisman supports the alternative proposal of MI 51-104 because it would allow each individual issuer to decide which practices best suit that issuer's industry and business.

Formal regulation more extensive than that proposed in MI 51-104 is not required because corporate governance practices and disclosure are already effectively monitored, commented on, scored and reported by numerous interest groups, including institutional investors, the media, industry associations and shareholder service providers. Because these interest groups effectively 'regulate' corporate governance practices without legislating them, the 'regulation' does not grow stale over time. On the contrary, the various interest groups are able to suggest new corporate governance practices and evaluate issuers' alignment with them annually because the pressures they exert come from outside the confines of formal securities regulation. Further, because different groups support different, sometimes contradictory, corporate governance practices,

issuers receive a wide range of suggestions from which they may choose the practices believed to be most appropriate to their businesses.

In addition, proposed MI 51-104 would require that the annual corporate governance disclosure be included in the issuer's management information circular rather than in the annual information form, as proposed by MI 58-101. Talisman supports this suggestion since the information circular is sent to all securityholders, whereas the annual information form is not distributed widely and therefore fewer people are likely to read it.

For the reasons above, Talisman believes that overall the regulatory approach proposed in MI 51-104 should be favoured over that proposed in MP 58-201 and MI 58-101. However, if the regulators choose to adopt the more prescriptive approach of MP 58-201 and MI 58-101, Talisman submits the following additional comments.

Talisman believes that MP 58-201 should contemplate delegation of the board's authority to approve the CEO's compensation level to the compensation committee (MP 58-201, section 17(a)). Because, in most instances, the CEO of an issuer serves on the issuer's board, and because the CEO should not be involved in approving his or her own compensation level, an issuer's compensation committee is the most appropriate group for approving the CEO's compensation level. Further, the compensation committee is in the best position to exercise objective, sound judgment regarding the CEO's compensation level because, for many companies, the committee is made up entirely of independent directors with competencies in compensation matters. In addition, in the interests of legislative uniformity, Talisman notes that the New York Stock Exchange Corporate Governance Listing Standards, rule 5(b)(i)(A) requires domestic companies listed on that exchange to "have a compensation committee composed entirely of independent directors. The compensation committee must have a written charter that addresses the committee's purpose and responsibilities – which, at minimum, must be to have direct responsibility to review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the board), determine and approve the CEO's compensation level based on this evaluation…" Talisman suggests that section 17(a) of MP 58-201 be modified to be consistent with the NYSE rule.

Talisman suggests that the form of required corporate governance disclosure specify that the text of the written mandate for the board of directors may be disclosed either by posting it on the Company's website or by a one-time filing on SEDAR (Form 58-101F1, section 2). As it is currently drafted, Form 58-101F1 appears to require that the mandate be reproduced directly in an issuer's AIF. This would add a number of extra pages to the AIF, increasing printing costs. Talisman suggests that a better alternative would be to require an issuer to either post the mandate on the issuer's website or file it on SEDAR and, in either case, provide a cross reference to the full text in the corporate governance disclosure. In addition to saving printing costs and helping to keep the AIF a reasonable length, this suggested approach would ensure that the most recent version of the mandate is easily accessible for the public. Talisman notes that this

suggested change would also be more consistent with the New York Stock Exchange Corporate Governance Listing Standards, rule 9 commentary, which requires each listed US domestic company to post on its website the charters of its most important committees (including at least the audit, and if applicable, compensation and nominating committees).

Talisman believes that having a board develop written position descriptions for each director and for the chair of each board committee would be inappropriate. Requiring an issuer to disclose whether or not the board has developed such descriptions would be unduly prejudicial (MP 58-201, part 5 and Form 58-101F1, section 3). The proposed policy would appear to encourage issuers to develop a written mandate for each individual director, each chair of a committee and the chair of the board. Talisman believes that developing written mandates for individual directors is a rigid and unduly cumbersome way to ensure that board members have the required skills. That approach would seem to consist of defining the combinations of skills required for each specific director position rather than defining the total skill set needed of the board as a whole, which could be satisfied by directors with different combinations of skills. Talisman suggests that a better alternative is for an issuer to develop committee mandates, which may set out the skills required of committee members. This approach would accomplish the objective of ensuring the board as a whole has the necessary skill set, yet it would provide flexibility to nominate for director individuals with different combinations of skills. This approach would also be consistent with the New York Stock Exchange Listing Standards for US companies, which require companies to develop committee mandates rather than individual director mandates.

Further, Talisman suggests that if this approach were adopted, there would be no need to develop written mandates for committee chairs. Each committee chair's roles and responsibilities would be implicit, stemming from the committee mandate.

Talisman acknowledges that the proposed policy and instrument would not require an issuer to develop the disputed position descriptions; however, the proposed disclosure requirement would pressure many issuers to develop such position descriptions regardless. It would be unduly prejudicial to put such pressure on companies in light of the questionable value of the proposed mandate structure.

Talisman believes that requiring issuers to issue and file on SEDAR a news release disclosing any waivers from the code of business conduct and ethics is inappropriate (MI 58-101 Section 2.3(3)). Talisman is concerned that requiring an issuer to issue a press release may tend to play up an occurrence that may, in fact, be immaterial. A press release could cause anxiety and sensational media reporting, which could lead to undue harm to the reputation of the individual to whom a waiver is granted. The possibility of being required to issue such a press release in the future could cause issuers to not adopt a code of ethics in the first place, which would defeat the purpose of the proposed provision completely. Accordingly, Talisman suggests that the regulators consider simply requiring issuers to "promptly disclose any waivers" per the New York Stock

Exchange Listing Standards for US companies. Such disclosure could then be made on the issuer's website or in a SEDAR filing.

If the regulators are of the view that a press release is absolutely necessary whenever a waiver is granted, then Talisman suggests that issuers not be required to disclose the name of the individual to whom the waiver was granted. Such information could damage an individual's reputation, which would be unfair in light of the fact that an individual is granted a waiver to perform services on behalf of the company. Disclosure that the company granted a waiver is the relevant information, and not the name of the individual within the company.

Thank you for the opportunity to contribute to the creation of this new area of law.

Yours truly,

(signed)
M. Jacqueline Sheppard
Executive Vice-President,
Corporate and Legal, and
Corporate Secretary