



VERMILION & THE TOM D'AQUI TOMATO COMPANY
National French ecology award received for sharing geothermal energy

VALUE MATTERS | 2013 SUSTAINABILITY FULL REPORT

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2013 SUSTAINABILITY REPORT

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About Vermilion

Vermilion is a publicly traded, widely held, international oil and gas producer. We are headquartered in Calgary, Alberta, Canada, with onshore and offshore operations positioned around the world in regions noted for their stable, well-developed fiscal and regulatory policies regarding oil and gas exploration and development. Our core business involves the acquisition, exploration, development and optimization of producing properties in Western Canada, Europe and Australia.

Our 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
- Key aggregators and utilities, such as the 50% state-owned GasTerra in The Netherlands. ^{G4-8}

Founded in 1994, Vermilion is celebrating 20 years of outstanding financial and operational performance in 2014. This is made possible by the superlative efforts of more than 500 staff located throughout our operations and through an extensive supply chain that is sourced locally wherever possible.

In 2013, our supply chain represented more than 5,000 entities and an investment from Vermilion of more than \$750 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. ^{G4-12}

As we look to the future, we are targeting production growth of more than 55% between 2013 and 2016, primarily through:

- Resource play development in Western Canada, including Cardium light oil and Mannville condensate-rich gas, with further growth potential from the emerging Duvernay condensate-rich gas play
- High value natural gas drilling in The Netherlands and Germany
- Infill drilling, waterflood and workover programs in France and Australia
- Our 18.5% non-operated working interest in the Corrib gas field in Ireland, which is expected to come online in mid-2015.

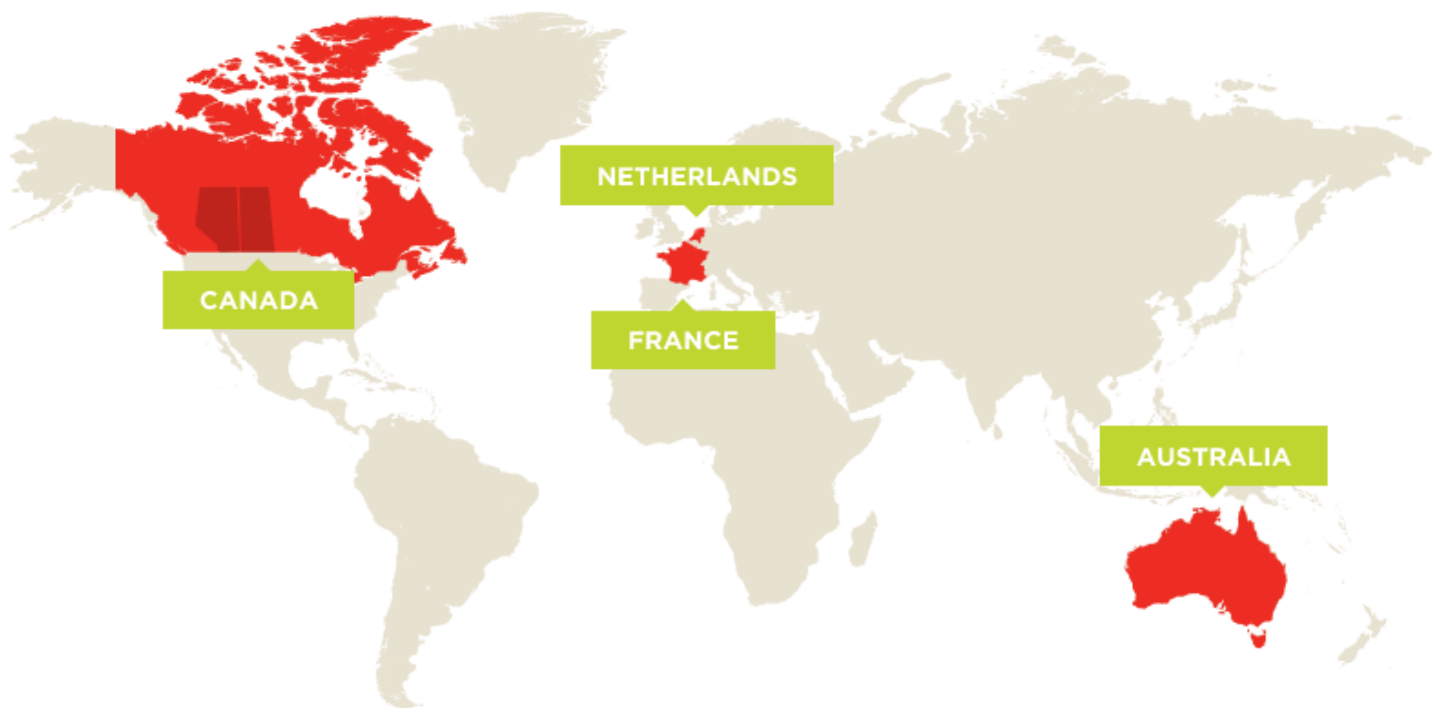
To support our long-term objectives, we initiated two significant transactions in 2013: G4-13

- We acquired Northern Petroleum PLC's Netherlands assets, which included interests in nine concessions. The acquisition helped increase our total undeveloped land base in the Netherlands, including separately awarded concessions, to more than 800,000 net acres, enhancing our position as the second largest and most active natural gas producer onshore in the Netherlands.
- We announced the acquisition of a 25% contractual participation interest in four producing natural gas fields and a surrounding exploration license located in northwest Germany, from GDF Suez S.A. This represents our entry into Germany's exploration and production business, a producing region with a long history of oil and gas development activity, low political risk and strong market fundamentals.

Economic & Operational Highlights

In 2013, Vermilion: **G4-EC1, G4-9**

- › Produced nearly **15 million boe** of oil and gas
- › Generated net revenue of more than **\$1.2 billion**
- › Distributed more than **\$240 million** in dividends to our shareholders
- › Paid almost **\$290 million** in taxes and royalties in our operating jurisdictions
- › Invested more than **\$1.1 million** in community support
- › Devoted **\$37 million** to protecting our environment



Canada

Production	17,117 boe/d
Staff	279
Net Revenue	\$341.1 MM
Reserves	86,105 Mboe

Netherlands

Production	5,967 boe/d
Staff	72
Net Revenue	\$139.6 MM
Reserves	13,717 Mboe

France

Production	11,440 boe/d
Staff	171
Net Revenue	\$426.3 MM
Reserves	55,168 Mboe

Australia

Production	6,481 boe/d
Staff	75
Net Revenue	\$298.9 MM
Reserves	19,463 Mboe

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

Message From Our Chief Executive Officer

I am very pleased to welcome you to Vermilion's first sustainability report. ^{G4-1} As an international oil and gas producer with operations in Canada, Europe and Australia, we have always been mindful of our accountability to our stakeholders and the environment. It is a privilege to be entrusted with safely and responsibly producing the energy that makes so many elements of daily life possible, from heating our homes, to powering our cars, to creating the electronic devices we use to communicate with people around the world.

At Vermilion, we are conscious of the potential impacts that our business activities have, both positive and negative, on the economy, the environment, and the communities where we operate.

We believe strongly in giving back to our communities: it's the right thing to do, reflecting the age-old adage that to whom much is given, much is expected. But philanthropy and the duties often associated with responsible corporate citizenship are only part of the story. Embedding sustainability into business strategy does far more than mitigate safety, environmental, financial and reputational risks. It also offers opportunities to generate economic and social benefits for both the company and the community – to create shared value, a concept that has most recently been developed by Michael Porter, a recognized scholar and Harvard Business School professor. And that value matters, to us and to our stakeholders.



Perhaps our best example of shared value is located in Parentis, France, where a 10-hectare tomato greenhouse is warmed by geothermal heat generated during operations at our major battery facility located adjacent to the greenhouse. We're proud of this partnership with the Tom d'Aqui tomato growers, which in 2013 earned the French government's Circular Economy Award for Industrial and Regional Ecology. Given the success and positive impact of this partnership, we are actively researching opportunities to deliver comparable benefits through similar initiatives in our other operating regions.

Vermilion's vision for sustainability looks for opportunities such as the joint venture with Tom d'Aqui to generate economic, environmental and social benefits both within the company and beyond it. Developing this report provided a framework to assess how we approach sustainability in our operations, and to recognize our achievements, detail our challenges, and establish targets for continued progress. Engaging our stakeholders and our leadership further solidified the following priorities:

- Focusing on a safe, healthy and positive workplace for our staff and those who work with us
- Reducing our impacts on the environment, including using innovative technology and processes to decrease greenhouse gas emissions, reduce waste, and lower the amount of energy and fresh water used in our operations.
- Driving operational excellence and efficiencies to continue delivering strong, consistent economic returns
- Ensuring that our communities share in our success

These priorities align with the principles contained in key internationally recognized economic, environmental and social charters. At the same time, they help direct our response to industry trends and to shifts in the macroeconomic and political environment that could impact our long-term success, such as:

- the growing regionalization and volatility of commodity prices
- mounting public concern and activism with respect to the environment
- heightening levels of regulation seeking to stem climate change by imposing long-term financial consequences on industry, through the use of carbon taxes and other environmentally focused tariffs.

Our priorities have also highlighted areas where we have opportunities to further progress sustainability, including within our HSE program, and in our management of the supply chain, and in our engagement with external stakeholders.

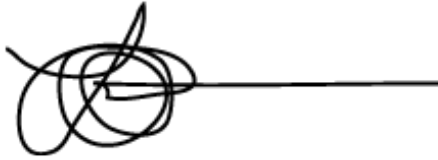
Vermilion's achievements in 2013 include record production in several business units, listing our common shares on the New York Stock Exchange, and our share price reaching a new intraday high of \$63.09 on the Toronto Stock Exchange. This would not have been possible without the outstanding efforts of staff throughout our operations. We work hard to create an environment where staff are both valued and rewarded, and we are pleased to have been named a Best Workplace in Canada and in France by the Great Place to Work® Institute for a fifth year in a row, and in The Netherlands in 2014, our first year of eligibility in the region.

In so many ways, our people have created a compassionate and giving organization. This was reflected in the revitalization of our community investment program in 2013, and the caring demonstrated when disaster struck close to home last June with the flooding in Southern Alberta. We responded with financial and in-kind assistance, and so did our staff, as they stepped up to volunteer in incredibly difficult conditions. It is during such trying times that our core values are tested, and I am very proud of how our staff responded.

Vermilion's core values of excellence, trust, respect and responsibility are woven throughout our

sustainability strategy. As we were preparing this report, we learned of Vermilion's inclusion on the 2014 Corporate Knights Future 40 Responsible Corporations listing. This speaks volumes about our performance to date, and further inspires our commitment to continue on this path.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal line extending to the right.

Lorenzo Donadeo

Our Approach to Sustainability

Vermilion's first sustainability report provides an opportunity for us to share how we identify our economic, environmental and social impacts, integrate their associated opportunities and risks into our business strategies, and chart our progress. ^{G4-2}

Our exploration and production activities have potential effects on a wide range of stakeholders throughout our value chain, from the landowners with whom we share the landscape, to the families and businesses that rely on oil and gas to fuel their homes, workplaces and vehicles, and for the creation of the household and electronic devices they use on a daily basis.

Our stakeholders expect us to deliver consistently strong financial results in a responsible and ethical way. We must operate in a manner that protects the health and safety of our staff and communities, provides responsible stewardship over the environment, and treats staff, contractors, partners and suppliers respectfully and fairly.

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.

Our Board of Directors and our Executive and Leadership teams recognize our stakeholders' expectations 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.

We believe this approach contributes to our company being a leading choice for investors, employees, partners and communities.

Commitments

In 2013, we made good progress toward our immediate and longer-term sustainability goals. We have established a robust HSE Program, put into place industry-leading environmental projects, implemented a sophisticated personnel management system, launched a new internal communications platform, and re-aligned our community investment program. In part, this is a result of our growth and the associated emphasis this places on maintaining a strong corporate culture that reflects our mission, vision and values.

We recognize, however, that this progress primarily deals with Vermilion's direct, internal sustainability impacts. While we assess new suppliers for compliance with our sustainability vision, particularly regarding HSE, we can do more to clarify those and other expectations, and to monitor, assess and manage supply chain sustainability impacts. This is an area on which we will be focusing our sustainability program development, along with external stakeholder engagement. We believe these externally directed efforts will offer opportunities to increase the effectiveness and efficiency of essential elements of our exploration and production operations.

At the same time, outside trends have potential impacts on short and longer-term company performance.

These include, by priority, the risk associated with:

- an adverse HSE event
- the volatility of oil and gas prices due to factors such as weather, political instability and macroeconomic conditions
- potential changes to government regulations and fiscal policies in our operating areas
- the long-term financial implications of climate change, and
- public concerns about our industry, reflected in media coverage, and demonstrated through community activism and governmental responses as well as increasing demand for transparent reporting on issues that extend beyond the current regulatory reporting obligations of publicly traded companies.

Vermilion's Board of Directors, Executive team and Risk Management Committee regularly review these risks, along with mitigation strategies and associated opportunities. To support this, we have established the following sustainability commitments for the short to longer term, as summarized below:

Ethics



2012 & Previous Highlights	2013 Highlights	2014 Targets	2015-2020 Goals
Updated code of business conduct and ethics	Incorporated code of business conduct and ethics policies in rollout of new staff intranet, allowing 24/7 access to policies and guidance	Add enhancements to the intranet to highlight policies and provide one-button access to send concerns anonymously to our Corporate Secretary	Provide online training for code of conduct topics
		Develop procedures for contractors to confirm awareness of and compliance with code of business conduct	

Governance



2012 & Previous Highlights	2013 Highlights	2014 Targets	2015-2020 Goals
Changed ownership policy to increase holding period after a CEO leaves the company from 6 months to 1 year, to support long term decision making	Monitoring of investor relations and reporting trends and issues	Introduce a "say on pay" vote to provide shareholders with an advisory voice on executive compensation at the 2014 AGM	Continued monitoring of investor relations and reporting trends and issues
Provided increased biography information for Directors, including a section on Director Education that outlined 2012 sessions		Bring a female director onto the Board of Directors	

People



2012 & Previous Highlights	2013 Highlights	2014 Targets	2015-2020 Goals
Joined Great Place to Work Institute®	Launched a robust new intranet to make two way communication with staff easier	Further develop onboarding material and processes	Implement supply chain due diligence for human rights issues
Established clear guidelines around work-life balance issues	Launched the Workday people management system to provide both staff and managers with streamlined access to pertinent compensation and personal information	Strengthen training and development program	

		Research supply chain due diligence for human rights issues	
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Safety



2012 & Previous Highlights	2013 Highlights	2014 Targets	2015-2020 Goals
Established HSE vision and policy	Developed fair culture policy	Implement fair culture policy	Implement PSMS in rest of operations
Moved toward an integrated Management System approach that includes HSE and Asset Integrity	Expanded Management System to include Process Safety (PSMS)	Implement PSMS in specific operations	Annual audit cycle
Launched our Corporate Compliance and Assurance Audit Framework	Conducted audits across the organization to ensure policies, management systems, practices and procedures are being followed	Annual audit cycle	Expand competency and training program to remaining operations
Developed competency and training program	Implemented competency and training program in The Netherlands	Implement competency and training program in Canada	

Environment



2012 & Previous Highlights	2013 Highlights	2014 Targets	2015-2020 Goals
Established 2012 as a baseline for Carbon Disclosure Project (CDP) reporting	Filed first CDP reports for 2012 and 2013	Assess potential for transfer of geothermal and other technology to locations beyond Parentis	Install new technology to reduce emissions related to glycol dehydrators
Established comprehensive climate and environmental risk matrix analysis	Established spill reduction program	Completion of comprehensive fugitive emissions program	Complete the assessment and maintenance program for water crossings in Canada
Implemented comprehensive fugitive emissions program		Assess cost-benefits of electric cars for fleet in France	Reduce flaring in our southeast Saskatchewan asset (acquired in 2014) by tying in gas to a new facility
Reduced fresh water use in France			

Community Investment



2012 & Previous Highlights	2013 Highlights	2014 Targets	2015-2020 Goals
Established major partnerships with YWCA of Calgary, Early Childhood Development Centre in Drayton Valley, and St. Bartholomew's House in Perth, Australia.	Re-launched our community investment program as Ways of Caring	Establish a global community investment staff committee	Create a global community investment project or partnership that will engage staff in all locations
	Established major partnerships with Wood's Homes in Calgary and Restos du Coeur in France.		

[Download our sustainability commitments as a PDF](#)



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 Board of Directors and our Executive, 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 the utmost 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 – 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.

Associations

Vermilion's sustainability approach is also guided by our participation in the following voluntary industry and sustainability-related organizations, and their associated external initiatives: G4-15, G4-16

Organization	External Reporting Initiative
Canadian Association of Petroleum Producers G4-15	Annual filing for CAPP Responsible Canadian Energy program since 2012
Carbon Disclosure Project	Vermilion filed 2012 and 2013 CDP reports in 2014
Confidential	This 2013 working group is focused on sustainability benchmarking within the oil and gas industry.
London Benchmarking Group Canada	Vermilion began reporting community investment through LBG Canada in 2012
UFIP (Union française des industries pétrolières)	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
AVENIA Geosciences pour l'Energie et l'Environnement	Vermilion began serving on the Board of Directors in 2013; AVENIA has many programs related to supporting geothermal development in France and optimizing recovery from existing hydrocarbon reservoirs. It reports to the French government through meetings with the Ministry of Industry and Ministry of Ecology, Sustainable Development and Energy of France.
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.

[Download our industry associations as a PDF](#)



Awards

We are honoured that our economic, environmental, social and governance performance has been recognized through the following organizations:



Corporate Knights Canada's Future 40 Responsible Corporate Leaders list, 2014



Great Place to Work Institute®, Top 25 Best Workplaces in Canada and France, 2009 through 2014, and Netherlands in 2014, its first year of eligibility. Vermilion's remaining business units participate but are not eligible for ranking due to minimum size requirements.



Government of France, Ministry of Ecology, Sustainable Development and Energy, 2013 Circular Economy Award for Industrial and Regional Ecology



The Globe and Mail's Board Games, second among oil and gas companies, fourth among energy companies and 25th of 232 corporations overall for 2013. We have scored within the top ranks of oil and gas companies and all corporations in Canada since 2006.



Alberta Venture, Alberta's Best Workplace for Community Involvement, 2013 and Alberta's Best Workplace for Best Overall Workplace (101-750 employees), 2014.



2013 United Way Spirits of Gold Award, Leading the Way category (under 500 employees) for our 2012 workplace campaign



The 2013 Corporate Service Award from the Mayor of Drayton Valley, Alberta

[Download our awards information as a PDF](#)



About Our Report

This is Vermilion's first annual sustainability report. We are publishing key highlights in a printed report while the full report will be available online. Subsequent updates will be made to our on-line version of the full report. The content emphasizes the calendar year 2013, but incorporates metrics from 2012 as a base year for comparison wherever possible.

In defining content for the report, we relied on the parameters set out in the Global Reporting Initiative's G4 reporting framework, self-identifying as in accordance with the comprehensive reporting option. We followed the GRI's four-step process of Identification, Prioritization, Validation and Review, which incorporates the key principles of Sustainability Context, Materiality, Completeness and Stakeholder Inclusiveness.

The report covers Vermilion's operations as identified in our financial statements: our Business Units in Canada, France, Netherlands and Australia. It does not cover our non-operated interests in the Corrib gas field in Ireland, or Germany, as the operating partners (Shell E&P Ireland and ExxonMobil respectively) would include these projects under their sustainability reporting. It also does not cover operations related to our acquisition of the Netherlands assets of Northern Petroleum PLC, as we did not assume operatorship of the related assets until close of the acquisition on October 11, 2013. As a result of the late year closing of the acquisition, there was insufficient time to put the necessary procedures into place to provide the required data for 2013. G4-17, G4-18

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. ^{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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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	Our purchasing decisions, including our performance expectations of suppliers, have a strong influence on company and community safety, environmental impacts and economic success	We focus on the operational excellence of our people, processes and technology to maximize economic value, and safety and environmental management; this includes the land reclamation stage of well life cycle management	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	The economic value and the potential safety and environmental impacts of our oil and gas flow through this stage to the economic sectors that rely on a stable and consistent supply of oil and gas and to the end consumer
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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 › Investors › Partners › Government › NGOs 	<ul style="list-style-type: none"> › Suppliers › Employees › Investors › Communities 	<ul style="list-style-type: none"> › Investors › Employees › Partners › Communities › Government › NGOs › Media 	<ul style="list-style-type: none"> › Communities › Partners › Customers/end users › Investors › Government › NGOs 	<ul style="list-style-type: none"> › Investors › Customers/end users › Government › 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 > Efficiency > Community relations > Staff relations 	<ul style="list-style-type: none"> > Transport safety > GHG emissions > Spills > Ethics > Stable supply 	<ul style="list-style-type: none"> > Safety > GHG emissions > Stable supply > Cost > Regulation

[Download our value chain as a PDF](#)



Stakeholder Engagement

Understanding our value chain created a basis for identifying our stakeholders. Each link in the chain was analyzed as to which groups we have an impact upon, and which groups in turn influence us. ^{G4-25} We engage with all our stakeholders to varying degrees depending on the area of impact or influence.

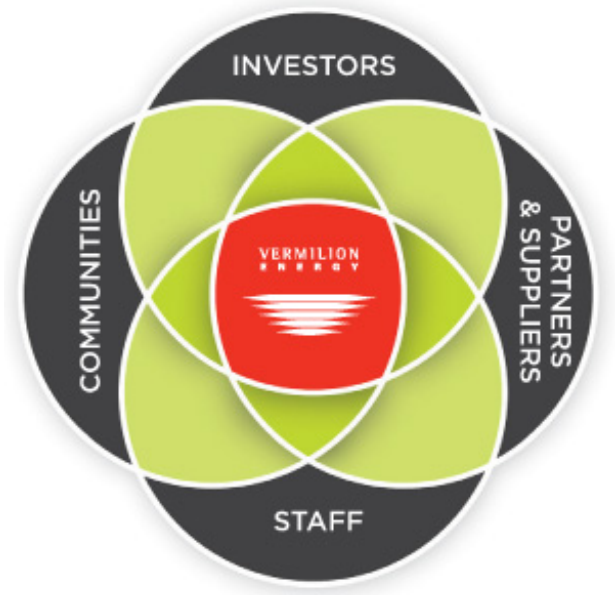
Our employees, partners, suppliers, investors and the people located in the communities in which we operate have the highest likelihood of being directly affected by our operations. For all of these groups, a failure in our economic, environmental and/or social performance could have negative and long-lasting effects. In turn, these groups influence our business and operations in several ways, including through the provision of capital to fund our activities as well as the setting of expectations regarding safety and environmental performance. Meeting these expectations is the key to maintaining our social license to operate and to increasing our productivity, and we therefore engage with these stakeholders on a regular and ongoing basis.

For those stakeholders with lesser degrees of impact or influence, our engagement is more specific and generally involves direct engagement on specific issues.

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 Board Games 	<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



<p>peers through Board Games</p> <ul style="list-style-type: none"> ➤ 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 		<ul style="list-style-type: none"> ➤ First submission to CDP and first sustainability report ➤ Response to requests for interviews and other input
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Employees



Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> ➤ Annual Great Place to Work® program 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 ➤ First global HSE perception survey 2013 ➤ Semi-annual staff updates (town halls) ➤ New employee breakfasts and lunches, scheduled as needed ➤ Vermilion 101 – Introduction to Oil & Gas for new staff, scheduled as needed ➤ Staff focus groups in Canada, France and Australia in 2013 to gain feedback and ideas on 	<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 all town hall suggestions and questions ➤ Implemented suggestions from staff working groups ➤ Implemented improved communication through intranet relaunch, implemented feedback recommendations for volunteer grant recognition strategy and meaningful Days of Caring activities ➤ Implementing Fair Culture policy in 2014 (see Our Focus on Safety in this report)

<p>community investment program changes; Netherlands to follow in 2014</p> <ul style="list-style-type: none"> › Whistleblower policy, 24/7 › Electronic suggestion box on Intranet, 24/7 › Open door policy with managers, ongoing 		
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Partners & Suppliers ▼

Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> › 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 where we work and live, including aboriginal communities ▼

Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> › 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 & councils, ongoing › Customized community investment program for each 	<ul style="list-style-type: none"> › Community support and capacity building 	<ul style="list-style-type: none"> › Joined LBG (London Benchmarking Group) Canada & began annual reporting in 2012 › 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

<p>investment program for each location, ongoing</p> <ul style="list-style-type: none"> › Communication of community investment via external website & LinkedIn, ongoing › One-on-one engagement with First Nations communities near our Slave Lake operations as needed, including provision for community investment and employment OG-9, DMA Social 		
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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"> › CAPP membership & annual Responsible Canadian Energy (RCE) reporting › Ongoing participation in industry meetings and conferences › High-level review of NGO positions and topics › Meetings with NGO personnel 	<ul style="list-style-type: none"> › Increasing transparency and communication of sustainability performance › Environmental concerns and performance based on location, including fracking 	<ul style="list-style-type: none"> › Launched CDP and sustainability reporting Focus on operational excellence, including compliance with or exceeding all regulations (see Our Focus on Environment in this report)

[Download our stakeholder engagement table as a PDF](#)



Identifying Issues

To identify the topics relevant to Vermilion's sustainability report, we began with a high-level analysis of related issues for the oil and gas sector by reviewing: ^{G4-18}
_{G4-19 G4-20 G4-21}

- International standards, including the United Nations Global Compact, OECD Guidelines for Multinational Enterprises, and The Universal Declaration of Human Rights
- Reports from sector-related government and industry bodies, including the Canadian Association of Petroleum Producers
- Media scans
- Sustainability/corporate responsibility reports from sector-leading companies
- Published research and analysis from reporting entities such as GRI, the Carbon Disclosure Project and the International Integrated Reporting Council
- Reports and benchmarking from third parties with insight into the area, such as Deloitte, Ernst & Young, KPMG, ISS, Sustainalytics, AccountAbility and Bloomberg, and socially responsible investor entities such as the Dow Jones Sustainability Index, FTSE4GOOD and Corporate Knights Capital

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

Material Issues

Once we had identified all issues important to Vermilion and our stakeholders, we cross-referenced these to the GRI G4 Aspects and Standard Disclosures list, conducting a Boundary Assessment for each Aspect 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 then identified 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.

It is important to note that materiality in this context 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

[Download our material issues table as a PDF](#)



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 are governments). We then integrated those results to identify where issues had a common impact or concern spanning several key stakeholder groups. ^{G4-18 G4-19}

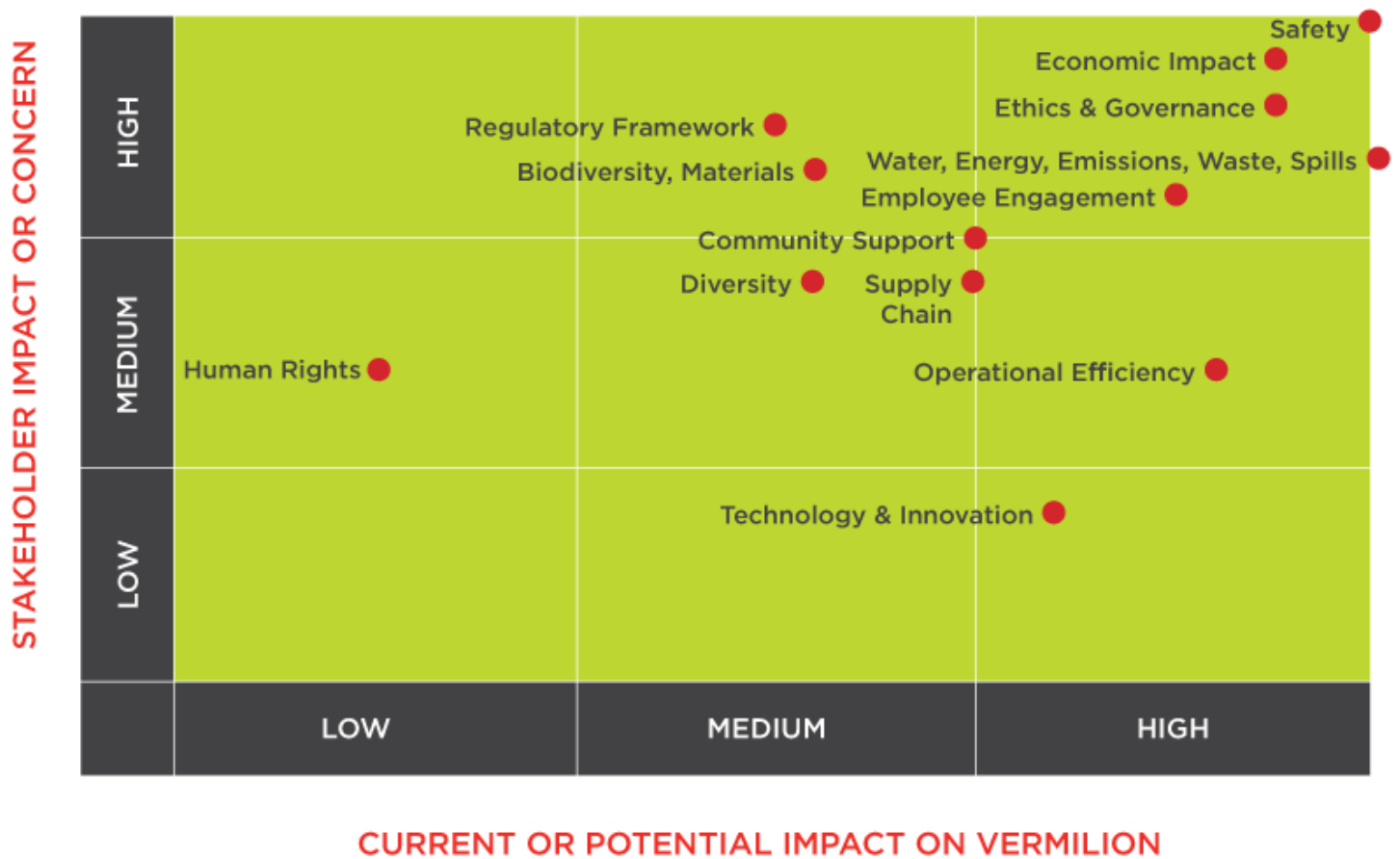
The resulting summary of all GRI Aspects is contained in our full [GRI Materiality Analysis](#), which you can find in our additional information.

It identified our key material aspects as the following:

[View our materiality Analysis](#)



These aspects are also shown falling within the high-high box of the materiality matrix below, and were selected as required for report content. Topics in the medium-high to medium-medium boxes were selected as possible to include in the report text but not in performance metrics, while we have not reported on other content. ^{G4-18 to G4-19}



Validation & Review

Our materiality analysis was reviewed and validated by Vermilion's Executive. It was also reviewed by our sustainability consultants to assist us with ensuring alignment with G4 Guidelines and best practices.

The issues chosen as material for this report will be reviewed as a starting point for the identification of material issues for our 2015 report. External stakeholder validation of the issues will also be considered for our next report.

Portions of the data contained in this report were also independently audited or verified by the following organizations: LBG Canada, CH2M Hill, GLJ Petroleum Consultants and Deloitte. Details can be found in the GRI Content Index in the appendices to this report.

Abbreviations & Terms

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

Term/Abbreviation	Definition
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
CDP	Carbon Disclosure Project
CO ₂ e	carbon dioxide equivalents
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
NGLs	natural gas liquids

GRI Content Index

Indicator	Indicator Description	Location or Description
GENERAL STANDARD DISCLOSURES		
STRATEGY AND ANALYSIS		
G4-1	CEO sustainability statement	Message From Our Chief Executive Officer
G4-2	Description of key impacts, risks and opportunities	Our Approach to Sustainability
ORGANIZATIONAL PROFILE		
G4-3	Name of organization	Vermilion Energy Inc.
G4-4	Primary brands, products, services	About Vermilion
G4-5	Location of headquarters	Calgary, Alberta, Canada
G4-6	Countries of operation	About Vermilion
G4-7	Nature of ownership and legal form	About Vermilion
G4-8	Markets served	About Vermilion
G4-9	Scale of organization	Economic & Operational Highlights About Vermilion Performance Metrics
OG-1	Total proved reserves Assurance Vermilion retained GLJ, an independent qualified reserve estimator, to assess its reserves; the LGJ Resources Assessment was prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and NI 51-101	Performance Metrics
G4-10	Workforce metrics	Performance Metrics
G4-11	Employees under collective bargaining	Performance Metrics
G4-12	Organization's supply chain	About Vermilion Our Value Chain
G4-13	Significant changes during reporting period	About Vermilion Associations

G4-14	Precautionary approach	Our Approach to Sustainability
G4-15	External initiatives to which the company subscribes	Our Approach to Sustainability Associations
G4-16	Memberships in associations	Associations
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	List all organizational entities	About Our Report
G4-18	Define report content and Aspect Boundaries	About Our Report Identifying Issues Material Issues A Material Issues B
G4-19	List all material Aspects	Identifying Issues Material Issues A Material Issues B Materiality Analysis
G4-20	Explain Aspect Boundaries within organization	Identifying Issues Material Issues Materiality Analysis
G4-21	Explain Aspect Boundaries outside organization	Identifying Issues Material Issues Materiality Analysis
G4-22	Restatements of previous info, if applicable	None
G4-23	Significant changes from previous reporting periods	No previous reporting periods
STAKEHOLDER ENGAGEMENT		
G4-24	List stakeholder groups engaged by the organization (Sector supplement including indigenous peoples)	Stakeholder Engagement
G4-25	Basis for identifying and selecting stakeholders with whom to engage	Stakeholder Engagement
G4-26	Approach to stakeholder engagement	Stakeholder Engagement
G4-27	Key topics and concerns raised through stakeholder engagement (SS including indigenous peoples)	Stakeholder Engagement
REPORT PROFILE		
G4-28	Reporting period	2012 and 2013
G4-29	Date of most recent previous report	This is Vermilion's first report
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions about report	Dean Morrison, Director Investor Relations sustainability@vermilionenergy.com
G4-32	In accordance option & index	In accordance with GRI G4 Comprehensive
G4-33	External assurance	Listed in GRI Content Index

GOVERNANCE		
G4-34	Governance structure	Governing Sustainability 2014 Proxy Statement & Info Circular - p33
G4-35	Process for delegating authority for economic, environmental & social topics to sr executives and other employees	Governing Sustainability
G4-36	Executive level position in EES	Governing Sustainability
G4-37	Consultation process between stakeholders and highest governance body on EES	Governing Sustainability
G4-38	Composition of highest governance body and committees	2014 Proxy Statement & Info Circular - p33
G4-39	Is chair of highest governance body also an executive officer?	No
G4-40	Nomination and selection process for highest governance body	2014 Proxy Statement & Info Circular - p45
G4-41	Processes for avoiding conflict of interest for highest governance body	Living our Values 2014 Proxy Statement & Info Circular - p26, 27, 45
G4-42	Highest governance body's roles in developing organization's purpose, value, mission, EES policies	Governing Sustainability
G4-43	Measures to develop highest governance body's knowledge about EES	Governing Sustainability 2014 Proxy Statement & Info Circular - p44
G4-44	Process of evaluating highest governance body's performance in EES	Governing Sustainability 2014 Proxy Statement & Info Circular - p47
G4-45	Highest governance body's role in identifying EES risks and impacts	Governing Sustainability A Governing Sustainability B
G4-46	Highest governance body's role in reviewing effectiveness of EES risk management processes	Governing Sustainability
G4-47	Frequency of 4-46 review	Quarterly
G4-48	Highest level of formal sustainability report review	CEO
G4-49	Process for communicating critical concerns to highest governance body	Living Our Values Governing Sustainability
G4-50	Nature & # of concerns communicated	No critical concerns communicated
G4-51	Remuneration policies for highest governance body & sr exec	2014 Proxy Statement & Info Circular - p29, 30, 64
G4-52	Process for determining remuneration	Material Issues 2014 Proxy Statement & Info Circular - p59-63
G4-53	Process for stakeholder engagement in determining remuneration	Proven Performance
G4-54	Ratio of annual total compensation of highest-paid individual to median annual total compensation all employees	Performance Metrics

G4-55	% annual increase of G4-54	Performance Metrics
ETHICS AND INTEGRITY		
G4-56	Organization's values, principles, standards such as codes of conduct and ethics	Living Our Values 2014 Proxy Statement & Info Circular - p45
G4-57	Mechanisms for seeking advice on ethical issues	Living Our Values 2014 Proxy Statement & Info Circular - p45
G4-58	Mechanisms for reporting ethical concerns	Living Our Values Performance Metrics 2014 Proxy Statement & Info Circular - p45
SPECIFIC STANDARD DISCLOSURES		
ECONOMIC		
Economic Performance		
G4-DMA		About Vermilion Economic & Operational Highlights Message from our Chief Executive Officer Materiality Analysis
G4-EC1	Direct economic value generated and distributed Assurance LBG Canada annual audit of 2012 and 2013 community investment data	Economic & Operational Highlights Performance Metrics
G4-EC2	Financial implications of climate change	Protecting What's Important What's Done & What's Next
G4-EC2SS	Reduction in water use	Environmental Stewardship Around the World Performance Metrics
G4-EC3	Coverage of defined benefit plan obligations	No defined benefit plans
G4-EC4	Financial assistance received from government	Performance Metrics
G4-OG1	Volume and type of estimated proved reserves and production	Performance Metrics
ENVIRONMENTAL		
Energy		
G4-DMA		Our People Our Focus on Safety Our Focus on Environment What's Done & What's Next Tomato Greenhouse Project Materiality Analysis
G4-EN3	Energy consumption within the organization	Performance Metrics
G4-EN4	Energy consumption outside of the organization (use of sold products)	Performance Metrics
G4-EN5	Energy intensity	Performance Metrics

G4-EN6	Reduction of energy consumption	What's Done & What's Next Environmental Stewardship Around the World
G4-EN7	Reductions in energy requirements of products and services	Protecting What's Important
OG-2	Total amount invested in renewable energy	Performance Metrics
OG-3	Total amount of renewable energy generated by source	Performance Metrics
Water		
G4-DMA		Our People Our Focus on Safety Our Focus on Environment Protecting What's Important Our Regulatory & Reporting Framework Materiality Analysis
G4-EN8	Total water withdrawal by source	Performance Metrics
G4-EN9	Water sources significantly affected by withdrawal of water	Performance Metrics
G4-EN10	Percentage and total volume of water recycled and reused	Performance Metrics
Emissions		
G4-DMA		Our People Our Focus on Safety Project: Road Safety in Parentis, France Our Focus on Environment Protecting What's Important What's Done & What's Next Materiality Analysis
G4-EN15,SS	Direct greenhouse gas (GHG) emissions (Scope 1)	Performance Metrics
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Performance Metrics
G4-EN17, SS	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Performance Metrics
G4-EN18, SS	Greenhouse gas (GHG) emissions intensity	Performance Metrics
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Performance Metrics
G4-EN20	Emissions of ozone-depleting substances (ODS)	Performance Metrics
G4-EN21	NOX, SOX, and other significant air emissions	Performance Metrics
Effluents & Waste		
G4-DMA		Our People Our Focus on Safety Project: Road Safety in Parentis, France Our Focus on Environment Protecting What's Important What's Done & What's Next Our Regulatory & Reporting Framework Materiality Analysis

G4-EN22	Total water discharge by quality and destination	Performance Metrics
G4-EN23	Total weight of waste by type and disposal method	Performance Metrics
G4-EN24	Total number and volume of significant spills	Performance Metrics
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ² Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Performance Metrics
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Performance Metrics
OG-5	Produced water by disposal method	Performance Metrics
OG-6	Volume of flared and vented hydrocarbon	Performance Metrics
OG-7	Drill mud & cuttings	Performance Metrics
Overall		
G4-DMA		Our People Our Focus on Safety Project: Road Safety in Parentis, France Our Focus on Environment Protecting What's Important What's Done & What's Next Our Regulatory & Reporting Framework Materiality Analysis
EN-31	Total environmental expenditures	Performance Metrics
SOCIAL		
Employment		
G4-DMA		Living Our Values Proven Performance Materiality Analysis
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Performance Metrics
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our People
G4-LA3	Return to work and retention rates after parental leave, by gender Omission Partial omission: data for employees still employed 12 months after end of parental leave was not available in our previous personnel information system; new system was implemented early 2013.	Performance Metrics
Occupational Health and Safety		

G4-DMA		Our People Compensation & Benefits Welcoming New Employees Encouraging Communication Learning & Development Global Corporate Challenge Our HSE Commitment
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Performance Metrics
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Performance Metrics
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Performance Metrics
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Performance Metrics
OG-13	Process safety events	Performance Metrics
Training and Education		
G4-DMA		Proven Performance Governing Sustainability Materiality Analysis
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Performance Metrics
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Encouraging Communication, Learning and Development A Encouraging Communication, Learning and Development B
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Performance Metrics
HUMAN RIGHTS		
Non-discrimination		
G4-DMA		Identifying Issues Materiality Analysis
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Performance Metrics
Indigenous Rights		
G4-DMA		Our Value Chain Materiality Analysis
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Performance Metrics
Human Rights Grievance Mechanisms		

G4-DMA		Identifying Issues Materiality Analysis
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Performance Metrics
SOCIETY		
Anti-corruption		
DMA		Identifying Issues
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Performance Metrics
G4-SO4	Communication and training on anti-corruption policies and procedures	Performance Metrics
G4-SO5	Confirmed incidents of corruption and actions taken	Performance Metrics

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Value Matters



Performance Metrics

ASPECT / Indicator Name	2012	2013	GRI
ORGANIZATIONAL SCALE			
Financial			
Gross petroleum and natural gas sales (\$ thousands)	1,083,103	1,273,835	G4-9, EC1a
Canada	304,202	382,005	
France	388,410	453,315	
Netherlands	123,528	139,570	
Australia	266,963	298,945	
Direct Economic Value Distributed, by Business Unit			
Operating costs – total – excludes transportation, royalties and G&A (\$ thousands)	178,442	195,043	G4-9, EC1a,b
Canada	55,418	55,804	
France	54,907	66,997	
Netherlands	19,149	20,617	
Australia	48,968	51,625	
Employee wages and benefits costs – total (\$ thousands)	116,134	134,729	G4-EC1a,b
Canada	71,167	86,714	
France	17,672	19,945	
Netherlands	9,598	9,514	
Australia	17,697	18,556	
Dividends declared (\$ thousands)	223,717	242,599	G4-9, G4-EC1a,b
Interest payments (\$ thousands)	27,586	38,183	G4-EC1a,b
Taxes paid – total (\$ thousands)	181,913	218,359	G4-EC1a,b
Canada	1,582	1,403	

France	63,006	94,524	
Netherlands	25,648	34,132	
Australia – includes PRRT and corporate taxes	91,677	88,300	
Royalties paid – total (\$ thousands)	52,084	67,936	EC1SS
Canada	31,667	40,891	
France	20,417	27,045	
Community investments – total (also see additional economic impact below) (\$ thousands)	718	1,076	G4-EC1a,b
Canada	531	801	
France	117	188	
Netherlands	41	29	
Australia	29	58	
Economic value retained – total corporate (Sales less Direct EV distributed) (\$ thousands)	302,509	375,910	G4-EC1a,b
Corporate payments for interest and dividends	(251,303)	(280,782)	
Economic value retained in Canada Business Unit	143,837	196,392	
Economic value retained in France Business Unit	232,291	244,616	
Economic value retained in Netherlands Business Unit	69,092	75,278	
Economic value retained in Australia Business Unit	108,592	140,406	
Assets, Debt and Equity			
Net land position (acres) (Canada, France, Australia, Netherlands; excludes Ireland)	1,807,024	2,207,800	G4-9
Common shares outstanding (millions) (basic)	99.135	102.123	G4-9
Market capitalization (\$ billions) (as at December 31, 2013)	5.125	6.367	G4-9
Fund flows from operations (\$ thousands)	557,728	667,526	G4-9
Fund flows from operations per basic share	5.69	6.61	G4-9
Fund flows from operations per diluted share	5.62	6.51	G4-9
Net earnings (\$ thousands)	190,622	327,641	G4-9
Net earnings per basic share	1.94	3.24	G4-9
Capital expenditures (\$ thousands)	452,538	542,726	G4-9
Acquisitions (\$ thousands)	315,438	36,689	G4-9

Cash dividends per share	2.28		2.40		G4-9
Dividends as % of fund flows from operations, gross	40%		36%		G4-9
Dividends as % of fund flows from operations, net	27%		26%		G4-9
Long term debt (\$ thousands)	642,022		990,024		G4-9
Total shareholders' equity (\$ thousands)	1,418,646		1,716,375		G4-9
Total assets (\$ thousands)	3,076,257		3,708,719		G4-9
Total shareholder return	19.6%		24.6%		G4-9
Operations					
Number of operations (business units)	4		4		G4-9
Production (bbls/d) – crude oil	23,971		25,741		G4-9
Production (bbls/d) - NGLs	1,299		1,730		G4-9
Production (mcf/d) – natural gas	75,200		81,210		G4-9
Production (boe/d) – total	37,803		41,005		G4-9
Total proved + probable reserves, gross (MBOE) (Canada, France, Netherlands, Australia; excludes Ireland)	143,695		174,453		OG1
People					
Total staff (employees + contractors)	515		597		G4-9
Staff by employment contract & gender (employees=on payroll; contractors=paid by invoice) Note: Vermilion replaced its personnel administration software in early 2013; small discrepancies in some data (gender-related) will be reconciled in 2014.	M	F	M	F	G4-10a,c,e
Employees	241	136	304	157	
Total employees	377		461		
Contractors	112	26	108	28	
Total contractors	138		137		
Permanent employees by employment type & gender	M	F	M	F	G4-10b
Full-time	240	134	303	152	
Part-time	1	2	1	5	
Total workforce by region and gender	M	F	M	F	G410d
Staff – Canada	143	103	165	114	
Staff – France	109	41	125	46	

Staff – Netherlands	52	4	65	7	
Staff – Australia	54	9	62	13	
Percentage of work performed by workers defined as self-employed (paid by invoice)	27		23		G4-10e
Significant variations in employment numbers (e.g. seasonal changes)	None		None		G4-10f
Percentage of employees covered by collective bargaining agreements (13 agreements in place in France)	29		29		G4-11
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		G4-54
Ratio of % change in CEO compensation to % change in employee median compensation from G4-54	n/a		12.7:1		G4-55
ETHICS					
Requests for advice on ethical behaviour through corporate secretary	0		0		G4-56
Business conduct investigations	0		0		G4-57
Violations of rights	0		0		G4-57
Monetary value of fines for non-compliance with laws & regulations	0		0		G4-57
Total number of concerns expressed via hotlines or whistleblower lines	0		0		G4-57
Political donations	0		0		G4-57
ADDITIONAL ECONOMIC IMPACT					
Days of Caring (DWH) – hours by employees	1,000		1,179		G4-EC1
Employee volunteer grant program: Vermilion donations (\$)	14,500		22,358		
Employee volunteer grant program: Employee hours	1,392		4,831		
LBG corporate giving – total including external resources leveraged: (\$)	964,173		1,310,226		
Small circle (cash contribution) (\$)	553,733		860,708		
Medium circle (additional direct support) (\$)	163,862		214,738		
Big circle (external resources leveraged) (\$)	246,578		234,780		
Additional community investment not included elsewhere – road safety (\$)	70,000		140,000		

Defined Benefit Plan Obligations - Only our Netherlands location has a defined benefit pension plan. These plan liabilities are met using a fund held separately from our general accounts by Aegon, a pension insurance company.			G4-EC3b
Level of coverage of the fund's assets compared to obligations	100%	100%	G4-EC3b
Percentage of salary contributed by employee	6%	6%	G4-EC3d
Contribution of employer: When an employee starts, Aegon calculates the funds the employee will need at 65 to retire (to buy a pension). Vermilion then pays an annual premium based on gender, age, salary and number of future working years.	Annual premium per employee	Annual premium per employee	G4-EC3d
Level of participation in retirement plans	100% in NL	100% in NL	G4-EC3e
Financial Assistance Received from Government (e.g. tax relief/credits, subsidies, royalty holidays)	0	0	G4-EC4
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 American Petroleum Institute Compendium, 2009 Canadian Association of Petroleum Producers, Calculating Greenhouse Gas Emissions, 2003 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 raw flared gas	3,682,252	3,820,064	G4-EN3
Canada	1,999,519	2,121,520	G4-EN3
France	529,023	674,974	G4-EN3
Netherlands	365,894	299,709	G4-EN3
Australia	787,817	723,861	G4-EN3
Energy consumption outside the organization, in GJ, all non-renewable *Scope 2, all electricity, conversion: 1 MWh=0.2777 GJ	1,011,283	972,957	G4-EN4
Canada	169,481	169,481	G4-EN4
France	531,306	562,861	G4-EN4
Netherlands	309,853	239,749	G4-EN4
Australia	642	867	G4-EN4
Energy intensity ratio – oil & gas production (Gj/boe)	0.340	0.320	G4-EN5, SS

Total amount invested in renewable energy *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	\$140,000	\$140,000	OG2
Total amount invested in renewable energy as % of capital expenditure *Capex 2012 = \$452,538,000 *Capex 2013 = \$542,726,000	.03	.03	OG2
Total amount of renewable energy generated by source (in MWh): *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	OG3
Water			
Total water withdrawal by source, (all, m ³)	996,415	819,523	G4-EN8
Surface water, including wetlands, rivers, lakes, oceans	348,961	313,262	G4-EN8
Groundwater	640,854	490,410	G4-EN8
Rainwater collected	0	0	G4-EN8
Wastewater from another organization	0	0	G4-EN8
Municipal water supplies or other water utilities	6,600	15,851	G4-EN8
Total number of water sources significantly affected by withdrawal of water	0	0	G4-EN9
Total volume of water recycled and reused	0	7400	G4-EN10
Total percentage of water recycled and reused	0	0.9%	G4-EN10
Reduction in water use (offset from recycling)	0	7400	G4-EC2SS
Emissions			
Gross direct (Scope 1) GHG emissions, operational control & equity	288,781	310,285	G4-EN15a
CO ₂ Scope 1 emissions	250,063	259,849	SS
Methane, in CO ₂ e *Assumes all vented gas is methane	38,718	50,436	SS
Nitrous Oxide	Not tracked	Not tracked	SS
Hydrofluorocarbons	Not tracked	Not tracked	SS
Perfluorocarbons	Not tracked	Not tracked	SS
Sulfur hexafluoride	Not tracked	Not tracked	SS
Gross indirect (Scope 2) GHG emissions CO ₂ e	85,223	79,309	G4-EN16

Gross other indirect (Scope 3) GHG emissions	2,839	9,860	G4-EN17
Biogenic CO ₂ Scope 3 emissions	0	0	G4-EN17
Estimated scope 3 associated with end use of products	Not applicable	Not applicable	SS
GHG emissions intensity, O&G production, Scope 1, CO ₂ e per barrel of oil equivalent	0.0209	0.0207	G4-EN18SS
GHG emissions intensity, O&G production, Scope 2 CO ₂ e per barrel of oil equivalent	0.0062	0.0053	G4-EN18SS
Emissions of ozone-depleting substances	0	0	G4-EN20
NO _x , SO _x and other significant air emissions, broken down by gas all for production	Not currently tracked	Not currently tracked	G4-EN21
Effluents and Waste			
Total water discharge by quality and destination m ³	275,299	134,505	G4-EN22
Total weight of waste by type and disposal method, metric tonne	87,189	114,226.86	G4-EN23
Reuse	0	7400	
Recycling	35.96977501	13.48	
Composting	0	0	
Recovery, including energy recovery	1551.19	0	
Incineration	0	0	
Deep well injection	46026.1	3,648.82	
Landfill	27721.39022	33,014.59	
On-site storage	0	0	
Other – Oilfield Waste Processing	11854.5	70,149.97	
Total number and volume of significant spills *No significant spills requiring reporting in financial statements in 2012 or 2013 *No impacts due to other spills; immediate clean-up initiated	78	137	G4-EN24
	66 m ³	193.95 m ³	
Weight of hazardous materials transported across international borders	0	0	G4-EN25
Water bodies significantly affected by discharges of water & runoff	0	0	G4-EN26
Total volume of produced water (m ³)	1559853.7	1,599,691.8	
Volume and % of produced water by disposal method:	100%	100%	OG5
Reused	0	0	OG5

Recycled	0	0	OG5
Reinjected (m ³)	1559853.7	1,599,691.8	OG5
Total volume of hydrocarbon discharged within produced water (tonnes) *This discharge comes from the produced water released to the sea in Australia. We are within our operating approval discharging this volume (11.0 and 11.3 mg/L 2012 vs 2013)	242.495	243.515	OG5
Volume of flared hydrocarbon	15,032.79	17,891.39	OG6
Volume of continuously flared hydrocarbon by business unit: (m ³)	15,032.79	17,891.39	OG6
Canada	2,173	3,137	OG6
Australia	734	293	OG6
France	11,347	14,108	OG6
Netherlands	779	354	OG6
Volume of vented hydrocarbon	2,861.71	3,818.12	OG6
Volume of continuously vented hydrocarbon by business unit: (m ³)	2,861.71	3,818.12	OG6
Canada	864	1,069	OG6
Australia	1,166	1,088	OG6
France	100	953	OG6
Netherlands	732	709	OG6
Volume vented and flared in relation to volume of O&G produced	0.001296882	0.001450508	OG6
Amount of drill mud & cuttings produced using non-aqueous drilling fluid, by disposal method: onshore disposal to controlled sites Note: Australia drilling managed by third party, not reported	Canada only 19,451 t landfill	NL: 0 Canada & France: 18,844 t landfill	OG7
Amount of drill mud & cuttings produced using aqueous drilling fluid, by disposal method (reinjection, recycling, onshore disposal to controlled sites, offshore disposal) Note: Australia drilling managed by third party, not reported	Canada only 14,085 m ³ onsite 2,252 t landfill	NL: 0 Canada & France: 5,273 m ³ onsite 6,701 t landfill	OG7
Overall			
Total environmental protection expenditures	\$39,954,133	\$37,441,842	
Waste disposal, emissions treatment and remediation	\$3,438,407	\$6,069,660	G4-EN31
Prevention and environmental management costs	\$36,515,726	\$31,372,182	G4-EN31
SOCIAL			

Employment (based on full-time, permanent staff)					
Number of new employee hires by age group, gender and region	M	F	M	F	G4-LA1a
Canada: under 30	3	2	6	5	
Canada: 30-50	13	8	23	15	
Canada: over 50	4	5	4	4	
Australia: under 30	1	0	2	0	
Australia: 30-50	3	0	3	0	
Australia: over 50	1	0	0	0	
France: under 30	2	0	9	3	
France: 30-50	1	0	17	5	
France: over 50	1	0	1	0	
Netherlands: under 30	0	0	2	2	
Netherlands: 30-50	2	0	15	0	
Netherlands: over 50	1	0	2	0	
Rate of new hires by age group, gender and region (percent, based on total numbers in each category at the end of each year, in accordance with GRI)	M	F	M	F	G4-LA1a
Canada: under 30	38	22	38	36	
Canada: 30-50	17	14	25	21	
Canada: over 50	13	16	11	12	
Australia: under 30	33	0	40	0	
Australia: 30-50	19	0	18	0	
Australia: over 50	9	0	0	0	
France: under 30	18	0	45	43	
France: 30-50	3	0	34	19	
France: over 50	3	0	3	19	
Netherlands: under 30	0	0	1	0	
Netherlands: 30-50	14	0	56	0	
Netherlands: over 50	3	0	25	0	

Employee turnover numbers by age group, gender and region	M	F	M	F	G4-LA1b
Canada: under 30	0	2	3	1	
Canada: 30-50	10	5	6	8	
Canada: over 50	4	3	1	10	
Australia: under 30	0	0	0	0	
Australia: 30-50	1	0	5	0	
Australia: over 50	0	0	1	0	
France: under 30	0	0	1	0	
France: 30-50	2	0	5	1	
France: over 50	2	0	4	0	
Netherlands: under 30	1	0	0	0	
Netherlands: 30-50	0	0	0	0	
Netherlands: over 50	2	0	0	0	
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	G4-LA1b
Canada: under 30	0	21	25	9	
Canada: 30-50	13	9	7	13	
Canada: over 50	13	10	3	31	
Australia: under 30	0	0	0	0	
Australia: 30-50	7	0	30	0	
Australia: over 50	0	0	9	0	
France: under 30	0	0	6	0	
France: 30-50	5	0	12	4	
France: over 50	6	0	11	0	
Netherlands: under 30	0	0	0	0	
Netherlands: 30-50	0	0	0	0	
Netherlands: over 50	44	0	0	0	
Net employment creation	15		72		G4-LA1
Parental Leave	M	F	M	F	G4-LA3

Number of employees entitled to parental leave	241	136	305	156			
Number of employees who took parental leave	1	4	1	9			
Number of employees who returned to work after end parental leave	1	3	1	9			
Rate of employees who returned to work after end parental leave (percent)	100	75	100	100			
Employees still employed 12 months after end parental leave	Data not available due to early 2013 introduction of Workday personnel information system; earlier numbers in this category were not tracked in previous system						
Rate of employees still employed 12 months after end parental leave							
Occupational Health and Safety							
Total number of workers represented by HSE committees	236		275		G4-LA5		
Percentage of workers represented by HSE committees	46		46		G4-LA5		
Total recordable injury frequency (worldwide) *defined using industry safety standard metric, recordable injuries per 200,000 hours *note that for all OH&S metrics, we are reporting male and female statistics together; in 2012, there were 0 injuries to female staff; in 2013, there was 1 injury to female staff. All other injuries were to male staff.	0.9718		1.093				
Types of injury – all staff (permanent or fixed term) *defined using CAPP definitions for Lost Time, Restricted/Modified Work and Medical Aid categories	LT	RW	MA	LT	RW	MA	G4-LA6a
Drillings & Completions (worldwide)	0	0	0	0	0	0	
Canada (not including D&C)	0	0	1	0	0	0	
France (not including D&C)	0	0	0	2	0	0	
Netherlands (not including D&C)	0	0	0	0	0	0	
Australia (not including D&C)	0	0	0	0	0	1	
Injury rate – all staff (permanent or fixed term) *defined as injuries relative to the total time worked by the total workforce in the reporting period							G4-LA6a
Canada	.0000012		.0000032				
France	0		.0000085				
Netherlands	0		0				
Australia	0		.0000072				
Occupational diseases rate – all staff (permanent or fixed term), all locations	0		0				

Lost day rate – all staff (permanent or fixed term) *defined as total lost days compared to the total number of hours scheduled to be worked by the total workforce in the reporting period							G4-LA6a
Canada	0			.0001432			
France	0			.0005633			
Netherlands	0			0			
Australia	0			0			
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			.005			G4-LA6a
Work-related fatalities – all staff (permanent or fixed term)	0			0			G4-LA6a
Types of injury – contractors *defined using CAPP definitions for Lost Time, Restricted/Modified Work or Medical Aid	LT	RW	MA	LT	RW	MA	G4-LA6b
Drillings & Completions (worldwide)	3	1	5	2	2	5	
Canada (not including D&C)	0	1	2	2	0	1	
France (not including D&C)	0	1	1	0	0	0	
Netherlands (not including D&C)	0	0	1	0	3	0	
Australia (not including D&C)	0	0	0	0	0	1	
Injury rate – independent contractors *defined as injuries relative to the total time worked by the total workforce in the reporting period							G4-LA6b
Canada	.0000065			.0000044			
France	.0000040			.0000038			
Netherlands	.0000151			.0000228			
Australia	0			.0000364			
Occupational diseases rate – independent contractors worldwide	0			0			G4-LA6b
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							G4-LA6b
Canada	.0001535			.0000580			
France	0			.0001966			
Netherlands	0			0			

Australia	0		.0003397		
Absentee rate – independent contractors *current system does not track absentee days for independent contractors, so this figure cannot be calculated	Not tracking		Not tracking		G4-LA6b
Work-related fatalities – independent contractors worldwide	0		0		G4-LA6b
Workers involved in occupational activities who have a high incidence or high risk of specific diseases, worldwide	0		0		G4-LA7
Asset integrity and process safety					OG13
Number of Tier 1 process safety events	0		0		
Number of Tier 2 process safety events	13		27		
Training and Education	M	F	M	F	
Total hours of training *data captures Canada and France; Netherlands began tracking training hours in 2014; Australia does not currently identify training or hours	3419.49	2471.32	4296.77	3447.15	G4-LA9
Total hours of training: Administration staff	939.88	1632.01	1050.66	2205.84	
Total hours of training: Production staff	2479.61	839.31	3246.11	1241.31	
Average hours of training *data captures Canada and France; Netherlands began tracking training hours in 2014; Australia does not currently identify training or hours	13.57	9.81	14.82	21.55	G4-LA9
Average hours of training: Administration staff	17.41	19.9	5.15	36.76	
Average hours of training: Production staff	33.51	10.11	13.47	23.43	
Percentage of total employees who received a regular performance and career development review – total. Data tracked in 2013 based on number of staff with identified development goals. Data not tracked based on gender or level of function (i.e., admin and production)	N/A		44		G4-LA11
Anti-corruption					
Percentage of operations assessed for risks related to corruption	100		100		G4-SO3
# and % of governance body communicated to on anti-corruption	100		100		G4-SO4
# and % of employees communicated to on anti-corruption	515	100	597	100	
# and % of business partners communicated to on anti-corruption * data not available; not formally tracked	N/A	N/A	N/A	N/A	
# and % of governance body members trained on anti-corruption	8	100	8	100	
# and % of employees trained on anti-corruption	0	0	0	0	

Confirmed incidents of corruption	0	0	G4-SO5
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Materiality Analysis

[View our materiality analysis](#)



Living Our Values

At Vermilion, our core values guide everything we do, creating a context for our daily operations and the decisions that we make. While we are clear that we are in business to create shareholder value, we are equally clear that the safety of our staff and communities is always our first priority, followed closely by our commitment to environmental responsibility. ^{G4-56}

EXCELLENCE

TRUST

RESPECT

RESPONSIBILITY

To support our values, we have developed a Code of Business Conduct and Ethics, together with a framework of guiding principles that we expect all of our directors, officers and employees to follow.

This covers issues such as:

- Anti-corruption and anti-bribery
- Avoiding conflicts of interest
- Outside business interests
- Corporate disclosure
- Confidential information
- Culture of ethical business conduct
- Securities trading
- Appropriate entertainment, gifts and favours
- Fair dealing
- Workplace conduct and safety
- Responsibility for the environment

All directors, officers and employees review this code annually, signing it to confirm they understand and have complied with it. As with other employee policies, the code is available in both English and French, which are the primary languages in which we do business. ^{G4-41}

At the Board of Directors level, our chairman discusses these policies with each new board member privately. Within the company, our CEO and our EVP People 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 website and phone number that allow staff to anonymously report concerns to or seek advice from our Corporate Secretary, who is a partner of our external legal counsel and not a Vermilion employee. The Corporate Secretary can then take those concerns directly to the Board of Directors. Our whistleblower policy prohibits retaliation, harassment or discrimination against anyone making a complaint or reporting a concern. In 2012 and 2013, no concerns or complaints were registered with the Corporate Secretary. G4-49 G4-50 G4-57 G4-58

While we operate in areas with robust legal, anti-corruption and human rights frameworks, and we extend our expectation of the highest standards of ethical conduct to our suppliers and contractors, the sustainability reporting process has highlighted that there is more Vermilion can do to clearly communicate these expectations to entities within our supply chain. This is an area that we have therefore identified for further review.

Proven Performance

Board governance has become increasingly important over the last decade, as the investment community, regulators and media look closely at board independence, disclosure and performance. As Vermilion's highest governing body, our Board of Directors guides the company, ensuring the integrity of our people and processes, overseeing risk management, and positioning us for continued growth and shareholder value.

We take pride in Vermilion's consistently strong results in the area of board governance, which are demonstrated through our annual review of the performance of the Board, its committees and individual directors.

This performance has been independently recognized by The Globe and Mail's annual Board Games report on corporate governance, which evaluates how well Canada's top companies perform with regard to best practices in areas such as board composition, executive compensation, shareholder rights, and disclosure. We have consistently placed in the top ranks of oil and gas companies, and Canadian companies overall, since 2006.

While we continuously monitor corporate governance regulations and legal requirements in Canada, the United States, Europe and Australia, we also maintain a watch on trends in governance disclosure and structure, along with benchmarks that compare our performance to that of our peers.

We have, for example, been monitoring the trending issue of "say on pay" - providing shareholders with an advisory vote on executive compensation – for several years. In 2014, we initiated a "say on pay" vote at our Annual General Meeting, to provide shareholders with a more formal feedback mechanism on this important issue. G4-53

Spotlight on Governance



Larry J. Macdonald (centre of photo, with our CEO, Lorenzo Donadeo) has been a member of Vermilion's Board of Directors since 2002, and has been Chairman of the Board since 2003. During this time, Vermilion has truly appreciated Mr. Macdonald's generous approach to philanthropy and community investment.

He has been a United Way volunteer since 1987, chairing Calgary's campaign in 1992 and the Calgary United Way Board in 2000. He has been actively involved in both the national and international United Way Boards, and has travelled to more than 10 countries around the world at his own expense to represent United Way and

own expense to represent causes they care
to further its global work.

In 2013, Mr. Macdonald was awarded the Queen Elizabeth II Diamond Jubilee Medal in recognition of his efforts to make our world a better place for all.

➤ [Click here for our video highlighting Mr. Macdonald's contributions to our communities.](#)

Governing Sustainability

As of December 31, 2013, Vermilion's Board of Directors was comprised of nine Directors, eight of which were independent (ten/nine as of March 3, 2014), who oversee all matters related to sustainability performance, including our economic, environmental, social and governance impacts, through four committees:

- Audit
- Governance and Human Resources
- Health, Safety and Environment
- Independent Reserves ^{G4-34}

To ensure that all of these areas are well addressed, Vermilion annually updates a Board members skills matrix that ensures potential gaps are identified and creates a foundation for new director searches. Along with significant experience in leadership and the oil and gas sector, the current board skills matrix requires a depth of experience in sustainability issues such as health, safety, environment, social responsibility and diversity. We support this through identifying and conducting regular board training to build further knowledge in these areas.^{G4-43}

While Vermilion does not have an executive sustainability officer, organizational responsibility for sustainability flows from the Board to our CEO and our President and COO, and throughout the company via our Executive and senior leadership teams. In turn, priorities and progress on sustainability topics, including governance updates, HSE targets and performance, and developments within our community investment program, are communicated back to the Board through quarterly updates. Stakeholders can also communicate to the Board via letters, our dedicated Investor Relations phone and e-mail lines, or at investor relations presentations and events, and our annual meetings.^{G4-35 G4-36 G4-37 G4-42 G4-49}

One of the key roles of the board is to provide risk oversight for Vermilion, including sustainability related risks. Overall, our business strategy focuses on 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 long-range plan that covers business strategy and related goals and objectives, to 2020.^{G4-45}

To achieve this long-term success, Vermilion has identified and continually monitors risks – including economic, environmental and social risks – in the following categories:

- Operational and environmental
- Regulatory and compliance
- Credit and counterparty

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

We use a corporate risk matrix as a framework for this process, which assisted our process to identify and prioritize material issues for sustainability reporting on our materiality matrix.

Through its four committees, the Board reviews the effectiveness of Vermilion's identification and management of all risks (including sustainability risks) quarterly. ^{G4-46} ^{G4-47} Stakeholder engagement is also used to support the Board's reviews. ^{G4-45b} For example, we hold semi-annual staff update meetings throughout Vermilion's operations. In addition to management presentations on the progress made on our long range plan, staff work together during these half-day sessions to conduct tabletop discussions regarding issues and potential risk areas identified by both management and staff. Discussion results are communicated to the management team, which in turn reports back to the staff with answers to concerns, ideas and suggestions raised. This information is included as appropriate in communication to the Board.

Board governance of economic, environmental and social topics and 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. ^{G4-44a}

Changes to Board membership and practice as a result of these reviews are made on as-needed basis. For example, Vermilion's Board of Directors places a high priority on creating a diversity of backgrounds and skills among its members that contribute to continued success in problem solving, deliberating key issues and making quality decisions in all areas, including sustainability performance and reporting. We recognize the potential benefits of actively seeking female members of our board, and were very pleased to welcome Ms. Sarah Raiss to our Board in March 2014. ^{G4-44b}

Our People

At Vermilion, we are very honoured to have been recognized by the Great Place to Work Institute® for the past five years as a Best Workplace in both Canada and France.

Our Netherlands operations placed 10th in its category in 2014, the first year of its eligibility, making it the highest ranked energy company in the Netherlands survey. 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. All of our business units participate annually in this assessment and feedback process, which provides an important third-party perspective on our culture and benefits. Our Australia Business Unit participates in the assessment and survey, but as of 2014 did not meet the minimum size requirement to compete for Best Workplace recognition.

Through the survey, our staff tell us that they choose to come to Vermilion – and to stay – because in addition to a strong rewards and benefits package, they experience a high degree of personal satisfaction from the opportunities we offer, and take pride in how we give back to the communities where we do business.

Vermilion staff participating in activities at Vermilion's annual charity golf tournament

"I value community, Vermilion supports that. I value work/life balance, Vermilion supports that. I value intellectual/professional growth, Vermilion supports that. I'm happy here."

**A Great Sense of
Camaraderie**

- Great Place to Work 2013 survey response

We also have a great sense of camaraderie within the company – we make it a priority to create occasions for our people to meet, mingle, share ideas, have fun and celebrate our successes.

Compensation & Benefits

It's important to us that our benefits package acknowledges the value our employees bring to Vermilion.

Full-time permanent employees enjoy a competitive base salary, short and longer-term incentive plans, and an employee share savings plan that can contribute towards retirement planning. Health and wellness benefits include a taxable lifestyle account and tax-free health care spending account, with health, vision and dental plans, short and long term disability benefits, basic and dependent life insurance plans and critical illness and "best doctors" insurance, plus an employee family assistance program. G4-LA2

Employees in our Netherlands operations also participate in a defined benefit pension plan. In France, employees in companies with more than 50 employees benefit from participation in a Works Council, which helps to guide the employee-employer relationship. The Works Council, whose staff representatives are elected by employees, is mandated to bring forward grievances and represent employees in discussions with the company on changes that affect the employee work environment, job expectations or benefits. G4-11

Our international locations also provide staff with opportunities to work for a time away from their usual base, broadening their operational expertise and their understanding of our global operations.

Welcoming New Employees

When we recruit, we look for employees with strong technical skills and creative vision who want to work in a highly collaborative and dynamic work environment.

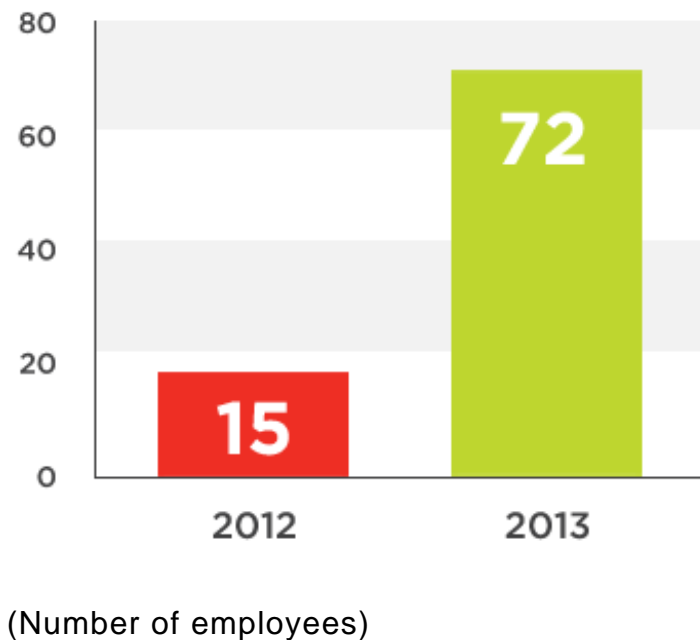
In 2013, we added 72 new positions – an increase in our staff levels that reflected the production growth in our business units around the world. This made it even more important to hire staff who align with our culture, and especially our core values of Excellence, Trust, Respect and Responsibility.

When new staff arrive, the onboarding process is designed to make them feel immediately welcome and to integrate them into our culture quickly – including offices that are already set up, a meet-and-greet lunch for new employees with our executive, and the Vermilion 101 course that introduces them to the oil and gas industry in general and our company in particular. New staff are assigned a "buddy" to help in the first few weeks, and new leaders are provided with additional resources to help them orient to their role.

"I value community, Vermilion supports that. I value work / life balance, Vermilion supports that. I value intellectual / professional growth, Vermilion supports that. I'm happy here."

- *Great Place to Work 2013 survey response*

Net Employment Creation



Encouraging Communication, Learning & Development

Vermilion's ability to achieve the business goals we've set for the company depends on how our staff understand those goals and the key roles they play in both the short and long term. We encourage the two-way communication that is essential to this understanding using a variety of tools. G4-LA10

Twice a year, members of the executive present our progress and plans to staff at town halls in all of our locations. Small groups of staff brainstorm ideas that are then presented to the executive. Questions, concerns and suggestions raised during this interaction are followed up after the town halls, and are often incorporated into ongoing company strategy discussions.

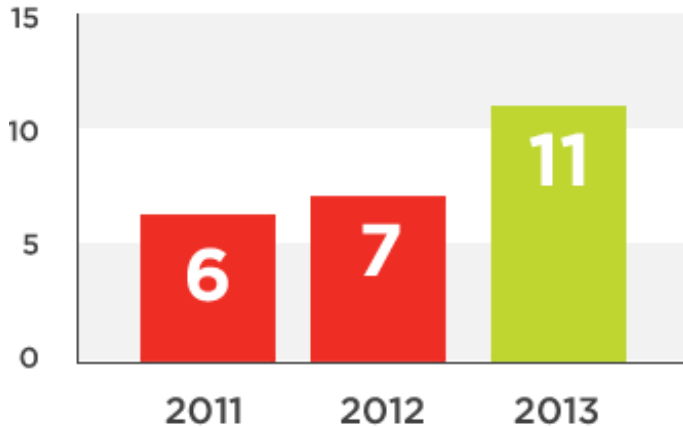
On a daily basis, our key communication tool is our newly designed bilingual intranet, which we launched in October 2013. The intranet provides significantly improved access to corporate and local information for staff in all locations – particularly in the key areas of business vision, HSE and community investment – and expanded opportunities for staff to offer feedback through the electronic suggestion box. We saw a 66% increase in staff visiting the intranet after its relaunch.

We also use the Great Place to Work® survey to understand where we can improve our processes, developing

Women in Leadership

We remain conscious of the lack of female representation in leadership positions, both at Vermilion and in the petroleum industry in general. In 2013 and moving forward, we have increased our focus on supporting more women to reach leadership positions through both external hiring and internal promotions.

We now have 11 women in these leadership roles, compared to 7 in 2012



(Number of women)

department action plans and work groups to involve staff in changes. When survey responses indicated we could better assist employees in managing the balance between work and home life, for example, managers held working groups and one-on-one meetings with employees to better understand what work-life balance means to them and to develop plans tailored to their needs.

Results in 2012 included:

- Managers better understanding workload issues and allowing for required flexibility
- Approval of a part-time policy with an option for staff to work four days per week
- Reduction of our core hours of work to 9 to 4 to provide employees greater flexibility in when to start and end their work day.

We continued this work in 2013 within specific departments, creating clear guidelines around vacation periods, for example, to ensure that this time can be enjoyed without interruption.

For employees to be truly engaged in the company's goals, they need to know the company is just as engaged in helping them to develop their careers. Permanent employees participate in our performance management process, establishing specific development goals with their supervisors each year and following up to look at progress and next steps. ^{G4-LA11} We support this lifelong learning approach with a learning and development model that incorporates on-the-job experience with courses and training, and helps to develop relationships through ongoing coaching and mentoring.

Our formal training opportunities in 2013 ranged from a geoscience field trip that 19 of our geologists, geophysicists and petrophysicists took in the fall of 2013 to build their knowledge and skills, to the Engineers-in-Training program we launched in 2013. This combines hands-on field experience, technical training and mentoring so that our Engineers-in-Training are fully proficient within three years.

For 2014, we have identified the need to offer an expanded selection of personal development training opportunities and key health and safety courses, including cardiopulmonary resuscitation (CPR) and automated external defibrillator (AED) training. These courses will remain a priority for our learning and development team as we go forward. ^{G4-LA10}

Global Corporate Challenge

There's nothing like good company and a little healthy competition to get people moving – and there's nothing like a target of 10,000 steps a day to build good health.

During the 2013 GCC Challenge, Vermilion staff:

- › Took **630,467,265 steps**
- › Burned **25,420,440 calories**
- › Averaged **13,653 steps a day per person**
- › Lost **1,652 lbs**
- › Covered **403,499 km**, the equivalent of walking **10 times around the world!**

That's why Vermilion joined the Global Corporate Challenge (GCC) in 2012. This annual program encourages participants to take a minimum of 10,000 steps daily (or the equivalent in swimming, biking and other activities). In 2013, our second year, we had 448 staff participate in teams of seven – 64 teams in four countries – whose steps powered a 16-week virtual journey around the world. That was an increase of 112 staff over the previous year, and an 85% participation rate globally.

This program helps Vermilion promote healthy lifestyles for our employees across all geographic locations.

Our HSE Commitment

We are committed to conducting our activities in a manner that will protect the health and safety of our employees, contractors and communities. Our vision is to fully integrate Health, Safety and Environment into our business, creating a culture recognized as a model by industry and stakeholders, resulting in a workplace free of incidents.

The maturity of the company and the rapid growth of our operations in the past two years required a thoughtful assessment of our HSE strategy. In completing our review, we took a proactive approach toward fully understanding the clear linkages between strong HSE performance and strong business performance.

We had established a robust framework for our HSE program by 2009. In 2012, we began the integration of our existing HSE Management System and Asset Integrity System with our developing Process Safety Management System. This integrated HSE plan incorporates Vermilion's core values and lays out our guiding principles, including five key pillars:

Our focus on HSE is reflected in the all encompassing motto that describes our program:

HSE
Everywhere.
Everyday.
Everyone.

Five Key Pillars

1 HSE Culture

2 Communications & Knowledge Management

3 Technical Safety
Management

4 Incident
Prevention

5 Operational Stewardship
& Sustainability

Our HSE Policy

Vermilion maintains health, safety and environmental practices and procedures that meet or exceed regulatory requirements, industry best practice, and that reinforce our corporate Core Values.

Our HSE policy includes:

- › Maintaining a strong integrated Management System to identify and manage risks
- › Accepting responsibility and accountability for providing leadership, visible commitment, direction and resources to meet our HSE performance targets
- › Continuously evaluating and improving policies and operating practices
- › Integrating HSE into business objectives
- › Providing every employee and contractor with a safe and healthy workplace
- › Making a positive contribution to the protection of the environment in which we operate and seeking improvements in the efficient use of natural resources
- › Responding promptly, responsibly and effectively to emergencies
- › Focusing on continual improvement of HSE performance
- › Ensuring open and timely HSE communication with all stakeholders
- › Ensuring the resources necessary to support this policy are provided

Seeking to Understand and to Prevent

While Vermilion has had no employee or contractor fatalities at any of our operated locations since our inception, we were deeply saddened to learn of the death of a contractor involved in the Corrib project in Ireland in September 2013. Our operating partner, Shell E&P Ireland, and the contracting company, BAM Civil, immediately ceased work on site and launched two comprehensive investigations in full cooperation with local regulators and authorities. Following completion of the investigation, actions were taken, and supported by Vermilion, to address the root cause of the incident in efforts to ensure a similar incident is not repeated. This incident has touched us all and in particular those close to the worker. It reinforces the need for organizations to continuously focus on improving workplace safety and to be mindful of the potential and inherent dangers in the work we do. Vermilion will continue to support Shell in their efforts to ensure the safety of all Corrib workers. We will also be diligent in our efforts to apply the lessons learned from this event to our own operations.

An Established Framework

All of our staff and contractors are required to comply with our HSE policy and with its associated procedures. These include, for example, limits on the length of workdays, and procedures for working alone that include regular check-ins with a 24-hour call centre. We also closely monitor staff and contractor movements into and out of our operations to ensure personnel control, and we ensure that operations requiring 24-hour on-site monitoring are appropriately staffed. ^{SSp.29}

At the heart of our HSE program is the Event Management Information System (EMIS), which collects information from each of our operations about potential health, safety and environmental hazards and the actions taken to resolve them. It further tracks all health, safety, environmental, regulatory and public complaint incidents or near misses, 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 CEO, President and COO, and EVPs 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 safety to Vermilion. All lost time incidents are also reported to staff throughout the company, with a focus on prevention.

Key field and HSE staff are trained in all elements of HSE that they may require for their jobs, such as CPR and first aid, Workplace Hazardous Materials Information System, Job Hazard Assessment, Confined Space Entry, Defensive Driving, Ground Disturbance, Fire Fighting, Emergency Response and Incident Investigation.

In operations, our contractor/vendor program includes a risk ranking for each contractor based on their area of activity. This determines the criteria they need to demonstrate compliance with in order to work with us. They are required not only to provide us with their own HSE program but also to report how, in turn, they plan to support our HSE program.

To ensure compliance, we conduct scheduled and unscheduled audits in the field. When deficiencies are identified, we develop specific mitigative action plans to maintain our high standards of performance. Our preference is to work with the vendor to improve identified issues; however, we will replace (and have replaced) vendors when deemed necessary.

One of the key elements within our HSE plan is that all of our operating areas have the necessary response plans, people, skills and equipment to respond quickly to an emergency associated with our operations. Each of these areas is addressed and integrated into our corporate emergency response plan, which outlines clear responsibilities and necessary resources.

We regularly identify possible scenarios that could occur, and incorporate these into emergency response training exercises, tabletop exercises and drills. Our preparedness was tested during the Southern Alberta flooding in June 2013, when the entire downtown core of Calgary, Alberta was closed, preventing access to the building that is home to our corporate headquarters. With the downtown electrical grid offline, we were forced to quickly establish alternative procedures to contact all of our corporate staff to ensure their safety and to keep them updated as to emergency measures and progress with respect to the reopening of our headquarters.

In Canada and in each of our operational regions, we maintain and post contact information that allows our communities and landowners to reach us immediately should they identify an issue related to our operations.

Our Focus on Safety

Our existing HSE Management System and Asset Integrity Management System form two strong cornerstones of our HSE policy.

We've also made significant progress on other prioritized areas in 2013, including our Process Safety Management System (PSMS), the third cornerstone of our HSE Policy. Our PSMS blends engineering and management skills focused on preventing catastrophic events and near misses. By the end of 2013, we had developed a clear timeline, strategy and framework for developing a system that includes:

- Creating a PSMS development team
- Establishing PSMS standards, guidelines and practices
- Delivering training and ensuring competency
- Establishing metrics and assurance auditing for performance standards

Everyone – from the Office to the Field

It's easy to see the immediate effects of HSE management when you work around our production lines and our pressure vessels, but it's critical that we engage every one of our staff, including those who work in our offices, in establishing a safety-oriented culture. That's because the quality and concern that we infuse into our everyday activities has a relevance and impact far beyond our field operations.

For Vermilion, it's about making sure every single staff member, contractor and subcontractor understands how they can contribute to a strong HSE performance and focus.

Our concerns extend to proactively working toward ensuring ongoing health for our staff, understanding that good health is a strong preventive measure that improves productivity, effectiveness and overall quality of life. Our programs in this area

HSE Everyday

Staff have a bright and cheerful daily reminder of Vermilion's HSE program, thanks to the efforts of their children – and their nieces, nephews and grandchildren. Each year, we ask staff throughout our operations to submit drawings from their younger counterparts, and then choose 12 submissions to decorate our annual calendar.



range from providing the convenience of on-location flu shots for all interested staff to delivering workplace education and information sessions on topics such as good recycling and environmental practices at work and home. We also have a strong workstation ergonomics program that includes onboarding information, group education sessions and individual workstation assessments.

In addition, our extensive benefits packages include an array of preventive options that we encourage our employees to use, including lifestyle funding for health-oriented items such as sports equipment. Our employees have told us how valuable that is for them, especially when they're living in locations where other healthy living options such as health club memberships are not available. The flexibility offered is something we hope will help them maintain the best quality of health possible in a manner that fits their lifestyle and that of their family members.



Manouk's drawing for our 2013 HSE calendar in the six- to eight-year-old category.

"We're really happy that the calendar has been such a hit across the globe. It's a great activity that bridges work with home and gets our extended family talking about HSE."

– *Tim Robbie, Manager, HSE*

HSE Perception Survey

Establishing a robust HSE framework is only the first step. In April 2013, we reached out to our staff to find out how engaged they are in our HSE culture, establishing an internal baseline and identifying areas of importance in our journey toward achieving our HSE mission. More than 90% of global staff completed our first HSE Perception Survey, providing key insights into 10 areas of focus:

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

Staff reported all factors in the favourable range, with particularly strong results in the area of personal responsibility and management commitment to safety. This indicates that our personnel and management are aware of their responsibility for maintaining positive health and safety outcomes. The survey also revealed areas requiring further development – including reporting, feedback on the status of corrective actions, an open and fair reporting culture, and training – which we are now addressing.

For example, our 2013 survey results indicated that Vermilion's incident investigation and resolution process was not sufficiently clear. Following the survey, our human resource and HSE teams worked together to develop a fair culture policy that clearly articulates how complaints, HSE incidents, harassment and bullying are reported, investigated and resolved. Our aim is to create a transparent practice that provides clarity on our process, roles and accountabilities to ensure fair resolution is achieved. This policy will be implemented across the organization in 2014.

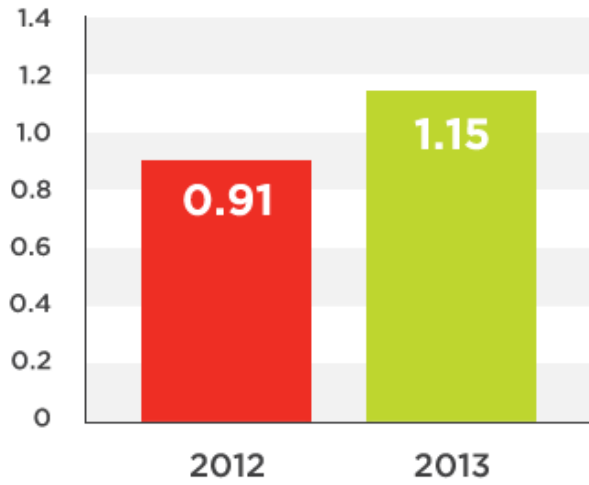
As we move forward in our safety program, we are monitoring key rates to ensure our progress. The chart below demonstrates that our Total Recordable Injury Frequency rose slightly in 2013. While it is too early in our data reporting to identify this as a trend, we are investigating potential causes to assist our business units in their focus on safety performance.

Total Recordable Injury Frequency

Recordable injuries per 200,000 person hours

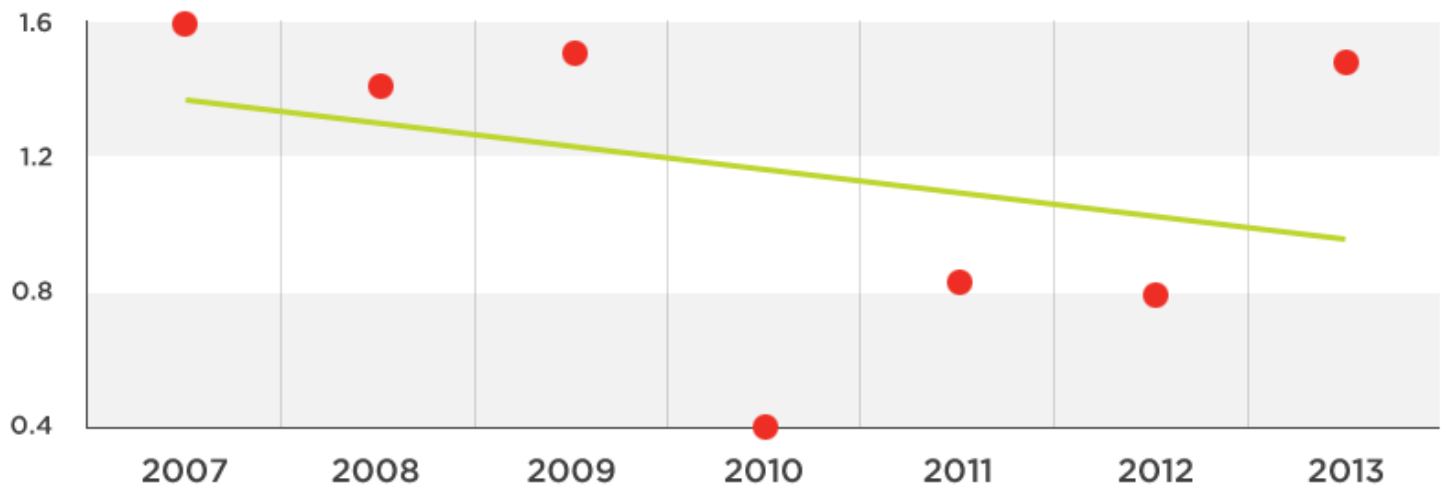
Information & Trust

We see information and trust as driving forces for HSE maturity. As we move forward, we are using strategic communication plans to ensure that the right information reaches staff in the right way at the right time. When we launched our new company-wide intranet in 2013, for example, HSE formed a significant portion of the content, with a comprehensive section of policies, access to our incident tracking system, and, importantly, blog posts from all levels of staff that share how safety at work connects with safety in every aspect of their lives.



Total Recordable Injury Frequency

Recordable injuries per million boe



As our vision states, Vermilion is committed to having a healthy workplace free of incidents. We monitor our health, safety and environment management performance through a series of leading indicators designed to monitor risk mitigating measures applied in the workplace. These include contractor observations, hazard identifications, site inspections, management and staff participation in safety meetings and site visits. Lagging indicators such as number of recordable injuries, number of spills and associated volumes are used to evaluate the effectiveness of our HSE program and are tracked as part of the feedback loop to our proactive approach to create a safe and healthy workplace.

Project: Road Safety in Parentis, France

In 2013, a roundabout (traffic circle) close to Vermilion's operations near the town of Parentis-en-Born (Southwest France) ^{G4-EC7} was completed to reduce congestion and improve road safety on this increasingly busy traffic route. We contributed to this project through an Urban Partnership, a new form of public infrastructure funding in France where private investors and industry contribute to developing public facilities and infrastructure in which they are stakeholders.

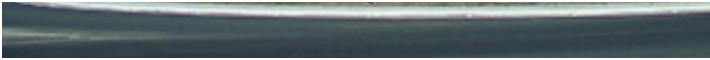
High traffic speeds, increasing traffic density, and limited visibility contributed to our concerns for slower moving traffic entering and exiting the roadway to access our operations and those of Tom d'Aqui, our greenhouse geothermal energy partner. Increased signage and enforcement had proved ineffective in addressing the issue and it was clear that additional action was required.

As a result, Vermilion partnered with Tom d'Aqui, the Parentis municipal council and its departmental council of Landes to build a roundabout that effectively slows traffic on this stretch of roadway and allows for safe access to Vermilion's operations. This not only protects our staff, contractors and visitors, but makes the road safer for the local community.



Funding was split equally between the private and public sectors, with Vermilion's funding constituting one-third of the project's total cost of €600,000.

In 2014, we will contribute additional funds to support the project, which has engaged a local design school and its students to present options for beautifying the roundabout. The winning design will earn the winning students a trip to Canada.



Our Focus on Environment

Vermilion operates in deeply rich and varied environments – from the boreal forest of Alberta to the waters off Australia’s shores. In Europe, we share the landscape with centuries-old communities, agricultural pastures, and natural bodies of both fresh and salt water. Working and living in these regions, we see firsthand the value of protecting the environment.

The result is our commitment to pursue Best-in-Class HSE. This is founded on compliance with all environmental regulations and leading the development of industry best practice standards in the areas in which we operate. We seek to operate our businesses in the most environmentally protective manner possible.



Our Board of Directors maintains oversight in this area through its HSE Committee, which has regular and direct communications with our Executive and leadership teams.

At the same time, we actively participate in policy development in several regulatory theaters, including in France, where we participate on the Board of Directors of AVENIA Geosciences pour l'Energie et l'Environnement. This organization reports to the Ministry of Industry and the Ministry of Ecology, Sustainable Development and Energy in France on geothermal development and optimizing hydrocarbon recovery from existing reservoirs.

Protecting What's Important

We have identified four areas of focus for continuous improvement of the environmental stewardship of our operations:

- Improving energy efficiency
- Reducing greenhouse gas emissions
- Minimizing our water use
- Caring for the land, especially protecting against spills and releases

Our process begins with an analysis of high-level global risks, including the risks of climate change. This allows us to identify and prioritize areas that require related operational and technical assessments. From there, we look to measure our operations and establish baselines; evaluate potential technology and process changes; and implement pilot program testing. We pursue the changes deemed to offer the best combination of operational efficiency, environmental performance, community benefit, risk mitigation, and financial returns.

Our risk assessments include:

- Application of our Enterprise Risk Management process, through which we identify environmental risks, assess their significance and likelihood of occurrence, and analyze the implications to Vermilion and to our internal and external stakeholders. This includes the assessment of external and internal risks, such as regulatory change or the possibility of a release or spill, as well as the quantification of environmental risks that pertain to each of our business units.
- The annual assessment of legislative and regulatory changes associated with climate change, such as carbon taxation programs and carbon sequestration requirements. We examine global climate events including temperature changes, precipitation extremes, rising sea levels and extreme weather events to assess the impact of such changes on our operations globally, particularly with respect to our emissions and the energy efficiency of our operations. We estimate that the costs of compliance with current and anticipated regulatory and taxation changes associated with climate change within the next five years will be between \$0.8 and \$1 million. ^{G4-EC2; p. 13 of SS}
- Site-specific risk and liability assessments on all of our major facilities. These assessments have enabled effective lifecycle planning for our assets, including the carbon and environmental footprint of our asset

Cleaner Burning Fuel

Through the production of natural gas, Vermilion provides the market with a power generation alternative that is estimated at 50 to 60 percent cleaner burning than coal-fired generation. If Alberta were to switch from coal-fired power generation to combined cycle natural gas, Vermilion natural gas would provide a significantly less carbon intense power source. Based on a carbon intensity of 0.88 tons of CO₂E per MWh for coal fired power generation versus a factor of 0.42 tons of CO₂E per MWh for natural gas power generation, this would be a decrease of 1,848 ktonnes of CO₂E per year. ^{G4-EN7}

base.

- The completion of a GHG Quantification Methodologies study and Carbon Liability Analysis for all of our business units for emissions that include NO_x , SO_x , VOC, H_2S , PM, BTEX, CO_2E , CH_4 , N_2O , PFC, HFC, and SF6. The Carbon Liability Analysis factors in a number of potential regulatory, price point and taxation changes over the next four years, documents our current emission generating activities, and assesses the liability and risk associated with the carbon footprint of operations in each business unit.

This process has led to Vermilion altering our project management framework at both the site specific and play development levels. We have expanded our planning processes to include aspects of legislative, regulatory and climate change, as well as improving the sustainability of our operations, including water use, emissions reduction, footprint reduction and the reduction of ecosystem fragmentation.

What's Done & What's Next

To support our approach, we employ new, efficient technology that is adaptable to changing requirements wherever possible. For example, our Cynthia Battery, which was built in 2011 in Alberta, employs advanced tracking technology and onsite processing equipment to reduce emissions and limit the potential for an environmental release. We have also reduced our materials use and the energy needed to operate our Canadian-based Cardium operations by downsizing the pump jacks used in our operations. ^{G4-EN6}

In addition, we have moved toward using an expanded pipeline network to move our products from wells to processing facilities. This results in a decrease in the carbon footprint per barrel of oil as a result of the decreased use of trucking.

While we have made significant progress, there is still much that we need to do to reach our goals. <sup>G4-EC2
G4-EN19</sup>

Here's what we're working on now:

- We are implementing a comprehensive fugitive emissions program aimed at reducing losses to the atmosphere. This program is expected to be completed in 2014. We currently conduct fugitive emission reviews annually at select locations in Canada, ranging from major facilities to wellsites, and at our operating locations in France and Netherlands. We also undertake reviews of the low pressure venting that occurs at our operations in Australia, and are using the results to determine appropriate risk mitigation measures.
- In Canada, wherever practical, we reduce flaring by tying-in solution gas in an expedited manner (connecting the gas to gathering pipelines rather than burning it as a waste product). Our current practice, implemented in 2012, exceeds industry standard and helps Vermilion to reduce the amount of waste gas flaring associated with bringing new wells on production.



- In Canada, our targeted spill reduction program – including a comprehensive Asset Integrity program – has reduced spill volumes from 534 m³ in 2009 to 194 m³ in 2013. We will continue implementing this program in 2014.
- We are investigating new emission-reducing technology for major facilities in Canada where glycol dehydrators are present. We expect to implement this technology by 2015.
- We have implemented an assessment and maintenance/replacement program for water crossing locations in Canada. We will use the results of this program to guide our maintenance/replacement program going forward.



To put our environmental efforts into context, both our Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions intensity decreased between 2012 and 2013. During this timeframe Vermilion increased production, however we successfully decreased our GHG emissions intensity (GHGs emitted per barrel of oil equivalent produced).

We saw a similar success in total energy consumption. Although our energy use increased from 4.70 million GJ in 2012 to 4.96 GJ in 2013, our energy intensity ratio decreased from 0.341 GJ to 0.331 GJ.

This means we used less energy and emitted fewer greenhouse gases to produce a barrel of oil or its equivalent in 2013 than we did in 2012. We will continue to focus on intensities to assess our environmental performance.

Greenhouse Gas Emissions Intensity



Our Regulatory & Reporting Framework

The following table illustrates the significant reporting and regulatory bodies under which we operate:

Business Unit	Regulatory or Voluntary Reporting Body	Reporting, Monitoring and Action Activities
All Business Units	CDP	We initiated reporting under CDP in 2013, beginning with a base year of 2012
All Business Units	Montreal Protocol	We are phasing 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 20% 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 e 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	CAPP Responsible Canadian Energy Program	We have reported energy and emissions annually while a Canadian Association of Petroleum Producers (CAPP) member through the Responsible Canadian Energy (RCE) program.
Canada	Alberta's Directive 039 (2013)	A regulatory change in Directive 039 led us to implement additional elements in our facility maintenance program to reduce benzene emissions associated with glycol dehydrators
France	European Union Emissions Trading Scheme (EU ETS)	We report operations energy efficiency and greenhouse gas (GHG) intensity despite being below the EU ETS reporting threshold of 20 MW thermal generating capacity
Netherlands	European Union Emissions Trading Scheme (EU ETS)	We report operations energy efficiency and GHG intensity despite not being subject to the EU ETS due to a significant reduction in GHG emissions in 1998, and being below the EU ETS reporting threshold of 20 MW thermal generating capacity
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

Australia	Australian Trading Scheme	We are closely monitoring the EU and Australia's agreement to link the EU ETS and the Australian Trading Scheme by 1 July 2018.
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[Download our regulatory and reporting framework as a PDF](#)



LEED

Increasing Energy Efficiency and Reducing Consumption

One of our energy efficiency measures is to ensure that our workplaces conserve as much energy and other resources as possible. When we moved into new corporate headquarters in Centennial Place in 2010, we worked hard to design our offices to achieve LEED® Gold Certification.



Here are just a few of the elements that make our workplace among the greenest possible:

- Low-flow dishwashers, faucets and toilets resulting in 37% less water use than a typical office building
- 96% of our computer equipment, printers, and appliances are Energy Star-certified
- Furniture is made with Forest Stewardship Council-certified wood, is Greenguard-certified as low emitting and free of urea-formaldehyde, and in many cases is locally made, reducing transportation-related emissions
- Carpet tile allows us to rotate areas of wear and easily replace small pieces as needed
- Intra-office stairwells connect our floors, encouraging staff to avoid elevator use
- Our electricity is generated from renewable resources such as wind and sunlight, through Renewable Choice green power program
- Efficient lighting technologies include low-energy LED-lit stairwells, highly controllable lighting banks and occupancy sensors
- Prefabricated office partitions can be moved and reused in multiple configurations.
- Recycled content includes carpet (25%), furniture (50%) and partition walls (30%)
- During construction, more than 60% of construction waste was recycled, including cardboard, wood, drywall, metal, plastic and masonry materials
- Centennial Place provides a number of alternatives to driving, including good access to transit and Calgary's Plus-15 walkways that connect buildings throughout downtown, indoor bike lock-up and

discounted parking passes for tenants who carpool.

Tomato Greenhouse Project

Reducing Greenhouse Gas Emissions with Geothermal Energy

An international energy producer and a tomato growing company may not seem natural partners at first glance – but the use of innovative technology and a shared focus on environmental responsibility has earned the partnership between Vermilion and the Tom d'Aqui tomato company a national ecology award from the French government. G4-OG2/3



On December 3, 2013 in Paris, the French Ministry of Ecology, Sustainable Development and Energy presented the partnership with its 2013 Circular Economy Award for Industrial and Regional Ecology. This award recognizes economically successful enterprises that operate within a "circular economy," in which businesses and processes conserve, reuse and recycle resources to better protect our environment.

The project began in the mid-2000s, as Vermilion sought to support the local community with a view to improving the environment. At the same time, four local agricultural engineers wanted to create an economically and ecologically viable greenhouse operation in which to grow tomatoes. The mayor of Parentis brought the future partners together. The ensuing discussions eventually led to the rezoning and issuance of related municipal permits, and the signing of a 25- year partnership agreement in 2008.

By the Numbers

- 10 Hectares of Greenhouse Built (the equivalent of more than 12 Canadian football fields)
- 150 local jobs created

- 3,000 tonnes of tomatoes produced annually
- 10,000 tonnes of CO₂E saved annually

The project came online in 2012. Today, Tom d'Aqui's 10-hectare greenhouse uses the waste heat from Vermilion's produced water source to create an eco-friendly environment in which to grow some 3,000 tonnes of tomatoes on the vine annually.

Here's 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.



This geothermal heating system allows the Tom d'Aqui greenhouse to be heated without carbon emissions, a key element in their certification as an eco-greenhouse.

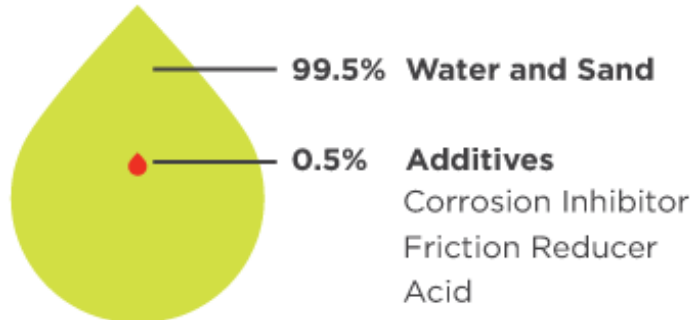
This project reduces the cost of traditional tomato growing operations in the region, allowing the producers to compete with warmer climate producers. Thanks to the success of this project, we are researching how Vermilion can apply similar technology and principles in our other locations.

Recycling Frac Water

Reducing Water Use by Recycling Frac Water

As the largest single component used in fracturing, water is essential to developing unconventional oil and gas wells in Alberta. Operationally and environmentally, we need to establish the most efficient ways of sourcing and reusing this precious resource. ^{G4-EN10, G4-EN23}

Regulations governing unconventional hydrocarbon plays generally require that all fluids, including frac fluids and flowback water, be removed from the well site. These are usually injected into disposal wells, sent to water treatment facilities, or recycled and reused. We believe that the third option offers the best environmental results. It supports an environmentally sustainable water cycle by expanding our water sources and thus reducing our need for water, and by reducing the cost, energy consumption and greenhouse gas emissions associated with trucking water to disposal or treatment facilities.



We currently recover approximately one-third of the water used in fracturing our Cardium and condensate-rich Mannville gas wells in Alberta. ^{G4-EN10} We are also working to optimize, through technology, the removal of contaminants from the water. We are further striving to refine logistics for the transport of water between wells and locations in order to reduce the resulting cost, energy consumption and greenhouse gas emissions currently associated with trucking water to disposal or treatment facilities.

One of the key challenges is developing technology that will support the re-use of flowback fluids. In 2013, we successfully piloted a filtration system that allowed us to save nearly 5 million litres of water in six months. ^{G4-EN10} To date, this has successfully reduced our hauling of fluid for disposal, decreased our impact on infrastructure and the environment, and reduced our requirements for make-up water to support our fracturing operations.

Oiled Wildlife Response

Protecting Wildlife from Spills

In January 2012, the environmental approval process changed in Australia, requiring operators in the region to demonstrate their oil spill response capability to a significantly higher level than previously required. Vermilion was one of the first companies to develop an Oil Spill Contingency Plan subject to the new regulation. As we undertook this process, it became clear that Australia lacked the oiled wildlife response capability necessary to effectively manage the impact of a large oil spill on wildlife.



Vermilion therefore stepped forward, taking an industry-leading role in developing an emergency response plan suitable for such an impact. We funded the equipment to support the plan, which required the construction of a rapid response unit from DwyerTech in New Zealand. This Oiled Wildlife Container is a first response centre that would receive, assess and treat oiled wildlife. It has its own power and wash facilities to allow the animals to be cleaned and dried in a temperature-controlled facility. Staffed by three to six trained personnel, it would handle up to 50 small animals per day.

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 that includes Vermilion. This is currently the only oiled wildlife response unit available in Western Australia.



Further, we created a register of trained wildlife responders, and commissioned Massey University in New Zealand, recognized leaders in the field of Oiled Wildlife Response, to conduct focused training for personnel assuming first strike and supervisory roles in the event of a spill and subsequent wildlife exposure. To ensure the resources needed to



support our response plan, Vermilion has entered into agreements with several organizations to provide "at call" capacity for logistics personnel, scientists, veterinarians, equipment and reptile handling specialists.

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.

ERA Recycling

Giving Old Electronics New Life

As technology evolves, electronic devices often require replacement before the end of their useful lives in order to maintain our operational effectiveness. In our Calgary offices, we began working with the Electronic Recycling Association (ERA) in 2007 to help divert these items away from landfill sites.

We donate our older computers and printers to ERA, which refurbishes them as needed and makes them available to charities. This adds up to approximately 50 desktops and laptops annually. In 2013, our donations of equipment helped 10 charities, including community resource centres, special needs resource centres and literacy-focused non-profit organizations.

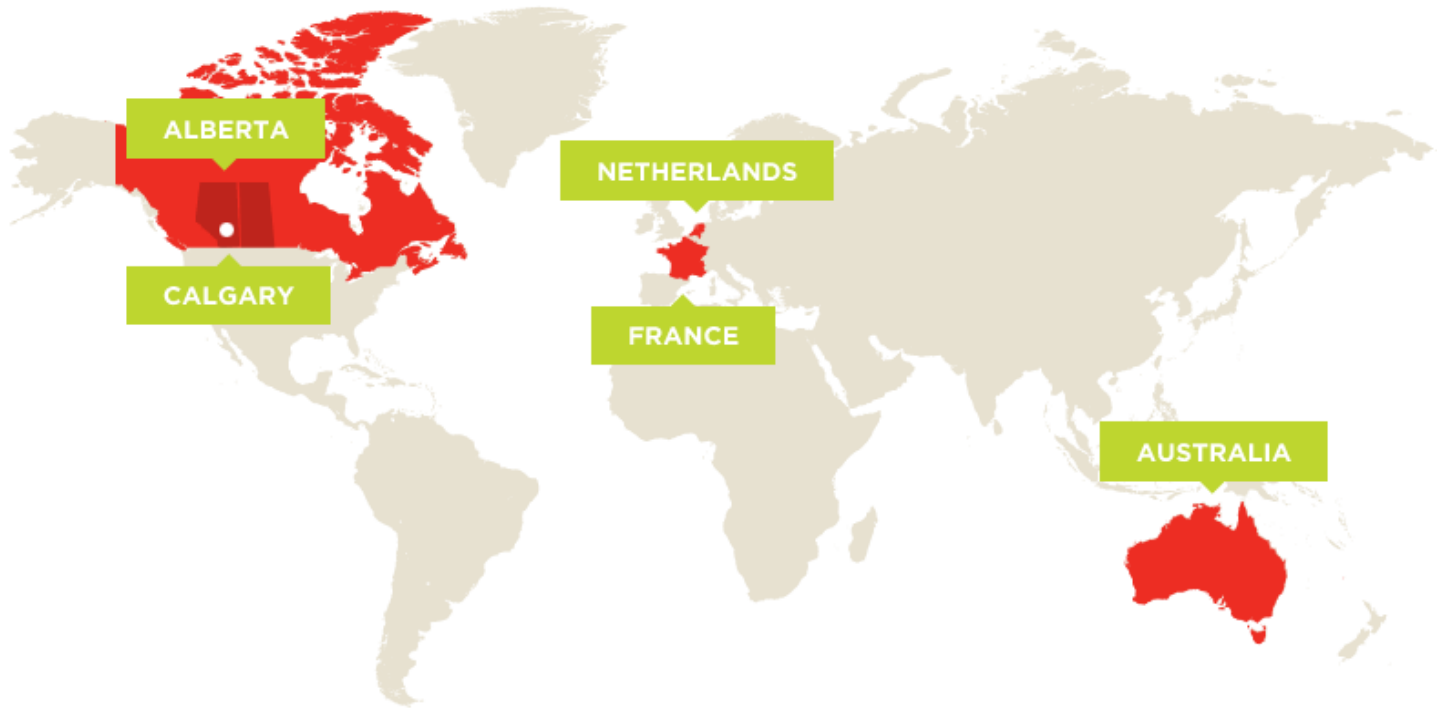
ERA also helps us recycle other electronic devices, such as desk phones, printers, switches and audio equipment, as well as older video conferencing and projection equipment. The non-profit disposes of any items not in functioning order, and provides physical destruction and data wiping services as needed.



Aspire Special Needs Resource Centre takes delivery of computer equipment from Vermilion.

In 2013, we donated an accumulation of approximately 120 nonfunctioning and wiped mobile phones to a local school initiative. Leadership students at Collingwood School in Calgary had initiated a phone drive to support rebuilding efforts at the Calgary Zoo after it was devastated by flooding in June 2013. At \$5 per donated phone, Vermilion's contribution to the phone drive translated into \$600 for the Calgary Zoo.

Environmental Stewardship Around the World



Alberta, Canada

We have carefully positioned Vermilion to benefit from the development potential of three significant reservoirs at different depths in the West Pembina region – Cardium light oil, Mannville condensate-rich gas and Duvernay condensate-rich gas.

The co-location of these stacked plays will allow us to utilize existing surface infrastructure, maximizing our operational efficiency while reducing land disturbance, by reducing road construction and other environmental impacts.



Calgary, Alberta

We aim for our workplaces to conserve as much energy and other resources as possible.

When we moved into new corporate headquarters in Centennial Place in 2010, we worked hard to design our offices to achieve LEED® Gold Certification, 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

We have reduced water/boe of production.

Since 2006, we have strategically reduced water usage by approximately 56%. Our fresh water use occurs mainly in the Paris Basin. Although our operations are not considered a significant water draw on this aquifer, we endeavour to do all we can to support the surrounding communities.



Netherlands

Every four years in our Netherlands operations, we complete an emissions and energy efficiency review.

In 2013, we implemented a compressor reconfiguration project at our treatment centre in Garijp. The electrically driven units resulted in a power consumption reduction of 35%. This translates into an annual power reduction of 26,280 megawatt-hours and cost savings of €1.7 million.



Australia

In 2012, we conducted a review of flare rate and identified gas that was passing pressure control valves leading to increased flaring.

Replacing the valves with better quality seals resulted in a reduction of flared gas volumes from 2,500 to approximately 500 m³ per day.



Ways of Caring

We care about the communities where we live and work. Giving to our communities, in both funding and time, contributes to the quality of life in those communities for everyone. At Vermilion, we believe it is the right thing to do and a key part of how we do business.



In 2012 and 2013, we reviewed our community investment strategy, concentrating on the opportunities it provides to be hands-on, focused and impactful in our communities. We engaged external and internal expertise in the area of community engagement and investment to assist us; however, and more importantly, we engaged staff and members of our communities for feedback on what was important to them.

We relaunched our community investment strategy in 2013 as Ways of Caring, an ongoing program that helps us to support non-profit and charitable organizations in our communities in three ways:

Give Back

Vermilion's charitable giving focuses on four key 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

When our employees volunteer for local community organizations on their own time, we support those organizations with grants of up to \$1,000 annually.



give time.

Give Together

Our employees are able to volunteer up to two days per year on company time, for team or corporate Days of Caring projects.

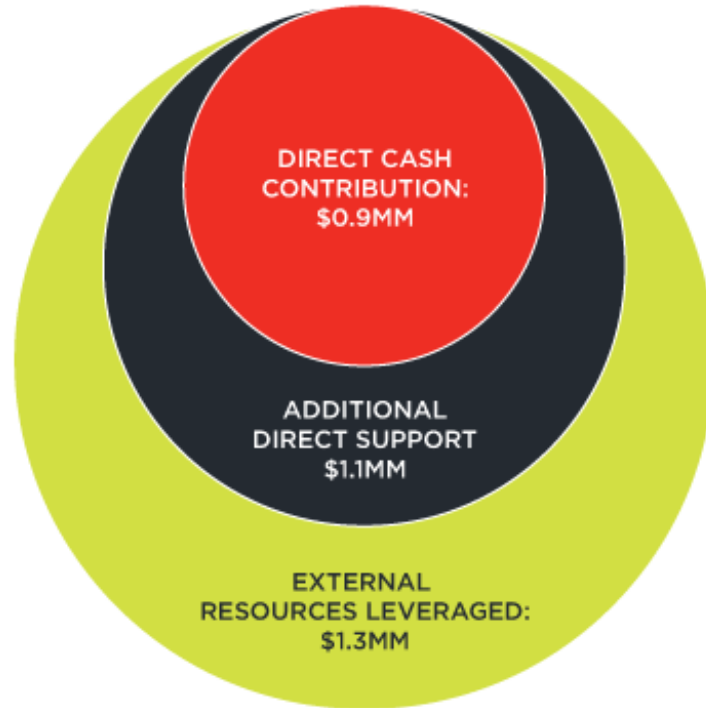


give together.

London Benchmarking Group (LBG) Canada

As a member of LBG Canada, we report our community investment using their standard "circles" of investment, reflecting our total contribution to our communities:

- **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 staff donations and volunteering outside working hours



COMMUNITY INVESTMENT 2013

Wood's Homes

Vermilion Energy Family Centre

Vermilion launched a new major community investment partnership in 2013 with Wood's Homes in Calgary. This included a commitment of \$1 million to help build the Vermilion Energy Family Centre on their Bowness Campus.

Founded in 1914, Wood's Homes is a nationally accredited children's health organization that serves more than 20,000 children, youth and families a year through some 30 programs. Up to 32 at-risk youth call the 36-acre residential Bowness Campus in northwest Calgary home.

"At Wood's Homes, we never say no. We never give up, and we never turn anyone away. The Vermilion Energy Family Centre will play a critical role to help us deliver on this promise as we move into our second century of service."

~ Heather Heisman, Chair of the Wood's Homes Foundation Board

Currently, family members must find accommodation off campus when they come for therapeutic visits, shortening critical family connection time and increasing costs. The two-storey family centre will offer space for families to live and visit together, which can be instrumental in the child's successful treatment and transition back into the community.

Making it count

In October 2013, 82 Vermilion employees helped out at the Bowness Campus of Wood's Homes for our annual corporate office Day of Caring. The results of a day's work under bright, sunny skies included:

- 25 cubic metres of loam raked
- 6,300 square feet of sod laid
- 87 windows cleaned
- 8,500 square feet of floors washed
- 17 doors and 50 lockers sanded, taped and painted



- 160 servings of chili, lasagna, spaghetti, meatballs and shepherd's pie cooked for the kids' freezers
- 32 personal care packages assembled for youth staying on campus
- 1 really big shelving unit built
- 38 large boxes of new clothes donated by Marks Clothing Canada sorted and shelved
- 120 chairs plus tables set up and taken down for lunch in the gym
- 115 servings of chicken, coleslaw and beans cooked for lunch



When we're asked why we do this, a comment from one of the staff at Wood's Homes seems to answer the question best: "You truly have no idea what kind of difference this makes for us ... this just lifts our spirits so much."

YWCA of Calgary

Vermilion began its partnership with the YWCA 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 of Calgary Skills Training Centre.

This 20-week program ran for five years, providing students with carpentry skills training, mentorship and employment support. In this time, it helped to transform the lives of 265 women (173 graduates) by offering construction and life skills to help women lift themselves out of poverty.



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 into the Employment Resource Centre. Located at the YWCA's central Mary Dover House in downtown Calgary, the Centre provides access to essential career skills and knowledge, including life skills support, job search techniques, resume writing assistance, career coaching and connections to educational partners and employers.

In its first six months of operation, the Centre provided close to 1,200 drop-in, workshop and one-on-one coaching sessions, surpassing its forecasted targets and creating a strong foundation for the development of additional innovative services.

In addition to our funding, Vermilion staff have spent several Days of Caring at the YWCA. In spring 2013, our New Growth team visited Mary Dover House, spring cleaning the outdoor patio and building child-size picnic tables.

A Very Real Issue

Poverty is a very real issue for 10% of women in Calgary. In 2012, 55% of women served at the YWCA were unemployed. Of those who were employed, 57% earned less than \$2,000 a month.

month.

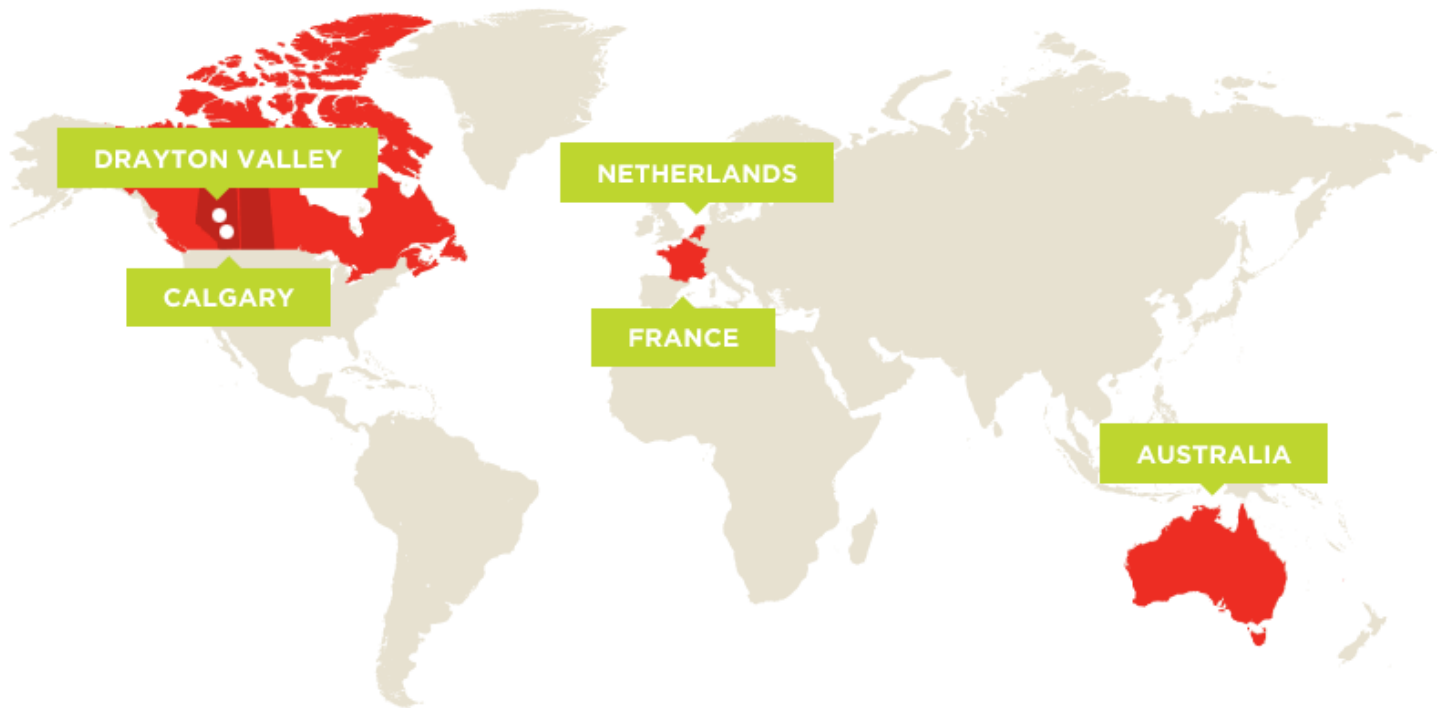
Southern Alberta Flooding

In June 2013, southern Alberta experienced unprecedented flooding. Vermilion responded with charitable donations for flood relief, two rented pressure washer / vacuum trucks and teams of volunteers for the town of High River, one of the hardest hit communities.

There, we helped clear basements, removing furniture, carpet, drywall and studs, piece by piece, to give people a start for rebuilding their homes and their lives. As we helped, we were touched by the overwhelming generosity of others, providing lunch and safety equipment. In the darkest of hours, spirits shone brightest.



Community Investment Around the World



Drayton Valley, Alberta

Our partnership with the town helped us identify where we could create the most value in the community: our V-Powered Kids at the Early Childhood Development Centre.

We support the critical before-school hours with a nutritious breakfast that the kids help prepare and transportation to school, along with an early childhood coach and additional recreational programming for families after school.



Calgary, Alberta

Each month, 15 to 20 staff members visit the Calgary Drop-In and Rehabilitation Centre to serve up lunch, which Vermilion sponsors.

We also supported The DI's flood recovery efforts in 2013



Parentis, France

Restaurants du Coeur provides food and shelter to the homeless throughout France.

In 2013, Vermilion provided materials and volunteer hours to help the non-profit organization build and paint walls and shelving in a donated building in Parentis, which serves more than 70 families in seven local communities through winter food donations and supplies such as clothing, furniture and other household needs.

Harlingen, Netherlands

Each Christmas, Vermilion staff in Harlingen auction gifts to raise funds for the local food bank – bringing in more than \$10,000 in 2013.

We also support the community's major annual festival, Fishery Days, helping to keep most festival events free and accessible to everyone.



Perth, Australia

Social housing is a critical need in Western Australia, where some 14,000 people are homeless.

Vermilion has supported St. Bartholomew's House in Perth since 2009, providing integrated housing and supportive services. In 2013, staff painted, paved, gardened and cooked their way through a Day of Caring at one of St. Bart's community-supported residential buildings.

