

**TERMS OF REFERENCE FOR GOVERNANCE AND  
HUMAN RESOURCES COMMITTEE**

**I. PURPOSE**

- A.** At Vermilion Energy Trust (“Vermilion” or the “Trust”), corporate governance means the process and structure used to supervise the business and affairs of the Trust with the objective of enhancing unitholder value, which includes insuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among unitholders, the Board of directors and management.
- B.** The main purposes of the Governance and Human Resources Committee (“the Committee”) are:

  - i) to provide a focus on governance that will enhance Vermilion’s performance, to assess and makes recommendations regarding Board effectiveness and to establish and lead the process for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors; and
  - ii) to assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management.

**II. COMPOSITION AND OPERATIONS**

- A.** The Committee shall be composed of not fewer than three directors and not more than five directors, all of whom are independent directors.
- B.** The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in Tab 8 of the Board Manual.
- C.** The Committee shall meet at least two times per year.

**III. GOVERNANCE DUTIES AND RESPONSIBILITIES**

The Committee has the responsibility to:

- A.** Review the Trust’s structures and procedures to ensure the Board is able to, and in fact does, function independently of management.

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- B.** Review periodically, for Board approval, a Board Manual outlining the policies and procedures by which the Board will operate and the terms of reference for the Board, the Chairman, the CEO, a director and Committees.
- C.** Assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to the Board as required.
- D.** In consultation with the Chairman and the President and Chief Executive Officer (the “CEO), recommend committee members and committee chair appointments to the Board for approval and review the need for, and the performance and suitability of, those committees and make recommendations as required.
- E.** At least annually, review and consider the Board’s current and long term composition by taking into account:
  - i) the size of the Board;
  - ii) the particular competencies and skills ideal for the Board, including requirements to staff certain Board committees;
  - iii) the competencies and skills each existing director possesses; and
  - iv) personality and other qualities of each director, as these qualities may determine and contribute to the boardroom dynamic.
- F.** In consultation with the Chairman and the CEO, the Committee shall recommend to the Board nominees for election as members of the Board and its subsidiaries, keeping in mind the competencies and skills each new nominee will bring to the Board.
- G.** Review, monitor and make recommendations regarding the orientation and ongoing development of directors.
- H.** Annually review the directors’ compensation program and make any recommendations to the Board for approval.

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- I.** Implement evaluations of the Board, the Chairman, Board committees and individual directors as outlined in Tab 15, Board Evaluation Process.
- J.** Ensure there is a system that enables a committee or director to engage separate independent counsel in appropriate circumstances, at Vermilion's expense, and be responsible for the ongoing administration of such a system.
- K.** Oversee the Trust's Code of Business Conduct (the "Code"), including:
  - i) Periodically review the Code and recommend any necessary revisions to the Board;
  - ii) Ensure the Code is filed on SEDAR annually and within 30 days of any amendments to the Code;
  - iii) Ensure a system to monitor compliance with the Code is in place and receive reports on that system;
  - iv) Lead the Board in considering any explicit or implicit waivers of the Code, and ensure any waivers that are approved by the Board are reported to meet regulatory requirements;
  - v) Oversee the Trust's Disclosure Committee;
- L.** Oversee the Trust's reporting of inappropriate activity policy including:
  - i) Periodically reviewing the policy and recommending any necessary revisions to the Board;
  - ii) Implementing a system to monitor complaints reported pursuant to the policy;
  - iii) Ensuring that all complaints are fully investigated and responded to in an appropriate manner;
  - iv) Reporting to the Board on complaints reported under the policy and the manner in which such complaints were resolved.
- M.** Ensure that Vermilion's governance disclosure material is accurate and meets or exceeds all regulatory guidelines, including but not limited to:

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- i) Confirm that the Board has approved a position description for the CEO that is used in assessing the performance of the CEO;
  - ii) Independence of the Board and its committees;
  - iii) Establishment of all required and recommended Board committees;
  - iv) Description of Board, committee and individual director evaluation process; and
  - v) Ensure that all documents that are required to be publicly disclosed are available on the corporate web site, or in hardcopy by request, including but not limited to:
    - a) Terms of Reference for the Board of Directors
    - b) Terms of Reference for the Chairman; and
    - c) Terms of Reference for Board committees, with the added responsibility of ensuring the Terms of Reference for the Audit Committee are included in Vermilion's Annual Information Form.
- N.** Recommend to the Board any reports on corporate governance that may be required or considered advisable.
- O.** At the request of the Board, undertake such other corporate governance initiatives as may be necessary or desirable to contribute to the success of the Trust.

**IV. HUMAN RESOURCES DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Committee will:

- A.** Review and recommend for Board approval, corporate goals and objectives for the CEO to be considered in determining his or her compensation and performance evaluation.
- B.** Recommend a performance evaluation process for the CEO and, when approved, lead the implementation of the process.

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- C.** Review and recommend the compensation philosophy, guidelines and plans for Vermilion employees and executives.
- D.** In consultation with the CEO, review the appointment and approve the compensation, including the Trust Unit Rights Plan and Restricted Share Plan, incentives and bonuses and benefit plans for the executive team including the CEO.
- E.** Review the Trust Unit Rights Plan and Restricted Share Plan with the CEO including:
  - i) designation of the employees who will participate;
  - ii) unit availability.
- F.** Review with the CEO existing management resources and plans, including recruitment and training programs, to ensure that qualified personnel will be available for succession to executive positions and report on this matter to the Board at least once each year.
- G.** Review and endorse major changes in the organizational structure of management as proposed by the CEO.
- H.** Consider and approve any changes to any Pension Plans in the Trust and/or its operating subsidiaries. Approve the investment objectives and policies of the Pension Plans and review the investment performance and funding status regularly. Report at least annually to the Board.
- I.** Review and recommend to the Board for approval, the “Governance and Compensation Committee Reports” for publication in public disclosure documents.
- J.** Review with the CEO any significant public service commitments and/or outside Board appointments being considered by the CEO.

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**V. ACCOUNTABILITY**

- A.** The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on governance and human resource matters relative to the Trust.
- B.** The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

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<b>CHECKLIST</b>	
	<b>COMMENTS</b>
<b>Governance Duties and Responsibilities</b>	
A. Review structures and procedures to ensure Board independence	
B. Review Board Manual	
C. Assess frequency and location of meetings, meeting agendas, discussion papers, reports and information, conduct of meetings	
D. Recommend committee member and chair appointments and review the need for, and the performance and suitability of committees	
E. Recommend Board composition requirements	
F. Recommend nominees for election as directors	
G. Review director orientation and development	
H. Review director compensation program	
I. Board, Committee & Chairman evaluation	
J. Ensure a system that enables a committee or director to engage separate independent counsel	
K. Oversee Code of Business Conduct including:	
i) review the Code and recommend revisions	
ii) ensure Code is filed on SEDAR	
iii) ensure compliance with the Code	
iv) Lead the Board in considering any explicit or implicit waivers of the Code	
L. Ensure governance disclosure is accurate	
i) Confirm position description of CEO	
ii) independence of the Board and committees	
iii) establishment of all required and recommended Board committees;	

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<b>CHECKLIST</b>	
iv) description of Board, committee and individual director evaluation process; and	
v) all documents require to be publicly disclosed are posted on corporate web site	
M. Recommend any report on corporate governance	
N. Other initiatives, at the request of the Board	
<b>Human Resources Duties and Responsibilities</b>	
A. Review corporate goals and objectives	
B. CEO Evaluation	
C. Review compensation guidelines	
D. Review appointment and approve compensation for the executive team	
E. Review Trust Unit Rights Plan and Restricted Share Plan	
i) designation of employees who will participate; and	
ii) unit availability	
F. Review management resources and plans	
G. Review and endorse major changes in the organizational structure	
H. Consider changes in & approve investment objectives and policies of Pension Plan	
I. Review Governance and Compensation Committee Reports	
J. Review any significant public service commitments	