



As part of our focus on flaring reduction, Vermilion reduced greenhouse gas emissions from our southeast Saskatchewan facilities by 75% between 2014 and 2016.

VALUES MATTER | 2017 SUSTAINABILITY REPORT

Excellence. Trust. Respect. Responsibility.



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Message from our Chief Executive Officer



Anthony Marino
President and CEO

One of Vermilion's defining strengths is our belief that sharing our success is essential to being a success. We have embedded this philosophy in our mission, and we continue to live it today. Our objective is to ensure that our stakeholders, our shareholders, employees, communities, and partners, benefit from our achievements.

This approach, based on the concepts of inclusive and sustainable growth, frames our business strategy and guides our role in the energy transition. As the energy transition continues to advance, two avenues of action have become increasingly important to us.

First, it is of course critical that we continue to develop and expand the implementation of reliable, secure and cost-effective sources of renewable energy. Our [geothermal projects in France](#), in which we provide heat from our produced water to agricultural and residential sectors, are already demonstrating that oil and gas companies such as ours can not only participate in renewable energy production, but lead it. We are now seeking to extend geothermal development in concert with hydrocarbon production to [The Netherlands](#) as well.

Second, because oil, and particularly natural gas, will be required until the energy transition is completed, we believe that citizens, governments and investors should turn to best-in-class oil and gas operators. We will need to continue safely and responsibly producing the oil and gas that is still needed to fuel essential products and services. In particular, natural gas has a role to play by replacing high-carbon fuels such as coal for electricity generation, which will become increasingly important as the number of electric vehicles increases. In 2016, our natural gas offset more than 4.8 million tonnes of greenhouse gas emissions in Canada alone, as compared to coal consumption. We expect this offset to further increase in 2018, given that we are capturing a greater share of the global natural gas market, and will increase the share of natural gas in our production mix to 56%, up from about 50% in 2017.

In our operating regions of North America, Europe and Australia, we comply with some of the world's most stringent health, safety, environmental and human rights regulations. We voluntarily report to international frameworks such as GRI and CDP. Our [CDP results](#) demonstrate how Vermilion is contributing to reducing carbon emissions. We were only one of five energy companies in the world to earn "A" List recognition in 2016, and we achieved an A- score in 2017, placing us in the top 3% of energy companies.

Vermilion remains a conventional producer in Europe, not employing hydraulic fracturing in any of our European operations. In North America, we do utilize hydraulic fracturing of horizontal wells to develop oil and gas reservoirs. However, I would point out that even in North America, we use fracturing only in semi-conventional clastic reservoirs, and we do not develop shale reservoirs. Our semi-conventional development activities in North America are much less frac intensive than shale development, requiring much lower volumes of sand and water. Based on independent economic assessments, we also have derived better returns for shareholders as a result of developing this expertise in semi-conventional reservoirs as opposed to shales. We believe this is an example of the strong correlation, and in fact, causality between sustainability and profitability.

Environmental responsibility is only a part of our sustainability focus. We have seen firsthand that inclusive growth, which we see as ensuring that everyone has an opportunity for economic advancement, is fundamental to community wellbeing and long-term democratic stability. We are therefore committed to ensuring that we produce energy in the most socially responsible manner possible, respecting worker rights and community engagement. Our [geothermal energy partnerships in France](#), for example, have reduced carbon emissions and, at the same time, developed co-industries with great longevity. These projects have led to substantial increases in employment, particularly in rural areas that are often bypassed by the global economy. Our eco-neighborhood project in southern France specifically has economic inclusivity as an objective, with 30% of its units designated for social housing.

Strategic Community Investment is an area that Vermilion has traditionally excelled in, taking the time to assess the unmet needs in our operating areas, and then focusing our financial contributions, and most importantly, our employees' volunteer time to meet those needs. Over the past year, we have expanded our community investment programs to focus on youth mentorship, advancing the goal that every youth will have the opportunity for productive, sustainable employment.

We took Strategic Community Investment another step further last year by incorporating public safety through our Global Emergency Responder Program, our first Vermilion-wide community investment program. In so doing, we combined our operating expertise in Health and Safety with our assessment of critical community needs in each one of our operating areas. We funded equipment and training for community providers of helicopter medevac (Canada and Australia), marine rescue (Netherlands and France), volunteer fire departments (United States and Germany), and landmine removal (Croatia).

This broad focus on sustainability (environmental, economic and social) is why we have integrated our sustainability strategy with the UN's [Global Goals for Sustainable Development \(SDGs\)](#). The SDGs provide a common focus and language for the planet, stating a clear vision for our collective future. We recognize that our capabilities in health and safety, environmental stewardship, long-term economic growth generation, and creation of shareholder value provide us with opportunities, and in fact, the responsibility to move the SDGs forward.

You'll see us referring to the SDGs throughout the report. The SDGs we feel are particularly significant are highlighted on the landing page of each major section, and our home page provides links to them all, demonstrating the interconnection of the goals.

In addition, we recognize that stakeholder expectations are evolving, with requests for increasing information over a greater number of topics. To meet those needs, we are changing the nature of our reporting, adding updates regularly to our sustainability website rather than waiting to collect them in an annual report.

Updates will be flagged under the "What's New" ribbon on the home page, to make them easy to access. We will also provide an annual refresh of all pages, with an associated PDF, to meet the needs of all stakeholders.

In last year's message, I said that we intend to make an outsized contribution to the achievement of the Global Goals, especially on issues involving energy and the environment.

While we feel that we are on our way, my colleagues and I commit to you that we will redouble our efforts to make progress on the SDGs. We know that it will take partnership between business, civil society, academia and government to truly achieve these goals. In the spirit of SDG 17, I invite you, our stakeholders, to join us as partners in this global campaign to leave no one behind.

A handwritten signature in black ink, appearing to read "Anthony Marino". The signature is fluid and cursive, with a long horizontal stroke at the end.

Anthony Marino

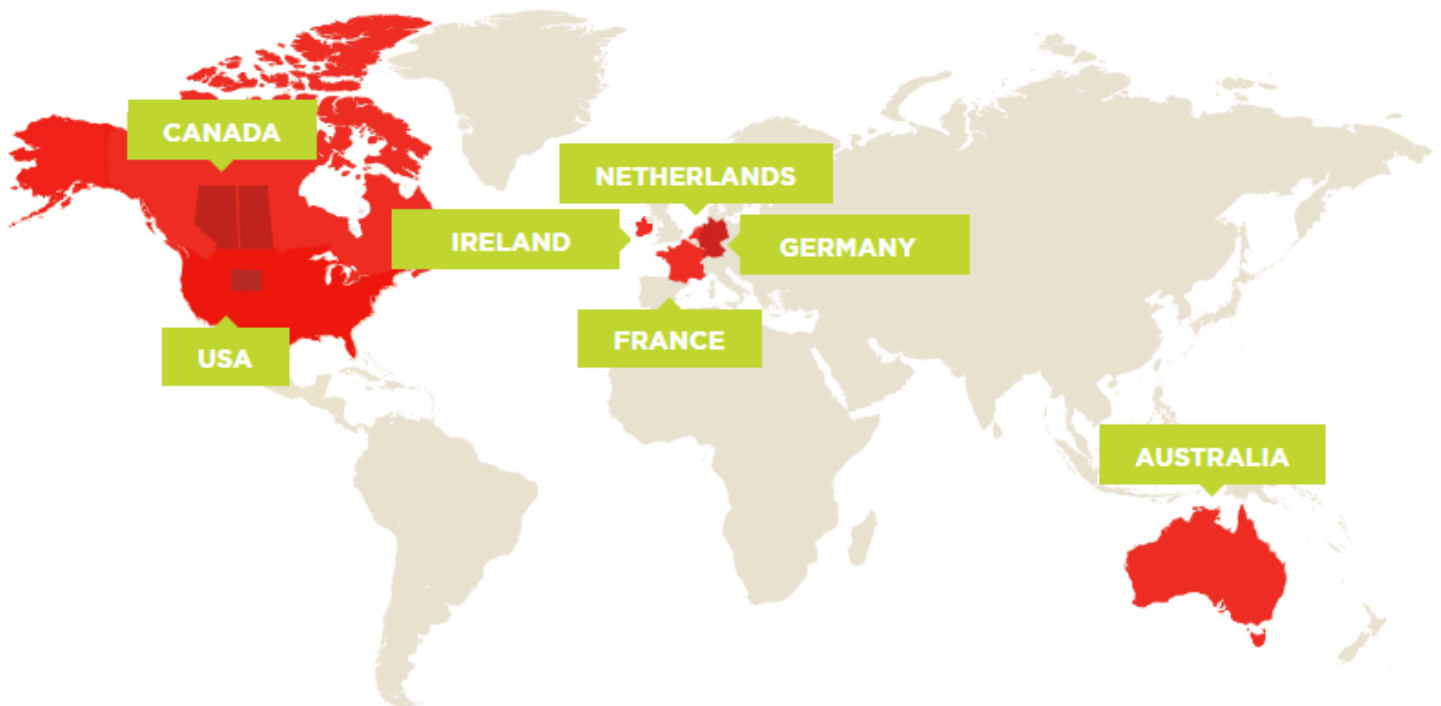
Economic & Operational Highlights

In 2016, Vermilion: **G4-EC1, G4-9**

- › Produced over **23 million boe** of oil and gas
- › Generated net revenue of more than **\$828 million**
- › Paid close to **\$140 million** in wages and benefits to our employees
- › Distributed more than **\$299 million** in dividends to our shareholders
- › Paid almost **\$74 million** in taxes and royalties in our operating jurisdictions
- › Invested more than **\$1.5 million** in community support
- › Devoted **\$25 million** to protecting our environment

8.1 Sustain per capita economic growth

We continued to responsibly increase production (15.6% between 2015 and 2016) using a stable, long-term growth model, while supporting our stakeholders: investors, staff, governments, communities and suppliers.



Canada

Production	25,771 boe/d
Staff	267
Net Revenue	\$231.4 MM
Reserves	130,215 Mboe

The Netherlands

Production	8,058 boe/d
Staff	108
Net Revenue	\$99.2 MM
Reserves	17,733 Mboe

France

Production	11,970 boe/d
Staff	171
Net Revenue	\$219.8 MM
Reserves	65,040 Mboe

Australia

Production	6,304 boe/d
Staff	78
Net Revenue	\$136.8 MM
Reserves	17,068 Mboe

United States

Production	457 boe/d
Staff	9
Net Revenue	\$5.2 MM
Reserves	11,477 Mboe

Germany

Production	2,483 boe/d
Staff	21
Net Revenue	\$26.7 MM
Reserves	23,582 Mboe

Ireland

Production	8,482 boe/d
Staff	-
Net Revenue	\$109.2 MM
Reserves	25,061 Mboe

Note: net revenues = sales less royalties | staff = employees + contractors | reserves = proved + probable

Our Approach to Business

About Vermilion

Vermilion is a publicly traded, widely held, international energy producer that seeks to create value through the acquisition, exploration, development and optimization of producing properties in North America, Europe and Australia. Founded in 1994, we have been delivering outstanding financial and operational performance for over 20 years.

At the core of our business is our purpose: we believe that producing energy for the many people and businesses that rely upon it to meet their daily needs and sustain their quality of life is both a great privilege and a great responsibility.

Our Approach

We are headquartered in Calgary, Alberta, Canada, with onshore and offshore operations located around the world in regions noted for their stable, well-developed fiscal and regulatory policies related to oil and gas exploration and development.

Our approach to sustainability, and to our business in general, is to prioritize health and safety, the environment, and profitability, in that order. Nothing is more important to us than the safety of the public and those who work with us, and the protection of our natural surroundings.

This is reflected in our recognition as a top decile performer amongst Canadian publicly listed companies in governance practices, as a 2016 Climate "A" List performer by CDP, and a Best Workplace in the Great Place to Work® Institute's annual rankings in Canada, France and The Netherlands. In addition, we emphasize strategic community investment in each of our operating areas.

We believe that this approach is an integral part of our company's success, and is closely aligned with the ideals and goals expressed in the Sustainable Development Goals, which you will see us refer to throughout this report. ^{G4-2}

Our business model focuses on annual organic production growth, along with providing a reliable, increasing dividend, and generating strong returns from accretive acquisitions. In 2017, we have continued to manage capital spending in response to lower commodity prices while targeting production of 68,000 – 69,000 boe/d (8% growth over 2016), primarily through:

- Developing light oil and liquids-rich natural gas conventional resource plays in Canada and the United States

- › Exploring and developing high value natural gas opportunities in The Netherlands and Germany
- › Oil drilling and workover programs in France and Australia, and
- › Our 18.5% non-operated working interest in the Corrib gas field in Ireland.

Vermilion's asset base comprises a diversified product and project portfolio that receives premium pricing. This increases the stability of our cash flows and our flexibility in allocating our exploration and development capital. The result is a consistently strong return on capital, reliable growth, and exposure to robust end markets that include:

- › North American-based midstream and downstream refiners
- › Asia Pacific-based refining and lubricant businesses
- › European downstream refiners, and
- › Key aggregators and utilities, such as the 50% state-owned GasTerra in The Netherlands.^{G4-8}

Our success is made possible by the superlative efforts of more than 660 staff (employees and contractors) located throughout our operations, and through an extensive supply chain.

In 2016, our supply chain represented more than 5,290 entities and an investment from Vermilion of more than \$488 million. This encompassed a wide range of inputs, including specialized field expertise and technology, supplies ranging from drilling mud to event facilities, and expert consultant advice. It is extremely important to us that our suppliers not only deliver a sound financial investment in their goods and services, but operate in a manner that aligns with the values that guide our own corporate culture. As a result, we have strict requirements for third-party vendors who do business for Vermilion.^{G4-12}

Management and Evaluation

Vermilion's Strategic Plan includes six key business objectives:

- › Extraordinary People
- › Best in Class Health, Safety and Environment
- › Top Quartile Shareholder Returns
- › Robust Portfolio
- › Operational Excellence
- › Integrated Sustainability

These objectives provide short, mid- and long term targets for the company as a whole, and for our staff. We set annual commitments within each of the objectives, and track our achievements against these quarterly, reporting to the senior management team and our Board of Directors. Progress is reported on annually in our Information Circular, and is also tracked using key performance indicators within our Short and Long Term Scorecards to assess company and individual performance, which is linked directly to compensation.

In addition to economic and investment metrics, we analyze external stakeholder feedback, including external recognition (listed in detail in the **Awards** section of this report), voting results at our Annual General Meeting, and input from governance, investment and sustainability analysts, and our communities.

Updates

In 2016 and 2017, we strengthened our core regions, increasing our exposure to both European natural gas and light oil development, and adhering to our long-term strategy of balanced and diversified growth: ^{G4-13}

2016

In 2016, Vermilion entered into a farm-in agreement in Slovakia with NAFTA, Slovakia's dominant exploration and production company. The farm-in agreement grants Vermilion a 50% working interest to jointly explore 183,000 acres on an existing license. The Slovakia farm-in offers access to a promising land position through modest seismic and well commitments over a five-year primary agreement term.

2016

In December 2016, Vermilion closed the acquisition of operated and non-operated interests in five oil and three gas producing fields from Engie E&P Deutschland GmbH, for total consideration of €32.5 million (\$45.6 million), net of acquired product inventory and after closing adjustments. Vermilion has assumed operatorship of six of the eight producing fields, representing our first operated producing properties in Germany. In March 2017, we were awarded an exploration license in Lower Saxony comprising 150,000 gross acres (50,000 acres net to Vermilion) surrounding the acquired oil fields. The Engie acquisition, our assumption of production operatorship and the additional exploration acreage further advance our objective of developing a material business unit in Germany.

2017

In July 2017, Vermilion and the Canada Pension Plan Investment Board (CPPIB) announced a strategic partnership in Corrib, whereby CPPIB will acquire Shell Exploration Company B.V.'s 45% interest in Corrib for total cash consideration of €830 million, subject to customary closing adjustments and future contingent value payments based on performance and realized pricing. The acquisition has an effective date of January 1, 2017 and is anticipated to close in the first half of 2018. At closing, Vermilion expects to assume operatorship of Corrib, and CPPIB plans to

transfer the operating entity and a 1.5% working interest to Vermilion for €19.4 million, before closing adjustments.

Sustainability Vision

Our approach to sustainability, and our business in general, remains one where we prioritize people and the environment over profitability: the safety and health of our employees, contractors and those directly or indirectly involved in our operations is placed above all else. ^{G4-2}

Vermilion's sustainability report is our way of communicating how we identify the economic, environmental and social impacts of our operations, and how we integrate their associated opportunities and risks into our business strategies. Over time, our reporting activities are helping us to realize our sustainability vision:

As a responsible oil and gas producer, Vermilion Energy Inc. consistently delivers long-term shareholder value by operating in an economically, environmentally and socially sustainable manner that is recognized as a model in our industry.

We understand our moral and legal duty to operate in a manner that protects the health and safety of our people and communities, provides responsible stewardship over the environment, and treats our people, partners and suppliers respectfully and fairly.

From the landowners with whom we share the landscape, to the families and businesses that rely on oil and gas to fuel their daily needs, our exploration and production activities have potential effects on a wide range of stakeholders who expect Vermilion to deliver consistently strong financial results in a responsible and ethical way.

These expectations align economic success with every element of our sustainability commitments, and have led us to prioritize our objectives in the following order:

1

The safety and health of our staff and those involved directly or indirectly in our operations. Nothing is more important.

Our Sustainability Vision

As a responsible oil and gas producer, Vermilion Energy Inc. consistently delivers long-term shareholder value by operating in an economically, environmentally and socially sustainable manner that is recognized as a model in our industry.

2

Our responsibility to protect the environment. We follow the Precautionary Principle ^{G4-14} introduced in 1992 by the United Nations "Rio Declaration on Environment and Development" ^{G4-15} by using environmental risk as part of our development decision criteria, and by continually seeking improved environmental performance in our operations.

3

Economic success through a focus on operational excellence across our business, which includes technical and process excellence, efficiency, expertise and stakeholder relations.

We believe these three priorities generally do not conflict with each other, because business that is conducted in the safest and cleanest manner is also most likely to be the most profitable way to do business over the long term. In instances where these three priorities may be in conflict, we instruct our staff that the health and safety of people and the protection of the environment must always take priority over profitability.

For more information on how we manage sustainability, please see our [Governance](#) page.

Sustainability Policy

To meet our commitments, we rely on the framework and priorities provided by our sustainability policy:

Vermilion's sustainability policy is guided by our core values of Excellence, Trust, Respect and Responsibility. It applies to all of our operations, and in each of the communities where we live and work. Sustainability is led by our senior management team and supported by our Board of Directors, and championed by our employees and contractors. It applies equally to our suppliers and to those who represent us or conduct activities on our behalf.

Guided by our Code of Business Conduct and Ethics, Vermilion meets or exceeds the requirements of all applicable laws and standards in the communities where we operate, through all of our activities, including exploration, drilling, completion, operation and remediation. In doing so, we are committed to transparent and respectful engagement with our stakeholders, including our investors, employees, partners, suppliers and communities.

Sustainability is integrated into all facets of our business, and is reflected in the following five key areas:

1. Governance and Ethics

- Vermilion demonstrates strong corporate governance, with leadership that sets an example of the highest standards of ethics and integrity and a commitment to the responsible development of our diverse resource portfolio.
- Our leadership model effectively embeds ethical, fiscal, environmental and social considerations into all aspects of our business, resulting in operational excellence and the protection of our human, natural, financial, operational, intellectual and reputational capital.

2. Economic Performance

- Vermilion recognizes that strong, consistent fiscal performance provides positive economic benefits for all of our stakeholders.
- We focus on generating long-term, top quartile and stable shareholder returns. Our disciplined approach, together with our technical and intellectual excellence, ensures we recognize and develop appropriate opportunities, effectively manage risks, and continuously improve operational efficiency.

3. People



- Vermilion's commitment to people is embedded in our core values: we embrace diversity, we value and care for our people, and believe every employee and business associate worldwide deserves to be treated with dignity and respect.
- We recognize the principles of The Universal Declaration of Human Rights, and have policies in place to support these principles throughout our operations, including creating a fair and equal-opportunity workplace.
- We challenge and inspire our employees to achieve their best, and value the teamwork, collaboration and innovation that lead to creating both a great place to work and outstanding company performance.

4. Health, Safety and Environment



- Vermilion is committed to conducting our activities in a manner that will protect the health and safety of our employees, contractors and the public while reducing our impact on the environment.
- We fully integrate HSE into our business – with the mantra of Everywhere, Everyday, Everyone. Our vision is that our HSE culture is recognized as a model by our industry and our stakeholders, resulting in a healthy workplace free of incidents.
- Every staff member, including management, is accountable for HSE and is actively involved in continuously delivering HSE performance improvements.

5. Communities



- Vermilion strives to support the communities in which we operate using a shared value model. We work to develop economic and employment opportunities, build positive relationships and contribute to meaningful, mutually beneficial partnerships that strengthen both the community and our company capacity.
- Our community investment program contributes to the quality of life in our communities through both charitable giving and employee engagement, supporting social, environmental and cultural issues. Through this program, our "Ways of Caring," we give back, we give time and we give together.

Company Performance – Awards



In 2017, Vermilion was recognized with a Leadership Level rating of A-. We were the only Canadian Energy Sector company, one of only two in North America, and 18 globally to achieve a Leadership Level score this year. As context, only 8.8% of 6,028 companies achieved an 'A or A-' grade for performance in 2017.



Vermilion ranked 13th in the 2017 **Corporate Knights Future 40**, which showcases the environmental, social, economic and governance performance of Canada's emerging corporate sustainability leaders. This is our fourth consecutive appearance on the list, and we are also the highest ranked oil and gas company in the ranking.



Between 2013 and 2017, Vermilion's **MSCI** ESG (environment, social and governance) rating increased from BB to A, and our score on MSCI's Governance Metrics Report ranks Vermilion in the 90th percentile globally. These recognitions reflect our continued focus on achieving robust shareholder returns combined with environmental, social and governance performance.



Our geothermal heat partnership with tomato growers in Parentis, France has been recognized by the Government of France's 2013 Circular Economy Award for Industrial and Regional Ecology.



In 2017, we were recognized by the **Great Place to Work Institute®** as a Best Workplace in Canada and France for an eighth consecutive year, and in The Netherlands for a fourth consecutive year.



We have been recognized annually for excellence in governance practices as part of the Globe and Mail annual **Board Games** survey since 2006. In 2017, Vermilion governance practices resulted in a rank of 4th among oil and gas companies in Canada.



Year-over-year recognized by the **Canadian Coalition for Good Governance** for best practices for proxy disclosure in the area of corporate governance relating to directors' independence and benefits and perquisites. Golden Gavel Award recipient for Best Disclosure of Governance Practices and Approach to Executive Compensation by a small or mid-sized issuer.



Recognized for excellence in governance practices by **Institutional Shareholder Services QualityScore** with a decile rating of 1, representing the highest score attainable. ISS QualityScore is a scoring solution supported by data on board structure, compensation, shareholder rights and audit, designed to help institutional investors identify governance risk within portfolio companies.



WINNER OF THE 2015 EPAC AWARD FOR
*Top International
Producer*

Recognized by EPAC as the 2014 Top Canadian-Based International Producer. Evaluated on seven financial and operating performance benchmarks (75% of score), including: Total return, Production growth per debt-adjusted share, Corporate cash margin, Proved-plus-probable reserves growth per debt-adjusted share, Proved-plus-probable FD&A costs per boe (including future development capital), Recycle ratio. Remaining 25% of score was based on industry leadership and corporate culture, including HSE, community investment, innovation, training, and other sustainability-related programs.

External Associations and Initiatives

Vermilion's sustainability approach is also guided by our participation in the following industry and sustainability-related organizations, and their associated external initiatives:

G4-15, G4-16

Organization	INITIATIVE DETAILS
Carbon Disclosure Project	Vermilion has filed Climate Change Responses with CDP since 2014; Vermilion was the first Canadian energy company to achieve the top score of 100, was named to the Climate A List in 2016 and received a score in the top 3% of companies in 2017.
Energy Sector Sustainability Leadership Initiative	This working group focused on sustainability benchmarking within the oil and gas industry in Calgary when it launched in 2013, and has since transitioned into a focus on energy sector sustainability best practices. Vermilion chaired the initiative in 2017.
RobecoSAM Corporate Sustainability Assessment	Vermilion began reporting into the CSA in 2017, achieving a ranking in the 78 th percentile for the oil and gas sector.
London Benchmarking Group Canada	Vermilion began reporting community investment through LBG Canada in 2012.
Australian Petroleum Production & Exploration Association (APPEA)	Vermilion is an active member of APPEA, which represents Australia's oil and gas exploration and production industry. Our Managing Director in Australia has been a long-time director on the APPEA board, and currently serves as Chairman.
UFIP (Union française des industries pétrolières)	UFIP is the French industry association for the petroleum industry, including companies operating in France in one of the oil and gas industry's three major segments: exploration and production, refining, and marketing. It provides the French government with ongoing industry feedback on various European Union directives/initiatives.
Dutch Long Term Energy Efficiency Improvement Program (MJA Program)	We provide detailed long term planning and annual reporting/updates on an ongoing basis.
Pole AVENIA Geosciences Innovation Valley	Vermilion began serving on the Board of Directors of this competitiveness cluster in 2013; AVENIA has many programs related to supporting geothermal development in France and optimizing recovery from existing hydrocarbon reservoirs. It brings together companies, research laboratories and schools, and also involves governments and local organizations.
France-Canada Chamber of Commerce	Vermilion began serving on the Board of Directors in 2012. The Chamber of Commerce promotes business activities between Canada and France.
Dutch oil and gas explorer and producer association (NOGEP)	Vermilion is an active member of the Dutch oil and gas explorer and producer association. We participate in several workgroups and sub-committees, working closely with other industry representatives to continuously improve our practices related to safety, environment and public acceptance.
Ambès Regional Water Basin Committee	Our Ambès superintendent has been elected as a member of this basin committee, having a key role in two commissions: the Littoral Commission and the Industry Commission.

About Our Report

Our 2017 Sustainability Report is Vermilion's fourth annual report on how we manage economic, environmental, social and governance (EESG) factors, including impacts, risks and opportunities.

We have previously produced an online report that was updated once annually, with printable long- and short-form PDFs in our key languages.

This report changes our format to one that will be updated online regularly through the year. We expect to augment this with a short highlights summary in those languages when the annual Performance Metrics cycle is complete each summer. ^{G4-23}

This reporting approach establishes key areas of discussion for each of Vermilion's nine identified Material Aspects under the G4 Specific Standard Disclosures section:

- Dashboard page with the most recent updates
- Approach section that details why the Aspect is material, how we manage it, and how we evaluate and adjust as needed (our Discussion of Management Approach), and
- Individual pages that create easily accessible information for long-term projects.

Our goal is to streamline our annual reporting, allowing us to focus on updates to activities while maintaining the robust discussions needed under various reporting frameworks.

We continue to use the GRI-G4 framework to guide our sustainability reporting, as the Global Reporting Initiative remains the leading framework for EESG reporting. The information we have shared to date is largely reflective of our decision to report in accordance with GRI's comprehensive reporting option. This report follows the same four-step process of Identification, Prioritization, Validation and Review as we followed for our previous reports, and incorporates the key principles of Sustainability Context, Materiality, Completeness and Stakeholder Inclusiveness.^{G4-32}

We note, however, an increasing external stakeholder pressure to expand issues of materiality beyond what we have identified. To aid sustainability and ESG analysts in this regard, we have expanded our GRI Content Index to include alignment with the SDGs, CDP, UN Global Compact, RobecoSAM, the EU Directive on Non-Financial Disclosures and the Task Force on Climate-Related Disclosure. We urge all ESG analyst and reporting organizations to focus their efforts on aligning reporting requirements beyond their own standards, in the spirit of SDG 17 to aid transparency while recognizing the increasing reporting burden on companies, particularly on small- and medium-sized enterprises.

This report covers Vermilion's operated business units, including Canada (CBU), France (FBU), Netherlands (NBU), Germany (GBU), Australia (ABU) and U.S. (USBU). It also begins reporting for our Central and Eastern Europe Business Unit, which has now established offices in Hungary and Budapest.

The report does not cover our non-operated interests in the Corrib gas field in Ireland, with the exception of reporting on organizational scale and staff count. In this case, the operating partner (Shell E&P Ireland) would include these projects under their sustainability reporting. ^{G4-17, G4-18}

Where updates of previously reported information were required, they are noted in our Performance Metrics document. ^{G4-22}

Previous Reports

Report Title	Performance Metrics Included
2016 Sustainability Report (report title renumbered to publication year rather than Performance Metrics year)	2012-2015
2014 Sustainability Report	2012-2014
2013 Sustainability Report	2012-2013

Our Value Chain

Vermilion's operations influence an extensive value chain that connects petrochemical resources with activities that are essential to our daily lives, including transportation, manufacturing and heating, thus contributing to the strength and resilience of the global economy. We believe that our contributions to the value chain create wealth for global citizens, providing the wherewithal for environmental protection and helping raise many of our fellow global citizens out of poverty. ^{G4-12}



Exploration	Supply	Production	Transportation	Product Use
How we identify, analyze and develop new oil and gas opportunities.	The external contractors, suppliers, materials and expertise we leverage throughout our process, from exploration to drilling and completions to production.	How we extract oil, gas and associated byproducts from our operating properties, through the lifecycle from drilling & completion to production.	How Vermilion transports and markets our products and byproducts, along with the subsequent transportation of those products to the end consumer.	The midstream and downstream refiners who constitute our customers, and the manufacturers and individual consumers who use the products that result from their activities.

Value, impact or influence



Exploration	Supply	Production	Transportation	Product Use
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<p>Our decisions about where to operate and how best to extract oil and gas offer job creation and economic assets for communities, while requiring strong safety and environmental protection and community capacity analysis</p>	<p>Our purchasing decisions, including our performance expectations of suppliers, have a strong influence on company and community safety, environmental impacts and economic success</p>	<p>We focus on the operational excellence of our people, processes and technology to maximize safety and environmental management and economic value; this includes the land reclamation stage of well life cycle management</p>	<p>This supports job creation and economic success while potentially involving safety and environmental impacts, including pipeline, road and rail transport safety, and waste transport and disposal safety</p>	<p>The economic value, and the potential safety and environmental impacts, of our products are important to industrial, financial and consumer sectors, all of which rely on a stable and secure energy supply</p>
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Focus of operational activity & decision making

Exploration	Supply	Production	Transportation	Product Use
Internal to Vermilion	Both internal and external to Vermilion	Primarily internal to Vermilion	Primarily external to Vermilion	External to Vermilion

Key stakeholders, listed by degree of impact

Exploration	Supply	Production	Transportation	Product Use
<ul style="list-style-type: none"> > Communities > Government > Investors > Partners > NGOs 	<ul style="list-style-type: none"> > Suppliers > Employees > Investors > Communities 	<ul style="list-style-type: none"> > Communities > Investors > Employees > Partners > Government > NGOs > Media 	<ul style="list-style-type: none"> > Communities > Partners > Customers/end users > Investors > Government > NGOs > NGOs 	<ul style="list-style-type: none"> > Customers/end users > Investors > Government > NGOs > Media

Primary issues

(top three to five identified through stakeholder engagement and issues monitoring)

Exploration	Supply	Production	Transportation	Product Use
<ul style="list-style-type: none"> > Safety > Environment > Community relations > Regulation > Governance 	<ul style="list-style-type: none"> > Safety > Environment > Efficiency > Supply chain management 	<ul style="list-style-type: none"> > Safety > Environment > Community / government relations > Staff relations > Efficiency 	<ul style="list-style-type: none"> > Transport safety > GHG emissions > Spills > Ethics > Stable supply 	<ul style="list-style-type: none"> > Safety > Stable supply > GHG emissions > Cost > Regulation

Stakeholder Engagement

We continue to regard our people, partners, suppliers, investors and members of the communities in which we operate as Vermilion's key stakeholders: those who have the greatest impact on our business, or who are most impacted by our activities. In 2017, as a result of our external stakeholder engagement, and the increasing importance of changes to regulatory frameworks and legislation in our operating areas, we added a fifth key stakeholder: Government (including regulators).



We base stakeholder identification and prioritization on our understanding and analysis of our value chain.^{G4-25} The degree to which we engage with our stakeholders continues to be dependent upon the degree of impact and influence.

Our robust strategy for managing our economic, environmental and social performance reflects the respect we have for our key stakeholders. These groups influence our business and operations in several ways, including through the provision of capital to fund our activities, the provision of licenses for exploration and production, and the setting of expectations regarding safety and environmental performance. Meeting these expectations is the key to maintaining our social license to operate and increasing our productivity, and we therefore engage with these stakeholders on a regular and ongoing basis.

Over the past several years, we have developed our external stakeholder engagement program to reflect the importance of community and government support. We manage this on a business unit-specific basis. This includes dedicated Public and Government Relations staff in France, The Netherlands and Germany, and a regulatory specialist in the United States. In Canada, our Land department plays a key role in community and Indigenous Peoples relations. In Australia, we have engaged external stakeholders as part of our Safety Case and Environment Plan, and through our leadership of the **Oiled Wildlife Response** project, which brought universities, industry partners, suppliers and government together to improve wildlife protection.

While external stakeholder engagement is guided by regulations in some of these cases, our approach is to proactively communicate in all cases with our community and government stakeholders – both individually and in venues such as town halls and open houses, where we provide information about our activities (planned and ongoing) and invite feedback. In the near term, for example, Vermilion will continue to evaluate and prioritize the exploration opportunities available on our land base. As we complete these assessments, we will present exploration activity plans to partners,

authorities as well as public and community stakeholders. These plans will reflect our efforts to minimize the environmental and social impact of our activities. As environmental impact assessments are a critical element of the acceptance and permitting process, Vermilion will ensure that they are conducted in the most rigorous manner feasible.

For stakeholders with lesser degrees of impact or influence, our engagement is more specific and generally involves direct issue-related communication.

The following table details how we engage with our stakeholders, topics raised, and how we have responded. G4-24 G4-26 G4-27

Current & potential investors



Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> ➤ Annual General Meeting and webcast, distribution of financial statements & proxy statement ➤ Annual benchmarking against peers through Globe and Mail Board Games ➤ Business updates, analyst conference calls ➤ Ongoing presentations to investor and industry conferences, with webcasts on external Vermilion website and intranet ➤ Ongoing monitoring of and response to investor relations e-mail and phone inquiries ➤ Ongoing monitoring of and response to social media including LinkedIn and Twitter ➤ Media monitoring/ media appearances ➤ News releases ➤ Responses to sustainability-related queries from, and engagement with, socially responsible investment agencies and shareholders who are signatories to the UN's Principles for Responsible Investment 	<ul style="list-style-type: none"> ➤ Financial results ➤ Increasing emphasis on transparency and sustainability reporting 	<ul style="list-style-type: none"> ➤ Ongoing communication of material issues and results ➤ Confidential industry benchmarking project for CDP reporting ➤ Fourth submission to CDP and fourth sustainability report ➤ Response to requests for interviews and other input ➤ Reviews of evaluations by socially responsible rating agencies, including corrections and responses ➤ Changes to sustainability reporting ➤ Input into business strategy

Employees



Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> ➤ Annual Great Place to Work® program confidential staff survey, communication of results to staff through e-mails and meetings, ongoing engagement of staff in feedback and improvement action planning meetings from department to team levels ➤ Quarterly global town halls, with executive question-and-answer sessions based on questions submitted anonymously in advance, or from the floor of the meeting ➤ Additional confidential staff surveys on topics such as HSE (Perceptions survey) and community investment (choices of non-profit partners, activities, etc.) ➤ Additional town halls in each of our business units with leadership question-and-answer sessions ➤ New employee breakfasts and lunches, as needed ➤ Vermilion 101 – Introduction to Oil & Gas for new staff, as needed ➤ Whistleblower policy, 24/7 (referred to internally as “Reporting of Inappropriate Activity”) 	<ul style="list-style-type: none"> ➤ Strategic direction of the company ➤ Employee engagement and satisfaction ➤ Communication (internal and external) of community investment program ➤ Clear communication and implementation of HSE program 	<ul style="list-style-type: none"> ➤ Executive response to town hall suggestions and questions ➤ Implementation of suggestions from staff working groups ➤ Implementation of Fair Culture Policy in all business units

Partners & Suppliers



Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> ➤ HSE Pre-qualification screening and auditing of operations to ensure compliance ➤ Safety meetings, including both Vermilion staff and our contractors and partners ➤ Meetings, etc. to review requirements and negotiate contracts, as needed ➤ Daily operations, including inspections and field audits ➤ Meetings, phone calls, e-mails as issues or concerns arise 	<ul style="list-style-type: none"> ➤ HSE performance ➤ Production and financial results 	<ul style="list-style-type: none"> ➤ Focus on operational excellence

Communities



Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> ➤ Stakeholder engagement programs, including proactive communications (letters, town halls, open houses, surveys, etc.) to provide information and gather feedback ➤ Meetings, phone calls, e-mails with landowners, as needed ➤ Contract negotiation with landowners, as needed ➤ Ongoing partnerships with key social agencies ➤ Meetings, e-mail, phone calls with other local social agencies 	<ul style="list-style-type: none"> ➤ Community support and capacity building ➤ Public safety ➤ Environmental stewardship 	<ul style="list-style-type: none"> ➤ Progressing community investment program in all locations based on community and staff engagement (see Our Communities in this report) ➤ Discussions with local communities regarding impacts and potential partnerships ➤ Increased engagement with First Nations in Canada, including business opportunities and community investment ➤ Implementation of online community investment applications to streamline

<p>& councils, ongoing</p> <ul style="list-style-type: none"> ➤ Customized community investment program for each location, ongoing ➤ Communication of community investment via external website & LinkedIn, ongoing ➤ Engagement with Indigenous Peoples communities near our operations as appropriate, including provision for consultation, free, prior and informed consent, business opportunities and community investment OG-9, DMA Social 		<p>process for community groups</p>
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Governments



Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> ➤ Regulatory requirements in all of our locations ➤ Meetings, phone calls, conferences with government officials, ongoing 	<ul style="list-style-type: none"> ➤ Compliance 	<ul style="list-style-type: none"> ➤ Compliance with or exceeding all regulatory requirements ➤ Audits and inspections to confirm compliance

NGOs: industry, environment, social



Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> ➤ Ongoing participation in industry meetings and conferences ➤ High-level review of NGO positions and topics ➤ Meetings with NGO representatives 	<ul style="list-style-type: none"> ➤ Increasing transparency and communication of sustainability performance ➤ Environmental concerns and performance based on location, location (see our Environment section) 	<ul style="list-style-type: none"> ➤ Annual CDP submission and sustainability report ➤ Focus on operational excellence, including compliance with or exceeding all regulations ➤ Use of feedback in developing internal environmental and social

		programs
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Identifying Issues

To identify the topics relevant to this sustainability report, we began with a review of the issues we originally identified when we began the reporting process in 2013, and those that we have added since, including: ^{G4-18 G4-19 G4-20 G4-21}

- International standards, including the United Nations Global Compact, OECD Guidelines for Multinational Enterprises, The Universal Declaration of Human Rights, the Global Goals for Sustainable Development (SDGs) and the United Nations Declaration on the Rights of Indigenous Peoples
- Recommendations from sector-related government, regulatory and industry bodies, including the Canadian Association of Petroleum Producers, Extractive Industries Transparency Initiative, climate-related programs from regional and federal governments where we operate, and European Union Directive 2014/95/EU
- Published research and analysis from reporting entities such as GRI, CDP, the International Integrated Reporting Council, SASB and The Task Force on Climate-Related Financial Disclosures
- Reports and benchmarking from third parties with insight into the area and socially responsible investment analysts, including Deloitte, Ernst & Young, KPMG, ISS, Sustainalytics, AccountAbility, MSCI, Vigeo, Bloomberg, SHARE, RobecoSAM (Dow Jones Sustainability Index), FTSE4GOOD and Corporate Knights Capital
- Sustainability/corporate responsibility reports from sector-leading companies
- Media scans

We then analyzed issues that Vermilion identifies as important to the company, using such sources as annual reports, risk matrices, employee surveys and internal policies and procedures. By further examining our value chain, including our stakeholder engagement results such as community feedback, we added issues that are important to the people and locations upon which our operations have an impact.

Once we had reviewed these issues, we provided key internal stakeholders, including the senior management team, with opportunities to provide their feedback on these original topics as well as any new topics for consideration in this report. ^{G4-18 G4-19 G4-27}

We also reflected upon the disclosure requirements and EESG topics contained within other sustainability reporting frameworks, as well as the sustainability reports and disclosure activities by our peers. Finally, we reviewed and reflected on the feedback that we have received from SRI and other sustainability-related organizations, and incorporated this feedback where it strengthened our level of disclosure on the sustainability topics that matter most to Vermilion and our key stakeholders.

Material Issues

The issues identified for this report have been cross-referenced to the GRI G4 Aspects and Standard Disclosures list. A Boundary Assessment for each Aspect was performed and it was determined that the outcomes of the original assessment for each Aspect had not changed as to its relevance to Vermilion or any of the stakeholders throughout our value chain. ^{G4-20 G4-21}

Where the issues were relevant to Vermilion or its stakeholders, we reevaluated whether they were of high, medium or low impact on Vermilion, and high, medium or low impact from the perspective of our key stakeholder groups. As a result, we have adjusted our materiality matrix, reflecting an increased importance of regulatory frameworks and community support, for example, and an increasing focus on water management, biodiversity and supply chain risk.

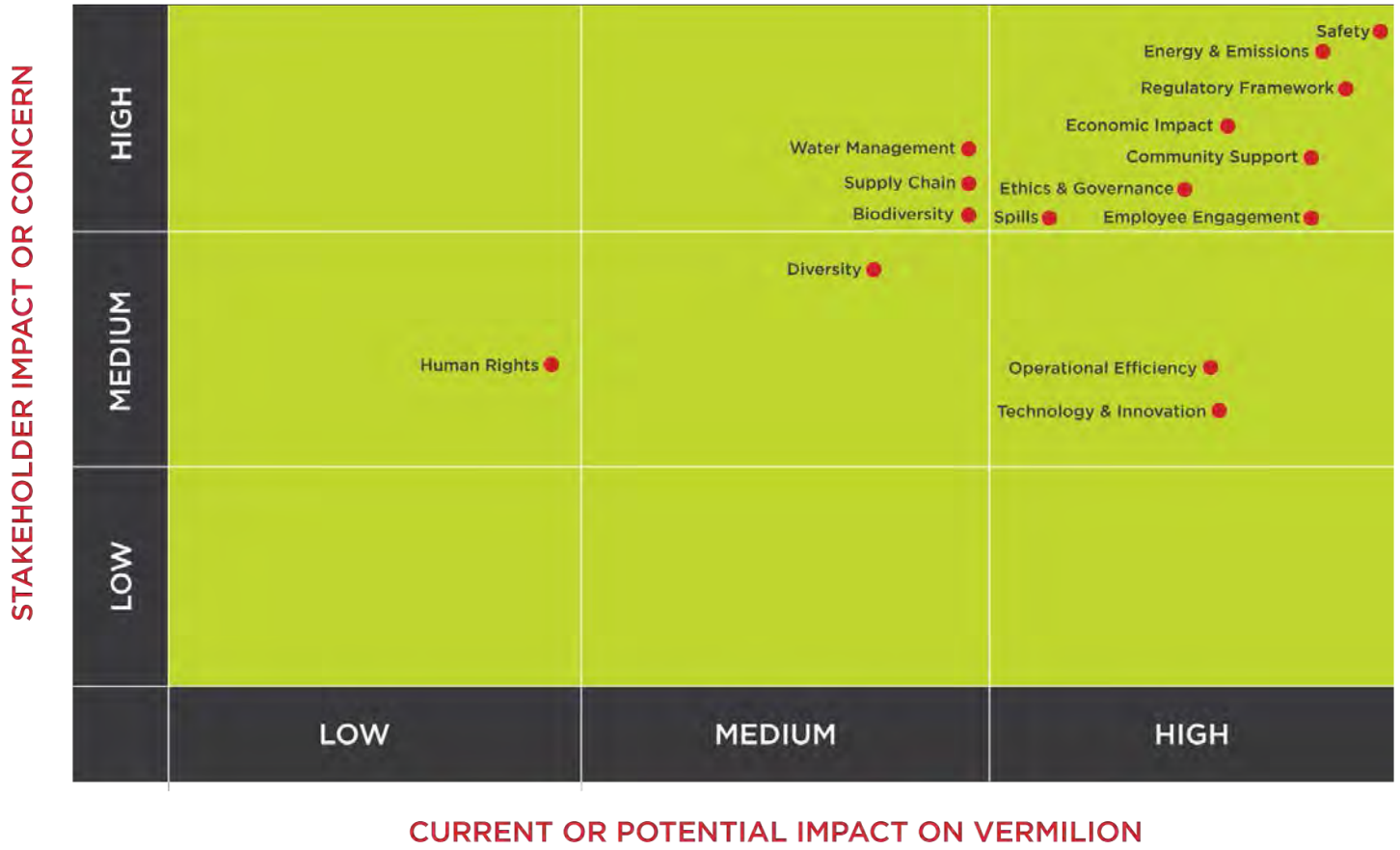
We wish to continue to emphasize that materiality in the context of this report is not a judgment on societal importance. For example, the issues surrounding the use of child labour are of significant concern; however, their impact on Vermilion and our stakeholders is considered low as a result of our operations being located in countries with robust laws and enforcement around these issues. While unlikely, were Vermilion were to extend its operations into a geographical region where child labour was at higher risk to occur within our supply chain, we would assess this as having a higher potential impact.

The following parameters were used to assess the level of impact on Vermilion:

High	Medium	Low
<ul style="list-style-type: none"> › Critical or immediate (12-month) risk to health & safety, environmental management, financial performance, reputation, employee relations, community relations, or social license to operate › Strong opportunity to significantly increase financial performance or operational efficiency › Likely reflected in externally and internally stated policies and/or commitments 	<ul style="list-style-type: none"> › Important but not critical risk; risk may be mid-term (1-3 years) › Good opportunity to increase financial performance or operational efficiency › Likely reflected in internally stated policies and/or commitments; may be included in external policies and/or commitments 	<ul style="list-style-type: none"> › Small or no risk; risk may be longer term (3-10 years) › Does not apply in our geographic operating areas or to our business › Small or no opportunity to increase financial performance or operational efficiency › May or may not be reflected in policies and/or commitments

We used a similar approach to assessing potential impact of these issues on stakeholders. We analyzed our engagement results with different groups of stakeholders, to identify issues and rate their importance reflecting the critical/high, important/medium, and small/low definitions from the table above. We also took into consideration how directly affected the stakeholders were (for example, employees and fenceline communities are more directly affected by Vermilion's operations than NGOs). We then integrated those results to identify where issues had a common impact or concern spanning several key stakeholder groups.^{G4-18 G4-19}

The resulting summary of all GRI Aspects is contained in our full [GRI Materiality Analysis](#), which you can find in our additional information.^{G4-19 G4-20 G4-21}



Validation & Review

Our materiality analysis was reviewed by a GRI-trained professional internal to Vermilion, who also holds a CSR-P designation (Corporate Social Responsibility-Practitioner, certified by The Center for Sustainability and Excellence). The analysis has also been reviewed and validated by Vermilion's senior management team.

We use engagement with sustainability and socially responsible investment analysts on an ongoing basis to support our alignment with GRI Guidelines and best practices, and our focus on continuous improvement. This includes such critical issues as governance, climate change, science-based target setting, and environmental metrics reporting.

Portions of the data contained in this report were independently audited or verified by the following organizations: LBG Canada, GLJ Petroleum Consultants and Deloitte (noted in our GRI Content Index document). In addition, the environmental metrics included from our CDP submission are verified under ISO 14064-3. G4-33

Abbreviations & Terms

In this report, we refer to Vermilion Energy Inc. as "Vermilion", the "company", "we" or "our".

Term/Abbreviation	Definition
ABU	Australia Business Unit
bbl(s)	barrel(s)
bbls/d	barrels per day
boe	barrel of oil equivalent, including: crude oil, natural gas liquids and natural gas (converted on the basis of one boe for six mcf of natural gas)
boe/d	barrel of oil equivalent per day
CBU	Canada Business Unit
CEE BU	Central and Eastern Europe Business Unit
CDP	Carbon Disclosure Project
CO ₂ e	carbon dioxide equivalents
EESG	Economic, Environmental, Social and Governance Impacts
FBU	France Business Unit
GBU	German Business Unit
GHG	Greenhouse gas
GJ	Gigajoules
GRI	Global Reporting Initiative
HSE	Health, Safety, Environment
\$M	thousand dollars
\$MM	million dollars
mbls	thousand barrels
mboe	thousand barrel of oil equivalent
mmboe	million barrel of oil equivalent

MWh	megawatt hour
NBU	Netherlands Business Unit
NGLs	natural gas liquids
PPE	Personal Protective Equipment
USBU	United States Business Unit

Performance Metrics

Economic Impact

ASPECT / Indicator Name	2012	2013	2014	2015	2016	i	GRI
ORGANIZATIONAL SCALE							
Financial							
Gross petroleum and natural gas sales (\$)	1,083,103	1,273,835	1,419,628	939,586	882,791		G4-9, EC1a
Canada	304,202	382,005	537,788	320,613	252,867		
France	388,410	453,315	431,252	281,422	246,863		
Netherlands	123,528	139,570	123,815	129,057	100,707		
Germany			41,962	41,384	29,049		
Ireland				57	109,156		
Australia	266,963	298,945	283,481	162,765	136,835		
United States			1,330	4,288	7,314		
Direct Economic Value Distributed, by Business Unit							
Operating costs – total – excludes transportation, royalties and G&A (\$ thousands)	178,442	195,043	232,307	225,938	222,185		G4-9, EC1a,b
Canada	55,418	55,804	76,178	89,085	71,543		
France	54,907	66,997	61,729	50,718	50,000		
Netherlands	19,149	20,617	24,041	22,746	20,796		
Germany			8,686	10,956	12,379		
Ireland				15	18,646		
Central & Eastern Europe							
Australia	48,968	51,625	61,432	51,676	47,507		
United States			241	742	1,314		
Employee wages and benefits costs – total (\$ M)	116,134	134,729	168,552	155,638	139,838		G4-EC1a,b
Canada	71,167	86,714	95,021	79,066	73,642		
France	17,672	19,945	24,948	22,419	19,216		
Netherlands	9,598	9,514	14,378	19,192	18,605		
Germany			681	3,787	3,850		
Ireland				0	0		
Central & Eastern Europe					5,136		
Australia	17,697	18,556	29,628	26,248	18,820		
United States			3,896	4,986	569		
Dividends declared (\$ thousands)	223,717	242,599	272,732	283,575	299,070		G4-9, G4-EC1a,b
Interest payments	27,586	38,183	49,655	59,852	56,957		G4-EC1a,b
Taxes paid – total (\$ thousands)	181,913	218,359	157,336	51,115	19,678		

Canada	1,582	1,403	1,420	1,091	1,097	Canada: Corporate taxes related to holding companies that pay current taxes in foreign jurisdictions. Corporate income tax for the Canadian business unit is \$0.	
France	63,006	94,524	66,901	23,764	2,867		
Netherlands	25,648	34,132	4,154	12,152	6,624		
Germany			44	0	0		
Ireland				0	0		
Central & Eastern Europe							
Australia – includes PRRT and corporate taxes	91,677	88,300	84,817	14,108	9,090		
United States			0	0	0		
Royalties paid – total (\$ thousands)	52,084	67,936	108,000	65,920	54,284		EC1SS
Canada	31,667	40,891	65,563	28,144	21,475		
France	20,417	27,045	28,444	26,958	27,091		
Netherlands	0	0	5,014	3,082	1,462		
Germany			8,613	6,479	2,089		
Ireland				0	0		
Central & Eastern Europe							
Australia	0	0	0	0	0		
United States			366	1,257	2,167		
Community investments – total (also see additional economic impact below) (\$ thousands)	718	1,076	1,345	1,048	1,392	Restated: 2015 CI calculation error corrected	G4-EC1a,b
Canada	531	801	919	686	947	Includes corporate program costs	
France	117	188	189	158	109		
Netherlands	41	29	114	89	225	Direct contributions; not including leveraged contributions from our partners in the Municipal Linkage Program that began in 2016	
Germany					9		
Ireland					0		
Central & Eastern Europe							
Australia	29	58	124	65	95		
United States				14	7		
Direct economic value distributed – total corporate (\$ thousands)	780,594	897,925	989,927	843,086	793,404	Economic value retained restated as economic value distributed iaw G4-EC1a,b (operating costs, wages and benefits, dividends, interest, taxes, royalties and community investment)	
Economic value distributed in Canada Business Unit	160,365	185,613	239,101	198,108	168,704		
Economic value distributed in France Business Unit	156,119	208,699	182,211	124,017	99,283		
Economic value distributed in Netherlands Business Unit	54,436	64,292	47,701	57,261	47,712		
Economic value distributed in Germany Business Unit			18,024	21,222	18,327		
Economic value distributed in Ireland Business Unit				15	18,646		
Economic value distributed in CEE Business Unit					5,136		
Economic value distributed in Australia Business Unit	158,371	158,539	176,001	92,097	75,512		

Economic value distributed in US Business Unit		0	4,503	6,999	4,057		
ADDITIONAL ECONOMIC IMPACT							
Days of Caring (DWH) – hours by employees	1,000	1,179	2,128	1,995	2,135		G4-EC1
Employee volunteer grant program: Vermilion donations (\$)	14,500	22,358	46,188	40,138	58,855	Paid only to non-profit/charitable organizations	
Employee volunteer grant program: Employee hours	1,392	4,831	8,875	9,079	11,714		
LBG corporate giving – total including external resources leveraged: (\$)	964,173	1,310,226	1,624,122	1,348,415	1,530,016		
Small circle (cash contribution) (\$)	553,733	860,708	1,063,220	789,688	1,040,189		
Medium circle (additional direct support) (\$)	163,862	214,738	282,244	258,117	352,132		
Big circle (external resources leveraged) (\$)	246,578	234,780	278,659	300,610	137,695		
Additional community investment not included elsewhere – road safety (\$)	70,000	140,000	44,100				
Assets, Debt and Equity							
Net land position (acres)	1,807,024	2,207,800	2,539,700	2,734,045	6,158,614	2012/3: Canada, France, Australia, Netherlands, excludes Ireland 2014/5: Canada, France, Australia, Netherlands, Hungary, US. Excludes Ireland, Germany	G4-9
Common shares outstanding (millions) (basic)	99.135	102.123	107.303	111.991	118.263		
Market capitalization (\$ billions)	5.125	6.367	6.116	4.212	6.681		
Fund flows from operations (\$ thousands)	557,728	667,526	804,865	517,167	510,791		
Fund flows from operations per basic share	5.69	6.61	7.63	4.71	4.41		
Fund flows from operations per diluted share	5.62	6.51	7.51	4.65	4.36		
Net earnings (\$ thousands)	190,622	327,641	269,326	-217,302	-160,051		
Net earnings per basic share	1.94	3.24	2.55	(1.98)	(1.38)		
Capital expenditures (\$ thousands)	452,538	542,726	687,724	486,861	242,408		
Acquisitions (\$ thousands)	315,438	36,689	601,865	28,897	98,524		
Cash dividends per share	2.28	2.40	2.58	2.58	2.58		
Dividends as % of fund flows from operations, gross	40%	36%	34%	55%	59%		
Dividends as % of fund flows from operations, net	27%	26%	24%	25%	21%		
Long term debt (\$ thousands)	642,022	990,024	1,238,080	1,162,998	1,362,192		
Total shareholders' equity (\$ thousands)	1,418,646	1,716,375	2,021,346	1,858,659	1,578,463		
Total assets (\$ thousands)	3,076,257	3,708,719	4,386,091	4,209,220	4,087,184		
Total shareholder return	19.60%	24.60%	-4.40%	-29.50%	57.10%		
Operations and Reserves							
Number of operations (business units)	4	4	5	5	5	Seven business units; five operated	G4-9
Production (bbls/d) – crude oil	23,971	25,741	28,879	28,502	27,852		
Production (bbls/d) - NGLs	1,299	1,730	2,533	4,214	2,582		
Production (mcf/d) – natural gas	75,200	81,210	108,850	133,240	198,550		
Production (boe/d) – total	37,803	41,005	49,573	54,922	63,526		

Total proved + probable reserves, gross (MBOE) (Canada, France, Netherlands, Australia and United States; excludes Ireland and Germany)	143,695	174,453	212,518	227,102	290,122	2012/3: Canada, France, The Netherlands, Australia. Excludes Ireland. 2014/5: Canada, France, The Netherlands, Australia, US. Excludes Ireland and Germany (non-operated). 2016: Includes all Business Units.	OG1
Financial Assistance Received from Government (e.g. tax relief/credits, subsidies, royalty holidays)	0	0	0	0	0		G4-EC4

Governance

ASPECT / Indicator Name	2012		2013		2014		2015		2016		i	GRI
GOVERNANCE												
Ratio of annual total compensation of highest-paid individual to median annual total compensation all employees; compensation includes base salary, bonus, Vermilion Incentive Plan, and allowances (e.g., holiday pay)	17.51		24.88		26.92		26.83		25			G4-54
Ratio of % change in CEO compensation to % change in employee median compensation from G4-54	NA		12.7:1		3.73:1		1.03:1		-16:1			G4-55
ETHICS												
Requests for advice on ethical behaviour through corporate secretary	0		0		0		0		0			G4-57
Business conduct investigations	0		0		0		0		0			G4-58
Violations of rights	0		0		0		0		0			G4-HR8
Monetary value of fines for non-compliance with laws & regulations	0		0		0		0		0			G4-SO8
Total number of concerns expressed via hotlines or whistleblower lines	0		0		0		0		0			G4-57
Political donations	0		0		0		0		0		See also ESTMA (EITI-compliant) report on government payments available on Vermilion website	G4-SO6
Anti-corruption												
Percentage of operations assessed for risks related to corruption	100		100		100		100		100			G4-SO3
Percentage of governance body communicated to on anti-corruption	100		100		100		100		100			G4-SO4
# and % of employees communicated to on anti-corruption	356	100	437	100	535	100	520	100	492	97	2012/3: Restated. Figures originally stated in 2013 Sustainability Report included employees and contractors. This figure has been revised to include employees only.	
# and % of contractors communicated to on anti-corruption									156	99		
# and % of business partners communicated to on anti-corruption * data not available; not formally tracked	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		

# and % of governance body members trained on anti-corruption	8	100	8	100	9	100	12	100	11	100	
# and % of employees trained on anti-corruption	0	0	18	4	18	4	18	4	18	4	2014-2016 figures restated to include current staff who have previous anti-corruption training
Confirmed incidents of corruption	0	0	0	0	0	0	0	0	0	0	G4-S05

People

ASPECT / Indicator Name	2012		2013		2014		2015		2016		i	GRI
People												
Total staff (employees + contractors)	515		597		690		721		661		Growing use of the Workday People Information system since 2013 has enabled us to capture, verify and report significantly more People data year over year since our inaugural report. G4-23	G4-9
Staff by employment contract & gender	M	F	M	F	M	F	M	F	M	F		
Employees	241	136	304	157	365	170	356	164	352	152		
Total employees	377		461		535		520		504			
Contractors	112	26	108	28	124	31	171	30	122	35		
Total contractors	138		136		155		201		157			
Permanent employees by employment type & gender	M	F	M	F	M	F	M	F	M	F		G4-10b
Full-time	240	134	303	152	362	163	350	153	343	142		
Part-time	1	2	1	5	3	7	6	11	9	10		
Total workforce by region and gender	M	F	M	F	M	F	M	F	M	F		G410d
Canada	143	103	165	114	186	118	177	112	167	100		
Total	246		279		304		289		267			
France	109	41	125	46	137	50	152	47	123	48		
Total	150		171		187		199		171			
Netherlands	52	4	65	7	94	16	114	16	91	17		
Total	56		72		110		130		108			
Australia	54	9	62	13	62	13	65	15	63	15		
Total	63		75		75		80		78			
United States	NA	NA	NA	NA	5	3	7	3	5	4		
Total	NA		NA		8		10		9			
Germany	NA	NA	NA	NA	5	1	12	1	19	2		
Total	NA		NA		6		13		21			
Eastern & Central Europe	NA	NA	NA	NA	NA	NA	NA	NA	6	1		
Total	NA		NA		NA		NA		7			
Percentage of work performed by workers defined as self-employed	27%		23%		7%		6%		6%		2014: In 2012 and 2013 this figure included all contract workers. Beginning in 2014, this figure omits	G4-10e

											contract workers who are employed by an agency.	
Significant variations in employment numbers (e.g. seasonal changes)	None	None	None	None	None	None	None	None	None	None		G4-10f
Percentage of employees covered by collective bargaining agreements	29%	29%	27%	28%	28%	28%	28%	28%	28%	28%	2015:2015 restated to reflect total employees. 2016 includes collective agreements in FBU and GBU	G4-11

SOCIAL

Employment (based on full-time, permanent staff)

Number of new employee hires by age group, gender and region	M	F	M	F	M	F	M	F	M	F	2014: Reporting full-time (FTE=1), permanent new hires, including conversions from contingent workers to full-time, permanent. Does not include FTE < v1 permanent hires. 2015: Reporting full-time (FTE=1) and part time (FTE = 0.8 or 0.9), permanent new hires, including conversions from contingent workers to full time, permanent.	G4-LA1a
Canada: under 30	3	2	6	5	13	5	1	1	0	3		
Canada: 30-50	13	8	23	15	22	11	2	4	0	6		
Canada: over 50	4	5	4	4	5	9	2	1	1	0		
Australia: under 30	1	0	2	0	8	0	0	0	0	0		
Australia: 30-50	3	0	3	0	3	0	0	0	0	0		
Australia: over 50	1	0	0	0	2	0	0	0	0	0		
France: under 30	2	0	9	3	4	4	0	0	3	0		
France: 30-50	1	0	17	5	13	4	0	1	0	0		
France: over 50	1	0	1	0	1	0	0	0	0	0		
Netherlands: under 30	0	0	2	2	3	1	0	0	0	0		
Netherlands: 30-50	2	0	15	0	8	3	2	2	0	3		
Netherlands: over 50	1	0	2	0	6	1	1	0	0	0		
Germany: under 30	NA	NA	NA	NA	0	0	0	0	0	1		
Germany: 30-50	NA	NA	NA	NA	1	1	3	0	0	1		
Germany: over 50	NA	NA	NA	NA	0	0	0	0	1	0		
United States: under 30	NA	NA	NA	NA	0	0	0	0	0	1		
United States: 30-50	NA	NA	NA	NA	2	1	3	0	0	0		
United States: over 50	NA	NA	NA	NA	3	2	0	0	0	0		
Central & Eastern Europe: under 30	NA	NA	NA	NA	NA	NA	NA	NA	0	0		
Central & Eastern Europe: 30-50	NA	NA	NA	NA	NA	NA	NA	NA	0	1		
Central & Eastern Europe: over 50	NA	NA	NA	NA	NA	NA	NA	NA	0	0		

Rate of new employee hires by age group, gender and region (%)	M	F	M	F	M	F	M	F	M	F	2012-2014: Used "total # staff" in denominator. 2015: Replaced with "total # employees" in denominator for consistency with AIF
Canada: under 30	38	22	38	36	58	36	5	11	0	43	
Canada: 30-50	17	14	25	21	20	17	2	7	0	11	
Canada: over 50	13	16	11	12	13	29	6	3	4	0	
Australia: under 30	33	0	40	0	70	0	0	NA	0	0	
Australia: 30-50	19	0	18	0	11	0	0	0	0	0	
Australia: over 50	90	0	0	0	10	0	0	0	0	0	
France: under 30	18	0	45	43	17	36	0	0	17	0	
France: 30-50	30	0	34	19	21	14	0	3	0	0	
France: over 50	30	0	30	19	2	0	0	0	0	0	
Netherlands: under 30	0	0	10	0	50	25	0	0	0	0	
Netherlands: 30-50	14	0	56	0	20	150	6	29	0	200	
Netherlands: over 50	30	0	25	0	32	40	7	0	0	0	
Germany: under 30	NA	NA	NA	NA	0	0	NA	NA	0	100	
Germany: 30-50	NA	NA	NA	NA	13	50	60	0	0	67	
Germany: over 50	NA	NA	NA	NA	0	0	NA	NA	200	0	
United States: under 30	NA	NA	NA	NA	0	0	NA	NA	0	100	
United States: 30-50	NA	NA	NA	NA	200	200	100	0	0	0	
United States: over 50	NA	NA	NA	NA	200	200	0	0	0	0	
Central & Eastern Europe: under 30	NA	NA	NA	NA	NA	NA	NA	NA	0	0	
Central & Eastern Europe: 30-50	NA	NA	NA	NA	NA	NA	NA	NA	0	100	
Central & Eastern Europe: over 50	NA	NA	NA	NA	NA	NA	NA	NA	0	0	
Employee turnover numbers by age group, gender and region	M	F	M	F	M	F	M	F	M	F	
Canada: under 30	0	2	3	1	2	1	3	3	7	0	
Canada: 30-50	10	5	6	8	3	4	6	7	7	13	
Canada: over 50	4	3	1	10	1	2	8	5	28	20	
Australia: under 30	0	0	0	0	2	0	0	0	0	0	
Australia: 30-50	1	0	5	0	1	0	1	0	0	0	
Australia: over 50	0	0	1	0	1	0	2	0	0	0	
France: under 30	0	0	1	0	1	1	0	0	0	0	
France: 30-50	2	0	5	1	1	0	0	0	2	0	
France: over 50	2	0	4	0	2	0	3	1	3	0	
Netherlands: under 30	1	0	0	0	0	0	0	0	0	0	
Netherlands: 30-50	0	0	0	0	3	1	2	0	16	67	
Netherlands: over 50	2	0	0	0	1	0	0	0	14	0	
Germany: under 30	NA	NA	NA	NA	NA	NA	0	0	0	0	
Germany: 30-50	NA	NA	NA	NA	NA	NA	0	0	0	0	
Germany: over 50	NA	NA	NA	NA	NA	NA	0	0	0	0	
United States: under 30	NA	NA	NA	NA	NA	NA	0	0	0	0	
United States: 30-50	NA	NA	NA	NA	NA	NA	0	0	3	0	
United States: over 50	NA	NA	NA	NA	NA	NA	0	0	0	0	
Central & Eastern Europe: under 30	NA	NA	NA	NA	NA	NA	NA	NA	0	0	
Central & Eastern Europe: 30-50	NA	NA	NA	NA	NA	NA	NA	NA	0	0	
Central & Eastern Europe: over 50	NA	NA	NA	NA	NA	NA	NA	NA	0	0	

G4-LA1b

Employee turnover rate by age group, gender and region (percent, based on an average of the total numbers in each category, in accordance with industry standard)	M	F	M	F	M	F	M	F	M	F		
Canada: under 30	0	21	25	9	12	10	16	32	7	0		
Canada: 30-50	13	9	7	13	3	7	6	12	7	13		
Canada: over 50	13	10	3	31	3	7	25	14	28	20		
Australia: under 30	0	0	0	0	40	0	0	NA	0	0		
Australia: 30-50	7	0	30	0	6	0	5	0	0	0		
Australia: over 50	0	0	9	0	10	0	20	0	0	0		
France: under 30	0	0	6	0	5	14	0	0	0	0		
France: 30-50	5	0	12	4	2	0	0	0	2	0		
France: over 50	6	0	11	0	6	0	9	14	3	0		
Netherlands: under 30	0	0	0	0	0	0	0	0	0	0		
Netherlands: 30-50	0	0	0	0	13	50	6	0	16	67		
Netherlands: over 50	44	0	0	0	12	0	0	0	14	0		
Germany: under 30	NA	NA	NA	NA	NA	NA	NA	NA	0	0		
Germany: 30-50	NA	NA	NA	NA	NA	NA	0	0	0	0		
Germany: over 50	NA	NA	NA	NA	NA	NA	NA	NA	0	0		
United States: under 30	NA	NA	NA	NA	NA	NA	NA	NA	0	0		
United States: 30-50	NA	NA	NA	NA	NA	NA	0	0	3	0		
United States: over 50	NA	NA	NA	NA	NA	NA	0	0	0	0		
Central & Eastern Europe: under 30	NA	NA	NA	NA	NA	NA	NA	NA	0	0		
Central & Eastern Europe: 30-50	NA	NA	NA	NA	NA	NA	NA	NA	0	0		
Central & Eastern Europe: over 50	NA	NA	NA	NA	NA	NA	NA	NA	0	0		
Total turnover rate globally					5.3%		8.0%		7.2%		2014 and 2015 formula corrected	
Net employment creation, permanent employees	15		72		109		- 18		- 16		G4-LA1	
Parental Leave (includes Maternity, Paternity and Parental Leaves)	M	F	M	F	M	F	M	F	M	F	All Vermilion employees who experience the birth or adoption of a child are eligible for maternity, paternity and parental leave in accordance with local legislation	G4-LA3
Proportion of employees entitled to parental leave %	100	100	100	100	100	100	100	100	100	100		
Total proportion of employees entitled to parental leave %	100		100		100		100		100			
Number of employees who took parental leave	1	4	1	9	6	16	5	4	7	5		
Total number of employees who took parental leave	5		10		22		9		12			
Number of employees who returned to work after end of parental leave	1	3	1	9	6	9	5	6	7	5		
Total number of employees who returned to work after end of parental leave	M	F	M	F	M	F	M	F	M	F		
Total	4		10		15		11		12			
Rate of employees who returned to work after end of parental leave	100	75	100	100	100	56	100	100	100	100		
Number of employees still employed 12 months after end of parental leave									5	5		

Retention rate of employees still employed 12 months after end of parental leave										100	100	Retention rate new in 2016
Training and Education	M	F	M	F	M	F	M	F	M	F		
Hours of Training	3419.5	2471.3	4297.0	3447.2	12074.0	3917.8	6,054	1,823	7,363	1,550		
Total	5890.8		7744.2		15991.8		7877.0		8,913			
Average Hours of Training per employee	14	18	14	22	33	23	17	11	21	10	Calculations restated 2014-2015 to reflect average hours per total permanent employee	
Average Hours of Training - Total Employees	16		17		30		15		18		Decrease in training hours reflects economic conditions; priority on continuing HSE training for all staff	
Administration Staff Hours of Training	939.9	1632.0	1051.0	2205.8	1155.5	2872.8	479	1,362	575	900		
Production Staff Hours of Training	2479.6	839.3	3246.0	1241.3	10918.5	1045.0	5,575	462	6,787	650		
Administration Staff Average Hours of Training	17	20	5	37	17	22	18	18	8	8	2014 and 2015 average based on training hours per employee trained. 2016 calculation changed to per employee total.	
Production Staff Average Hours of Training	34	10	13	23	32	26	36	23	24	20		
Percentage of employees who received a regular performance and career development review	M	F	M	F	M	F	M	F	M	F		
%					92.6%	93.5%	94.0%	96.8%	95%	90%		
Total	NA		44.0%		92.9%		94.9%		90%			

Safety

ASPECT / Indicator Name	2012	2013	2014	2015	2016	i	GRI
Occupational Health and Safety							
Total number of workers represented by HSE committees	515	597	690	721	661	Restatement of previous year information based on definition below	G4-LA5
Percentage of workers represented by HSE committees	100	100	100	100	100	Where our business units are required to have formal joint worker-management committees, we have them; where this requirement does not exist, we provide direct employee-employer engagement on HSE matters, aided by our fair culture policies, HSE field meetings with all staff and quarterly HSE Leadership meetings with Senior Management and HSE advisors from all business units	
Total recordable injury frequency per 200,000 hours (worldwide)	0.97	1.11	1.45	0.98	1.07	*note that for all OH&S metrics, we are reporting male and female statistics together	G4-LA6c

Total recordable injury frequency per 1,000,000 hours (worldwide)															5.33				
Types of injury – all staff (permanent or fixed term) *defined using CAPP definitions for Lost Time, Restricted/Modified Work or Medical Aid	LT	RW	MA	LT	RW	MA	LT	RW	MTI	LT	RW	MTI	F	LT	RW	MA	G4-LA6a		
Canada (not including D&C)	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	1			
Total	1			0			1			0			1						
France (not including D&C)	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0			
Total	0			2			0			0			0						
Netherlands (not including D&C)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Total	0			0			0			0			0						
Australia (not including D&C)	0	0	0	0	0	1	2	0	0	0	0	0	0	0	0	0			
Total	0			1			2			0			0						
United States (not including D&C)							0	0	0	0	0	0	0	0	0	0			
Total							0			0			0						
Injury rate – all staff (permanent or fixed term)															0				
Canada	.0000012			.0000032			0.0000019			0			0						
France	0			.0000085			0			0			0						
Netherlands	0			0			0			0			0						
Australia	0			.0000072			0.0000140			0			0						
United States							0			0			0						
Lost day rate – all staff (permanent or fixed term)																			
Canada				0.0001432			0			0			0						
France				0.0005633			0			0			0						
Netherlands				0			0			0			0						
Australia				0			0.00000631			0			0						
United States							0			0			0						
Lost Days (iTrak)															0	0			
Canada															0	0			
France															0	0			
Netherlands															0	0			
Australia															0	0			
United States															0	0			
Total Workforce Hours (Emp & Permanent Contractor)															869,750	993,804			
Canada	0			0.0001432			0			510,232			483,968						
France	0			0.0005633			0			122,968			295,988						
Netherlands	0			0			0			110,118			123,808						
Australia	0			0			0.0000063			107,752			72,080						
United States							0			18,680			17,960						
Absentee rate – all staff (permanent or fixed term) *defined as staff on long-term disability divided by total staff; other measures of absenteeism have not been tracked consistently across business units	N/A			0.5			0.3			0.7			0.03				"2012-2015: staff on long-term disability divided by total staff, based on available data 2016: data improvement: absentee lost days due to S<D and sick leave divided by total days available for all permanent staff"		
Work-related fatalities – all staff (permanent or fixed term)															0	0			
Types of injury – contractors *defined using CAPP definitions for Lost Time, Restricted/Modified Work or Medical Aid	LT	RW	MA	LT	RW	MA	LTI	RW	MTI	LTI	RW	MTI	F	LT	RW	MA	G4-LA6b		

Canada (including D&C)	3	1	6	2	1	5	4	4	5	0	3	3	0	0	2	0		
Total							13				6			2				
France (including D&C)	0	1	1	1	0	1	5	1	1	3	1	1	1	1	0	1		
Total							7				5			3				
Netherlands (including D&C)	0	1	1	0	3	0	1	2	1	0	1	1	0	2	1	3		
Total							4				2			6				
Australia (including D&C)	0	0	0	1	1	1	0	0	2	2	0	0	0	0	0	0		
Total							2				2			0				
United States (including D&C)							0	0	0	0	0	0	0	0	0	0		
Total							0				0			0				
Contractors Hours Worked	2,251,117			2,484,014			2,879,054			2,184,682			1,259,127					
Canada (including D&C)	1,570,222			1,745,928			1,813,901			1,163,403			466,631					
France (including D&C)	501,388			523,872			764,845			575,000			461,500					
Netherlands (including D&C)	132,395			131,784			257,798			258,189			205,377					
Australia (including D&C)	47,112			82,430			41,184			117,020			47,604					
United States (including D&C)							1,326			71,070			78,015					
Injury rate – independent contractors *defined as injuries relative to the total time worked by the total workforce in the reporting period							0.00000903	0.00000687			0.00000874							
Canada	.0000065			.0000044			0.0000072			0.0000052			0.00000429					
France	.0000040			.0000038			0.0000100			0.0000288			0.00000650					
Netherlands	.0000151			.0000228			0.0000155			0.0000077			0.00002921					
Australia	0			.0000364			0.0000486			0.0000171			0					
United States							0			0			0					
Lost Days							103	238			67.5							
Canada							17	0			0							
France							47	233			38							
Netherlands							14	0			29.5							
Australia							25	5			0							
United States							0	0			0							
Lost day rate – independent contractors *defined as total lost days compared to the total number of hours scheduled to be worked by the total workforce in the reporting period																		
Canada	0.0001535			0.0000580			0.0000094			0			0					
France	0			0.0001966			0.0000673			0.000405217			0.00008234					
Netherlands	0			0			0.0000543			0			0.00014364					
Australia	0			0.0003397			0.0006070			0.0000427			0					
United States							0			0			0					
Absentee rate – independent contractors *current system does not track absentee days for independent contractors, so this figure cannot be calculated	Not tracked			Not tracked			Not tracked			Not tracked			Not Tracked					
Workers involved in occupational activities who have a high incidence or high risk of specific diseases, worldwide	0			0			0			0			0			G4-LA7		

2014 and 2015 restatement required due to change in hour estimation methodology for FBU to more representative method

Environment

ASPECT / Indicator Name	2012	2013	2014	2015	2016	i	GRI
ENVIRONMENTAL							
*For complete methodologies, refer to Vermilion CDP submission. Vermilion uses the following protocols to calculate Scope 1 and 2 emissions: Australia: National Greenhouse and Energy Reporting Act Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industries, 2009, American Petroleum Institute France : Arrêté du 31 janvier 2008 relatif au registre et à la déclaration annuelle des émissions polluantes et des déchets For global warming potentials: Environment Canada, Fourth Assessment Report, 2007							
Energy							
Energy consumption within the organization, in GJ, all non-renewable *Scope 1: includes natural gas, propane liquid, diesel fuel and vehicle fuel.	2,724,115	2,758,361	3,012,091	2,970,235	2,869,053		G4-EN3
Canada	1,897,339	1,977,236	2,130,186	2,022,377	1,939,422		
France	7,062	26,016	35,351	19,925	25,136	Increased Drillings & Completions/Workover	
Netherlands	31,897	31,248	33,842	14,148	50,336	More robust reporting	
Australia	787,817	723,861	811,060	793,525	743,563		
United States	NA	NA	1,652	120,259	110,596		
Energy consumption outside the organization, in GJ, all non-renewable *Scope 2, all electricity, conversion: 1 MWh=0.2777 GJ	1,011,274	972,957	1,022,429	1,198,584	858,091		G4-EN4
Canada	169,481	169,481	181,438	223,557	238,787		
France	531,306	562,861	551,298	656,877	606,370		
Netherlands	309,853	239,749	287,681	313,423	8,590	Renewable energy purchase program	
Australia	642	867	695	772	787		Line 150: G4-EN5
United States	NA	NA	1,317	3,955	3,556		
Energy intensity ratio – oil & gas production (Gj/boe)	0.34	0.32	0.22	0.21	0.16	Renewable energy purchase program	
Total amount invested in renewable energy	\$140,000	\$140,000	\$147,000	\$42,600	\$434,385	<p>2012 & 2013: Cost to establish the geothermal system for the tomato greenhouse heating in Parentis, from its inception, annual breakdown not available, assumed split between 2012 and 2013.</p> <p>2014: Costs to date related to geothermal pilot project in the NBU.</p> <p>2015: NBU geothermal pilot: 30,000E</p>	OG2
Canada	0	0	0	\$42,600	0		
France	\$140,000	\$140,000	\$147,000	0	0		
Netherlands	0	0	0	0	\$434,385	Investment in geothermal development	
Australia	0	0	0	0	0		
United States	NA	NA	0	0	0		
Total amount invested in renewable energy as % of capital expenditure *Capex 2012 = \$452,538,000 *Capex 2013 = \$542,726,000 *Capex 2014 = \$687,724,000 *Capex 2015 = \$486,861,000	.03	.03	0.02	0.01	0.2		
Renewable energy and GHG emissions avoided GHG emissions avoided: *Basis of metric: Tomato greenhouse in Parentis, France. Based on 10,000 tonnes of CO ₂ e not generated per annum assuming electricity would have been used to heat the greenhouse, and using a France Grid Intensity Factor of 0.08 kg CO ₂ /kWh	125,000	125,000	125,000	125,000	125,000		OG3, OG4, OG5

Total amount of renewable energy generated by source (in MWh): *Actual energy content transferred	NA	NA	NA	31,380	32,800	Data became available from our partner in 2015	
Canada	NA	NA	NA	0	0		
France	NA	NA	NA	31,380	32,800		
Netherlands	NA	NA	NA	0	0		
Australia	NA	NA	NA	0	0		
United States	NA	NA	NA	0	0		
Water							
Total water withdrawal by source, (all, m ³)	996,415	819,523	1,091,587	881,029	738,445		G4-EN8
Canada	NA	NA	227,323	92,044	30,835		
France	NA	NA	681,734	563,201	478,374		
Netherlands	NA	NA	30	0	30		
Australia	NA	NA	182,500	207,500	207,500		
United States	NA	NA	0	18,284	21,706		
Surface water, including wetlands, rivers, lakes, oceans	348,961	313,262	302,053	233,165	223,221		
Canada	NA	NA	119,553	25,665	6,659	Decreased development activity	
France	NA	NA	0	0	0		
Netherlands	NA	NA	0	0	0		
Australia	NA	NA	182,500	207,500	207,500		
United States	NA	NA	0	0	9,062		
Groundwater	640,854	490,410	755,873	630,537	499,671		
Canada	NA	NA	101,401	61,858	23,967	Decreased development activity	
France	NA	NA	654,442	550,395	463,152		
Netherlands	NA	NA	30	0	30		
Australia	NA	NA	0	0	0		
United States	NA	NA	0	18,284	12,522		
Municipal water supplies or other water utilities	6,600	15,851	33,661	14,455	35,669		
Canada	NA	NA	6,369	1,649	210	Decreased development activity	
France	NA	NA	27,292	12,806	15,222		
Netherlands	NA	NA	0	0	20,115	Improved reporting	
Australia	NA	NA	0	0	0		
United States	NA	NA	0	0	122	Improved reporting	
Total number of water sources significantly affected by withdrawal of water	0	0	0	0	0		G4-EN9
Volume of water withdrawn in water stressed or water limited areas	0	0	0	0	0		
Total volume of water recycled and reused = reduction in water use	0	7,400	21,934	2,872	16,016		G4-EN10
Canada	NA	NA	0	0	0	2015: We changed our completion program in 2014, which allowed for a significant increase in water reuse; reductions in 2015 reflect a significantly smaller completions program.	
France	NA	NA	0	0	0		
Netherlands	NA	NA	0	0	16,016		
Australia	NA	NA	0	0	0		
United States	NA	NA	0	0	0		
Total percentage of water recycled and reused	0	0.9%	2%	0.33%	2%		
Canada	NA	NA	NA	0	0		

France	NA	NA	NA	0	0		
Netherlands	NA	NA	NA	0	2		
Australia	NA	NA	NA	0	0		
United States	NA	NA	NA	0	0		
Emissions							
Gross direct (Scope 1) GHG emissions, operational control & equity	288,781	310,285	514,553	430,531	355,746	Restate: 2014 data (Increase) reflects updated methodology	G4-EN15a
CO ₂ Scope 1 emissions (CO ₂ , excluding CH ₄ and N ₂ O)	212,933	220,538	383,586	333,643	283,618		SS
Canada	112,000	110,066	235,228	187,921	126,429	2014 acquisition of Sask assets, followed by improving infrastructure to reduce emissions	
France	24,303	37,981	59,276	48,525	50,238		
Netherlands	35,741	33,432	41,795	43,721	52,159		
Australia	40,889	39,059	45,822	46,013	40,783		
United States	NA	NA	1,466	7,464	14,009	Increased production	
Methane, in tCO ₂ e	75,848	89,747	130,713	96,625	71,890		
Canada	45,688	57,513	94,241	56,672	32,948	2015 restatement for consistency with updated 2016 quantification methodology	
France	5,244	10,055	10,961	12,852	10,565	Decrease due to replacement of flare with incinerator	
Netherlands	8,965	8,851	8,711	9,436	10,419		
Australia	15,951	13,327	16,727	17,294	16,959		
United States	NA	NA	74	371	998	Increased production	
Nitrous Oxide (N ₂ O) - tCO ₂ e	Not tracked	Not tracked	253	263	237		
Canada	Not tracked	Not tracked	52	50	50		
France	Not tracked	Not tracked	109	118	113		
Netherlands	Not tracked	Not tracked	0	0	0		
Australia	Not tracked	Not tracked	92	96	66	Reduction in diesel consumption	
United States	Not tracked	Not tracked	0.00	0.005	7		
Hydrofluorocarbons	Not tracked	Not tracked	Not tracked	Not tracked	Not tracked		
Perfluorocarbons	Not tracked	Not tracked	Not tracked	Not tracked	Not tracked		
Sulfur hexafluoride	Not tracked	Not tracked	Not tracked	Not tracked	Not tracked		
Gross indirect (Scope 2) GHG emissions CO ₂ e	85,223	79,309	73,410	96,600	69,318		G4-EN16
Canada			41,006.79	48,899.59	60,064		
France			12,251.06	7,619.15	7,560		
Netherlands			19,908.05	39,630.79	1,271	Decrease due to renewable energy purchase program beginning in January 2016	
Australia			151.00	162.93	166		
United States			93.15	287.88	257		
Gross other indirect (Scope 3) GHG emissions	2,839	9,860	2,997,538	7,858,296	7,697,489	Increase due to revision of Scope 3 quantification methodologies	G4-EN17
Biogenic CO ₂ Scope 3 emissions	0	0	0	0	0		
Estimated scope 3 associated with end use of products	Not applicable	Not applicable	2,250,071	7,160,865	7,010,867	Increase due to revision of Scope 3 quantification methodologies	SS
GHG emissions intensity, O&G production, Scope 1, CO ₂ e per barrel of oil equivalent	0.0209	0.0207	0.028	0.0226	0.015		G4-EN18SS
GHG emissions intensity, O&G production, Scope 2 CO ₂ e per barrel of oil equivalent	0.0062	0.0053	0.004	0.0051	0.003		
Emissions of ozone-depleting substances	0	0	0	0	0		G4-EN20

NOx, SOx and other significant air emissions, broken down by gas all for production, except SO2	Not currently tracked	Not currently tracked	2,847	544	695		G4-EN21
NO2			0	0	20		G4-EN17
Canada			Not tracked	Not tracked	Not tracked	Estimated to be non-significant in our operations	
France			Not tracked	Not tracked	15		
Netherlands			Not tracked	Not tracked	6		
Australia			Not tracked	Not tracked	0		
United States			Not tracked	Not tracked	0		
SO2	Not tracked	Not tracked	2,847	544	675		G4-EN17
Canada			1970.63	181.2412782	364	Change in calculation methodology	
France			876.03	363.0802191	300	2015 flare replaced by incinerator	
Netherlands			0	0	0		
Australia			0	0	0		
United States			0	0	10	Change in calculation methodology	
Effluents and Waste							
Total water discharge by quality and destination m ³	275,299	7,665,326	7,776,122	8,212,284	8,372,121		G4-EN22
Canada			95,661	33,616	7,479	Decreased activity plus focus on waste management	
France			1,596	454	143		
Netherlands			5,835	3,274	6,830		
Australia		7,530,821	7,673,030	8,156,657	8,343,820		
United States			0	18,284	13,850	Water from drilling/completions would be disposed of via deep well injection.	
Total weight of waste by type and disposal method, metric tonne	87,189	114,226.86	113,881	82,143	58,726		G4-EN23
Canada			112,658	50,170	21,624	Decrease in activity	
France			162	8,420	2,644		
Netherlands			114	4,501	18,909		
Australia			0	450	1,700		
United States			948	18,602	13,850		
Reuse	0	7,400	21,935	78	114	2014: We changed our completion program, which allowed for a significant increase in water reuse.	
Canada			21,934	0	0		
France			0	0	0		
Netherlands			0	24	24		
Australia			1	54	90		
United States			0	0	0		
Recycling	36	13.48	107	2,855	16,247		
Canada			25	43	13		
France			29	2,091	170		
Netherlands			12	664	16,016		
Australia			42	58	49		
United States			0	0	0		
Recovery, including energy recovery	1,551				0		
Incineration			6,276	3,396	6,662		
Canada					3,771		
France			3,000	1,303	139		
Netherlands			3,276	2,094	1,580		

Australia					1,172		
United States					0		
Deep well injection	46,026	3,649	74,323	49,506	21,329	2014: Increase due to change in reporting methodology.	
Canada			74,323	31,223	7,479		
France					0		
Netherlands					0		
Australia					0		
United States				18,284	13,850		
Landfill	27,721	33,015	34,908	20,137	10,284		
Canada			34,860	13,511	6,457	Reduction due to decreased activity level	
France				4,573	2,179		
Netherlands				1,715	1,259		
Australia			48	338	389		
United States					0		
On-site storage	0	0	0	90	0		
Canada				90	0		
France					0		
Netherlands					0		
Australia					0		
United States					0		
Other – Oilfield Waste Processing	11,855	70,150	4,679	6,081	4,091		
Canada			3,451	5,304	3,905		
France			280	454	156		
Netherlands				5	30		
Australia					0		
United States			948	318	0		
Total number and volume of significant spills *No significant spills requiring reporting in financial statements in 2012-2016	78	137	119	188	145	Increase in 2015 reflects increase in reporting associated with maturity of our HSE program	G4-EN24
Canada				99	81		
France				56	39		
Netherlands				24	15		
Australia				6	7		
United States				3	3		
Volume of Spills, m3	78	137	119	182	179	Increase in 2015 reflects increase in reporting associated with maturity of our HSE program	
Canada				130	164		
France				23	8		
Netherlands				26	6		
Australia				2	0		
United States				0.2	2		
Weight of hazardous materials transported across international borders	0	0	0	0	0		G4-EN25
Water bodies significantly affected by discharges of water & runoff	0	0	0	0	0		G4-EN26
Total volume of produced water (m ³)	1,559,854	1,599,692	23,156,436	24,457,667	24,545,576	Data capture improvement in 2014	OG5
Canada		1,599,692	2,040,024	2,524,903	2,305,947		
France			13,414,954	13,605,896	13,814,729		

Netherlands			12,736	100,598	16,628	No 2016 production of large water producing well	
Australia		7,530,821	7,673,030	8,156,657	8,343,820		
United States			15,692	69,612	64,452		
Volume and % of produced water by disposal method:	67%	67%	67%	67%	66%	2012-2014 restated to 67% to better reflect water discharged to sea in Australia	
Reused, m3	0	0	0	0	0		
Canada	0	0	0	0	0		
France	0	0	0	0	0		
Netherlands	0	0	0	0	0		
Australia	0	0	0	0	0		
United States	0	0	0	0	0		
Recycled, m3	0	0	5,096	15,076	9,519		
Canada	0	0	5,096	15,076	0		
France	0	0	0	0	0		
Netherlands	0	0	0	0	9,519		
Australia	0	0	0	0	0		
United States	0	0	0	0	0		
Reinjected (m ³)	1,559,854	1,599,692	15,478,310	16,285,934	16,195,170	2013: Reported figure is for Canada only. 2014: Reported figure is for all operated business units.	
Canada	1,559,854	1,599,692	2,040,024	2,524,903	2,308,880		
France			13,414,954	13,605,896	13,814,729		
Netherlands			7,640	85,522	7,109		
Australia			NA		0		
United States			15,692	69,612	64,452		
Total volume of hydrocarbon discharged within produced water (tonnes)	242	244	113	275	131		
Canada			0	0	0		
France			0	0	0		
Netherlands			0	165	27		
Australia *This discharge comes from the produced water released to the sea in Australia and is within our operating approval volume			113	110	104		
United States			0	0	0		
Volume of continuously flared hydrocarbon by business unit: (m ³)	15,032.79	17,891.39	71,683	54,405	29,266	2014 acquisition of Sask assets, followed by improving infrastructure to reduce venting and flaring	OG6
Canada	2,173	3,137	46,884.90	34,999.90	8,168	2015: Reduction due to reduced flaring in SK	
Australia	734	293	512.80	442.50	263	Gas cap management	
France	11,347	14,108	22,284.70	17,472.14	16,564	2015: Part of reduction attributed to the reduction in flaring as a result of gas sales to Sobegi from Vic Bihl	
Netherlands	779	354	1,771.42	371.48	344	2014: Increase due to an acquisition in the NBU.	
United States	NA	NA	230.47	1,118.63	3,927	Increased production	
Volume of continuously vented hydrocarbon by business unit: (m ³)	2,861.71	3,818.12	3,583.11	3,714.03	2,941		

Canada	864	1,069	1,155.70	1,007.00	645	
Australia	1,166	1,088	796.39	1,196.81	1,180	
France	100	953	963.45	1,184.58	840	
Netherlands	732	709	381.21	303.06	196	
United States	NA	NA	286.36	22.57	79	
Volume vented and flared in relation to volume of O&G produced (e ³ m ³ /BOE)	0.00130	0.00145	0.00420	0.0029	0.00139	2014 figure restated to align methodologies consistently
Amount of drill mud & cuttings produced using non-aqueous drilling fluid, by disposal method: onshore disposal to controlled sites	Canada only: 14,085 m ³ onsite 2,252 t landfill	NBU: 0 Canada & France: 18,844 t landfill	23,822.57	9,357.84	4,950	2015: Increased data available
Total - Tonne						
Canada				8,350.87	3,746	
France				0.00	778	
Netherlands				689.00	426	
Australia				0.00	0	
United States				317.97	0	
Amount of drill mud & cuttings produced using aqueous drilling fluid, by disposal method: onshore disposal to controlled sites	Canada only 14,085 m ³ onsite 2,252 t landfill	NL: 0 Canada & France: 5,273 m ³ onsite 6,701 t landfill	7,562.58	4,337.13	6,182	2015: Increased data available
Total - Tonne						
Canada				2,562.13	2,509	
France				0.00	2,200	
Netherlands				1,775.00	875	
Australia				0.00	0	
United States				0.00	598	
Volume of Non-Aqueous drilling fluid re-used at another location (i.e. recovered and transported invert).	New in 2015	New in 2015	New in 2015	2,192.00	824	2015: Increased data available
Canada				2,192.00	611	
France				0.00	0	
Netherlands				0.00	213	
Australia				0.00	0	
United States				0.00	0	
Amount of drill mud & cuttings produced using aqueous drilling fluid, by disposal method: disposal at Vermilion controlled location (Onsite/Remote Sump) - Tonne	New in 2015	New in 2015	New in 2015	443.64	1,760	2015: Increased data available
Canada				443.64	1,760	
France				0.00	0	
Netherlands				0.00	0	
Australia				0.00	0	
United States				0.00	0	
Overall						
Total environmental protection expenditures \$	\$39,954,133	\$37,441,842	\$36,956,969	\$25,714,010	25,232,972	In the 2010 to 2014 timeframe, we addressed abandonment spending for older fields related to acquisitions and regulatory obligations, which increased our spending in this area.
Canada			\$6,099,464	\$6,008,486	8,451,587	
France			\$10,907,708	\$4,555,225	4,513,376	
Netherlands			\$2,815,841	\$3,914,342	9,754,499	
Australia			\$1,177,894	\$614,884	1,026,713	

United States			\$0	\$516,060	1,486,796	
Waste disposal, emissions treatment and remediation	\$3,438,407	\$6,069,660	\$15,805,157	\$10,043,909	9,822,917	
Canada	\$899,825	\$1,817,792	\$3,456,493	\$2,467,810	1,076,807	
France	\$1,568,838	\$3,575,837	\$10,258,340	\$3,625,814	2,140,827	Decrease is primarily related to reduced abandonment, reduced drilling and significant decrease in drilling mud treatment costs due to newfound treatment path and specific negotiation (disposal & transportation)
Netherlands	\$879,998	\$577,981	\$1,510,210	\$3,772,342	5,409,635	
Australia	\$89,746	\$98,050	\$580,114	\$177,942	186,311	
United States			\$0	\$0	1,009,337	
Prevention and environmental management costs	\$36,515,726	\$31,372,182	\$21,151,812	\$15,670,101	6,924,610	
Canada	\$5,628,804	\$4,559,869	\$2,642,971	\$3,540,676	5,141,019	
France	\$9,217,906	\$9,809,414	\$649,368	\$929,411	352,033	
Netherlands	\$7,246,839	\$4,419,513	\$1,305,630	\$142,000	220,500	
Australia	\$722,178	\$883,387	\$597,780	\$436,942	840,402	
United States			\$0	\$516,060	370,656	
Discharge of Abandonment (AER)	\$13,700,000	\$11,700,000	\$15,956,061	\$10,105,012	8,485,445	
Canada					2,233,761	
France					2,020,516	
Netherlands					4,124,364	
Australia					0	
United States					106,803	
Asset integrity and process safety						
Number of Tier 1 process safety events	0	0	0	0	0	OG13
Canada	0	0	0	0	0	
France	0	0	0	0	0	
Netherlands	0	0	0	0	0	
Australia	0	0	0	0	0	
United States	0	0	0	0	0	
Number of Tier 2 process safety events	13	27	36	78	42	Process safety became a focus for us in 2014, including the introduction of different reporting criteria such as energy type, which increased our reporting in this area. In 2016, we began seeing the benefits of this focus, as our work on process safety began to reduce event numbers.
Canada			26	54	30	
France			4	12	5	
Netherlands			4	12	5	
Australia			2	0	2	
United States			0	0	0	

Materiality Analysis

[View our materiality analysis](#)



Governance Dashboard

Excellence. Trust. Respect. Responsibility. These four core values guide what we do and how we do it.

SDG 13.1. Take urgent action to combat climate change and its impacts



This applies directly to Vermilion’s investments in environmental protection, disclosures of GHG emission and intensity data, internal carbon pricing and carbon liability analysis, and overall governance of climate risks and opportunities.

SDG 16 covers a range of issues that are integral to effective business governance at Vermilion



- > 16.1: Reduce all forms of violence – Internal policies on workplace violence, discrimination and/or harassment; whistleblower policies; respect for human rights
- > 16.3: Promote the rule of law – Ethics policies
- > 16.4: Combat organized crime – Audited annual reporting
- > 16.5: Reduce corruption and bribery – Anti-corruption policies
- > 16.6: Effective, accountable and transparent institutions – Internal governance structures
- > 16.7: Responsive, inclusive, participatory and representative decision-making: Compensation and Board of Directors effectiveness disclosures

Commitments and Progress

2016 Target	2017 Target	2018 Target
Conduct annual "say on pay" advisory votes at AGM Received 96% shareholder approval	Conduct annual "say on pay" advisory votes at AGM Received 97% shareholder approval	Conduct annual "say on pay" advisory votes at AGM

<p>Roll out one-button access to send concerns anonymously to our Corporate Secretary across all locations</p> <p>100% achieved: anonymous link at www.vermilionenergy.com</p>	<p>Develop procedures for contractors to confirm annually awareness of and compliance with our Code of Business Conduct</p> <p>100% achieved: contractors are now included in the annual sign-off via our personnel information system</p>	
	<p>Move sustainability reporting from annual to ongoing updates, continuing to use the GRI G4 framework but incorporating the Global Sustainable Development Goals</p> <p>100% achieved</p>	<p>Analyze recommendations from the Task Force on Climate-Related Financial Disclosures regarding governance and reporting, where they are not already in place</p>

Key Updates



Board Composition: As of November 30, 2017, Vermilion’s Board of Directors is comprised of 11 directors and 1 corporate secretary. Nine Directors (82%) are considered independent, and two (18%) are female. Mr. Anthony Marino and Mr. Lorenzo Donadeo are non-independent directors.

Board Tenure: In the last three years, we have appointed five new directors who bring valuable skills and experience to our company; 56% of our directors have a tenure less than five years.

CEO Pay Ratio: Although not required by regulations such as the Dodd-Frank Wall Street Reform and Consumer Protection Act, we disclose the annual total compensation of our CEO to the median annual total compensation for employees. ^{G4-53, G4-54} Vermilion’s 2016 CEO-to-worker ratio of 25-to-1 is magnitudes lower than the 347-to-1 ratio for S&P 500 Index companies reported by the [American Federation of Labor-Congress of Industrial Organizations](#).

Company and Board Performance – Awards: Vermilion is recognized for excellence in governance practices by a wide range of governance-related organizations, including the Globe and Mail Board Games report, the Canadian Coalition for Good Governance, MSCI, ISS and Brendan Wood International. For details, please see our [Awards](#) page.

Our Approach to Governance

Our Approach to Governance, and Why It Matters

Vermilion is committed to a high standard of corporate governance practice. Strong governance is in the best interest of our shareholders and promotes effective decision-making at the Board level and throughout the company. The members of our Board of Directors, Vermilion's highest governing body, are proven leaders who guide our management, ensure the continued integrity of our people and processes, oversee risk management, and position our company to deliver on our mission to consistently deliver superior rewards to investors, employees, partners and the communities in which we operate.

Management

Complete details related to Board governance can be found in our regulatory filings, particularly our annual Proxy Statement and [Information Circular](#).

Key highlights include the following:

Independence of Directors: We define independence as the absence of relationships that could compromise the ability of a director to exercise judgment with a view to making an objective assessment of management and assessing the merits of management initiatives. We appoint an independent Chair of the Board, or if the Chair is not independent, an independent Lead Director. Our independence statement is publicly available via our [Board Operating Guidelines](#), which are published on our corporate website. ^{G4-41}

Board Structure: Our board structure is a one-tier system. Our directors oversee all matters related to performance, including our economic, environmental, social and governance impacts, through four committees (below), and a New Venture Working Team: ^{G4-34 G4-38}

- Audit
- Governance and Human Resources
- Health, Safety and Environment
- Independent Reserves

International directorships: Vermilion practices good governance standards with its international subsidiary companies, and has appointed independent directors to the Boards of our various subsidiaries. ^{G4-41} International Board members are responsible for overall guidance of the subsidiaries and are knowledgeable in the country of operations, with backgrounds in a combination of legal, regulatory, executive leadership and operations. In aggregate, we have 11 independent international Directors. Boards of our international

subsidiaries are two-tier systems and include representation by non-executive directors and employees.

Compensation Transparency: We communicate the individual compensation of our Board of Directors and our five highest paid executive officers via our annual Proxy Statement and Information Circular. We also publicly disclose the measures relevant for performance-based variable compensation. As a publicly traded company, we believe our stakeholders have a right to know this information, and that this level of disclosure strengthens trust in Vermilion.

Board Skills: We maintain a skills matrix to evaluate the skill set of the Board. Each Director rates their expertise in each area annually, on a scale from limited to expert. The results are then evaluated for individuals and for the Board as a whole. Following our most recent assessment, it was determined that the majority of directors are skilled, or at expert/mastery levels.

The directors' skills matrix is reviewed regularly by the Board to ensure an appropriate mix of backgrounds, skills and experience to guide Vermilion's long-term strategy and ongoing business operations, and currently includes:

- CEO / Senior Officer experience
- Managing / Leading Growth
- Oil and Gas Operations
- Reserve Evaluation
- Global / International Operations
- Health, Safety and Environment
- Governance / Board
- Financial Literacy
- Financial Experience
- Risk Management
- Human Resources and Compensation
- Social Responsibility and Stakeholder Relations
- Government Relations / Regulatory

Board Diversity: We recognize the importance of diversity as a component of board effectiveness and business performance, and have adopted a Board Diversity Policy that embraces a broad range of factors, including age, race, gender, personal attributes, skill, training, educational background and life experience. We believe that by composing our Board of individuals that bring diverse backgrounds and skills, Vermilion has been and will continue to be successful in problem-solving, deliberating key issues and making quality decisions that deliver positive long-term results for our shareholders and stakeholders alike. Diversity and complementarity of skills are key criteria in Vermilion's board nomination process.^{G4-38 G4-40}

Board Election and Tenure: Board members are elected and re-elected on an annual basis individually, as opposed to elected by slate. We have a retirement guideline at age 70 (which we can make exceptions for), but we do not have a term limit for directors. While term limits can help ensure the Board gains new perspectives, imposing this restriction means it would lose the contributions of longer serving directors who have developed a deeper knowledge and understanding of Vermilion and our industry over time. We also value new perspectives. See also Board Tenure on our Dashboard page.

Performance, Evaluation and Adjustment

Board Evaluation: The Governance and Human Resources Committee, whose members are all independent, ensures that each member of the Board, the Committees, the Chair and Lead Director are assessed annually in light of their relevant terms of reference and level of expertise within our skills matrix. Directors complete a number of confidential evaluations administered by our Corporate Secretary (who is a senior partner of our external legal counsel, and not an employee of Vermilion), including:

- Rating their own effectiveness and the effectiveness of each Committee, and
- Evaluating the contributions of their peers, including the Chair of the Board and the Lead Director, in order to provide performance feedback and suggestions for improved effectiveness or contributions.

The Governance and Human Resources Committee analyzes the results and assesses whether changes need to be made in the Board's processes, composition or Committee structure. Our goal is to continuously develop a top performing Board with diverse skills and deep expertise who add value to the business through governance oversight.

Company and Board Performance – Awards: We monitor corporate governance best practice development on an ongoing basis, engage with key governance and proxy advisory services, and adjust our practices where we determine it to be beneficial for the company and our shareholders. We are proud to be consistently recognized for excellence in governance practices by a wide range of governance-related organizations, including the Globe and Mail Board Games report, the Canadian Coalition for Good Governance, MSCI and ISS. For details, please see our [Awards](#) page.

Ethics & Anti-Corruption

Excellence. Trust. Respect. Responsibility. Our core values guide what we do and how we do it.

Our Approach to Ethics, and Why It Matters

Every member of Vermilion, from the Board to our staff, understands they have a fiduciary and ethical duty to the company and its stakeholders, including the obligation to act honestly and in good faith. Our Code of Business Conduct and Ethics (“Code of Conduct”) outlines a framework of guiding principles for directors, officers, employees and contractors globally, and supports the personification of our core values and the demonstration of ethical business practices.^{G4-56}

How We Manage Ethics

Specifically, the Code of Conduct covers:

- > Conflicts of interest
- > Compliance with the law
- > Outside business interests
- > Confidential information and securities trading
- > Retention and destruction of records
- > Accounting and auditing
- > Recoupment of incentive compensation
- > Entertainment, gifts and favours
- > Improper payments, including bribes and facilitating payments
- > Fair dealing - Non-profit and professional association
- > Protection and use of the corporation’s property
- > Political participation
- > No loans to executive officers or directors
- > Disclosure
- > Workplace conduct and safety
- > Environment

- Reporting of inappropriate activity
- No retaliation
- Responsibility

The Code of Conduct is contained within each country-specific Employee Handbook, which are available in English and in our other major languages, including French, Dutch and German. These handbooks are available 24/7 on our company intranet, and also contain Vermilion's country-specific policies, workplace guidelines, and employment obligations.

Our employment obligations cover the following topics:

- Code of Business Conduct & Ethics
- Social media
- Reporting of inappropriate activity
- Personal information privacy
- Anti-corruption policy
- Health & Safety - Environment
- Discrimination, harassment and workplace violence
- Drug and Alcohol
- Fitness for Duty

Training on Codes of Conduct is provided as part of the onboarding process for new employees and contractors. We also require all of our directors, officers, employees and contractors to review their employment obligations annually, and to electronically confirm their understanding and compliance with these obligations using our People information management system. ^{G4-41}

Within the company, our President and CEO, and our Executive Vice President People and Culture, hold responsibility for these policies, while our entire executive team operates with an open-door policy for staff concerns about any of these issues. This is augmented by a confidential email option on [our website](#) and a phone number that allow staff and members of the public to anonymously report concerns or seek advice from our Corporate Secretary, who is a senior partner of our external legal counsel and not a Vermilion employee, can then take those concerns directly to the Board of Directors.

Our whistleblower policy – known internally as our “Reporting of Inappropriate Activity Policy” – prohibits retaliation, harassment or discrimination against anyone making a complaint or reporting a concern. Further ethics reporting can be found in our [Performance Metrics](#). ^{G4-49 G4-50 G4-57 G4-58}

Third Party Vendors: As part of our management guidelines, authorized Vermilion personnel must ensure that third-party vendors – suppliers and service providers – who enter an agreement with Vermilion for the handover of work and properties must communicate all appropriate Vermilion policies, standards, procedures and practices, and must monitor for their compliance. This is in place in all of our business units, and an audit protocol has been established to ensure this communication occurs. Examples of these policies include our Code of Business Conduct, and our obligations to provide a workplace free of harassment and violence.

Anti-Corruption Policy: Vermilion's Code of Business Conduct includes a Vermilion Anti-Corruption Policy.

Vermilion's operating context significantly mitigates corruption risks for our company: regions noted for their stable, well-developed fiscal and regulatory policies related to oil and gas exploration and development. However, we recognize the importance of guarding against corruption in all forms, and have included it not only in our Code of Business Conduct, but also in our wider business context. The policy clearly defines possible issues, warning signs and red flags, and the due diligence and record keeping that is required. Our Chief Financial Officer is also our Chief Compliance Officer and administers our anti-corruption policy.

New Business Development, including Joint Ventures: Analysis of corruption risks is specifically included in all new business development. When we consider entering a new country of operations or entering into any joint venture or partnership, we conduct an initial assessment based on Transparency International. If we decide to proceed with that business development or partnership, we conduct additional research and due diligence based on the results of the initial assessment, including the degree of risk presented by the partner, location, and the nature and sensitivity of the joint venture. When we hire consultants and services in other countries as part of business development or new ventures, we provide our Anti-Corruption policy and require they sign a compliance certificate to abide by our policy and the country's anti-bribery laws. Joint venture partners are also required to acknowledge both local and Canadian laws, and warranty that they will not violate anti-corruption laws, or authorize or provide any kind of payment that would be in contravention of those laws or our anti-corruption policy.

Measurement

To ensure that 100% of our staff and contractors have confirmed that they understand the policy and are not aware of any contraventions, either by themselves or others, we track the response rate from the annual employee and contractor sign-off for compliance with our Code of Conduct. Sign-offs that are not completed are followed up, to ensure that the policies are understood and complied with.

To further demonstrate ethical and anti-corruption transparency, we track and publicly disclose:

- Payments made to all governments in countries where we operate, through our **Extractive Sector Transparency Measures Act (ESTMA) report**, which can be found on our website; Canada is a supporting country to the **Extractive Industries Transparency Initiative**, which has confirmed that **ESTMA provides an equivalent level of reporting to the EITI Standard**.
- Memberships in industry-related trade associations, including those with advocacy mandates (see **External Associations and Initiatives**).
- Key community investment partnerships (see **Our Communities** section): our anti-corruption policy directly prohibits community support payments to political organizations, politicians and individuals. All payments must be made to a registered non-profit or charitable organization, are reviewed by our corporate community investment staff and authorized by leaders in accordance with our financial authority grid. They are entered into our accounting system, and thereby included in our annual financial audits.
- Political contributions: we do not contribute payments to political campaigns, political organizations, lobbyists or lobbying organizations.

Evaluation and Adjustment

Specific staff who may encounter anti-corruption issues in their work have undergone additional training. This includes our senior executive and management team, sustainability team, and business development / new ventures team. The requirement for additional training is assessed annually.

Sustainability Governance

Our Approach to Sustainability Governance

At Vermilion, sustainability is integrated as part of our Strategic Plan into all of our activities, and is one of six key Strategic Objectives that drive our business performance. This demonstrates its position as a core element of our long-term vision, the strategy we use to achieve that vision, and how we evaluate our performance.

Why Sustainability Matters

As a responsible energy producer, Vermilion believes that we can best deliver long-term shareholder value by operating in an economically, environmentally and socially sustainable manner that recognizes the importance of all of our stakeholders. The integration of sustainability principles into our business is not only the right thing to do: we believe it increases shareholder returns, enhances our business development opportunities and reduces long-term risks to our business model.

How We Manage Sustainability

Responsibility: Vermilion defined our strategic objective as *Integrated* Sustainability because we believe sustainability impacts every business unit, department and employee in the company – and, in turn, they impact our sustainability. In keeping with this approach, the entire Board has responsibility for Vermilion’s sustainability program, with individual committees offering expertise and oversight on specific Economic, Environmental, Social and Governance (EESG) factors.

Committee	EESG Factor Overview
Audit	Financial information Risk management Internal control systems Audit processes
Governance and Human Resources	Board effectiveness and compensation risk Compensation philosophy and practices Corporate governance and performance People practices, including succession and development
Health, Safety and Environment (HSE)	Occupational, process and asset safety Environmental stewardship Risk management HSE-related sustainability initiatives

Independent Reserves	Reserves and resources Production Finding, developing and acquisition costs
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To ensure full coverage of EESG factors, our Board skills matrix includes sustainability-related skills such as Governance, HSE, Social Responsibility and Stakeholder Relations. All of these skills are supported by Board training as required. With specific regard to Sustainability, we also benefit from the expertise of one of our Board members, Mr. Timothy Marchant, who is an Adjunct Professor of Strategy and Energy Geopolitics at the Haskayne School of Business at the University of Calgary, and teaches graduate-level courses on corporate social responsibility and related areas.^{G4-43}

Organizational responsibility flows from the Board to our President and CEO, and throughout the company via our Executive team, on which our Executive Vice President, People and Culture is the executive member responsible for sustainability.



Various departments within the company report priorities and progress quarterly to either the full Board or Board committees on sustainability factors, including governance updates, HSE targets and performance, and developments within our community investment program. In addition, our sustainability team provides a Centre of Excellence approach, advising the business on all aspects of sustainability and reporting quarterly directly to the full Board regarding progress.

We believe this approach clearly communicates, both externally and internally, our commitment to sustainability as a priority throughout the company and positions us to recognize the opportunities it presents. It also supports the proactive manner in which we address external risks that have potential impacts on short and longer-term company performance, including:

- > An adverse HSE event

- › The volatility of oil and gas prices
- › Potential changes to government regulations and fiscal policies in our operating areas
- › Community and other stakeholder concerns and issues, and
- › The long-term financial implications of climate change.

Vermilion's Board of Directors, Executive team and Risk Management Committee regularly review these risks, along with mitigation strategies and associated opportunities (for more detail, view our [Risk Management](#) page).

Measurement

Internal: Vermilion's long-term vision is founded on six strategic objectives that cover the key elements of success, including: Extraordinary People; Best in Class Health, Safety and Environment; Top Quartile Shareholder Returns; Operational Excellence; Robust Portfolio, and Integrated Sustainability. Each of these has its own goals, supported by an Executive champion along with annual commitments that are reviewed regularly at the Executive and Board levels to assess and confirm progress.

Because sustainability objectives are included in long-term vision, progress on these drives both company and individual staff performance. We connect our performance to compensation through a pay-for-performance philosophy, combining reasonable base compensation with short-term and long-term incentive opportunities that are directly tied to operating and financial results, including fulfilment of sustainability commitments. Thus, sustainability performance is linked to executive and employee compensation. We report on this externally through our Proxy Statement and Information Circular each year.

External: Our Board of Directors and our Executive team continue to recognize our stakeholders' expectations and feedback as critical to Vermilion's success and integrate them into our ongoing processes for governance, strategy and performance. They are incorporated as goals into our strategic long-term vision, identified as commitments for annual planning, and assessed on a quarterly basis for progress against those commitments.

In addition to our stakeholder outreach, our stakeholders can communicate to the Board and to Vermilion in confidence directly and anonymously via our website, and via postal mail and email, dedicated Investor Relations phone and e-mail lines, investor relations presentations and events, and our annual meetings.^{G4-35 G4-36 G4-37 G4-42 G4-49}

Evaluation and Adjustment

When we began our sustainability reporting in 2014, we identified that our focus was primarily internal, and that we would develop our external stakeholder engagement over time. In subsequent years, this external engagement has taken shape, as we have sought input from socially-responsible investment agencies, welcomed engagement from shareholder signatories to the United Nations' Principles for Responsible Investment, and launched a wide range of engagement via our Public and Government Relations and Community Relations work in business units that include Canada, France, The Netherlands, Germany and Australia.

Combined with our existing and ongoing sustainability work, this has led to three key areas of focus:

- › Climate Policy approach, which is included in this report
- › Science-based Target Setting analysis, which we continue to analyze, and

- Sustainability Reporting Review, which is effective with this report, moving from a single annual report to ongoing updates throughout the year.

This is critical foundational work, and we are investing both the time and the resources required to get it right.

Risk Management

One of the key roles of the board and company senior leadership is to provide risk oversight for Vermilion, including sustainability-related risks.

Our Approach to Risk Management, and Why It Matters

As a responsible company, effective risk and crisis management is vital for Vermilion. We use a multi-layered approach to ensure identification, awareness and effective management of our business-related risks, including sustainability risks. This includes identifying business opportunities that may arise from changing conditions.

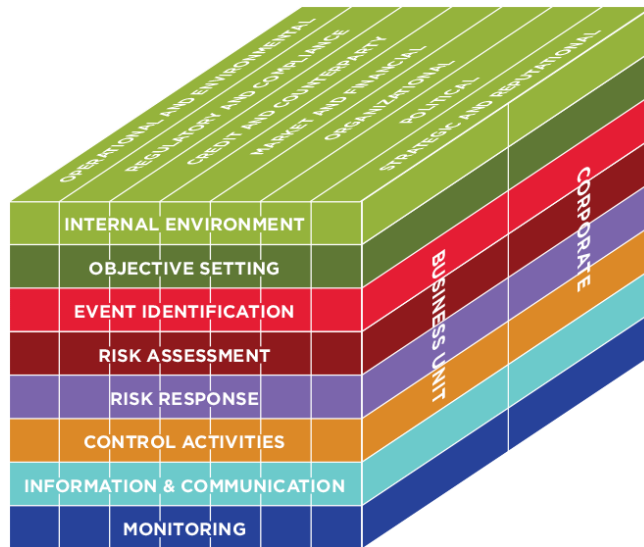
How We Manage Risk

Our Enterprise Risk Management program enables us to identify and continually monitor risks – including economic, environmental and social risks – defined in the following categories:

- Operational and environmental, including climate-related risks
- Regulatory and compliance
- Credit and counterparty

Vermilion’s Enterprise Risk Management Process

Risk associated with climate change has been quantified for each business unit utilizing the Enterprise Risk Management process. This process is utilized to assess implications and identify mitigating measures that are required to limit or reduce risk and potential liabilities to an acceptable and manageable level. Risk is assessed based on the anticipated impact severity and probability of an event occurring in consideration of human, environment, financial and social license to operate. Stakeholders in risk assessment include internal (Board of Directors, Executive, Staff) and external parties (Landowners, NGOs, investors, the general public, industry groups). Vermilion proactively conducts operational and engineering reviews aimed at increasing efficiency, including reducing emissions and monetary expenditure requirements at major facilities.



* Vermilion’s ERM process based on Coso ERM Framework

- Market and financial
- Organizational
- Political
- Strategic and reputational

Risk is assessed based on the anticipated impact severity and the probability of an event occurring, in consideration of human, environment, financial and social license to operate factors. We use our corporate risk register to assess implications and identify mitigating measures to limit or reduce risk and potential liabilities to an acceptable level. This provides uniformity across the company while allowing for customization in each of our Business Units.

Risk Identification: Staff in operations and departments throughout the company feed into this risk framework in their own areas of expertise. This includes our Health, Safety and Environment team, Sustainability team, technical teams and Marketing (Economics) team. ^{G4-45b} Our staff also play a key role in identifying potential risk areas through their participation in the anonymous surveys prior to and after our quarterly global town halls. Their feedback and questions are shared with the Executive team, which in turn uses the information to guide strategy discussions, and reports back to staff with responses to concerns, ideas and suggestions raised. The feedback is also communicated to the Board when considered material.

In addition, external stakeholder engagement is used to identify risks that are important to those external to the company, including communities, landowners, investors, government and regulators, NGOs, the public and industry groups.

Risk Management: To manage identified risks, our internal control processes are proactive, and designed to help us achieve our business strategy of delivering modest annual growth in production and cash flow while also providing reliable and growing dividends to our shareholders. Our management approach reflects this, with a 10-year long-range plan that covers business strategy and related goals and objectives.

Risk awareness and management are the responsibility of the Board and the Executive team. Vermilion's Board independently reviews the effectiveness of our identification and management of risk quarterly, through its four committees. This gets translated into action by our Executive team, through implementation of associated policies and procedures that the Board approves.

Risk identification occurs in several ways. Teams and specialist staff across the business – including HSE, Finance, Governance, Economics and Sustainability -- identify risks and work together as needed to assess impact and probability. The results are provided via briefings and advisory services to senior management, the Executive team and the Board of Directors. In the past year, this has included Board briefings and strategy discussions on topics such as Disruptive Technologies (e.g. Electric Vehicle Impact), Energy Storage, Renewable Energy, and Regulatory Changes in Oil and Gas Producing Regions.

Measurement

Board governance of risks, including economic, environmental and social risks, is self-assessed annually against our corporate performance scorecard indicators. These include both standard industry metrics and internal measures of performance that are compared to plans established by management and approved by the Board of Directors each year. ^{G4-44, G4-45a G4-46 G4-47}

Evaluation and Adjustment

Our corporate risk register is reviewed annually, and updated on an as-needed basis.

Climate-Related Risks & Opportunities

We have aligned this discussion with the recommendations from the Task Force on Climate-Related Financial Disclosures.

Governance

Board and Management Oversight: Vermilion has reported publicly on climate risks and opportunities via our [CDP submissions](#) since 2014, with data back to 2012. These risks and opportunities are identified by key staff across our company, including our Health, Safety and Environment (HSE) team, Sustainability team, Government and Public Relations teams, Business Unit Managing Directors, and our Economist. All of these employees are experts in their fields, and gather a wide array of inputs that inform our analysis. These include research reports, external stakeholder organizations, government policy and regulation discussions, industry initiatives, communities, landowners, and the work of global bodies such as the United Nations, including the Paris Agreement, and the Organization for Economic Development.

Climate-related responsibility sits directly with the HSE team and the Sustainability team. These teams provide quarterly reports to the Executive team and the full Board of Directors. On our Executive team, our Chief Operating Officer is responsible for climate-related operations performance, such as emissions and HSE performance, and our Executive Vice President, People and Culture, is responsible for overall Sustainability performance.

In addition, the Chief Operating Officer, Director of Corporate HSE and Manager of Corporate HSE brief the Board's HSE committee, which meets three times per year. The Terms of Reference for the HSE Committee specifically include Review and Monitoring of Health, Safety, and Environment related Sustainability Initiatives. The executive and senior management have the ability to take various initiatives, research/results and other information to this group to validate operational/policy change or organizational direction adjustment.

The Board, as our highest governing body, has responsibility for reviewing all risks, including climate-related, and their implications for our business strategy and how we implement it, both in the short and longer term.

Strategy

Best in Class Health, Safety and Environment and *Integrated Sustainability* are two of Vermilion's six key strategic objectives, resulting in environmental considerations being engrained in all portions of our business. This provides corporate direction for programs that have the potential to enhance our performance and operational efficacy. The progress of these objectives is tracked on a monthly, quarterly and annual basis and shared across all levels of staff (Office staff, Field staff, management, senior management, etc.).

The decision in 2015 to establish Integrated Sustainability as a strategic objective supported previous alterations to our project management framework (site specific and play development level) to enhance aspects of sustainability and climate

change (regulatory change, enhanced water management, emissions reduction, footprint reduction / ecosystem fragmentation minimization). This has a direct impact on our long term sustainability strategy. The aspects of climate change that influence our sustainability strategy include, but are not limited to:

- physical changes resulting from temperature change
- regulatory changes
- the need to adapt our operations to potential changing climate extremes, and
- the identification of green solutions in the communities where we live and work.

We are committed to reducing the impact our operations have, beginning with being compliant in all regulatory regimes, across all business units, while providing long-term growth and income to our investors. These are primary drivers for identification and implementation of climate change initiatives such as emission reductions and fuel efficiency.

Sustainability initiatives are assessed on a project-specific basis, including aspects such as the benefit to the communities where we operate, the benefit to the environment (reduced carbon emissions or fuel consumption, carbon offset, water reduction / reuse, etc.), and financial considerations.

Vermilion emphasizes projects that will have a positive, lasting impact both short term and long term. We leverage our successes to inform initiatives that are in the assessment, planning or initial implementation stages. Examples include (see our [Environment section](#) for further details):

- The cogeneration project in Vermilion's Parentis operation in France. Vermilion captures waste heat from our produced water stream to heat a local 15-hectare greenhouse that produces more than 6,000 tonnes of fresh tomatoes annually. This project was selected by the French Minister of Economy to be the recipient of the 2013 Circular Economy Award for Industrial and Regional Ecology, has been leveraged in an industry-wide research document and has now led to another geothermal project, focusing on eco-housing.
- We have identified several other potential geothermal projects that are in the assessment phase that will provide a low carbon energy option as a direct result of our operations and infrastructure. These types of projects have the potential to offset the financial impacts associated with the price of carbon, while providing either Vermilion or a third party with the ability to reduce emissions.
- Constructing Vermilion's corporate head office to the Leadership in Energy and Environmental Design (LEED) Gold standard. LEED® certification is a structured, audited process that assists design teams in aligning building construction and intent of "green" or high performance design.
- Adjusting long term operating strategies to ensure efficient and effective resource development. An example of this is the reduction of fresh water use in France (18% from 2015 to 2016).

Risk Management

Risks associated with climate change and environmental impact have been identified, with potential impacts quantified for each Business Unit, using our Enterprise Risk Management process. We report on those publicly through our annual CDP submission. This process is used to assess implications, identify mitigating measures and build a portfolio of business opportunities.

Vermilion's BU and asset risks are aggregated into the Corporate Risk Register. Risk is assessed through a grid matrix based on the anticipated impact severity and subsequent probability of an event occurring in consideration of the impact to people, the environment, financial results and social license to operate. Stakeholders considered in risk assessment

include, but are not limited to, internal (Executive, Board of Directors, employees, contract staff), and external parties (landowners, NGOs, investors, the general public, regulators, governments, industry groups).

Risks and opportunities are prioritized based on impact to the environment as well as monetary implications of identified climate change risks and potential project opportunities. Based on this information as well as business need, projects are prioritized in a manner that allows Vermilion to support healthy communities as well as augment our strong shareholder value.

Depending upon the business unit, risks cover such areas as regulatory changes, carbon pricing and taxes, community support, rising sea levels, increased severity of tropical storms, temperature increases, and potential for increased natural disasters.

Vermilion has undertaken a GHG Quantification Methodologies study and completed a global Carbon Liability Analysis for all Business Units (BU); this project is annually reviewed by Vermilion staff, and is undergoing a completely new analysis in 2017. The Carbon Liability Analysis factors in a number of potential regulatory, price point and taxation changes that are possible over the next several years. These documents detail the current emission generating activities (Scope 1, 2, 3) and details the liability and risk associated with the carbon footprint of operations in each BU. The types of emissions considered in this quantification survey include NO_x, SO_x, VOC, H₂S, PM, BTEX, CO₂, CH₄, N₂O, PFC, HFC, and SF₆. Vermilion completes fugitive emission assessments annually at select locations in Canada, France and The Netherlands.

Scenario planning: At a minimum, on an annual basis, and more frequently when required (such as daily during cyclone season), Vermilion examines and reassesses the risk associated with climate change and the potential effects on operations globally. This review considers the potential impact of a 2°C scenario, with these impacts included in our risk assessment process, including:

- Changes in temperature extremes
- Changes in precipitation extremes and droughts
- Sea level rise
- Tropical cyclones (hurricanes and typhoons)
- Carbon taxation
- Carbon sequestration requirements
- Emission reporting obligations
- Product efficiency regulations and standards
- Uncertainty surrounding new regulation
- Reputation, and
- Changing consumer behaviour

The results annually feed back into our risk/opportunity management process to ensure Vermilion has a sound data foundation to support responsible decisions in our operating areas. Detailed analysis of these risks, including potential impact, financial implications, management methods and cost of management, can be found in our annual CDP submission. Vermilion also proactively conducts operational and engineering reviews aimed at increasing efficiency, reducing emissions and monetary expenditure requirements at major facilities, which has resulted in the identification of a large number of opportunities.

Carbon pricing: The primary challenge associated with carbon pricing encountered is the rapidly changing geopolitical landscape, which has a direct impact on regulation and taxation schemes. As these have the potential for rapid change to

the price of carbon, Vermilion assesses the price of carbon on both a realized cost perspective as well as shadow pricing, and has identified likely carbon pricing scenarios for all of our operations. This work pertains to Scope 1 and 2, and is applicable to Scope 3 emissions, as these emissions have the potential to be impacted by an economy-wide carbon tax, such as the tax in Alberta.

- Vermilion currently considers the reasonable price for carbon in the short term (1-2 years) impacting our Canadian operations to be \$30 per tCO₂e. This is based on the commitments made by the Alberta government relating to the economy-wide tax in place.
- In our European operations in the near and long term, we believe that a carbon price of 20-30 € per tCO₂e, which aligns with the French government assertions relating to a floor on carbon pricing, is also reasonable for our Netherlands and German assets. This is subject to update as a result of 2017 changes in government and legislation.
- For our Australian operations, though we are not being impacted by carbon taxation, we believe the previously asserted cost of \$20 per tCO₂e to be reasonable.
- Based on assertions made by the USA government, we do not believe our operations will be impacted by carbon pricing in the form of taxation; however, we consider \$20USD per tCO₂e to be reasonable from a planning perspective.

The determination of carbon pricing currently resides with our Corporate HSE group. The process for determining pricing includes a review of current pricing assertions by governments and a review of published research relating to the Paris Agreements and potential carbon price requirements.

Metrics and Targets

We have reported on key climate-related metrics annually since 2012 (see [Performance Metrics](#)), including:

- Scope 1 and 2 energy consumption and greenhouse gas emissions
- Renewable Energy expenses and emission reduction
- Scope 3 emissions (since 2014, with increasing data coverage annually)
- Flaring and venting
- Water withdrawal (with zero withdrawal in high baseline water stress areas)

Climate-related performance feeds into our Corporate performance scorecards (STIP and LTIP Scorecards), which are used to assess overall corporate results and are major drivers in determining short and long-term incentives (bonus and share awards). Potential bonus is available to reward employees for personal contributions and achievement of organizational objectives. Environmental performance and performance against our peer group is a weighted component in annual bonus calculation and compensation reviews. Potential long term incentives are available to reward employees for achievement of long-term corporate objectives, promote sustained increases in shareholder value and drive achievement of long-term strategy. Performance against project goals and outcomes therefore impacts each employee's total compensation, including Vermilion's Executive Team.

Current Targets

(additional details provided in our [Environment](#) section):

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Location	target	progress	details
Southeast Saskatchewan asset purchase in April 2014	Reduce flaring by 50% by 2020	204% achieved	In 2015 and 2016, through the construction of new infrastructure, operational changes and increased infrastructure runtimes, we have reduced emissions in our Southeast Saskatchewan assets by 75% since our acquisition.
The Netherlands	Vermilion set a target corporately to identify areas within our operation we could leverage green energy as a means to replace traditionally generated electricity. This grew from implementing solar and TEG powered lease sites across the Canada Business Unit to initiating ongoing and planned reviews of purchased power across our operations	100% achieved	On January 1, 2016, Vermilion began purchasing 100% green power from our largest power provider in our Netherlands Business Unit, resulting in a 97% reduction in Scope 2 emissions in that Business Unit from 2015 to 2016. This represents an estimated 39,145 tCO ₂ e avoided based on 2015 emission intensity levels for purchased energy and 2016 energy consumption.
Global	Top quartile emissions intensity (lowest emission rate on a per BOE basis) when compared against our peer group	100% achieved	Vermilion's emissions reduction initiatives and activities have resulted top quartile performance when compared against our peer group.

Given our successful meeting of targets to date, we are assessing global, science-based target setting, and will continue this work into 2018.

People Dashboard

3.4 Reduce premature mortality through prevention and treatment, and promote mental health and well-being

Vermilion supports this through access to preventive health care, including supplementary medical coverage for all permanent employees, access to mental health care, support for safe and healthy surroundings and lifestyles.



5.4 Recognize and value unpaid care and domestic work and shared responsibility

We offer key family friendly work options, including a strong parental leave program, vacation purchase program, flexible working hours, and the ability to work part-time with benefits.



8.2 Achieve full and productive employment and decent work for all women and men

We offer a full range of workforce protections, including respect for labor rights, detailed codes of conduct, robust compensation and benefits program, and a range of options for training and development.



Annual Targets	2016	2017
100% of permanent employees participating in an annual performance review and development plan	93% achieved	Available in Q2 2018
Strong employee participation numbers in the Great Place to Work survey in all of our participating jurisdictions	92% response rate	88% response rate

Key Metrics

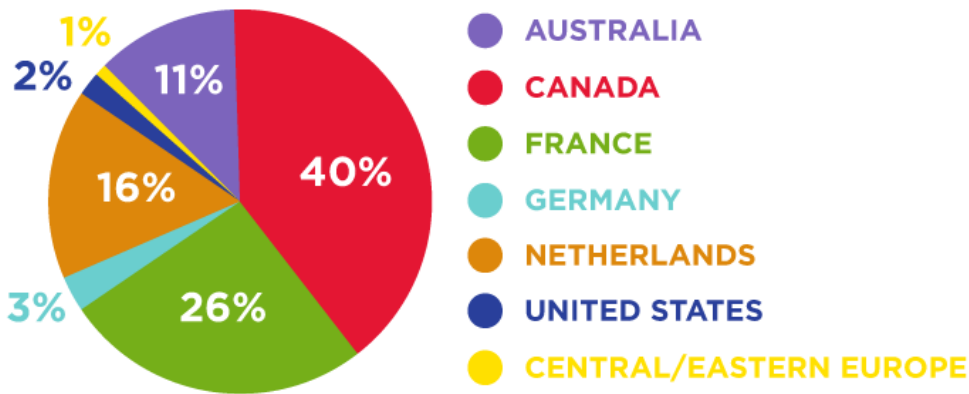
TOTAL WORKFORCE

At December 31, 2016, our global team comprised 661 people, compared to 721 at December 31, 2015. In 2016:

- > Permanent employees accounted for approximately three-quarters of our workforce
- > We had 44 internal moves globally, via 22 lateral moves and 22 promotions
- > We had 23 new hires, including 9 contract staff who were converted to permanent status^{G4-LA1a}

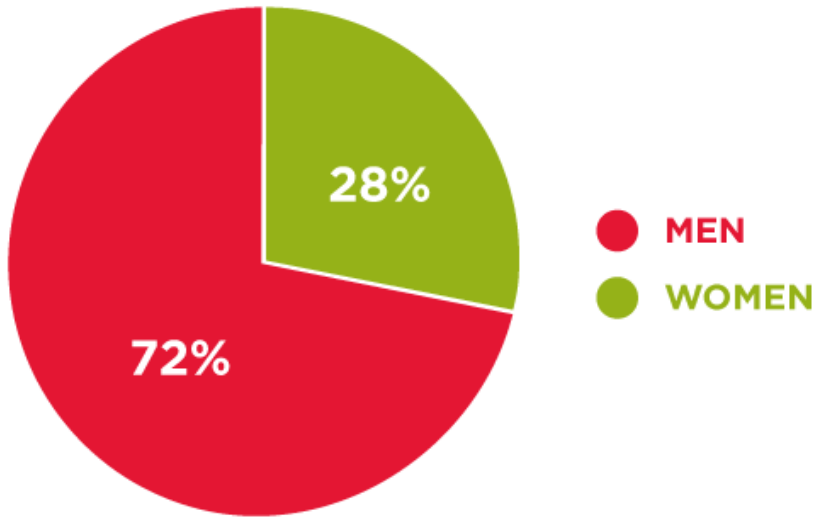
WORKFORCE BY BUSINESS UNIT

42% of our workforce is located in North America, 46% in Europe and 12% in Western Australia.



WORKFORCE DIVERSITY

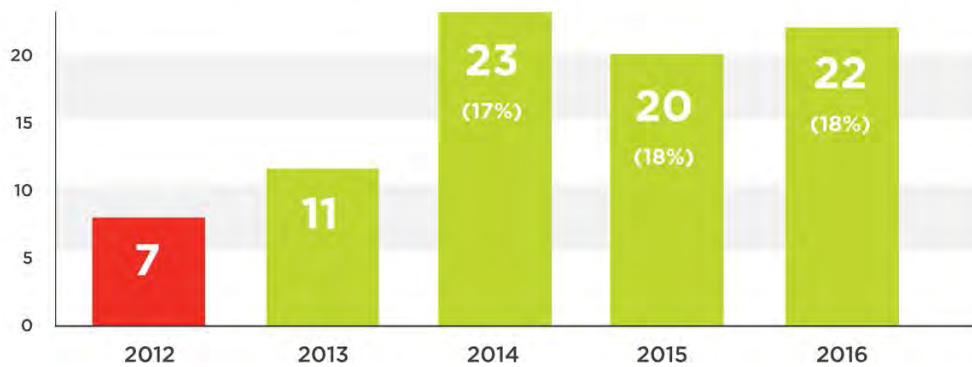
Our workforce gender split is slightly more balanced than that of the global oil and gas industry, which reported 22% women according to a 2017 study by The Boston Consulting Group and the World Petroleum Council.



WOMEN IN LEADERSHIP

Although we do not currently have a formal policy in place addressing the representation of women in senior management positions, two out of our 11 (18%) Directors on our Board are female and one out of four (25%) of our senior management team is female. In 2016, 18% of leadership roles at Vermilion were held by women. We are continuing to focus on supporting more women to reach leadership positions; this includes developing our high potential female employees through the creation of a mentoring program that will launch in 2018. This program will match participants with members of the Vermilion Management Team (Executives and Direct Reports of Executives).

NUMBER OF WOMEN IN LEADERSHIP POSITIONS

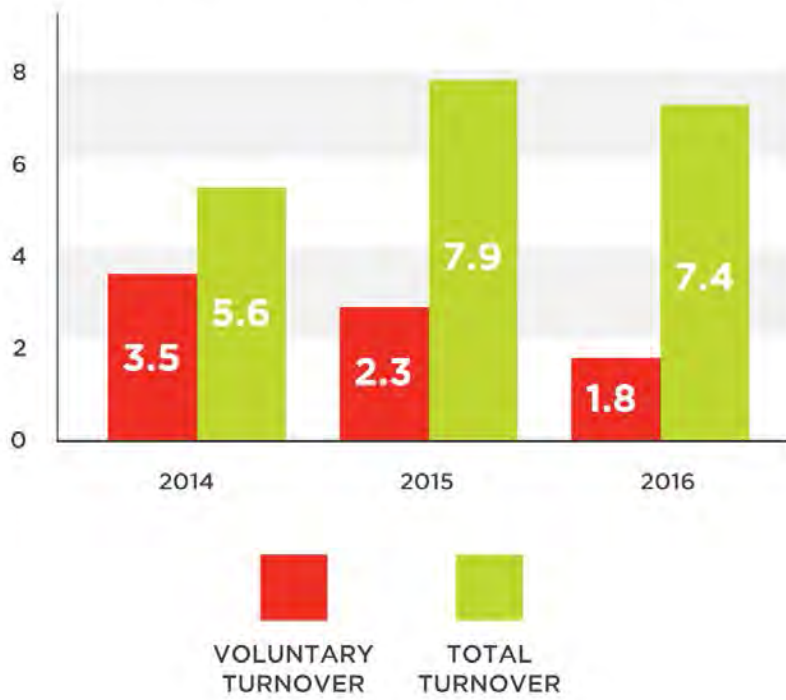


TURNOVER

By nurturing and protecting our culture, we believe we attract and retain the best of the best. Our successful efforts are best measured by our consistently low voluntary turnover rate. In 2016, our voluntary turnover rate was 1.8% (the lowest rate in five years), while total turnover was 7.4%. As an example, the Mercer industry average for our peer group in Canada in 2016 was 22.7% for office staff and 15.8% for field staff. Our corresponding turnover was 10.1% office staff and

9.25% field staff, G4-LA1b

VOLUNTARY TURNOVER RATE



TRAINING AND DEVELOPMENT

In 2016, we saw a 13% increase in training hours, to 8,913 hours of formal training. G4-LA11

Our Approach to People

OUR APPROACH TO PEOPLE, AND WHY IT MATTERS

Our overall focus is on building a team of highly motivated, empowered people who work together to deliver superior results and make Vermilion a great place to work. Because we view our strong culture as the single most important factor in our long-term success, it influences everything we do, which is why we focus on:

- Preserving the key components of our culture and finding ways to keep our people highly engaged and satisfied
- Offering unique career development opportunities that lead to superior attraction and retention of talented people
- Offering flexibility to address the diversity of our people, and
- Being proactive in resourcing our business to meet both current and future demands.

We recognize that our staff are key to achieving our operational and business goals. It is therefore of paramount importance to ensure our staff are motivated and resourced to support high performance, integrity and teamwork.

MANAGEMENT

We are committed to maintaining Vermilion's position as a workplace of choice, to enable us to attract and retain high quality staff. This includes offering competitive compensation and benefits packages, providing a safe and respectful work environment, and sustaining our strong culture.

Recruitment

We look internally to fill job postings wherever possible, to provide our staff with career advancement and/or development opportunities. When we recruit externally, we look for employees with strong technical skills and creative vision who want to work in a highly collaborative and dynamic environment.



Onboarding

Our onboarding process is designed to make our new team members feel immediately welcome and to integrate them quickly into our culture. This includes reviewing our People, Code of Business Conduct and HSE policies, reviewing compensation and benefits, ensuring IT systems are available when they arrive, and providing key information about our company and our culture to help them feel at home.

Compensation and Benefits

A market-competitive compensation and benefits approach is one way we acknowledge the value our people bring to Vermilion. Our programs are designed with commonality across all geographies where possible, with alignment to local markets.^{G4-EC3}

All permanent employees are offered a competitive base salary, short- (bonus) and long-term incentive plans, and a pension or retirement-like scheme. Short- and long-term incentives are associated with both individual and company performance, and are linked to specific corporate metrics for all employees, senior management team and our board of directors. These metrics include key sustainability and HSE performance indicators, supporting our priorities of safety and environmental protection.

We strive to foster workforce well-being through competitive health and wellness benefits. In Canada, for example, these include a taxable lifestyle account and tax-free health care spending account; health, vision and dental plans; short- and long-term disability benefits; basic and dependent life insurance plans; critical illness and "best doctors" insurance; plus company-paid access to an employee family assistance program. ^{G4-LA2}

In many of our business units, staff have the option to purchase additional vacation days. The Vacation Purchase Policy was introduced in 2016, in response to employee feedback requesting additional flexibility to support work-life balance and family life.

To learn more about Vermilion's compensation and benefits plans, please see our annual Proxy Statement and Information Circular.

Communication

Communication is critical to building a strong and respectful culture, where employees understand Vermilion's corporate goals and the key role they play in helping to achieve them, and where the company in turn understands what is important to staff.



We have a culture of open, two-way communication at Vermilion. Leaders make themselves available to staff, and staff feel comfortable approaching leaders. Members of our senior management team also make regular visits to our field and international business unit locations, to help staff throughout the world feel part of a whole. Through the annual **Great Place to Work** survey, our people often tell us that they value the approachability of our leaders at Vermilion, and that they feel heard.

VETnet: Our corporate intranet (VETnet) is a key communications channel, offering both global and local news. In 2017, in response to requests from staff, we expanded its original languages of English and French to include Dutch and German. Content generation and publishing is a shared responsibility amongst stakeholders from across the organization, and we take a centrally managed approach to ensuring the editorial content remains fresh and informative, ranging from corporate news to community investment activities in all our locations. Every VETnet page features a Suggestion button, which staff can use to make suggestions or raise concerns. We respond to these suggestions within one business day.

Quarterly Town Halls. These meetings, which focus on updates from Business units and key areas such as HSE and Community Investment, feature leaders and staff from around the world presenting our progress and plans, and are transmitted and archived globally so that staff can access them regardless of location and time. A confidential staff pre-survey provides staff with opportunities to raise questions and make suggestions to the senior management team, who participate in a Q&A panel at the town halls where they answer these questions, and any others that are raised during the town hall. A confidential post-survey provides staff with a forum to provide feedback on the effectiveness of the town halls, the interest in the topics presented, and suggestions for future content. These components are an excellent way for questions, concerns and suggestions to be raised, as the staff feedback is incorporated into ongoing company strategy discussions.

Quarterly CEO Updates. Our President and CEO provides business updates every quarter via email to all staff, highlighting our performance and priorities.

Works Councils

In France and The Netherlands, companies with more than 50 employees benefit from participation in a Works Council, which helps guide the employee-employer relationship. Works Council members are elected by employees to represent the workforce in discussions with the company on changes that affect the work environment, job expectations or benefits. They can also bring forward suggestions, grievances and concerns. A Works Council has been in place in France since 2006, and was established in The Netherlands in 2015 after we reached the applicable staff threshold levels there. In Germany, Works Councils can be established in companies with more than five employees; our Works Council was established there in December 2016. ^{G4-11}

Fair Culture

Ensuring that Vermilion has a positive, healthy and safe work environment is our top priority. That means it's essential to have fair and consistent procedures to review, document and resolve events or potential violations of company policies and guidelines or local laws.

We therefore have Fair Culture policies outlining these procedures that apply to all Vermilion staff and third parties performing work in all of our Business units. ^{G4-56}

Fair culture is about understanding human involvement in relation to events in a way that:

- Encourages organizations to learn from their mistakes
- Identifies the underlying causes of events involving human error
- Fairly assigns responsibility and consequences to individuals and leaders following an event
- Rewards behaviors that meet or exceed expectations, and closely examines and addresses non-compliance, and
- Identifies appropriate organizational resolutions to address the underlying causes of events.

Our Fair Culture policies create a balanced approach to assessing organizational, leader and employee accountability, helping to align Vermilion with industry best practices and positioning us as a leader in creating a balanced and transparent culture.

MEASUREMENT, EVALUATION AND ADJUSTMENT

As a high-performing, global organization, Vermilion uses an integrated, web-based people information system that enables employees to easily manage their personal information while providing leaders access to required information on their teams. This system supports our focus on Extraordinary People, one of the six strategic objectives that comprise our 2020 Vision, by providing staff immediate access to information they need.

Consistent and growing use of the system across the organization has enabled us to capture, verify and report significantly more data since 2012/2013. ^{G4-23}

We use a variety of checks and indicators to ensure that our People programs are achieving our goals:

- Voluntary turnover rates
- Ease of finding qualified candidates
- Analysis of results from **Great Place to Work** staff survey, including department and team workplans that respond to staff concerns and suggestions
- Monitoring of and action in response to staff suggestions via the intranet
- Market surveys to ensure we remain competitive
- Analysis of changing legislative or regulatory requirements
- Gap analysis for performance metrics

In 2017, we assessed our programs in light of the UN Sustainable Development Goals, identifying opportunities to drive key targets within the Goals that are aligned with our People Approach. This showcased the importance of SDGs 3.4, 5.4 and 8.2, as referenced on our Dashboard page.

We adjust our People policies as needed to ensure we remain competitive with our peers, aligned to changing regulations, and responsive to staff requests.



Performance Management, Training and Development

OUR APPROACH, AND WHY IT MATTERS

Our robust performance management system, along with our focus on learning and development, contributes to our overall philosophy to support our people to develop not only the skills they need for their current job but those that will benefit them throughout their career. We take a lifelong learning approach, combined with annual identification of specific performance and development goals for all permanent employees.



We believe that powerful development involves a combination of:

- Work experiences – on-the-job training through varied projects and roles
- Relationships – coaching and mentoring from others and connecting with external networks, and
- Formal training – specific training courses and conferences.

Providing opportunities for job-related training, along with career and personal development, is a critical element of employee engagement, building productivity and contributing to staff attraction and retention.

MANAGEMENT

Vermilion is committed to engaging and supporting employees as they identify and achieve career and development goals. Our performance management program is a yearly cycle that involves setting clear expectations for performance, identifying opportunities to learn and grow, providing ongoing feedback, evaluating goals, and recognizing accomplishments.^{G4-LA11} To support this, we provide informal and formal

training and development opportunities that fulfill both company and employee needs. G4-LA10

We place high importance on our performance management program, as it supports two-way communication between leaders and staff, and we aim for 100% participation for permanent employees.

The process begins at the start of the year, when our people identify their performance and development goals, career aspirations and mobility interests through our *Driving Excellence – Plan Forward* process. Performance goals are tied to our six key strategic objectives, ensuring that employees know how their work supports the company, and how they make a difference to our success. Evaluation of individual performance, in terms of the results achieved and how those results were accomplished, is done via a mid-year checkpoint and then through the *Looking Back – Performance Review* process that occurs at year-end.

Performance conversations and ongoing feedback between leaders and staff throughout the year are key ingredients to ensure performance is on track and recognized.

WE KNOW THAT WHEN WE DEVELOP OUR PEOPLE, WE BENEFIT NOT ONLY OUR STAFF BUT THE WHOLE COMPANY, AS IT HELPS US TO RETAIN AND ATTRACT THE BEST TALENT IN THE INDUSTRY.

Our international presence also provides selected staff unique opportunities to work on assignment, helping to broaden their operational expertise and understanding of our global operations while sharing key specialist expertise among our locations.

MEASUREMENT, EVALUATION AND ADJUSTMENT

We use strong workforce and succession planning processes that identify company needs for skills, knowledge and experience, cross-referenced to our performance management process.

This creates an opportunity for us to identify potential career paths for staff within Vermilion, and areas where we may need to recruit externally for specific positions. Together with the Great Place to Work feedback, it also provides input to our training and development activities, and has led us over the past several years to strengthen training offerings in such areas as personal development and key HSE courses, and to expand our lunch ‘n’ learn program to topics such as reserves, investor relations, and employee benefit programs.

In addition, our ongoing evaluation has allowed us to target increased communication on key performance management topics.



A Great Place to Work

OUR PEOPLE TELL US VERMILION IS A GREAT PLACE TO WORK!

Vermilion continues to demonstrate excellent results in the Great Place to Work Institute's® Best Workplaces competition, which we use as a tool for continuous improvement in our culture and people practices.

For an eighth consecutive year, we have made the Best Workplaces List in both Canada and France. We also made the Best Workplaces List in The Netherlands for a fourth consecutive year.

- In Canada, we ranked 28th out of more than 300 participating companies. In both 2016 and 2017, Vermilion was the only energy company to receive this award. This is very significant given the challenges we face in our industry today, and it demonstrates Vermilion's ability to excel under all conditions.
- In France, we ranked 33rd out of the 152 mid-sized companies that participated in the survey. Only 38% of the companies that entered the competition in this category earned recognition as a Best Workplace, so this is a significant achievement for Vermilion.
- In The Netherlands, we ranked 14th out of 37 companies in our category for Large and Multinational companies.

The rankings are based on the Institute's two-fold approach, which includes an independent assessment of our culture along with our employees' confidential responses to the Institute's survey.

Our rankings – and staff participation rates – have remained strong since we began our involvement with the Institute. In 2017, our global participation for employees was 90%.



In part, we attribute our strong results to the importance we place on reviewing and addressing the staff feedback shared through each business unit’s annual survey. We believe this is so important that we ask staff in all business units to participate in the survey, regardless of whether their staff count meets the minimum requirement to compete for Best Workplace recognition. This is the case in Australia and the United States, where our staff count is below the qualifying threshold.

Through the survey results, we gain a strong understanding of why our people choose to come to Vermilion, what they value and why they choose to stay. Competitive total compensation, exciting opportunities for growth and development, and pride in how we give back to the communities where our people live and work continue to be reasons why our voluntary turnover rate is among the lowest in our industry.

Here are just a handful of unabridged comments from staff on what makes our company a great place to work:

When my child was hospitalized, management told me to take the time I need and we can work out the time off later. My manager did not want me to worry about work and wanted me to go be with my child because he needed me and this was more important.

Our team operates like a small junior company within a larger corporation, making decisions on the fly and executing on ideas with support of the upper management. This style of managing the asset is very empowering to the team, and makes it feel like we can make a difference in the assets that we have to work on.

I have been at this organization for less than 2 years and the feeling I get is that I have now have an extended family with people that care. It’s a great feeling to know that corporations like Vermilion do actually care about employees.



Feature: Energy Apprenticeships

Vermilion is playing a key role in an industry partnership in Australia that has created a standardized education and training program to increase the supply of safe, skilled workers. It's already making progress: the first Energy Apprenticeships Group Academy (EAGA) class started training February 2016 and will enter the workforce in 2020, employed at oil and gas facilities across Australia.

The EAGA program operates in addition to Vermilion's own apprenticeship program, but focuses on those leaving secondary (high) school. Approaching people at this early stage in their work life provides an opportunity to raise awareness of the potential benefits of work in the industry, particularly among young women.

The partnership is focused on addressing future workforce requirements through collaboration to achieve cost-effective and sustainable results. This includes Vermilion and other industry leaders from Shell, Woodside, and Quadrant, along with Energy Apprenticeships Group and the Challenger Institute of Technology's Australian Centre for Energy and Process Training.

Together with the Resources Industry Training Council, they formed a steering committee to provide guidance and direction for the project. Graduates of the four-year course will have:

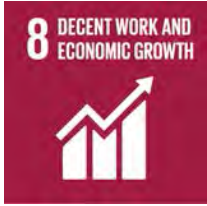
- › Formal qualification, in engineering and Process Control training packages
- › Life skills training (conflict resolution, etc.)
- › Underpinning knowledge in oil and gas systems
- › Secondments to operational workshops (valves, pumps, etc.)
- › Secondments to live oil and gas facilities

Candidates take part in ongoing assessment and reporting to measure their progression and ensure they are meeting milestones on their training plan, with oversight from the industry-driven steering committee. EAGA adopts best practice methods for the recruitment and support of Aboriginal and Torres Strait Islander people, which includes a full-time advisor offering pastoral care and collaboration with indigenous communities. Where applicable, the EAGA model can be adapted for indigenous-only pathways.

2017 Update: Two new Process Operator Trainees began their first swing on Wandoo in October 2017 as part of the Energy Apprenticeship Group partnership. The trainees have spent the last 2 years at the ACEPT training facility completing the Certificate III in Process Plant Operations and various site visits.

At Wandoo, they are working within the operations team to gain experience in the process on the platform as

well as Vermilion's culture.



Feature: OECD: Inclusive Growth

Vermilion was honored to participate in the launch of **the OECD's Roundtable on Inclusive Growth and Business**, which brought together leading experts on sustainability and business, and provided important recognition of our work in this area.

The Inclusive Growth Roundtable, held at OECD headquarters in Paris on Nov. 15, 2016, was an initial conversation on inclusive growth and how the business community is addressing it. Participants included the General Secretary of OECD, the State Secretary of Labor and Education for Slovenia, the Chairman of the White House Council of Economic Advisers, as well as Ambassadors and Ministers from OECD member and partner countries, and selected business leaders Danone and Vermilion Energy.

[More information](#)

How does Vermilion define inclusive growth?

For Vermilion, inclusive growth means making sure that everyone has an opportunity for economic advancement, regardless of their economic class, gender, religion or disability. We look at this as long-term capacity development, focusing on productive employment for our employees, contractors and local suppliers.

We also undertake environmentally sustainable development, having examples of these projects in several countries. And, we stress strategic community investment in the locations in which we operate, identifying critical community needs where our financial contributions and our employees' volunteer time can make a difference.



Inclusiveness is focused on equality of opportunity and capacity-building for our local labor force, our business partners that supply us, and our local communities. Here are a few examples:

- In Parentis, France, we began a project in 2008 to take unused heat energy from the produced water in our oilfield operation, and use it supply heat to a new tomato greenhouse industry. We are heating this greenhouse free-of-charge and free of carbon emissions for 25 years, which has made the greenhouse operation profitable to build and operate, and certifiable as an eco-greenhouse. This original investment has catalyzed a large tomato industry in Parentis, which now represents 27 hectares, 350 long-term jobs, €37 million invested in economic diversification, and 15 million kilos of tomatoes each year. It also saves 15,000 tonnes of CO₂ emissions per year, and is the largest tomato production in France from non-fossil fuel sources. It received the Minister of Ecology's "Circular Economy" award in 2013, and is an excellent example of the oil and gas industry:
 - Creating new jobs in a new industry
 - Making both industries (oil and agriculture) more sustainable, and
 - Reducing greenhouse gas emissions while increasing economic development.
- Another example is our "Eco-neighborhood" being built in La-Teste, France. This is a 30-year partnership with the city and a local developer to use our recycled geothermal energy to heat 450 apartments. This saves 50% of the heating bill for the residents, and a third of the apartments are reserved for low-income social housing. It also saves 650 tonnes per year of CO₂.
- We also support programs and contribute volunteer time to an Early Childhood Development Centre in a rural oil-producing area in Canada that had no such programs before.
- In The Netherlands, our flagship program focuses on a non-profit called JINC, a national program to assist underprivileged children between 8-16 to stay in school and develop their careers. JINC's motto is "Every child deserves an equal chance to find a job."
- In France, we are supporting a mentoring program called NQT, designed to provide mentoring and job skill assistance to recent college graduates from modest social environments, particularly in inner-city and poorer rural areas.

Projects such as these are demonstrating that green growth, sustainable growth and inclusive growth go hand-in-hand. They have carbon emissions, developed co-industries that can last for long periods of time, and led to substantial increases in employment, often in under-developed small-town and rural areas.



HSE Dashboard

[Click here](#) to see our SDG integration with Safety



[Click here](#) to see our SDG integration with Environment



In 2016, we met all of our corporate leading HSE Key Performance Indicators (KPIs) and our individual business units met or exceeded 99% of our leading HSE KPIs. Our 2016-2017 HSE accomplishments are an indicator of our progress towards realizing our HSE vision. These include:

KEY HSE PILLAR	2016-2017 ACCOMPLISHMENTS
HSE Culture	<ul style="list-style-type: none"> ➤ Conducted our second global HSE Perception Survey; overall participation rate of 95%, with all 10 safety factors returning favorable (above 3.5/5) results; working to develop corporate and business unit improvement plan ➤ Guided 5,665 hours of HSE-related training ➤ Completed HSE leadership training for Canada corporate functional leaders, front-line supervisor, rig, construction and operators, and management teams in The Netherlands, Germany, Central and Eastern Europe, and US

<p>Communications & Knowledge Management</p>	<ul style="list-style-type: none"> ➤ Ongoing development and implementation of Operator Competency Program in Canada and France ➤ Review and update of OCP in The Netherlands ➤ Development and implementation of online training modules in Australia
<p>Technical Safety Management</p>	<ul style="list-style-type: none"> ➤ Implemented Process Hazard Analysis Standard ➤ Initiated update to Corporate Risk Management Manual ➤ Completed Process Safety Management System draft ➤ Updated Asset Integrity manuals
<p>Incident Prevention</p>	<ul style="list-style-type: none"> ➤ Developed Individual Responsibility Awareness Initiative ➤ Enhanced emergency response, including global callout system implementation and online ERP manual
<p>Operational Stewardship & Sustainability</p>	<ul style="list-style-type: none"> ➤ Achieved CDP Climate Leader “A” List in 2016 and “A-“ rating in 2017; we are the only Canadian Energy Sector company, and one of only two in North America, to achieve a Leadership Level score in 2017 (Top 3%) ➤ Launched new carbon liability analysis to enhance emission management processes

Our HSE Approach and Management

Our Approach to HSE, and Why It Matters

Our HSE Vision is an extension of our core values of Excellence, Trust, Respect and Responsibility, and reflects our commitment to conducting our activities in a manner that ensures the health and safety of our people and those involved directly or indirectly in our operations.

This is Vermilion's highest priority. Nothing is more important than the safety of staff, partners, suppliers, communities and all those who work with us.

Protecting the environment immediately follows safety in our priorities. While this presents as a critical operational risk from an adverse environmental incident, it also offers important opportunities to improve technology and processes to both protect the environment and contribute to operational excellence and return to shareholders.

We operate by the mantra of "HSE: Everywhere. Everyday. Everyone." because we believe that striving for a healthy workplace free of incidents is key to efficient and successful operations that will continue to generate strong returns to our employees, shareholders and the communities that we operate in. When it comes to HSE, protecting our people and the places they work, play and call home is what really matters most.

Management of HSE

HSE Policy

Our HSE Policy is also our promise.

It applies to all Vermilion activities, and provides an overall commitment to key principles for managing health, safety and the environment. The policy, which is the basis for Vermilion's HSE objectives and targets, outlines the overall direction of our organization with respect to HSE and contains a commitment to continuous improvement:

Vermilion is committed to ensuring we conduct our activities in a manner that will protect the health and safety of our employees and contractors, and the public. Our HSE vision is to fully integrate Health, Safety and Environment into our business, where our culture is recognized as a model by industry and stakeholders, resulting in a workplace free of incidents.

Our HSE Vision

To fully integrate Health, Safety and Environment into our business, creating a culture recognized as a model by industry and stakeholders, resulting in a healthy workplace free of incidents.

Vermilion will maintain health, safety and environmental practices and procedures that comply with or exceed regulatory requirements and industry standards. Vermilion's HSE actions will reinforce our corporate Core Values of Excellence, Trust, Respect, and Responsibility.

Vermilion Energy will:

- *Maintain a strong integrated Health, Safety and Environmental Management System to identify and manage risks;*
- *Accept responsibility and accountability for providing leadership, visible commitment, and direction to meet our HSE performance targets;*
- *Continuously evaluate and improve policies and operating practices;*
- *Integrate HSE into business objectives;*
- *Provide every employee and contractor with a safe and healthy workplace;*
- *Make a positive contribution to the protection of the environment and seek improvements in the efficient use of natural resources;*
- *Respond promptly, responsibly and effectively to emergencies;*
- *Focus on continual improvement of HSE performance;*
- *Ensure open and timely HSE communication with all stakeholders;*
- *Ensure the resources necessary to support this policy are provided.*

Hazard awareness, incident prevention and environmental awareness comprise an integral part of any job. It is a joint effort that requires continuous support of everyone who works at Vermilion. The protection of health, safety and the environment must be a key part of the planning and execution of every task. All those engaged in work for Vermilion shall be aware of this policy and its contents, and shall commit themselves to its implementation.

HSE for All

We require third-party contractors and sub-contractors – our vendors – to be HSE pre-qualified prior to commencing service work. This helps ensure that they have an HSE program in place that meets or exceeds our requirements. We also observe and interact with our vendors on an ongoing basis to ensure that they are adhering to Vermilion's HSE practices, procedures and rules.

We hold mandatory monthly HSE meetings in every field district that all staff (field and administration) attend and senior management routinely participate in. On a quarterly basis, the HSE district meetings are replaced by HSE-focused town hall meetings that include our vendors (third party contractors). This practice, which has been in place since 2011, has resulted in a better understanding of Vermilion's HSE requirements, and an improved understanding of where and how we can provide better support to our vendors.

We also strive to engrain safety awareness throughout all facets of the organization, not just in our field operations. We believe our HSE mantra emphasizes that keeping people safe isn't just up to the HSE or operations departments, but involves every individual, whether they work as a technician in the field, an accountant in the office, or as a volunteer in the community during a Day of Caring.

To support this, we hold quarterly HSE Leadership meetings at the corporate level, with participants that include our senior management team and HSE advisors from all divisions and subsidiaries, representing 100% of our staff.

5 Key HSE Pillars

There are clear linkages between strong HSE performance and strong business performance. We consolidate our efforts and focus on five key pillars of HSE performance, because this enhances our ability to advance our HSE priorities and reduce our risk, which in turn helps us ensure worker and public safety, environmental protection, and the delivery of superior business results. Within each pillar, we have developed longer-term outcomes to articulate what we want to achieve now and in the future:

KEY HSE PILLAR	2020 VISION OUTCOMES
HSE Culture	<ul style="list-style-type: none"> ➤ Management and the workforce are actively involved in delivering HSE performance & improvement ➤ The organization looks at what might go wrong and takes steps to prevent it ➤ The organization creates an environment of empowerment, trust and accountability
Communications & Knowledge Management	<ul style="list-style-type: none"> ➤ Continuously learns and shares information to improve performance ➤ Values training and validates competencies ➤ Demonstrates reliable data systems, analysis, trending and generation of improvement actions
Technical Safety Management	<ul style="list-style-type: none"> ➤ Has a broad array of systems and practices to identify hazards and manage / reduce risks ➤ Demonstrates regulatory compliance ➤ Provides important organizational focus to low probability, high consequence events
Incident Prevention	<ul style="list-style-type: none"> ➤ Focuses on proactive measures for incident prevention. Responds promptly to hazards and takes immediate action ➤ Intervention is seen as a positive action
Operational Stewardship & Sustainability	<ul style="list-style-type: none"> ➤ Integrates sustainability policy and practices into business strategies and performance measures ➤ Considers that HSE and sustainable development has a direct correlation to business success

Our Hse Framework

THREE MANAGEMENT SYSTEMS FORM THE INTEGRATED FRAMEWORK OF VERMILION'S HSE CULTURE.

Our HSE Management System (HSE MS), Asset Integrity Management System (AIMS) and Process Safety Management System (PSMS) provide the formal structure that helps us foster a workplace culture at Vermilion where HSE is always a priority.

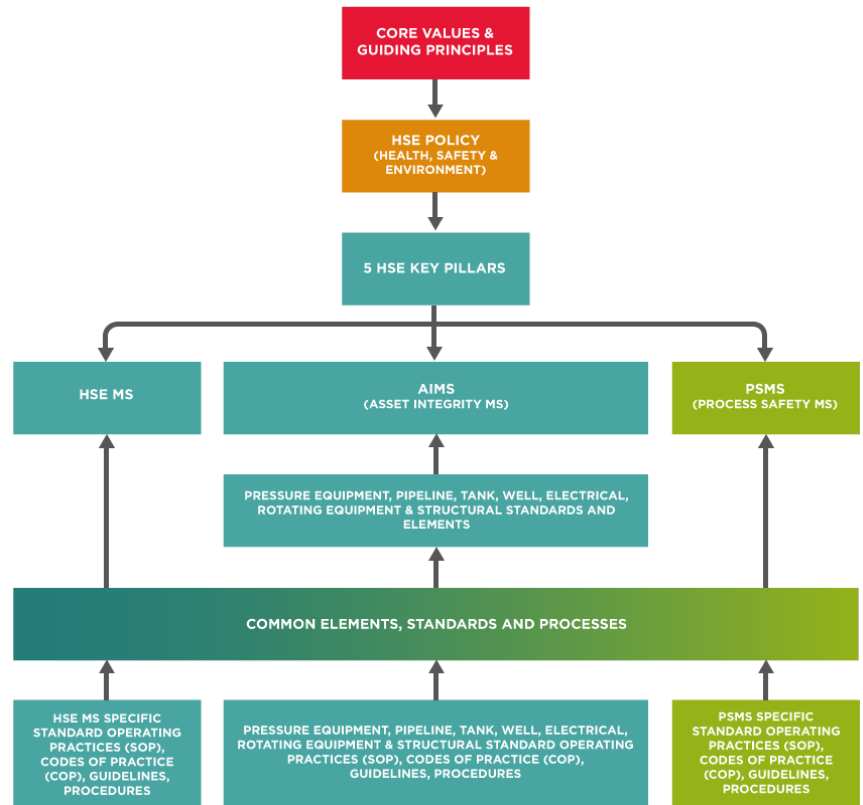
HSE Management System

HSE MS provides the structure for the delivery of our HSE policy and commitments, including areas of corporate ownership and responsibility, with the objective to increase consistency across the organization in its development and implementation. By following the HSE MS's action steps of Plan, Do, Check & Correct – which provide a process for continual improvement – we identify and manage health, safety and environment hazards and risks associated with our company's global operations.

Asset Integrity Management System

AIMS serves as the framework of processes and procedures that helps us execute safe and reliable asset operation. Through AIMS, we understand when work on an asset needs to be performed, how much it will cost, and where to start. Perhaps even more importantly, it helps us understand the impact and cost if no action is taken. Adherence to quality standards and practices, effective testing and inspection of equipment, quality of spare parts and repairs, and correct control of operating parameters are all within the scope of AIMS. A successful AIMS helps us improve operational safety, reduce spill volumes and frequency, increase overall reliability and life expectancy of assets through cost effective measures, assure proper management of high risk assets, implement best practices in managing our assets, and ensure compliance with regulatory requirements.

Process Safety Management System



PSMS serves as the “backbone” of how we manage process safety. This is a blend of engineering and management skills focused on preventing high impact, low probability events and near misses, such as fires, explosions, well blowouts and damaging releases associated with the loss of containment of energy or dangerous substances. Our PSMS is comprised of 14 interactive elements that identify key responsibilities and requirements, and is based on a Plan-Do-Check-Correct cycle. This helps us identify hazards, manage risk, eliminate or mitigate potential environmental impacts, operate safely and reliably, develop and share best practices, drive operational discipline, and support continuous improvement.

HSE Measurement and Evaluation

MANAGEMENT, EVALUATION AND ADJUSTMENT

Our Board of Directors maintains oversight of HSE performance through its HSE Committee, which has regular and direct communications with our Executive and senior management teams. HSE commitment and leadership is engrained in Vermilion's leaders, through visible and active participation. They set the tone, provide the vision and resources required to achieve our HSE objectives, and actively participate to ensure the importance of HSE is well understood and a high standard of compliance is maintained.

The foundation of our measurement is our corporate Event Management Information System (EMIS), called iTrak, which collects information from each of our operations about potential hazards and the actions taken to resolve them.^{G4-LA6c} This includes all health, safety, environmental, regulatory and public complaint incidents, near misses, unsafe acts and conditions, their root causes, actions taken, and preventive measures to avoid such incidents in the future.

Because of the potential risk to our people, the public and the environment, our President and CEO, COO, EVPs and other key senior leaders are immediately informed of all high potential near misses, recordable injury events and serious incidents entered into our EMIS. This reflects the critical importance of HSE at Vermilion. Lost time incidents and serious events are also reported to all staff throughout the company, with a focus on key learnings and prevention.

We have also established key performance indicators for HSE, which are reported internally on a real-time, monthly, quarterly and annual basis, with select metrics included in our sustainability reporting. Leading indicators (inputs) include elements such as HSE inspection/audit, finding closeout, compliance/regulatory inspections and emergency response exercises. Lagging indicators (outcomes) include elements such as lost time incidents, total recordable injuries, motor vehicle accidents, liquid spills and release volume, and emergency response plan effectiveness.

Our data collection, methodologies and tracking have consistently improved since our first public reporting from the years 2012 and 2013. This baseline has progressed into trend analysis and beyond. It now allows us to assess a detailed set of analysis associated with identified hazard exposure and root cause, with particular consideration given to our top fatal risks, allowing us to identify additional areas for improvement.

Vermilion uses a variety of HSE performance measurements that provide timely information on the progress and current status of the strategies, processes and activities we use to manage risk and safety. We focus our efforts on the development of meaningful leading indicators that tell us how effective we are at identifying and reducing hazards in the workplace. Our leading indicators include activities such as contractor observations, site inspections, management and staff participation in safety meetings and site visits. They also measure the development activities influencing safety performance and continuous improvement.

We recognize that to adequately assess HSE performance, we need to take a balanced approach by also

measuring outcomes, such as recordable injuries. However, we realize that such lagging indicators are reactive in nature, can be a poor gauge of prevention, and sometimes may lead to falsely interpreting low injury rates as an absence of risks in the workplace. Because of the drawback associated with this type of metric, we prefer to concentrate our energy towards more proactive performance measures.

Our HSE KPIs are included in the calculation of our Corporate Performance Scorecards for both 1-year and 3-year performance. As such, they directly impact employee and senior management team compensation. (For more information, see our [Leadership section](#).)

We also use the analysis of results from our staff HSE Perception Surveys, and audit and compliance reviews, to understand areas for further development. This feeds reviews and improvements to our HSE MS and our sustainability work.

HSE Training

One of Vermilion's HSE Pillars is Communications & Knowledge management. This provides important focus for continual learning and sharing of information to improve our performance and helps validate competencies across the organization.

HSE COMPETENCY FOR LEADERS

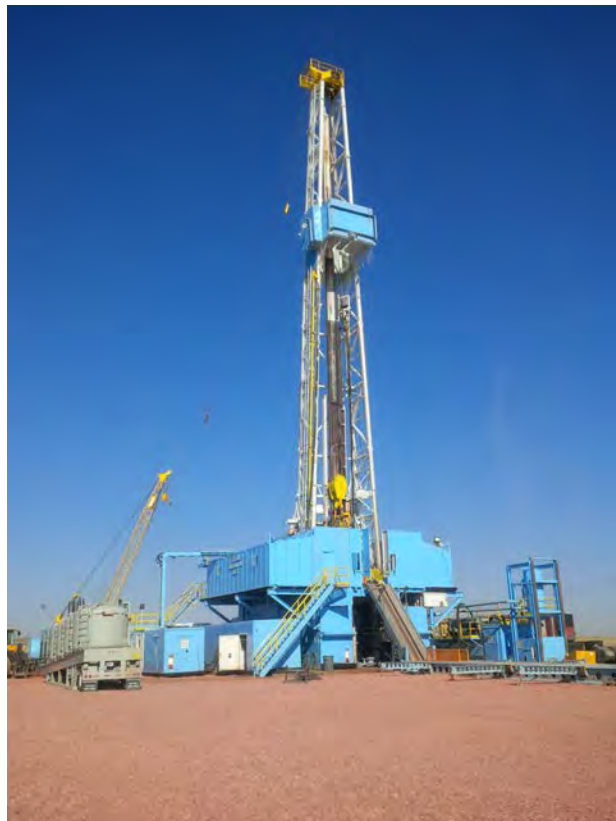
Vermilion is committed to ensuring all of our staff and leaders understand the importance of HSE and demonstrate this in their actions. All Vermilion's leaders – whether operational or non-operational – contribute to Vermilion's success by generating HSE awareness, identifying hazards, and understanding and mitigating the HSE impact of requests made of staff and operations. That's why our Performance Management system includes an HSE Competency for Leaders:

Demonstrates HSE Leadership:

- Visibly acts in accordance with all HSE policies, standards, procedures, legislation and core values
- Engages staff to identify and mitigate hazards and risks in order to fully integrate HSE into Vermilion's day to day culture, and
- Facilitates the sharing of HSE lessons learned.

In practice, we expect our leaders to act in accordance with all HSE policies, standards, procedures, legislation and core values, and to:

- Understand HSE requirements, make them a priority and integrate them into daily activities
- Walk the talk, not hesitating to intervene for the safety of all staff
- Report unsafe situations, be willing to be challenged and follow up on commitments, and



- Believe in continuously learning and take an active role in safety meetings, investigations and reviews.

We provide resources to help our leaders understand what success looks like and how they can meet Vermilion's HSE expectations. This focuses on seven key areas:

- Our HSE Journey
- Human Behaviours
- Communication
- HSE Reporting and Investigations
- Hazard Recognition
- Risk Management, and
- New and Inexperienced Workers

OPERATOR COMPETENCY

We have developed a comprehensive HSE training matrix for all technical positions at Vermilion globally – from field operators to senior professional staff – that identifies the associated mandatory and recommended HSE training requirements. Operator competency supports hazard identification and mitigates our exposure to a potential HSE event by ensuring that staff are properly trained to safely execute their daily tasks. A clear view of employees' competencies and training increases Vermilion's confidence that job functions are being performed safely and consistently within regulatory and Vermilion-specific policies, practices and guidelines.

We have advanced our Operator Competency Programs (OCP) in Canada, France, The Netherlands and Australia. These projects have included knowledge identification, task inventory and procedures, SOP development and levels of assessment.

Ultimately, this work is intended to help us fulfill our HSE vision of a healthy workplace free of incidents, but will also support more effective workforce planning, and increase employee satisfaction and productivity.

Safety Dashboard

3.6 Halve the number of global deaths and injuries from road traffic accidents

Vermilion has identified transportation, including driving, as one of our top fatal risks, and included it in our risk management priorities.



8.8 Protect labour rights and promote safe and secure working environments for all workers

Safety of workers and communities is Vermilion's highest priority; we focus on continuous improvement to our HSE Management System to support this, and report robust Occupational Health & Safety KPIs in our Performance Metrics annually.



12.2 Achieve the sustainable management and efficient use of natural resources

Avoiding or mitigating the environmental, health and safety-related impact of our production processes is integral to Vermilion's approach to responsible and safe operations.



Commitments and Progress

2016	2017	2018
Implement Fair Culture policy in Central & Eastern Europe business unit 100% achieved	Develop Individual Safety Awareness Initiative for global rollout 100% achieved	Implement Personal Safety Awareness Initiative globally

Develop and Implement fit-for purpose Process Hazard Analysis Standard globally 100% achieved	Application of Standard across organization 100% Achieved	Rollout and Implementation of comprehensive Process Safety Management System across organization
Develop new safety operating procedures as part of operator competency program (OCP) in Canada 100% achieved	Ongoing development and implementation of OCP in Canada and France; review and update in The Netherlands; development and implementation of online training modules in Australia 100% achieved	Ongoing development and implementation of OCP in Canada and France; review and update in The Netherlands; ongoing review and updates to Australian online training
Develop in-house HSE Leadership Program 100% achieved	Deliver HSE leadership training to Canada office and field supervisors, CBU front line operators, CEE & US functional leaders 100% achieved	Further develop training program and train new leaders
Our motor vehicle incidents decreased from 37 globally in 2013 to 20 in 2016	Further development of Journey Management SOPs in France and The Netherlands	

HSE Performance Measurement

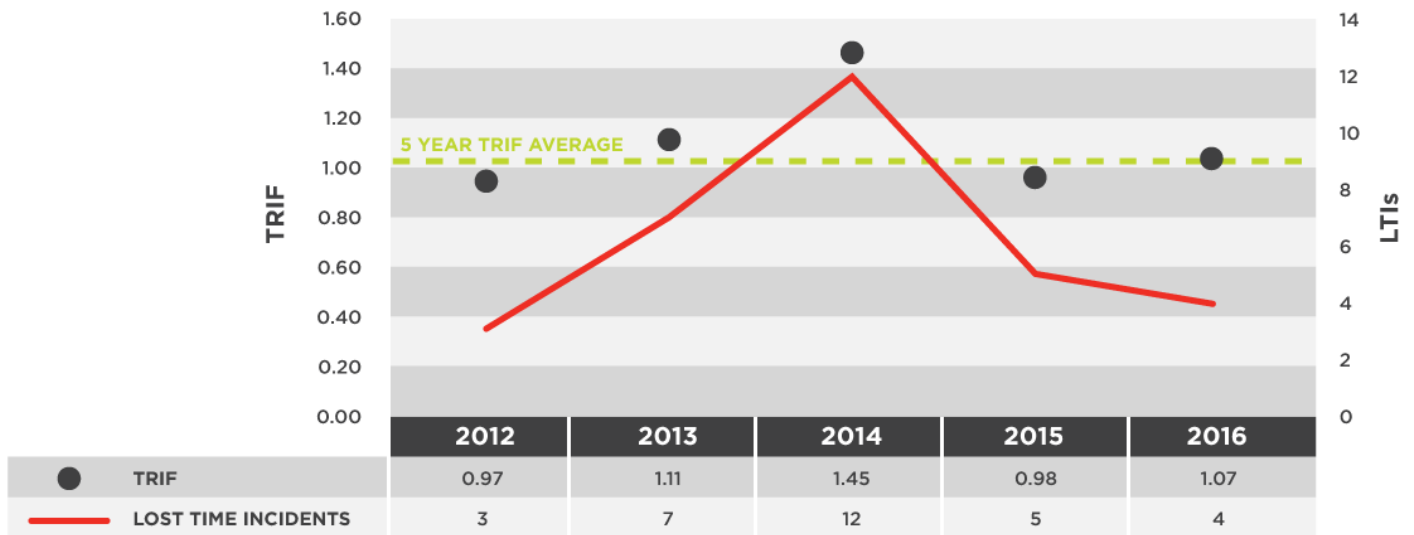
Vermilion uses a variety of HSE performance measurements that provide timely information on the progress and current status of the strategies, processes and activities we use to manage risk and safety. We focus on developing meaningful leading indicators that tell us how effective we are at identifying and reducing hazards in the workplace. These indicators also measure development activities, influencing safety performance and continuous improvement.

We recognize that to adequately assess HSE performance, we need to take a balanced approach by measuring outcomes such as recordable injuries. However, such lagging indicators are reactive in nature, can be a poor gauge of prevention and sometimes may lead to falsely interpreting low injury rates as an absence of risks in the workplace. Because of the drawback associated with this type of metric, we prefer to concentrate our energy on more proactive measures of performance.

Total Recordable Injury Frequency, or TRIF, is a standardized calculation commonly used to report recordable injuries per 200,000 hours worked. As with any other lagging indicator, it is a measure of yesterday's safety performance, once hazardous energy has found its way through controls and inflicted harm.

Total Recordable Injury Frequency (TRIF) and Lost Time Incidents (LTIs)

TRIF incidents per 200,000 hours



TRIF and LTI are shown from 2011 to 2016. Our extensive analysis completed annually and specifically on the 2014 events identified contractor resource management as a key focus area. Consequently, we are pleased to report that 2015 and 2016 showed improved results over 2014.

Human safety is Vermilion’s highest priority. In 2016, during a civil construction project in our France Business Unit, a sub-contractor was involved in an incident resulting in a fatality. We are deeply saddened by this loss of life. The authorities are continuing with their investigation with our full support.

As part of our overall safety management processes, we fully investigate all incidents and near misses, and implement corrective actions. We also communicate lessons learned across our business units to continuously improve our performance.

Our Approach to Safety

At Vermilion, we are committed to our vision of HSE. Everywhere. Everyday. Everyone. We are focused on ensuring everyone who comes to our locations returns home safely every day.

In addition to our overall HSE approach, we have established management tools and processes that are specific to the protection of the health and safety of our workers and our communities.

PUBLIC SAFETY & EMERGENCY RESPONSE

We understand and accept the high expectations placed on us by our stakeholders to ensure Vermilion recognizes, considers and mitigates potential safety impacts on the residents in the communities in which we operate. Ensuring public safety has been, and will continue to be, our number one priority. This is our license to operate.

WE REGULARLY CARRY OUT EMERGENCY RESPONSE EXERCISES TO TEST OFFICE AND FIELD STAFF RESPONSE TO EMERGENCY SCENARIOS.

Vermilion's organization and response to emergencies follows the globally accepted Incident Command System (ICS). The ICS design structure is applicable to all kinds of emergencies and is suitable for both small and day-to-day situations as well as very large and complex incidents. It is applied consistently with local emergency responders and across each operating area, and provides a common organization structure to aid the management of resources at emergency incidents. Exercises are organized throughout the year to train our people and test the effectiveness of our emergency response plan (ERP) under various scenarios. We also evaluate the effectiveness of every exercise and ERP that is conducted.

ERP exercises include table top exercises, simulations, and combined exercises with Corporate Headquarters:

Level 1 ERP	Level 2 ERP	Level 3 ERP	Level 4 ERP
Table top exercise – Includes discussion of various emergency scenarios, cross training of ICS roles and responsibilities.	In-Country Operations-only Simulation – Includes the mobilization of business unit staff, first level of scenario role playing.	Simulation includes Vermilion's Corporate Command Team Activation. Corporate Command owns corrective action logs and improvement schedule. Role playing of all Vermilion personnel involved.	Simulation includes Vermilion's Corporate Command Team Activation and external parties (other industry, emergency responders, government authorities, other external stakeholders).



TOP FATAL RISKS

We have worked extensively with our international operations to analyze a comprehensive data set and identify our Top Fatal Risks. Together, we selected risks that were common across our operations for a more detailed review, assessed related hazards, and developed comprehensive plans specific to each business unit to eliminate or prevent those hazards from occurring, or identify the barriers and controls required to help prevent an event from happening. We have implemented changes to our systems to help ensure the organization is focused on preventing these critical risks.

We identified our top fatal risks at Vermilion as:

- > Transportation
- > Energy Isolation (electrical / mechanical, etc.)
- > Crushed / caught between
- > Struck by
- > Process hydrocarbon release
- > Working at / Fall from heights
- > Structural Failure

We build on our people's experience, demonstrating the effective collaboration of our operations and management groups. Hazard identification and risk management programs have been put in place that align with the efforts we've directed towards competence and training programs in our operations. In addition, Vermilion maintains leading HSE KPIs, which our staff can access on our corporate intranet, to follow Vermilion's progress on hazard awareness and risk as part of our corporate scorecard. The leading KPIs are monitored as an indicator of the health of Vermilion's integrated HSE MS.



HSE Perception Survey

Each of our employees and contractors plays a critical role in our HSE performance, and in establishing and maintaining a safety-oriented workplace. We therefore conduct HSE Perception Surveys every three to four years, confidentially surveying our staff to learn about their perceptions of 10 overarching safety climate factors:

- Management Commitment
- Team Functioning
- Morale
- Supervisor Commitment
- Incident Outcomes
- Personal Responsibility for Safety
- Competency
- Organizational Commitment
- Fair Culture
- Safety Procedures

The survey:

- Provides a snapshot of staff perceptions about how safety is being managed
- Tracks the health of our Safety Culture across Vermilion over time
- Encourages employees and contractors to participate in and contribute to safety programs and initiatives
- Communicates throughout Vermilion our key strengths and areas for improvement, and
- Feeds into the HSE Plan and focuses the organization on critical items, ensuring a practical program.

To date, we have conducted surveys in 2013 and 2016, with this schedule providing the timeframe required to clearly understand the outcomes, and effectively plan and implement the actions required to respond to or address the findings.

Both surveys received a staff response rate of over 90%, creating a solid baseline measure of staff perceptions of how they feel safety is being managed at Vermilion.

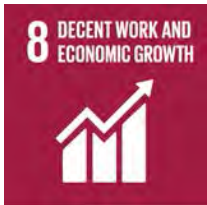
All factors received favourable scores in both surveys (above 3.5/5), with particular strengths in personal responsibility for safety, and the commitment to safety at the management, organization and supervisor levels. Staff identified opportunities for improvement as well, and we continue to mine the data and work to

better understand the results and use those learnings to identify focus areas.

The 2013 survey resulted in the implementation of our **Fair Culture** policy in Canada in 2014, and subsequent rollouts in our other business units, in response to feedback that Vermilion's incident investigation and resolution process was not sufficiently clear.

Other examples of actions taken as a result of the HSE Perceptions Survey feedback include advancement of our Competency Programs, updates to our Event Management Practice (EMP) and enhancement of our Event Management Information System (EMIS).

The 2016 survey highlighted training and competency programs, along with communications, as areas where we could improve, including making HSE documents and procedures easier to find, and improving our incident management software. We have focused on these areas throughout 2017.



Feature: Safety in The Netherlands

We assess and customize safety requirements according to the unique character of each of our business units. In The Netherlands, for example, we carefully monitor both earthquake and subsidence risks.

Earthquake Risk Assessments

No production-related seismic activity has ever been recorded on the fields that we operate in The Netherlands, some of which have been in production for over forty years. Nevertheless, we incorporate into our development and production plans the latest independent scientific research and modeling with respect to the probability and potential magnitude of seismicity occurring in relation to our operations. We are cooperating with all levels of government, research institutes and local communities to improve the industry's understanding and communication on this complex topic.

Subsidence Risk Assessments

As part of the production plan approval process, we conduct extensive baseline subsidence measurement surveys and construct detailed subsidence models to estimate the total lifetime subsidence as a result of gas production activities. Once production has commenced, we conduct regular subsidence measurements to ensure gas extraction-related subsidence stays within our modeled expectations. In the event that actual measured subsidence exceeds predictions in a given gas pool, we will conduct more detailed studies and measurement work to determine the appropriate production approach for the remainder of the gas pool life.

While we endeavor to reduce or eliminate impacts to the communities we operate in, if we have caused damages we will ensure they are compensated and corrected. In 2014, Vermilion contributed 3.6 million Euros to a compensation fund related to the Harlingen Upper Cretaceous field in the Province of Friesland. We voluntarily shut in this field in 2008, after we had taken over operatorship in 2004, due to higher than expected levels of subsidence. This field has remained shut in since that time.

Additional information about [licensing and permitting in The Netherlands](#) can be found on our Netherlands website.



Feature: Safety Case Revision in Australia

Like all facilities operating in Australian federal waters, Vermilion's Wandoo Facilities are required to have a Safety Case and Environment Plan that are assessed and accepted by the Regulator, NOPSEMA. The Safety Case and Environment Plan are objective- and evidence-based assessments requiring the Regulator to be satisfied that:

- The identified hazards and potential impacts are suitable for the Wandoo Facilities
- Hazards are assessed and managed to as low as reasonably practical, and
- A management system is in place to support and monitor implementation of hazard controls on a continual basis.



The Safety Case and Environment Plan require review and resubmission at a minimum frequency of five years.

The Safety Case is focused on the prevention of major accident events. Vermilion is required to identify, assess and manage major accident events through a series of formal safety assessments, including flammable hazards analysis, explosion risk assessment, and Escape, Temporary Refuge, Evacuation and Recovery Analysis. Throughout 2015 and 2016, Vermilion undertook a review and update of the full suite of the Wandoo Formal Safety Assessments, the outcomes of which were accepted by the Regulator in the 2017 submission.

The Environment Plan addresses the environmental impact from operations, well construction and oil spill response. We undertook a comprehensive environmental risk and impact assessment for all our activities within the Wandoo Field, and submitted our new Plan in 2016. In addition, we maintain a comprehensive spill response plan, which is aligned to our spill hazards and operating environment, and we review and test its capability requirements annually. NOPSEMA accepted our Operations and Well Construction Environment Plans in 2017 and 2014 respectively.

Both the Safety Case and Environment Plan require engagement with relevant stakeholders. The Safety Case process regularly engages the workforce throughout the assessment processes. The Environment Plan requires consultation with stakeholders that may be directly impacted from our day to day activities. As part of our commitment to stakeholders, Vermilion provides a summary of the environment plan, including contact information, on our website.

The Regulator conducts regular inspections to confirm compliance. Four inspections were conducted in 2017, with no enforcement action required.



Feature: Wandoo Life Extension

Given the significant capital expense and potential environmental impact involved in new offshore platform development, it makes sense to operate and maintain existing infrastructure safely and responsibly for as long as possible. Vermilion's expertise in this area is aiding our Wandoo Life Extension project, which is in process to verify that the design and physical integrity of the Wandoo field facilities in our Australia operations are suitable for production beyond the original design life. This will ensure that we remain compliant with local legislation and regulations, and continue to operate safely.

The original design life for the Wandoo A (WNA) unstaffed platform facility was 15 years from installation (October 1993). The WNA design life has twice been validated and extended for 5 years each, in 2008 and 2013. The structure is currently undergoing design verification to extend the design life again by 5 years to October 2023.

The original design life for the Wandoo B (WNB) staffed facility and export system was 20 years from the time of installation (March 1997). The WNB platform structure, all Wandoo topside facilities and the export system are currently undergoing design verification to extend their design lives by 20 years to March 2037.



Life Extension Process Overview

- Vermilion undertakes extensive site surveys of the existing facilities to determine their current condition, identify areas for maintenance and repair, and verify their condition for ongoing use, including super/subsea structures, subsea system, marine system, safety systems, wells, topsides and the Wandoo A platform.
- Vermilion develops a Basis of Analysis that presents the criteria to be used to reassess the platforms, flowlines and CALM Buoy; the design and operating facilities are assessed against current codes and standards using updated knowledge and data.
- The latest meteorologic ocean data (wave, wind and current) and seismic loads are developed by subject matter experts.

- The platform, CALM Buoy and flowlines are then reassessed and the results compared to the latest codes and standards.
- If the reassessment is supported by the Independent Verifying Body (IVB), Vermilion is issued with a Verification Certificate allowing us to operate the facility for the agreed future period.
 - Vermilion has selected Lloyds Register as the IVB, a recognized expert that meets our independence and competency requirements, to review the analysis and systems.

Project Progress

- The original design life for the subsea flowlines was 20 years from the time of installation (October 1996). The flowlines and export system design have received IVB verification, extending their design lives by 10 years to October 2026. This 10-year life extension, based on the flexible flowline's in-place strength, on-bottom stability and material limits, is an Australian industry first.



Environment Dashboard

6.1 Ensure the availability and sustainable management of water for all

We focus on water stewardship, both in our marine environments (6.6) and from a conservation perspective (6.4). We report on water metrics (6.3), and we participate in multi-stakeholder partnerships (6.1 & 17.17)



7.2 Increase the share of renewable energy in the global mix

7.3 Reduce energy consumption

Vermilion is developing expertise in geothermal energy projects while also focusing on reducing energy consumption through infrastructure renewal in all of our business units.



12.1 Ensure sustainable production patterns

12.2 Achieve the sustainable management and efficient use of natural resources

12.6 Encourage companies to adopt sustainable practices and integrate sustainability information into their reporting cycle

We are incorporating sustainable development into our business strategy (12.1), striving for increased energy efficiency (12.2) and expanding our sustainability reporting (12.6)



13.1 Combat climate change

We are proactively identifying risks and opportunities, reporting on emissions and other key data, setting internal carbon prices, and working on target setting.



14.1 Conserve and sustainably use the oceans for sustainable development

14.2 Sustainably manage marine and coastal ecosystems

We comply with or exceed regulations regarding wastewater and marine environment management, proactively improving western Australia’s capacity for oiled wildlife recovery.



SDG 15.1 Protect, restore and promote sustainable use of terrestrial ecosystems

15.5 Take urgent action to reduce or halt biodiversity loss

Vermilion has environmental impact assessment procedures that comply with or exceed all regulations in our business units, and we proactively work to ensure our operations protect local biodiversity



2016-2017 Updates

Strong CDP Results

Vermilion’s performance in the annual CDP scoring, which consistently places us far above our peer group, demonstrates the focus we have placed on understanding and managing the impact our operations and projects have on climate change. This is a significant achievement for a company of our size, and reflects the efforts from our HSE and Operations teams worldwide to increase energy efficiency and decrease greenhouse gas emissions, and to develop and implement renewable energy projects that support a circular economy.

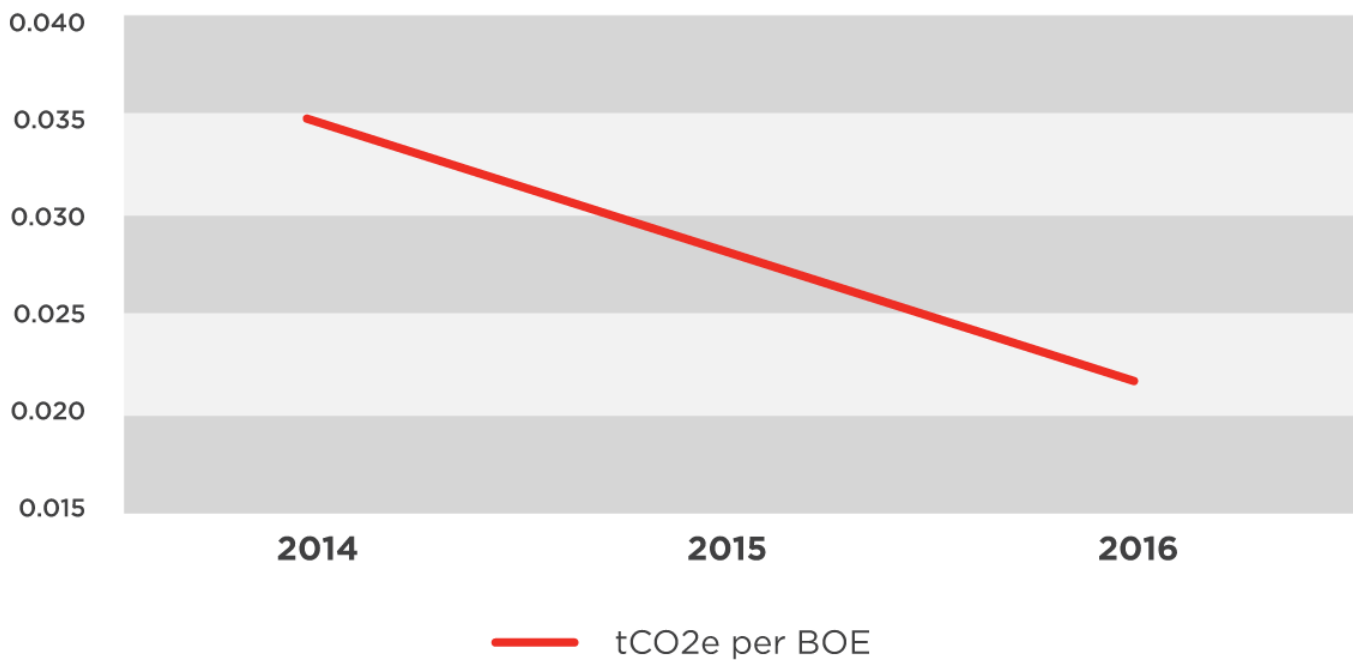
- In 2017, Vermilion was recognized with a Leadership Level rating of A-. We are the only Canadian Energy Sector company, and one of two in North America and 13 globally to achieve a Leadership Level score this year (Top 3%)
- In 2016, Vermilion achieved the highest ranking possible, being named to the "A list" level. We were one of 193 companies globally, one of only five energy companies in the world, and the only North American company to make the list.
- In 2015, Vermilion was the leading energy company on the Canadian Climate Disclosure Leadership Index (CLDI) and the first Canadian energy company to achieve the top score of 100.

Decreasing Emissions Intensity

We use both absolute and intensity metrics to assess our performance (see [Performance Metrics](#)). Our emissions intensity provides an important benchmark, as it confirms that even as we increase production, we are decreasing the greenhouse gas emissions of each barrel of oil equivalent that we produce.

EMISSIONS INTENSITY PER BOE

Scope 1&2 tCO₂e Per Boe



TOTAL SCOPE 1&2 EMISSIONS (Mt CO2e)

Compared to Operated BU Production (M BOE)



*Operated business unit production within our GHG reporting scope

Meeting Our Targets

To date, we have focused on testing our ability to meet absolute targets based on our performance via operational activities. The following targets have been critical in this process, and have contributed to our strong CDP performance.

Category	Target	Progress
Scope 1 – flaring and venting	Set in 2014: Reduce flaring emissions at our light-oil assets in southeast Saskatchewan acquired in 2014 by 50% by 2020	Above Target: Achieved 75% reduction in annual emissions (from 193,999 tCO2e in 2014 to 47,640 tCO2e in 2016)
Scope 1 – flaring and venting	Set in 2014: Reduce flaring emissions at one of our major facilities in France by 65% by 2015	On Target: Achieved 65% reduction in emissions (avoiding the flaring of 14,500 tCO2e annually) by implementing a gas export system
Scope 2 - renewable energy	Set in 2015: Exceed 5% of our total power consumption coming from renewable sources (and replacing traditionally generated electricity) by 2017	Above Target: Reduced Scope 2 emissions in The Netherlands from 41% of our 2015 gross Scope 2 emissions to 2% of our 2016 gross Scope 2 emissions through the purchase of 100% green power beginning on January 1, 2016, from our largest power provider in our Netherlands Business Unit. This represents an estimated 39,145 tCO2e avoided annually based on 2015 emission intensity levels for purchased energy and 2016 energy consumption.

<p>Renewable Heat Energy Target</p>	<p>Set in 2015: Generate 31,380MWh of renewable geothermal energy annually in our France Business Unit from our Parentis battery's tomato greenhouse project until at least 2035</p>	<p>Above Target: 2016 production was 47,093 MWh of geothermal energy</p>
<p>Renewable Heat Energy Target</p>	<p>Set in 2016: Begin generating renewable geothermal energy annually in France from our La Teste ecohousing site in 2017</p>	<p>Progressing toward Target: ecohousing geothermal heat technology installed, first 150 housing units in place November 2016</p>
<p>Emissions Intensity</p>	<p>Set in 2016: Top quartile emissions intensity (lowest emission rate on a per BOE basis) when compared against our peer group annually</p>	<p>On Target: Vermilion's emissions reduction initiatives and activities have resulted in top quartile performance in our peer group.</p>

Our Approach to Environmental Stewardship

MATERIALITY: PROTECTING WHAT'S IMPORTANT

We seek to operate our business in the most environmentally responsible manner possible.

The diversity and beauty of the environments in which we operate and live are daily reminders of the value of protecting the environment. To do so, we not only operate in compliance with all environmental regulations across all business units, but strive to lead the development of industry best practice standards in our operations worldwide in order to fulfill our commitment of pursuing Best-in-Class HSE and Integrated Sustainability.

Our commitment to pursuing Best-in-Class HSE is also a commitment to pursuing continuous improvement in all that we do. In addition to continuing to build processes to meaningfully track and understand our sustainability impacts, we are committed, wherever possible, to use processes that will reduce our environmental impact.

Our approach to environmental stewardship emphasizes four main areas for continuous improvement:

- Improving energy efficiency
- Reducing greenhouse gas emissions
- Increasing our water efficiency
- Caring for the land

MANAGEMENT

In addition to our overall **HSE Management System** and our **Risk Management**^{G4-EC2} process, we have established additional management tools and processes that are specific to environmental stewardship.

Environmental Impact Assessments: We conduct Environmental Impact Assessments and implement management plans as required by regulations in all of our business units, and wherever needed based on conditions in our operating locations. This includes, but is not limited to, the following examples:

- **Canada:** We use references such as Landscape Analysis Tool maps to identify areas that may require special care by our operators. One of our central Alberta locations touches on an area referenced as a Key Wildlife and Biodiversity Zone, particularly for ungulates such as deer, elk and moose. During the critical winter periods, when food sources are lower quality and less accessible due to cold temperatures and

deep snow, these animals survive by, in part, minimizing their energy expenditures through reducing their movements in their winter ranges. It is therefore important for us to minimize any disturbance to them during these critical periods. We therefore cease operations, including drilling, in this location between January 15 and April 30.

- **France:** In addition to completing EIAs, we collaborate with external consultants and experts to ensure that our activities support scientific research whenever possible. This resulted in an entirely new species of marine worm being identified in the waters off the coast of France. Vermilion's role in providing both data and material were noted in a scientific paper that identified the worm, named *Auchenoplax worsfoldi*, which has now been added to the World Register of Marine Species.
- **The Netherlands:** EIAs are part of the permitting process, and are carried out prior to an environment permit being granted for exploratory drilling and for production. In addition, we work closely with environmental experts to guide us in our activities to ensure that we do not disrupt or disturb wildlife migration, feeding or breeding patterns. In some cases, this means that we delay or reroute our development activities. This includes our Diever-02 well site, where we delay pipeline construction and other activities annually to ensure we do not interfere with birds nesting in the area.
- **Germany:** Vermilion is evaluating the exploration opportunities available on our land base. As we complete these assessments, we will present exploration activity plans to partners and authorities as well as public and community stakeholders. These plans will reflect our efforts to minimize the environmental and social impact of our activities. As environmental impact assessments are a critical element of the acceptance and permitting process, Vermilion will ensure that they are conducted in the most rigorous manner feasible.
- **Australia:** We have developed a detailed environmental impact assessment of the marine environment around our operations on the northwest shelf of Australia's west coast, including our direct permit area and a wider surrounding area, where either planned or unplanned events may create impacts. In addition to analyzing the biodiversity of the area, current and traditional uses, and areas of significant environmental value and cultural heritage, we have conducted a risk assessment workshop that considers the regional environment and the local marine ecosystem. The resulting environmental plan ensures that our systems, practices and procedures meet the plan's defined performance outcomes and standards and all relevant legislative requirements. The commitments associated with these outcomes and standards contribute to ensuring that the residual environmental risk associated with our operations is as low as possible. We have also developed a range of performance standards (controls) that will be implemented throughout the life of the Wandoo field to ensure the potential environmental impacts identified through the risk assessment are managed appropriately. In July 2017, the latest revision to the Wandoo Facility Environment Plan (which can be found [here](#)) was accepted by NOPSEMA, the regulator. The revision, which is valid for 5 years, includes the following:
 - Improvements related to produced water management
 - Water treatment upgrades, and
 - Improvements in oil spill response planning and capability
- **United States:** We conduct comprehensive EIAs in our US locations that include cultural and paleontological surveys prior to any ground disturbance. We are vigilant during construction, and committed to having paleontologists and other scientific experts on hand to ensure we not only meet all regulations, but also take care of fossils or other important items. In 2015, that's how we found a triceratops skull as crews started to build out one of our well pads. The skull was moved to the Denver Museum of Nature and Science.

Project Development and Management: We have altered our project management framework to include aspects of sustainability and climate change – including regulatory change, water use, emissions reduction and footprint reduction to reduce ecosystem fragmentation. We begin by ensuring compliance with regulatory requirements & standards, and alignment with Vermilion's economic assessment criteria at the investigation

phase of the project. Other project development factors include:

- **Employee Engagement:** Suggestions from staff via town halls and HSE district meetings. Staff feedback is taken into account by the groups responsible for management of emissions quantification and sustainability initiatives.
- **Financial optimization calculations:** Emissions reductions and other environmental stewardship impacts are driven by the optimization activities we undertake in our business units and identified at the project assessment stage for both new and existing construction. Added value and responsible, sustainable development of the resources in our operating regions are primary investment drivers. The activities are typically identified by the in-country technical teams.
- **Multiple benefits potential:** Many initiatives that support Vermilion's operational excellence and stewardship also have the effect of reducing emissions and other environmental impacts, and improving environmental benefits associated with our activities through the reduction of fuel, energy or water, or the protection of land and biodiversity. These benefits are identified during the investigation phase of a project assessment.

Our technical teams across the organization communicate with each other, collaborate on current and upcoming sustainability initiatives, and bring in technical expertise to augment project execution.



Measurement & Evaluation

MEASUREMENT, EVALUATION AND ADJUSTMENT

Internal Approach: We proactively focus on achieving Best-in-Class performance in environmental stewardship. We assess this based on a robust framework of measurement, reporting and adjustment, including the following actions:

- We have established a comprehensive climate and environmental risk matrix analysis
- We have implemented key performance indicators on environmental stewardship that we monitor monthly and report on annually
- We continually examine technology and processes, conducting operational and engineering reviews aimed at increasing efficiency, and reducing the emissions and monetary expenditure requirements at major facilities
- We analyze anticipated and actual legislative and regulatory changes and their potential impacts
- We have completed a GHG Quantification Methodologies study, and
- We updated our Carbon Liability Analysis in 2017.

External Approach – Regulatory and Reporting Framework: The following table illustrates the significant reporting and regulatory bodies under which we operate:

Business Unit	Reporting Body	Reporting and Action Activities
All Business Units	CDP	We initiated reporting under CDP in 2014, beginning with a base year of 2012.
All Business Units	Montreal Protocol	We have phased out Freon-22 in our C3 cooling plants in Netherlands to reduce the risk that this substance could be released.
Canada	Specific Gas Emitter Regulation	Reduction requirements do not apply, as Vermilion is below the threshold of 100,000 tonnes of CO ₂ e annually; our current and projected CO ₂ e reductions indicate that even with a 50% reduction in this threshold, we would still be below it. Although Vermilion meets our regulatory requirements, we maintain a detailed initiative database to identify and implement CO ₂ reduction projects where practical.
Canada	Greenhouse Gas Reporting and National Pollutant Release Inventory reporting under the Canadian Environmental Protection Act	Reduction requirements for Greenhouse Gas Reporting do not apply, as Vermilion is below the threshold of 50,000 tonnes of CO ₂ e annually; our current and projected CO ₂ e reductions indicate that even with a 20% reduction in this threshold, we would still be below it. We report under the National Pollutant Release Inventory (NPRI) requirements.

Canada	Alberta's Directive 039 (2013)	A regulatory change in Directive 039 led us to plan and begin the implementation of additional elements in our facility engineering and maintenance program to reduce benzene emissions associated with glycol dehydrators.
France	Register and the Annual Reporting of Emissions and Transfers of Pollutants and Waste	We report operations water, waste and greenhouse gas (GHG) information annually.
Netherlands	Netherlands Long-term Agreements with Industry (MJA3)	We report operations energy efficiency and emissions information annually.
Australia	National Greenhouse and Energy Reporting Act (2007)	We report under the robust emissions accounting required by this Act, and have examined three potential carbon taxation pricing scenarios and budgeted the costs associated with compliance.



Approach to Climate-Related Issues

Climate Policy and Business Strategy

We recognize the importance of creating and implementing climate policy. We believe that our approach goes well beyond climate and, in fact, speaks to our business strategy, balancing the needs of the planet as expressed in the 2015 Paris Agreement, with a strong focus on shareholder return. These are not mutually exclusive. In fact, our success as a business provides us with the ability to innovate in ways that will continue to reduce our impact on the environment.

At Vermilion, we have always been committed to the priorities of health and safety, environmental stewardship, and economic prosperity – in that order. Our management of climate-related issues – both risks and opportunities – follows that approach, in which we focus on best-in-class performance, founded on our sustainability leadership within the oil and gas industry and our core values of Excellence, Trust, Respect and Responsibility. (For more information about our governance of climate-related risks, please see our [Leadership](#) section.)

We are deeply embedded in the low-carbon transition, guided by global initiatives that include The Paris Agreement and the United Nations Global Goals for Sustainable Development. We are actively engaged in this critical work, with a focus on supporting a stable and managed energy supply that meets the energy needs of our global customers and communities, while also ensuring financial and organizational sustainability. The low carbon transition requires collaboration from all parts of the energy value chain, from producers through governments, industry, communities and consumers. As a responsible exploration and production company, Vermilion is looking forward to continuing our collective efforts on climate-related initiatives while also considering the wider issues of environmental and social responsibility.

Our strategy focuses on the following key elements:

- 1. Lower carbon fuels.** We have shifted our production mix towards natural gas, as a cleaner burning fuel than other fossil fuels, and we continue to focus on reducing the carbon intensity of the oil and gas that we produce. This includes producing fuel that is used within the country of production wherever possible, contributing to a reduced carbon footprint associated with transportation of the fuel to consumers, and to increased national energy security.
- 2. Greater energy efficiency.** Many energy- and operational-efficiency initiatives go hand-in-hand, which in turn helps us to minimize our carbon footprint and reduce greenhouse gas emissions. G4-EC2 G4-EN19
- 3. Lower greenhouse gas emission intensity.** We are committed to reducing the

greenhouse gas emissions associated with our production, with particular focus on methane.

4. **Socially responsible fuels.** We operate in regions noted for their stable, well-developed fiscal and regulatory policies related to oil and gas exploration and development, and for their robust framework of health, safety, environmental and human rights legislation. We are committed to ensuring that our fuels are produced in the most environmentally and socially responsible manner possible, respecting worker rights and community engagement.
5. **Renewable Energy.** We are continuing to pilot the production of renewable energy, including geothermal energy, for which our internal expertise in geophysics and drilling is particularly well suited. This work has begun with a focus on the geothermal potential of our produced water, which supports a circular economy model, and is expanding into other areas, including biogas and the conversion of traditional oil and gas assets to geothermal production.
6. **Transparency and Reporting.** We have established a strong record of reporting on greenhouse gas emissions, energy usage and other key environmental metrics. This data is helping us to understand our opportunities for improvement, and we will continue to use it to determine emissions and energy reduction targets.

How We Manage Climate-Related Initiatives

We have been working to analyze science-based target setting in relation to our operations in critical areas identified by both internal and external stakeholders, including energy use, greenhouse gas emissions and water use. One issue is that a decarbonization pathway for the oil and gas sector has not yet been published by the Science-Based Targets initiative, so we are undertaking our own research into this area. Understanding that organizations often progress along a continuum of action, we have achieved the following milestones:

- **Understanding our current situation:** our sustainability reporting since 2012/2013 highlights the increasingly sophisticated and streamlined data collection process we are using internally, and continues to provide a platform from which to assess current levels, trending and comparisons to industry peers.
- **Setting an internal carbon price:** We have established location-dependent **carbon pricing** schemes for Scope 1/2 emissions as part of our risk management process, looking at the three most likely scenarios to impact our business in the next 5 years (low, anticipated and high carbon pricing). Our rationale is to determine the extent of the potential impact of carbon costs to Vermilion's financial performance and competitiveness, and where the risk exceeds thresholds, plan and implement mitigation measures. We review carbon pricing at the corporate level based on in-country results.
- **Engaging in scenario analysis** based on a 2°C warming limit, and the impacts related to it, including:
 - Physical: temperature changes impacting our global locations, increasing severity of storms, rising sea levels, etc.
 - Regulatory: carbon pricing, carbon sequestration programs, oil and gas exploration and production

limits, etc.

- Changing consumer behaviour and technology: electric vehicles, replacement of coal by natural gas for electricity generation, etc.
- **Increasing low carbon products:** In 2016, we moved from a 60/40 production weighting of oil and natural gas respectively to a 50/50 split. We recognize that our natural gas – which provides the market with a power generation alternative that achieves approximately 80% energy efficiency and up to 50% cleaner burning than coal-fired electricity – is an important part of the transition to lower carbon energy. For example, if the natural gas produced by Vermilion on an annual basis in Canada were used for power generation as opposed to coal-fired power, the consumer would be able to avoid 2,839 ktonnes of CO₂e. We continue to explore additional projects in this area, including using flared gas to produce electricity at our facilities to offset our power consumption.
- **Comparing our performance to industry benchmarks:** Our emissions reduction initiatives have resulted in Vermilion having a top quartile emissions intensity (emission rate per BOE produced) when compared against our peer group. This is a significant achievement, given that we do not have the benefit of a concentrated asset (as many of our peers have), which would support lower operational emissions. We therefore rely more heavily on innovation to reduce emissions.
- **Anticipating changes in regulatory requirements:**
 - Update to Directive 039 in Alberta. This regulatory change led Vermilion to complete engineering reviews and facility updates that we estimate to total \$1MM by the end of implementation in 2018. This will result in Criteria Air Contaminants reductions beyond regulatory requirements, and is a good example of how we are staying ahead of changing regulations.
 - Participating in the MJA3 (Term Agreements on Energy Efficiency) programs in The Netherlands since 2005, with the result that our operations are 76% more energy efficient than our base year.

New Facility Construction: We employ new and efficient technology that adapts to changing requirements and has the potential to decrease our environmental impact. This includes:

- Canada Business Unit: In 2014 and subsequent years at a number of our new wells, we installed solar power as a primary power source, augmented with thermoelectric generation (TEG) for when the region lacks the necessary daylight to produce the energy required (seasonal augmentation)
- Corporate Headquarters: Our Calgary headquarters is located in a LEED Platinum office building, with our offices certified LEED Gold, including low-flow appliances and plumbing fixtures, Energy Star-certified computers and appliances, recycled content in furniture and carpet, and active participation in the building's Zero Waste program.
- France: Vermilion constructed our Parentis offices to comply with the French Thermal Regulation RT2005, which is focused on reducing the greenhouse gas load by limiting the energy consumption of buildings.

Retrofit of Existing Construction:

- Ambes, France: In 2017, we replaced traditional 300W lighting systems in our crude oil storage facility with 98W LED bulbs. This provided better lighting, an increased life cycle from 6,000 to 60,000 hours, and a decrease in energy consumption of 6,000 kWh, or 66%. G4-EC2



Approach to Methane Emissions Reduction

As one of the highest-impact greenhouse gases, methane is an important element in Vermilion's focus on climate-related risks and opportunities, particularly in reducing our greenhouse gas emissions from natural gas production. The economic viability of methane leakage prevention is an important element, with two factors influencing continuing developments: significant advancements in technology – fostered by government commitments surrounding climate change – and the cost of carbon. Combined, these will act to reduce the financial expenditure associated with methane leak detection and the updating of older infrastructure that is prone to sources of methane.

Measures being examined by governments in the regions where Vermilion operates have the potential for a significant impact on the marginal abatement cost curves associated with carbon reduction projects that Vermilion has looked at in the past, as well as future projects. The impact of these cost of carbon measures will result in increasing the economic viability of methane (and CO₂e) reduction projects. Understanding that this is a developing area, we have teams in each business unit who are responsible to monitor regulatory development and share learnings with other business unit teams, as well as corporate groups. We continue to proactively look at our operations to determine areas where we can prevent methane releases and have a positive impact on our Scope 1 emissions and our Integrated Sustainability business pillar. We believe that we have positioned ourselves proactively and have therefore mitigated the financial impacts of regulatory-driven methane reduction programs.

SOURCES AND DETECTION

Similar to any upstream oil and gas operation, the majority of methane emissions from Vermilion's operations stem from venting, flared emissions (understanding that flaring typically achieves 98% combustion efficiency), storage emissions and process/instrumentation emissions.

Vermilion has a robust emissions quantification program in all operated business units. We also have fugitive emission programs in place that are managed through our operations groups in each business unit, with the exception of our offshore platform in our Australia operation (an oil asset with no natural gas production infrastructure). Our Leak Detection and Repair (LDAR) program varies between business units:

- CBU: We currently perform limited LDAR that is targeted (for example, identifying leaks during a turnaround) as opposed to a gross percentage of our assets on an annual basis. In addition to a targeted LDAR program, we currently perform LDAR dominated by Operations identification (qualitative). The scope of this work covers over 90% of our assets in Canada on an annual basis, with over 340,000 site visits per year (estimated). Targeted identification such as identification of leaks during facilities work is also built into all turnaround activities within the CBU. This program is under review by the facilities group prior to LDAR regulations coming into place federally and provincially.
- FBU: Quantitative LDAR programs vary annually. As this is an oil-dominated asset, the volume of natural gas and associated CH₄ emitted is low.
- NBU: Netherlands has a robust LDAR program, with 25% of the accessible flanges screened on an annual

basis.

- **ABU:** This is an oil asset with no natural gas production infrastructure. Any associated gas is either utilized in on-platform processes to displace fuels we would have to bring from the mainland, such as diesel, or maintained within the process and reinjected into the formation it was produced from. While we do not complete a formal LDAR program for natural gas, any potential sources would be identified by our on-platform crew through visual inspections and auditory or olfactory detection. If a leak is identified, it is fixed.

According to a 2016 Environmental Defense Fund report (Improving Methane Disclosure in the Oil and Gas Industry), scientific studies on methane emissions from the natural gas and oil industries suggest that, in order to maximize the climate benefits of a transition from both diesel and coal to natural gas on all time scales, methane emissions from the industry must be limited to an emissions rate of 0.8%.

Vermilion's emissions ratio of CH₄ to Operated CH₄ production is significantly lower than the EDF's recommendations, at 0.48% (on a V/V basis). When comparing CH₄ emitted to natural gas production, Vermilion's ratio is 0.39%.

This demonstrates our commitment to methane detection and reduction, and we continue to examine areas where we could further improve.

OPPORTUNITIES FOR CHANGE

In Canada, LDAR will be mandated federally and provincially by 2020. We believe our Canada Business Unit is therefore in scope for an expanded methane LDAR program, with implementation likely in 2018/2019. This will form the basis for a country-specific carbon emission inventory, which will enable us to identify the areas with the largest potential return on investment related to emission reductions per unit of expenditure.

The EDF report further recommended placing an economic value on emissions. While applying the realized cost per business unit as defined in the 2016 annual report would indicate a value of approximately \$400,000, we would caution that this does not adequately account for the quality of emissions and the current technical challenges in recovering the 2% of partially combusted flared gas. We will continue to assess the practicality of accurately measuring economic value in this regard.

Part of the Vermilion advantage is our track record of being an industry leader in quantification and disclosure of the carbon emissions associated with our operations. While some initiatives, and how we complete them, are not disclosed to support Vermilion's competitive advantage, we believe that this portion of the energy sector has benefitted and will continue to benefit greatly from open sharing of ideas.

One recent example is the additional focus that Vermilion has placed on **reducing our flaring in our southeast Saskatchewan assets**, through infrastructure construction and the conversion of a former waste stream into a product stream. In addition, we have successfully converted a flare in our Parentis, France location to a **highly effective incinerator**. We are continuing projects of this type, as they are proving successful in achieving overall emission reduction targets in these assets, and they have enabled Vermilion to significantly reduce our emissions intensity while increasing production.



Feature: Energy and Emissions Reduction Projects

The following projects have long-term environmental benefits, including energy and/or emissions reductions.

Reducing Flaring and Venting in Southeast Saskatchewan

In April 2014, we closed the purchase of a small private company with light-oil assets in Southeast Saskatchewan. Following the purchase of these assets, Vermilion has made important improvements that reflect our focus on Safety, Integrated Sustainability, and Operational Excellence, based on our target to reduce flaring from this operation by 50% by 2020. This resulted in a significant focus on the reduction of flaring and vented solution gas at these sites in 2015 and 2016, including: the construction of new infrastructure, including a significant capital commitment to partner in a gas plant project that enables natural gas conservation in the region; operational changes; and increased infrastructure runtimes.

As a result, we have exceeded our target, reducing emissions by 75%, contributing to the gross emissions reduction in our Canadian operation from 2014 to 2016. Year over year, Vermilion was able to reduce emissions from our Saskatchewan assets from 2015 to 2016 by 76,476 tCO₂e (62%).



Purchase of Green Power in The Netherlands

Starting in January 1, 2016, Vermilion began purchasing 100% green power from our largest power provider (of 3 providers) in our Netherlands Business Unit, resulting in a 97% reduction in Scope 2 emissions in NBU from 2015 to 2016. This represents an estimated 39,145 tCO₂e avoided based on 2015 emission intensity levels for purchased energy and 2016 energy consumption. The Netherlands accounted for approximately 41% of Vermilion's gross Scope 2 emissions in 2015, and for less than 2% in 2016.

Incinerator Technology Upgrade in France

Vermilion is reducing flaring in many of our locations, because it is more efficient to incinerate or use gases such as methane (instead of flaring or venting them). In turn, this allows Vermilion to reduce our greenhouse gas emissions and our potential impact on nearby communities.

Our 2015 replacement of incinerator technology at our battery in Parentis has significantly reduced flaring, and helped us be a good neighbor to the community. Given the proximity of the glass windows of the tomato greenhouse that is co-located with our battery, it was particularly important to find a solution that avoided strong vibrations. Our installation of the new incinerator, along with new piping, scrubber and safety fencing in the incinerator area has resulted in no noise, vibration or smoke. Because the incinerator runs at a much higher temperature (900°C instead of 400-500°C) and combusts the gas in a much taller, 9-metre stack, significantly more of the gases – such as methane, sulphur oxides and nitrogen oxides – are safely incinerated, minimizing the gas that has to be flared.



Feature: Renewable Energy Projects in France

In 2008, Vermilion teamed up with four agricultural engineers who wanted to create an economically and ecologically viable greenhouse operation in which to grow tomatoes. The concept was to use geothermal energy from our Parentis oilfield's produced water to supply an industrial-sized tomato greenhouse operation.



Not only is this now an ongoing operation in which we're providing heat free-of-charge and free of carbon emissions for 25 years – which has made the greenhouse operation profitable to build and operate – it has sparked an entire agricultural sector in Parentis. Today, this sector represents:

- 15,000 tonnes of CO₂ avoided every year
- 15,000 tonnes of fresh tomatoes produced annually
- 27 hectares of greenhouses built, comprising four greenhouses
- 350 long-term jobs created, and
- 37 million euros invested in economic diversification in a rural area.

We are incredibly proud of the role we played in catalyzing this economic growth, with its social and environmental benefits. Not only have we helped create new jobs in a new industry, we have effectively decoupled economic growth from greenhouse gas emissions for this sector.

Here's how it grew.

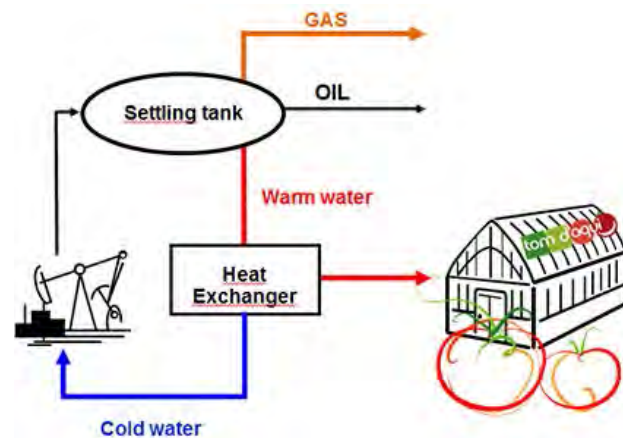
It began with tomatoes

It was the mayor of Parentis who brought Vermilion and the tomato growers together in the mid-2000s. The

ensuing discussions led to the rezoning and issuance of related municipal permits, and the signing of our 25- year partnership agreement. Tom D'Aqui (the tomato growing cooperative) built their first 10-hectare greenhouse next to our Parentis battery, we installed the heat exchange technology, and brought the operation online in 2012, establishing that this model not only worked, but worked well.

How it works

- > Vermilion's petroleum extraction process in the Parentis field produces a mix of oil, gas and water, which is naturally heated to around 60°C.
- > Once the oil and gas are separated out, the heated water enters a "closed loop" system where heat exchangers transfer its caloric energy to a second water system belonging to Tom d'Aqui (while ensuring fluids from the two water systems never come into contact).
- > The second water system heats the Tom d'Aqui greenhouse located next to the Parentis battery.
- > Vermilion reuses the produced water by pumping it back underground to maintain reservoir operating pressures and enhance production.



Within the overall agricultural sector listed above, the direct impact of our produced water geothermal system is 7,500 tonnes of tomatoes grown annually, 10,000 tonnes of greenhouse gases avoided each year and 250 direct jobs. This heating system also allows the Tom d'Aqui greenhouse to be heated without carbon emissions, a key element in their certification as an eco-greenhouse. The project also reduces the cost of traditional tomato growing operations in the region, allowing the producers to compete with warmer climate producers.

Recognition from the Government of France

This shared focus on innovative technology and environmental responsibility earned our partnership the 2013 Circular Economy Award for Industrial and Regional Ecology from the French government, recognizing economically successful enterprises that operate within a circular economy. G4-OG2/3

Sharing Our Expertise

Based on our success, we supported AVENIA, an industry partnership that advises the French government on energy, to launch an industry and country-wide study to identify the potential for waste energy use from oil and gas operations. In addition to contributing financial support, we provided the expertise of our people, and actively encouraged other companies to participate. The results were shared following a detailed review by AVENIA.

Expanding the Agricultural Sector in Parentis

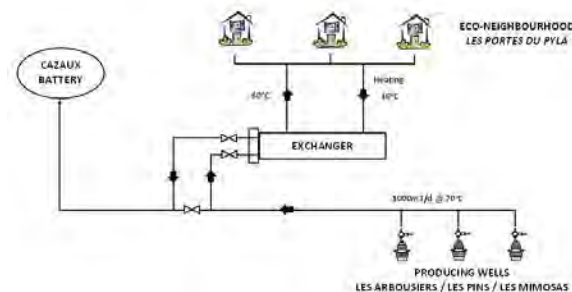
By demonstrating proof-of-concept, our partnership with Tom d'Aqui has been credited as being a catalyst for three new projects launched independently of Vermilion. But that's only part of the story: our heat contributes 40% of the sector's needs (representing the 15-hectare Tom D'Aqui greenhouse next to our battery); the other projects have been developed using recycled biomass, with the result that this is now the largest tomato production in France from non-fossil fuel sources.

Moving from Agriculture to Housing, in La-Teste

We are using a similar geothermal concept to support an Eco-Neighborhood being built in La-Teste. This 30-year partnership with the city and the French land developer Pichet will use our recycled geothermal energy to heat 450 apartments, saving 50% of the heating bill for the residents and 680 tonnes per year of CO₂. The community, which has reserved one third of the apartments for low-income social housing, also features a community centre and various sports facilities. The technology works the same way as in our greenhouse partnership:



- > Vermilion produces oil from three fields in the Arcachon Basin (part of the Aquitaine Basin): Les Mimosas, Les Pins and Les Arbousiers. The production is gathered in a central battery where approximately 1,000 m³/day of water at a temperature of 70 degrees Celsius is produced along with the oil.
- > A heat exchanger on our battery allows the transfer of the energy from the produced water to the eco-neighborhood, producing up to 80% of the heat needed; the remaining 20% will be supplied by the use of gas resulting from biomass, thanks to a COFELY/ENGIE boiler.



Feature: Renewable Energy Projects in The Netherlands

As a key part of the low-carbon transition, Vermilion is leveraging the proof-of-concept established in France to develop renewable energy projects in our operations in The Netherlands. There, the Dutch Energy Agreement (DEA) is targeting a 400% increase in renewable energy contribution from 4% in 2013 to 16% in 2023. We are playing an important role by demonstrating that, beyond using natural gas as a lower carbon transition fuel, synergies exist between natural gas production and green or renewable energy. We are also using our core business, based on geoscience expertise and our existing infrastructure to investigate several important avenues for supporting the DEA's target.

The Green Deal: Ultra Deep Geothermal Energy

Vermilion is one of seven companies to partner with the Dutch government, EBN (a natural gas exploration and production company owned by the government) and TNO (a Dutch non-profit for applied scientific research) to investigate ultra-deep (4,000 metres) geothermal energy that would produce the high heat needed by industrial energy customers. We signed the Green Deal in 2017 as an important step in establishing the regulations, technologies, standards and understanding needed to develop ultra-deep geothermal energy. Companies involved are expected to participate in pilot projects in various regions (Heerenveen for Vermilion), with the intention to develop those projects by 2020.

Gas to Geothermal Energy Conversion

Work to convert two of our depleted gas wells in Middenmeer, in North Holland, to geothermal production is underway, including integrity checks and technology refits. This project is expected to supply first heat by the end of 2018, with 200 cubic metres of water per hour. This will support a nearby regional agriculture hub with approximately 10 to 15 MWh of energy, or up to 30% of their heat demand. The hub – Agriport A7 – is one of the largest contiguous greenhouse areas in Europe, with 320 hectares and 9 tomato-producing customers.

Combined Gas and Geothermal Exploration

This work focuses on developing geothermal assessment plans on new gas drilling prospects so that a single

drilling operation can address the potential of both natural gas and geothermal energy opportunities. It makes good economic sense: geothermal projects are currently economically viable only in very good reservoirs and with subsidies. Combining gas and geothermal exploration increases the return on investment significantly.

Biogas Production

In Harlingen, we are investigating the production of biogas from low-grade biomass such as verge grass, manure, straw and wood. This project involves cleaning and upgrading the biogas to green gas at our Harlingen Treatment Centre, with the potential to process and dry the green gas to produce fertilizer. We are aiming at mid-2020 for this project.



Water Stewardship

Environmental stewardship of the planet's water resources includes two key focus areas for Vermilion: protection of water bodies, including oceans, lakes and rivers; and increasing our water efficiency. We support this using key performance indicators on water use in the **Performance Metrics** section of this report. This includes water withdrawal by source, and percentage and volume of water recycled and reused.

Protection of Water Bodies

None of our operations take place in areas that are considered water stressed. However, we take seriously our responsibility to protect the water bodies close to our operations, whether they are on the Bordeaux coastline or Parentis Lake in France, or off Australia's northwest shelf. We take a location-specific approach, complying with or exceeding water and operating regulations in all of our business units. We also monitor water as a risk factor, understanding that a decreased water supply due to climate change, for example, would impact our operations. The following projects are just a few examples of our water protection work.

France

In France, we are a member of the Regional Water Basin Committee in the Ambès region located on an estuary that leads to the Atlantic Ocean. This is one of six water basin committees in the country, and brings together both private and public stakeholders to discuss and define the main priorities of the region's water policy and the protection of its natural aquatic environments. In 2014, our Ambès superintendent was elected to the committee for a six-year term. The committee was responsible for the creation of a master plan for water development and management (SDAGE), and is often referred to as the "Water Parliament" of the basin.⁹⁴⁻¹⁶



Inland from the French coast, our operations on and near Parentis Lake are benefiting from our boat, the Pelican. Acquired in 2015, the boat is used for our lake rounds, and is increasing our presence and

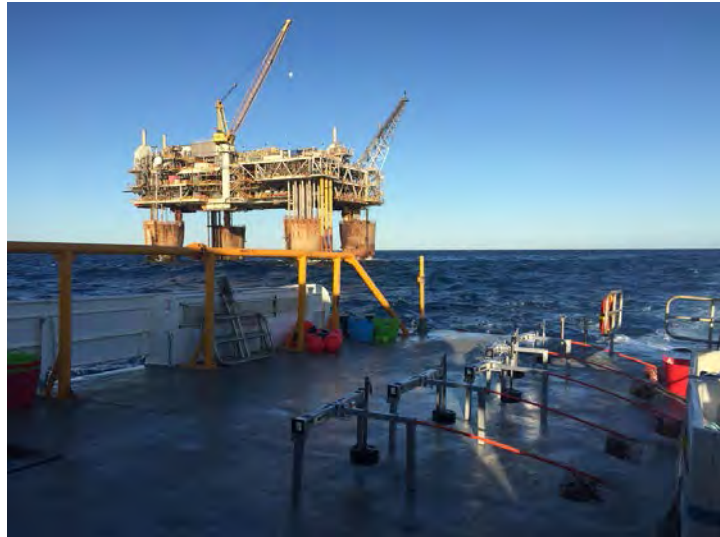
monitoring, offering a gain in intervention efficiency. From an environmental perspective, the engines meet the latest standards and regulations. This reduces fuel consumption and the boat's wake, thus offering greater respect for other lake users such as fishermen and sailors. In addition, we have organized several Days of Caring through our community investment activities that see our staff caring for Lake Parentis, clearing non-native invasive species from the shoreline, for example.

Australia

Like all facilities operating in Australian federal waters, Vermilion's Wandoo Facilities are required to have a Safety Case and Environment Plan that are assessed and accepted by the Regulator, NOPSEMA. The Safety Case and Environment Plan are objective- and evidence-based assessments requiring the Regulator to be satisfied that:

- The identified hazards and potential impacts are suitable for the Wandoo Facilities
- Hazards are assessed and managed to as low and reasonably practical, and
- A management system is in place to support and monitor implementation of hazard controls on a continual basis.

The Environment Plan requires review and resubmission at a minimum frequency of five years. It addresses the environmental impact from Operations, Well Construction and oil spill response. We undertook a comprehensive environmental risk and impact assessment for all our activities within the Wandoo Field. In addition, we maintain a comprehensive spill response plan, which is aligned to our spill hazards and operating environment, and we review and test its capability requirements annually. NOPSEMA accepted our Operations and Well construction Environment Plans in 2014 and 2017 respectively. As part of our commitment, Vermilion provides a summary of the environment plan, including contact information, which can be found [here](#)). The Regulator conducts regular inspections to confirm compliance. Four inspections were conducted in 2017, with no enforcement action required.



As part of this work, we undertook offshore marine monitoring in late 2015 within the Wandoo Field. This included the characterization of the epifauna using a remotely operated vehicle (ROV), water sampling and sediment sampling to:

- Obtain data to support Wandoo discharge modelling and impact analysis
- Obtain additional baseline data for future impact assessments
- Establish environmental data to support asset retirement planning

The ROV environmental monitoring survey revealed an ecosystem at Wandoo with a number of transient species, including turtles, sharks and rays, spotted at the base of our platforms. Corals, sponges, clams and molluscs cover the concrete structure.

The program was developed to identify Vermilion’s potential impacts on the marine environment in order to achieve further improvements in environmental management if required. As a major stakeholder in the region, it is Vermilion’s responsibility to the wider community to assist in maintaining the health of the regional environment.



Water Efficiency

Reducing our Water Use

France is an excellent example of a successful water reduction program. Between 2015 and 2017, we have reduced water consumption by 30%, from 682,000 cubic metres to 478,374. A significant part of this was our conversion of a suspended oil well located at our Vic Bilh asset into a saline water producing well for injection support.

Hydraulic Fracturing

Hydraulic fracturing is a government-regulated technology that has been successfully used in North America for more than 60 years. Some formations will not produce hydrocarbons without hydraulic fracturing, so we elect to use this rock stimulation method on some wells in Canada and the United States to enhance their productive capability. We use fracturing only in semi-conventional clastic reservoirs, and we do not develop shale reservoirs. Our semi-conventional development activities in North America are also much less frac intensive than shale development, requiring much lower volumes of sand and water. Based on independent economic assessments, we also have derived better returns for shareholders as a result of developing this expertise in semi-conventional reservoirs as opposed to shales. Government regulations, in combination with industry operating practices and Vermilion's own focus on Best-in-Class HSE and Operational Excellence, help ensure safeguards are in place to protect the environment, including freshwater aquifers, and to ensure safe and responsible operations.

Vermilion remains a conventional producer in Europe, not employing hydraulic fracturing in any of our European operations.

Improving Water Management: As the single largest component used in hydraulic fracturing operations, water is essential to developing unconventional oil and gas wells in North America. Operationally and environmentally, we continue to work hard to establish the most efficient and sustainable ways of sourcing and reusing this resource.^{G4-EN10, G4-EN23}

Approximately one-quarter of the water we pump during a Canadian frac, for example, returns immediately during flowback operations. We then employ fracture fluid technology that lets us re-use this flowback water on subsequent wells. We are also assessing where we can adjust completion schedules to optimize water use, and recycle flowback water to reduce overall make-up water requirements. Finally, we are also looking at the potential of using produced water (non-potable water produced with oil and gas) from our operations to replace fresh water use.

Groundwater Protection: We operate in accordance with strict regulations and Industry Recommended Practices (IRPs) that protect groundwater sources through exploration and production phases. For example, Petroleum Services Association of Canada's IRP #14 ensures that non-toxic, water-based drilling fluid is used

when penetrating freshwater aquifers down to the government-established base of groundwater protection, then steel casing is put in place and cemented in permanently to isolate the upper portion of the well while drilling to the final reservoir target.

In Alberta, the Cardium formation is Vermilion's shallowest development play that uses hydraulic fracturing practices to stimulate the formation. Here, as in our other areas of operation, we employ micro-seismic and computer modeling to ensure we are not contacting or impacting potable water aquifers through our activities. The micro-seismic events measured during hydraulic fracturing operations indicate the height and extent of the fracture system. The seismic data tells us that a typical hydraulic fracture height in the Cardium interval is up to 100 metres. We also know that the Cardium interval is typically found at 1,750 metres below surface and the base of the deepest groundwater is at approximately 600 metres. We therefore maintain an approximate separation distance of 1,100 metres of rock from the base of groundwater protection to the top of the hydraulic fracture.

Ensuring Containment: Flowback fluids are contained onsite in a closed system, where they are later treated and re-used, or disposed of at authorized facilities at the conclusion of a program. In addition to accessing current technology in our operations, Vermilion has been involved in trialing many new and emerging technologies, and we have invested time and money in an effort to make them viable. Examples of this include research and development to implement technology that allows for the treatment and re-use of advanced gel chemical fracture flowback fluids. This approach reduces the freshwater needed to complete wells and the volume of water disposed of via deep well injection.

We publicly disclose all of the additives we use to FracFocus, as well as via our regulatory submissions. We continue to work to decrease the required concentration of our additives and we work with our fracturing suppliers to source even better alternatives for future consideration.



Land Stewardship

WE UNDERSTAND OUR RESPONSIBILITY TO BE CAREFUL STEWARDS OF THE LAND.

Throughout our operations, we focus on a systematic approach to caring for the land – from **environmental assessments** during our exploration activities, to wildlife and vegetation protection during production, to planning and implementing reclamation activities when drilling is complete.

The following examples represent just a few of the related activities that we undertake.

Reducing Impacts on Communities

We carefully consider issues such as traffic, noise, light, and flora/fauna impacts in our development and operations activities. We work with local residents and independent environmental groups to help reduce our impact. This includes early engagement with local communities through town hall sessions and other communications avenues to discuss our full development plans, and listen to any concerns, questions or feedback that is provided to help shape our plans. For more detail on our stakeholder engagement, see our **Report** section.

Reducing Surface Footprint

Wherever possible, we reduce our footprint on the land by re-using existing well sites, flow lines and surface facilities to support development. This reduces the aerial impact of our operations and removes the need for the construction of new well sites or pipelines.

In Canada and the United States, we often employ the use of horizontal wells. Where sub-surface geometries are conducive, we program these wells from a single surface location or pad, with up to eight wells being drilled from a single location. Pad drilling reduces the aerial extent of the well site, surface facilities, pipelines and roads. To put this in perspective, a single vertical well has a surface impact of approximately 1.7 hectares, while an



eight-well pad surface impact is only about 0.5 hectares per well. We also use this horizontal approach in France, in the Neocomian and Vulaines fields.

This reduction in surface footprint is amplified by the longer horizontal lengths of wells. In the past, one pad site would have developed about 20 sub-surface hectares (1,400 metres in horizontal length); today, we can develop 1,000 hectares from a single pad site (up to 3,000 metres of horizontal length).

Our Pembina stacked play in Canada has the added environmental benefit of being able to share surface infrastructure, such as roads, pipelines and processing facilities between several different plays. This higher well density reduces driving distances, and therefore emissions associated with development, monitoring and maintenance of wells. It also optimizes equipment and energy used during development and maintenance of productive reservoirs.

We also re-used existing well sites in The Netherlands during our 2014/2015 drilling program. We drilled nine wells, six of which were from pre-existing well sites, thus reducing the need for the construction of new sites or pipelines. In addition, all of our lease sites are sealed with asphalt to isolate them from the groundwater table. We collect rainwater that falls on our lease sites in a series of berms, gutters and storage systems so we can confirm first that it is safe to release back to the environment.

In Australia, our use of horizontal drilling and the re-use of existing well sites also reduces disturbance of the sea floor and impact on marine life.

Supporting Biodiversity

Wherever possible, we support local biodiversity efforts, from analyzing the **marine environment** off Wandoo to **protecting ungulates** such as deer and elk during critical winter months in Alberta.

In France, thanks to a request from a local beekeeper, honey is now harvested from our Saint-Méry battery site. It turns out that our site is a strategic location for beehives due to the presence of many fruit trees and acacias that are favourable to the proper development of the hives. The eight hives were placed in a small grove mainly composed of acacias, to position the bees as close as possible to flowers around which they can forage, thus optimizing the quantity and quality of the honey produced. The bee chosen is part of the "Buckfast" species, which is particularly hardy and renowned to be minimally aggressive.



In Australia, Vermilion has led the effort to develop the regional oiled wildlife response capability necessary to effectively manage the impact of a large oil spill on wildlife. We funded the necessary equipment (a rapid response unit that would receive, assess and treat oiled wildlife) and training, created a register of wildlife responders, and developed "at call" capacity for support specialists. To enable all-industry access, we subsequently donated this equipment to the Australian Marine Oil Spill Centre, which is funded by the

Australia Upstream and Downstream Industry group, which includes Vermilion. This initial investment and follow-up support from Vermilion has enhanced oiled wildlife response within Western Australia. While we hope there is never a reason to use this equipment, we are proud to have meaningfully increased the spill response capabilities of industry in our operating area.



Communities Dashboard

Homelessness and Poverty

1.2 Reduce at least by half the proportion of people living in poverty

We invested \$790K in 2016 towards programs that contributed to either preventing homelessness and poverty, or supporting those currently experiencing these conditions.

Our work encompasses **several flagship partnerships** in our business units, along with the following corporate initiatives:

2015-16: The Vermilion Energy Family Centre at Wood's Homes in Calgary supported 34 families and a total of 139 children, youth and their parents / caregivers.

2013-2017: The Vermilion Energy / YW of Calgary Employment Resource Centre has served 1,402 women, offering 386 employability workshops, 45 skills-for-life workshops, and 533 one-on-one career coaching sessions



2.1 End hunger and ensure access by all people to safe, nutritious and sufficient food

Our funding focus on homelessness and poverty encompasses several programs that support ending hunger, including our **Days of Caring**:

Canada 2016: 8,400 hot lunches funded and served at the Drop-In Centre, Canada's largest shelter serving those who are homeless

Denver 2017: staff sorted 57,400 pounds of food for the Food Bank of the Rockies

The Netherlands 2017: in addition to our funding of 22,000 euros, staff supported the launch of KinderRestos in Leeuwarden, helping children learn about healthy food and lifestyles

France 2017: every year, staff in Melun support the Restos du Coeur food drive at a local supermarket, informing customers about the campaign and accepting food donations.



Health & Safety Promotion

3.6 Halve global deaths and injuries from road traffic accidents

We established our **Global Emergency Responder Program** in 2017, to support critical equipment and training needs for emergency medevac and similar services in all of our business units.



Environmental Stewardship

15.5 Action to reduce degradation of natural habitat, halt the loss of biodiversity and protect and prevent the extinction of threatened species

In addition to our funding for environmental stewardship, staff in our business units consistently support local conservation and biodiversity efforts. In 2016, we contributed 395 staff hours, including the following **Days of Caring**:



Canada 2016: 200 staff hours for conservation protection at the Nature Conservancy of Canada's Coyote Lake Nature Sanctuary

France 2016: 14 staff spent several days clearing primrose willow, an invasive plant species, from Parentis Lake

The Netherlands 2016: in addition to €30K in funding, two staff groups supported the Frisian nature reserve of Fryske Gea, cutting and clipping small trees and shrubs to make more space available for natural flora to create a better animal habitat

Celebrating our Cultures

17.17 Encourage and promote effective public, public-private and civil society partnerships

We believe in partnering with our communities to better understand their needs and how we can best support them, and to amplify the value of organizations within them. We have key **community and civil society partnerships** in each of our major business units.



Progress on Commitments

Target 2016	Target 2017	Target 2018
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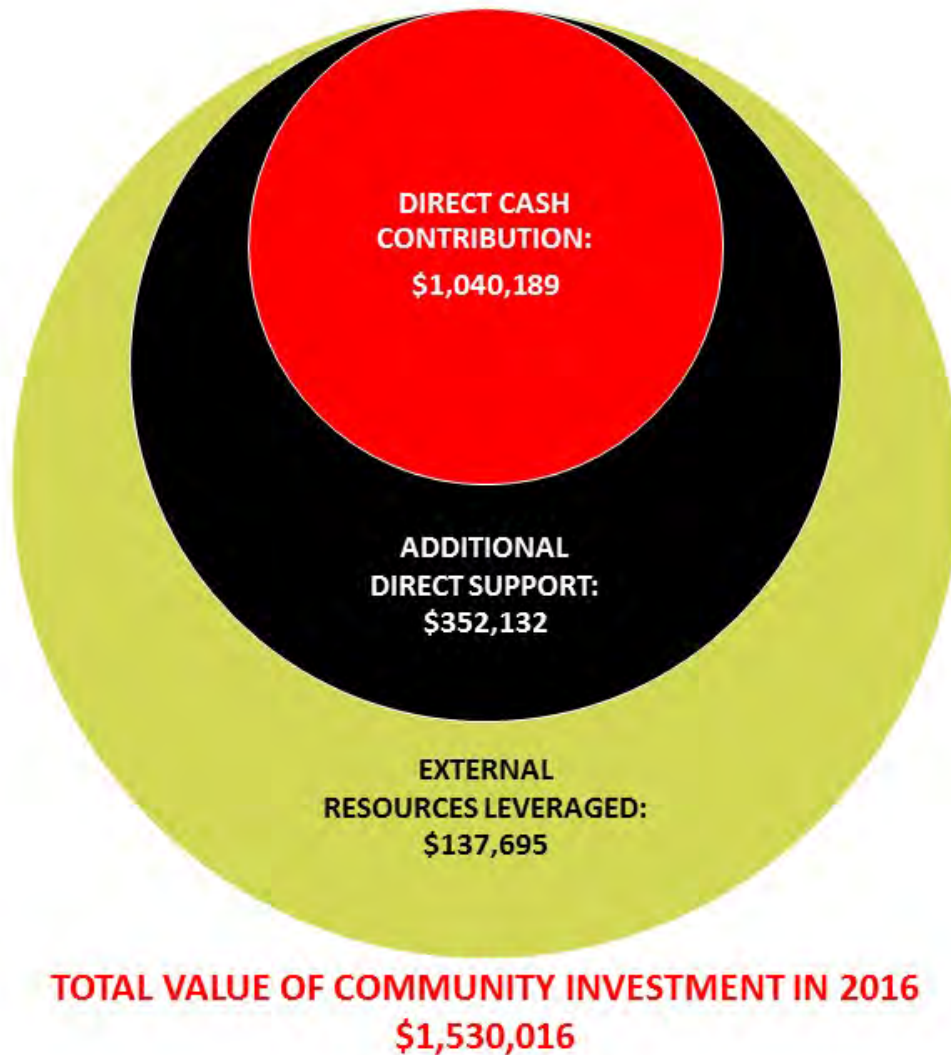
<p>Establish Municipal Linkage Program and flagship partnership in The Netherlands</p> <p>100% Achieved</p>	<p>Launch Global Funding Initiative to support non-profit emergency response providers in all business units</p> <p>100% Achieved</p>	<p>Develop and launch Ways of Caring program in our Germany Business Unit</p>
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Give Back

Direct cash contribution: to non-profit and charitable organizations

Additional direct support: in-kind support, such as materials and staff volunteering during working hours

External resources leveraged: staff donations



Give Time

- > 82 grants
- > 11,714 staff hours volunteered during non-working hours
- > \$58,855 in grants

Give Together

- > 32 Days of Caring
- > 2,135 staff hours for 22 organizations during working hours
- > Value of \$134,221

Notable Highlights:

Fort McMurray Forest Fire Response

In May 2016, we responded to the devastating effects of the wildfires in and around Fort McMurray, Alberta by setting up a matching program for staff donations to the Canadian Red Cross. Vermilion provided a dollar-for-dollar match on donations made by employees and contractors, recognizing that our support could make a difference for those who might face homelessness or serious income difficulties as a result of the fires – for a total of close to \$18,700. Thank you to all of our staff who generously donated!



Baltazar Theatre in Budapest, Hungary

Vermilion has supported The Baltazar Theatre in Budapest since 2012, as part of our activities in Central and Eastern Europe. The theatre's members are young people with intellectual disabilities; the theatre focuses on their talent and skills, and plays to appreciative audiences. We continued our support in 2016, helping to fund a video of the troupe's experiences. Our support contributes to our community investment focus on Celebrating Our Culture.



What our staff told us about the program in 2016 and 2017:

In our 2017 Great Place to Work annual survey, 95% of staff globally agreed with the statement “I feel good about the ways we contribute to the community.” In addition to the ratings statements, the confidential survey also asks what makes Vermilion a great place to work. Here are a few of the comments related directly to our community support:

- The way that the company gives back to the community. From the BBQs and gift cards to the people fleeing fires at Fort Mac to helping Woods Homes here in Calgary and lunches for kids through Brown Bagging Calgary. To have 2 days of paid volunteer work through our days of caring program to volunteer grants where people get money donated to their charity based on hours of volunteering there is fantastic. Also the sustainability with things like the greenhouses in France.
- Community engagement. United Way campaign, days of caring, the ability to make overall impacts on the communities we work in.
- I like that we get to take time from work for community investment initiatives.
- Emphasis for each employee to charitably give back to each community the company operates in.

What our communities told us about the program in 2016 and 2017:

“Families are working towards wellness when they come to stay at the Vermilion Energy Family Centre. Those that come onsite for treatment feel like they finally have hope that things will work out. It’s a magical place where families from all walks of life feel special and important, knowing that others care about their wellbeing.”

Jane Matheson, CEO, Wood's Homes

“On behalf of St Bart's and our clients I sincerely thank everyone at Vermilion for your support, friendship and willingness to partner with us to help people in need to rebuild their lives. Vermilion have shown an ongoing commitment to the work of our organization and to the people that we are here to support. Your support has been integral in helping achieve our mission to assist the homeless of today to rebuild their lives and act to prevent the homelessness of tomorrow. Thank you.”

Nina Ulyett, General Manager, St. Bart's

Our Approach to Communities

Our Approach

Vermilion focuses on a shared value approach to strategically investing in our communities. This is embodied in our mission statement: to deliver superior rewards to investors, employees, partners and the communities in which we operate.

Why This Matters

Our communities comprise a wide diversity of people and organizations, but they have one key thing in common: they care deeply about the safety, environmental stewardship and corporate citizenship that we bring to our local operations. At the same time, our people care deeply about their communities –whether we work there or live there, these are the places we call home. We identify areas where the needs of our communities, our business and our people intersect, providing opportunities to offer support where it can do the most good for all.

Our Management

Through our Vermilion Ways of Caring program, we give back, we give time and we give together. This strategic approach to community investment exemplifies “The Vermilion Way” of getting things done –demonstrating leadership, embracing responsibility and achieving excellence. The program provides a global framework, with clearly identified priorities and activities, that can be customized for local needs within our business units.

Give Back

This represents our strategic funding initiatives, focused in four key investment areas:

- Homelessness & Poverty. We work with social investment agencies that support the most vulnerable in our community through measurable, impactful programs to break the cycle of poverty and homelessness, because we believe healthy, vibrant communities include all community members in their success.
- Health and Safety Promotion. We invest in results-oriented programs that enhance the wellbeing and safety of individuals and communities, sharing our best-in-class approach to a health and safety culture that is fully integrated into every facet of Vermilion's operations.
- Environmental Stewardship. We partner with organizations that use science-based best practices to enhance environmental conservation and education, contributing to healthy, resilient, sustainable

communities today and in the future.

- **Celebrating Vermilion's Cultures.** We support the local cultures of our diverse locations to ensure that their traditions and contributions are recognized and preserved.

Give Time

We support the wide variety of not-for-profit and charitable organizations that our staff and their immediate families volunteer at outside of working hours, using a tiered volunteer grant approach: the greater the volunteer hours, the greater the donation to the organization. This allows us to directly support the causes and community organizations that mean the most to our people.

Give Together

We encourage our people to spend up to two days per year volunteering on company time as part of a team or larger Day of Caring project. These hands-on opportunities help us to put caring into action, building collaborative, trusted and genuine relationships between our people, our company and our communities.

Measurement

Funding Metrics

Vermilion has developed a sustainable funding model that links our community investment budget to key business performance metrics over a rolling average of the past three years. This is applied globally to the entire budget, and then by business unit to establish local budgets. This helps to provide stable funding for community investment over time by levelling out one-time changes in annual revenue and production, it directly links company activities with investment in our communities, and it leads best practices in the community investment sector.

People Metrics

We link our community investment work directly with our staff satisfaction metrics through our annual, confidential, third-party-conducted Great Place to Work® people survey. This is carried out through quantitative responses to the specific question "I feel good about the ways we contribute to the community" and through qualitative comments received in the open-ended survey questions.

In addition, we use anonymous staff surveys to develop community investment activities (such as proposing and choosing organizations for our Days of Caring and activities for our United Way fundraising campaign) and to assess their success and potential for continuous improvement.

Performance Metrics

We use various metrics on the spectrum between Inputs, Outputs and Outcomes to measure the results of our strategic community investment funding, with an increasing emphasis on working with our community partners to establish the means and support to measure outcomes:

- Inputs: the value of our funding, staff volunteering (inside and outside working hours) and external resources leveraged
- Outputs: the scope of support provided (such as numbers of meals or workshops) and the number of people impacted by programs that we support
- Outcomes: the measurable impacts of the support we provide, including Social Return on Investment

As an example of outcomes measurement, our flagship partnership with the YW of Calgary (the Skills Training Centre project that provided 20-week construction training courses for women facing barriers to achieving viable employment) included a study into its Social Return on Investment. Our external consultant found that an SROI ratio of \$4.65 of value created per \$1 invested was a conservative estimate of the ongoing future value of the Centre's services.

Third-Party Verification

In addition to the Great Place to Work® survey metrics, we report the value of our community investments using the London Benchmarking Group's standard "circles" of investment to reflect our total contribution:

- Direct cash contribution: our donations to non-profit and charitable organizations
- Additional direct support: adds in-kind support, such as donations of materials for Days of Caring and staff volunteering during working hours
- External resources leveraged: adds value of staff and third-party donations

Our LBG Canada membership provides an annual audit of this information, which is included in our [Performance Metrics](#) and on our [Community Dashboard](#) page.

Evaluation and Adjustment

We use these metrics with additional information on our community investment program and activities as part of Vermilion's quarterly senior management team reviews and subsequent reports to the Board of Directors.

We adjust our funding and activities as needed, but on an annual basis at minimum. We identify and contribute to best practices as they develop, increase communication to staff to promote specific initiatives, and respond to changing needs within specific business units. For example, we updated our Ways of Caring framework in 2013 to include our four current pillars, we established our sustainable funding model in 2015, and we launched our Municipal Linkage Program in The Netherlands in 2016. We also launched an online third-party application in 2016 to streamline grant application administration for both Vermilion and our community partners.

In 2017, we assessed our programs in light of the Sustainable Development Goals, identifying opportunities to drive key targets within the Goals that are aligned with our Ways of Caring. This work highlighted the importance of our approach to SDG 17.17, on partnerships.

Volunteering Around the World

Calgary, Canada

Seed sorting, harvesting, watering, weeding, repairing greenhouses, preparing for snacks and lunch, painting rocks, mulching and clearing a huge area of assorted lumber and other materials ... in all, we provided 347 hours of support when 58 people from the Calgary office – and four children of staff – headed out to Grow Calgary's 11-acre urban farm in August 2017. Close to 100% volunteer-run, Grow Calgary sends fresh, healthy, local and pesticide-free harvest to social agencies in Calgary that serve those who are homeless or in need of food support.



Drayton Valley, Canada

In June 2016, 25 staff from Drayton Valley and Calgary volunteered with the Nature Conservancy of Canada to support the ongoing conservation and stewardship of the NCC's Coyote Lake Nature Sanctuary. Working alongside NCC staff, our volunteers spent



the morning tackling clean-up and maintenance projects to ensure the site is safe for the people and wildlife that frequent the sanctuary, including: removing a deck from an old home site located on the property; hauling out other debris, including cement paving stones and old flower planters; removing a fence section to make it safer for a wildlife crossing; painting bee nesting boxes, benches and picnic tables; removing invasive orange hawkweed; and replacing old signs with new ones.



Leeuwarden, The Netherlands

In July 2017, the Finance and Human Resources teams from our Harlingen and Amsterdam locations stepped out of their offices and into their aprons to lend a hand as we helped one of our new Municipal Linkage Program partners, Resto VanHarte, launch KinderRestos in the Frisian capital of Leeuwarden. Research indicates that when families suffer from a lack of resources, it has a negative impact on the quality of food offered to children. The KinderResto offers the children a safe environment where they are taught about a healthy lifestyle through hands-on workshops where fun and team spirit are a priority. Our team helped local KinderResto volunteers cook a healthy lunch for the entire primary school, including oatmeal pancakes, and run a sports event for the children in the afternoon.





Perth, Australia

Last fall, 13 staff from our Australia Business Unit volunteered with St Bartholomew's House, helping 13 residents from the Community Supported Residential Units enjoy the organization's first-ever camp. St Bartholomew's House, which we've supported since 2009, helps people who are homeless or at risk of homelessness achieve positive life outcomes. The camp took place at the Woodman Point Recreation Camp and was jam-packed with activities, from the physical (vertical challenges, raft building and group fitness) to the more chilled (bingo and kite making). Working alongside St Bart's staff, our volunteers joined campers in the activities, adding positive encouragement to "give it a go."



Paris Basin, France

In March 2017, employees helped out with a food drive to support the Restos du Coeur in Rubelles, in our Paris Basin region. Restos du Coeur provides those experiencing poverty with access to free meals and supports their social and economic integration, as well as any action against poverty in all its forms. Twice a year, their



Melun unit holds a food drive in a supermarket, where volunteers inform customers about the campaign and accept food donations. Our staff have been supporting this event since 2014, because, as one of our volunteers says, "Heart is life. We have to give as long as we can."



Denver, Colorado

Our US Business Unit regularly volunteers at the Food Bank of the Rockies in Denver, which is almost 100% volunteer driven. In April 2017, seven staff sorted, counted, bagged, boxed and distributed 6,500 pounds of potatoes that had been donated by a local farmer. They followed this up in June 2017, by helping in the distribution warehouse, filling orders for 36 organizations in need, including local churches, schools, and mental health facilities. That afternoon our eight staff packed, stacked and shrink-wrapped 50,900 pounds of food and supplies.



Berlin, Germany

Each year, the Schönefeld Refugee Centre near Berlin hosts a Summer Festival. In July 2016, 12 staff from our German Business Unit gave their time to help make it a success for the residents.

In addition to supplying the halal BBQ, beverages, benches, tables, toys and hiring a professional kids' face painter, we helped prepare for the event, and organized games for the children for a fun and happy day. The Vermilion team were also joined by other teams from around Schönefeld: the Wassmannsdorf kindergarten, the Schönefeld police department and the Wassmannsdorf church, to name a few.



Key Community Partnerships

Corporately and around the world, Vermilion focuses our strategic approach on long-term investments that make a measurable and significant difference for our communities. Wherever possible, our partnerships go beyond funding to include staff time and other support for the organizations. This is reflected in the partnership matrix that we have developed that provides a consistent framework to assess potential projects. The matrix also includes alignment with one or more of our key pillars, sound organizational governance, long-term impact, benefits to stakeholders, potential for multi-sector collaboration, volunteering opportunities, capacity building potential, and measurability.

Here are some of our key flagship partnerships:

- › Vermilion Energy Family Centre at Wood's Homes in Calgary, Canada
- › Municipal Linkage Program in The Netherlands
- › JINC in The Netherlands
- › Vermilion Energy / YW of Calgary Employment Resource Centre
- › Global Emergency Responder Program
- › Early Childhood Development Centre in Drayton Valley, Canada
- › St. Bartholomew's House in Perth, Australia
- › United Way of Calgary and Area, Canada
- › Charles W. Berard Undergraduate Scholarship in Calgary



Vermilion Energy Family Centre at Wood's Homes in Calgary, Canada

In June 2015, Wood's Homes opened the doors of the Vermilion Energy Family Centre and their Whole Family Treatment Program. This intensive, short-term program serves families from across Canada who are struggling with complex issues including mental illness, crisis management, parenting strategies and child development. It offers a home-away-from-home where the entire family can receive mental health treatment at the same time and under the same roof.



Research has established a clear link between mental health and risk factors for living in poverty or becoming homeless. In 2013, we committed \$1 million to help create the Vermilion Energy Family Centre at the Bowness campus of Wood's Homes, because investing in the well-being of children and their families creates critical opportunities to support positive development into adulthood.

Here, Wood's Homes focuses on the five primary areas of family interaction: developing child well-being, increasing family safety, enhancing home environment, strengthening parenting capabilities and improving family interactions. Each family member is professionally assessed and receives individualized treatment during their stay of either five days or over a weekend. Wood's Homes also provides support post-treatment to help maintain goals and to help families incorporate newfound strategies into their everyday life.

We are proud of the groundbreaking role that the Vermilion Energy Family Centre is helping to play in delivering family-centred treatment.



2017 Update:

In the program's first two years, Wood's Homes has provided 34 family stays and helped a total of 139 individuals, including children, youth and their parents/caregivers at the Vermilion Energy Family Centre. The program incorporates significant outcome measurements, including the Systematic Clinical Outcome and Routine Evaluation, Brief Family Distress Scale and family satisfaction outcomes. These are indicating significant positive changes in individual perceptions of their family's problems, strengths, ability to manage crisis, effectiveness of communication and level of distress. Wood's Homes uses these results to evolve the program for optimal effectiveness. Vermilion is pleased to be continuing our support subsequent to the completion of our initial flagship funding.

Municipal Linkage Program in The Netherlands

Vermilion's Netherlands Business Unit launched its Municipality Linkage Program (MLP) in September 2016, to help us visibly support the

communities where we are active. We identified 12 municipalities that are priorities for the company, based on our operational activities. Within those locations, we then reached out to key stakeholders such as residents, community organizations and municipalities to help identify strategic community investment options that we could consider funding. Today, we're pleased that community organizations proactively seek us out. In every application, we look for a community need and a local solution that helps to address it.

Projects supported by the MLP touch all pillars of Vermilion's community investment priorities, with the majority of funds spent in the area of homelessness and poverty. While the program only launched in the latter half of 2016, it has already seen tremendous potential in terms of community and employee engagement.



2017 Update:

The MLP is already proving a success, with 39 organizations supported through the 2016 program. Our related Day of Caring in September 2016 saw 47 staff supporting five of those organizations, including three volunteer-run food banks, and two areas in the Frisian nature reserve of Fryske Gea.

Our 2017 program has supported 80 organizations in 14 municipalities, providing €350,000 in support. For our Day of Caring, 48 staff chose from five of our MLP projects, helping out with a sports day for vulnerable children, supporting elderly community members with physical disabilities, barn painting, food preparation in support of Resto VanHarte, taking care of an orchard, and assisting in a non-profit bakery.





JINC in The Netherlands

In addition to the MLP, we established a flagship partnership between JINC and Vermilion in 2017. As a non-profit organization, JINC believes that every child deserves a fair chance in the labour market; it helps young people aged 8 to 16 years through vocational orientation in the workplace and learning (social) skills. Vermilion's funding was used to open the first JINC branch in Leeuwarden, making Vermilion a founding partner there. We are also contributing through the efforts and knowledge of our staff.

2017 Update:

At the Leeuwarden launch of JINC in 2017, more than 150 students received job interview training from professionals, including five colleagues from Vermilion. The goal of our coaching is to ultimately provide them with better opportunities in the labour market. In addition, we provided several opportunities for one-day internships for JINC youth at Vermilion, including one in which youth replaced our business unit managing director and operations manager for a day.



Vermilion Energy / YWCA Calgary Employment Resource Centre

The Vermilion Energy / YW Employment Resource Centre (ERC) continues to be a vibrant and busy employment centre, serving a diversity of women from different cultural backgrounds, a variety of career streams and a full assortment of education and training needs. Its intentions are:

- To empower women, and be a meeting place to learn and network,
- To provide career coaching, counselling, and mentorship,
- To be a place for clients to assess their skills and strengths, and set and realize their goals
- To increase employability skills and social inclusion
- To reduce job loss and prevent recidivism of unemployment and underemployment.

Vermilion began its partnership with the YW of Calgary in 2007 when we provided a \$2.5 million donation, along with \$1.5 million raised by Vermilion's founders, board of directors and staff, to create the Vermilion Energy/YWCA Calgary Skills Training Centre. In 2013, recognizing the changing economic and employment climate in Calgary and a critical need to serve greater numbers of women, the Skills Training Centre transitioned to become the Employment Resource Centre.



Poverty affects 1 in 10 Calgarians directly, and all of us indirectly. Across demographic groups – such as indigenous peoples, visible minorities, people with disabilities, single parents and recent immigrants – women experience higher rates of poverty than men. Annually, the YW supports on average more than 6,700 women, children and men through shelter, housing, counselling, basic need items, parenting supports, childcare, language and employment skills development programs and services.

In 2016, 86% of YW clients across all programs and services were economically disadvantaged. This is calculated based on monthly income of \$2,500 or less per client, as well as other measures.

Specifically for the Vermilion Energy/YW Employment Resource Centre, in 2016, 98% of clients were economically disadvantaged.



2017 Update:

In the four years since its launch in June 2013, the ERC has served 1,402 clients in a variety of ways, including 386 employability workshops, 45 skills-for-life workshops, and 533 one-on-one career coaching sessions.

These programs are assessed using a Program Logic Model benchmark of 75% for client satisfaction; the result has come in above 95% in all areas, including identifying skills and abilities, building confidence, awareness of employment actions needed, and development of employability skills.

In addition, the ERC began intake in May 2017 for the YW's new Women's Employment Program, focusing on:

- Active work search, while developing employability skills and enhancing soft skills
- Women's empowerment, building self-confidence, resiliency and self-sufficiency
- Emphasis on the value of community
- One-on-one support, small group size and access to other YW programs for wrap-around services, and
- A community enhancement project that enables clients to practice the knowledge and skills they learned during class time.

Global Emergency Responder Program

Nothing is more important to Vermilion than the safety of our staff, our contractors and our communities. The Global Emergency Responder Program supports this commitment by investing in emergency response organizations that serve the communities where we work and live. Our donations will help fund equipment and other high-priority needs for these non-profit and charitable organizations, which are dedicated to keeping our communities and our people safe. These include the following organizations – we are grateful for their service each and every day.

Canada – STARS Air Ambulance

Every day, STARS takes care of some of the sickest and most critically-injured patients in Western Canada. This translates to thousands of people every year who rely on STARS to get them to hospitals safely, where they can access the advanced care they need. STARS is already an operational partner for CBU, as their dispatch centre manages our Emergency Call Centre.

The Netherlands – KNRM – Rescue and Help on Water

Since 1824, KNRM, the Royal Dutch rescue organization, has provided boats and lifeguards to ensure the health and safety of those on lake and coastal waters. Each year, the 1,300 highly committed and professionally trained volunteers save more than 3,000 people. We support the Harlingen location, closest to our operations.

Australia – Royal Flying Doctor Service

The Royal Flying Doctor Service of Australia is one of the largest aeromedical organizations in the world. With a "waiting room" of 7.69 million square kilometres, this organization made contact with over 283,000 patients last year and flew over 26 million km. RFDS operates throughout Australia, so it's a great match for both our Perth-based staff and our platform staff who come from locations throughout the country. RFDS also backs up our industry medical response organization, and as a remote area provider, supports our staff both at work and at play.

France – SNSM – Les Sauveteurs en Mer

For over a century, Les Sauveteurs en Mer has been committed to safeguarding human life at sea and on the coast. With 32 Training & Intervention Centres and 218 stations through the country, they conduct 5,200 interventions and rescue 7,700 people each year. We'll be supporting their Lège Cap Ferret location, closest to our operations in Cap Ferret.

United States – Weston County Fire Protection District

The Weston County Fire Protection District, a local community volunteer fire department, is close to our operations in Wyoming, and relies heavily on donors to ensure their firefighters have the necessary training, trucks and protective equipment to safely respond to fires. In addition to three fire stations, the District places wildland engines at strategic rural locations to provide quicker responses to wildfires.

Germany – Local Fire Brigade

In Germany, similarly we have identified a local fire brigade in East Frisia – a front line rescue organization that would support our operations.

Croatia – Croatian Mine Action Centre

CEE has selected the Croatian Mine Action Centre, an organization that carries out demining operations in areas where mine danger presents a direct safety problem for the population. It is estimated that there are over 40,000 mines covering more than 420,000 sq. km in Croatia. This has an important operational alignment for Vermilion; before we conduct seismic work in one of our exploration blocks, we will need to ensure that demining is conducted.



Early Childhood Development Centre in Drayton Valley, Canada

Since 2012, Vermilion has committed financial and volunteer support to our V-Powered Kids partnership with the Town of Drayton Valley's Early Childhood Development Centre (ECDC). The program supports the critical before-school hours with a staff member, breakfast that the kids help prepare, and transport to school, along with additional recreational programming for families after school and in evenings. In 2013, our funding also began supporting an Early Childhood Coach who will assist everyone in a child's environment, from families to childcare staff.



Quality early childhood development programming has been cited as a key component of effective poverty reduction strategies. The Drayton Valley ECDC serves a number of low-income and at-risk families, and our support has enabled families to take part in programming that they would likely not be able to afford otherwise.

In addition, our partnership has developed over the years to include building a natural fence around the playground, hosting pancake breakfasts for the community, and funding recreational activities such as Zumba. The town of Drayton Valley recognized this combination of support from staff and the company when they presented the annual Corporate Service Award to Vermilion in 2013, recognizing community members that have dedicated themselves to making a difference to this central Alberta town.

"When you support children, the difference you can make is just exponential," says Bernice Taylor, the Centre's Program Manager. "This is a child who walks through the school doors and is able to learn, a child who feels like they belong, a child who's not in the child justice system. It's empowerment – I think we empower the children here to be very confident, to say 'I can be anything.' "



St. Bartholomew's House in Perth, Australia

Since 2009, Vermilion has supported St. Bartholomew's House in Perth, an organization that helps people who are homeless or at risk of homelessness achieve positive life outcomes. It offers a variety of crisis and transitional programs to help people build the connections, skills and confidence to live productive, independent lives in the community and break the cycle of homelessness. Through St. Bart's, Vermilion's funding invests in essential facilities and services that will help transform the lives of some of the city's most vulnerable people. Our contributions support the Lime Street social housing facility and a social inclusion officer for older women at the Kensington Street Accommodation Service, who coordinates activities and outings that positively contribute to the health and wellbeing of the residents.



Vermilion staff have also organized Days of Caring at St. Bart's since 2012, including a gardening day, social events such as a mini-Olympics, care home renovations, garden landscaping and a camp event for those living in Community Supported Residential Units.



United Way of Calgary and Area, Canada

We believe that for a city to be great, it has to be great for everyone. At the same time, no single organization can tackle systemic issues such as poverty, school completion and isolation in the community alone. United Way brings together all areas of community – business, government, academia, school boards and others – to address social issues at the root cause and to develop long-term strategies to solve them.



United Way
Calgary and Area

United. Building a great city for everyone.

That’s why Vermilion has been contributing to United Way since 1996 and organizing an annual United Way workplace campaign since 1998. United Way recognized our efforts with a 2013 Spirits of Gold award in the category of Leading the Way (under 500 employees). Spirits of Gold is United Way’s recognition gala, celebrating the spirit and generosity of the people, agencies and workplaces that displayed outstanding leadership and dedication during United Way’s annual Campaign. United Way also recognized our 2015 workplace campaign’s backpack mountain as one of its “Top 5 Campaign Moments” – our staff filled some 200 backpacks for Inn from the Cold, a local charity that focuses on supporting families that are homeless.

2017 Update:

Since 1996, Vermilion has contributed more than \$3.57 million to support local non-profit organizations and social programs through the United Way.

Our 2016 and 2017 campaigns both raised over \$220K, with more than 90% staff participation through pledging, events and contests. We are proud of this achievement, particularly given the uncertain economic times that Calgarians continue to face as a result of the challenges we are facing in our industry.



Charles W. Berard Undergraduate Scholarship

Vermilion set up the Charles W. Berard Undergraduate Scholarship in Natural Resources and Environmental Law in 2009 to pay tribute to the life, work and memory of Charlie Berard, a dear friend to many at Vermilion, and our corporate secretary from 1997-2009.

Each year, a scholarship of up approximately \$3,500 is awarded to a continuing undergraduate student entering third year in the Faculty of Law at the University of Calgary with a demonstrated interest in Natural Resources & Environmental Law. A key part of the criteria is a candidate who best demonstrates leadership and support to the community, and alignment to Vermilion's core values of Excellence, Trust, Respect and Responsibility.



VERMILION
ENERGY



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Vermilion's 2017 Corporate Day of Caring took place at Grow Calgary's urban farm, which serves local social agencies focused on homelessness.

