



Vermilion purchases its power for operations in The Netherlands from renewable energy sources.

VALUES MATTER | 2016 SUSTAINABILITY REPORT

Excellence. Trust. Respect. Responsibility.

VERMILION
ENERGY



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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 located around the world in regions noted for their stable, well-developed fiscal and regulatory policies related to oil and gas exploration and development. Our core business involves the acquisition, exploration, development and optimization of producing properties in North America, 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 has been delivering outstanding financial and operational performance for over 20 years. This is made possible by the superlative efforts of more than 720 staff (employees and contractors) located throughout our operations and through an extensive supply chain.

In 2015, our supply chain represented more than 6,000 entities and an investment from Vermilion of more than \$730 million. This encompassed a wide range of inputs, including specialized field expertise and technology, supplies ranging from drilling mud to event facilities, and expert consultant advice. It is extremely important to us that our suppliers not only deliver a sound financial investment in their goods and services, but operate in a manner that aligns with the values that guide our own corporate culture. As a result, we have very strict requirements for third-party vendors who do business for Vermilion. ^{G4-12}

In spite of a reduction in 2015 and 2016 capital spending in response to lower commodity prices, we are targeting production of approximately 62,500 - 63,500 boe/d in 2016 (15% growth over 2015), primarily through:

- Semi-conventional resource play development in Western Canada and the US, including Cardium light oil, Mississippian light oil and Mannville condensate-rich gas
- Conventional high value natural gas drilling in The Netherlands and Germany
- Conventional infill drilling, waterflood and workover programs in France and Australia
- Our 18.5% non-operated working interest in the Corrib gas field in Ireland

In 2015, we strengthened our core regions, increasing our exposure to both European natural gas and light oil development, and adhering to our long term strategy of balanced and diversified growth ^{G4-13}

- We entered into a farm-in agreement that provides us with a material participating interest in 19 onshore exploration licenses in northwest Germany as well as ownership of key proprietary data. The licenses comprise approximately 850,000 net acres of undeveloped oil and natural gas rights in the prolific North German Basin. We were subsequently awarded two additional exploration licenses that added approximately 110,000 net acres to our land position.
- We were conditionally awarded four exploration blocks in northeast Croatia near the Hungarian border. The blocks span approximately 2.35 million gross acres with a substantial portion of the acreage located near existing crude oil and natural gas fields. These blocks were ratified by the Republic of Croatia in June 2016.
- We consolidated our ownership and working interest in the Turner Sand play in the eastern Powder River Basin in the United States to 100% through an acquisition of the remaining 30% interest.
- We achieved first gas production at our non-operated Corrib project in Ireland on December 30, 2015.

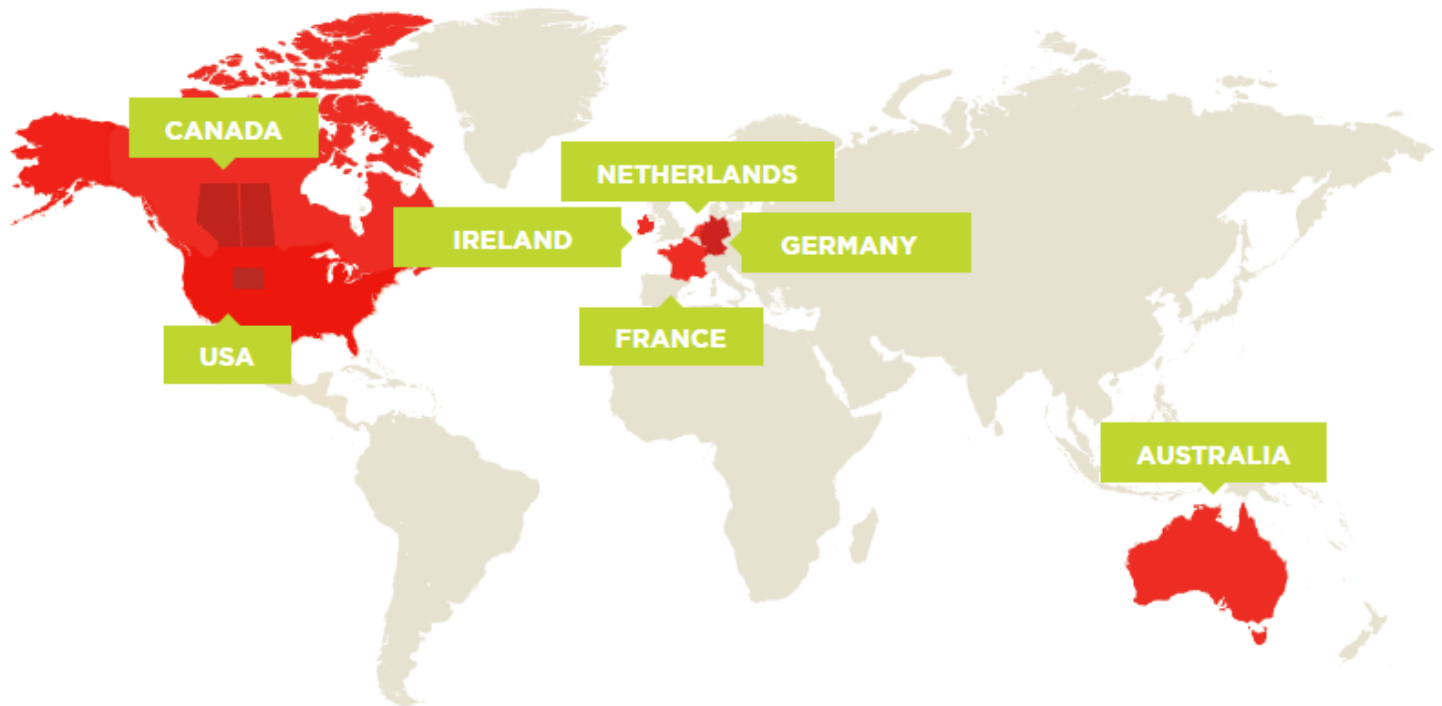
In mid-2016, we announced the acquisition of our first operated producing properties in Germany, further strengthening our presence in the country with assets complementary to our current European portfolio.

The acquisition includes operated and non-operated interests in nine oil and four gas producing fields; Vermilion will assume operatorship of five oil and three gas producing fields. It also includes a 50% operated interest in a 190-km oil pipeline network and a 66.7% operated interest in the Bedekaspel exploration license located in the Permian Rotliegend gas fairway, adding to Vermilion's existing 16.7% interest. The acquisition is expected to close in late 2016.

Economic & Operational Highlights

In 2015, Vermilion: **G4-EC1, G4-9**

- > Produced over **20 million boe** of oil and gas
- > Generated net revenue of more than **\$873 million**
- > Reinvested **\$487 million** in organically growing our business
- > Distributed more than **\$283 million** in dividends to our shareholders
- > Paid almost **\$117 million** in taxes and royalties in our operating jurisdictions
- > Invested more than **\$1.3 million** in community support
- > Devoted **\$26 million** to protecting our environment



Canada

Production	25,598 boe/d
Staff	289
Net Revenue	\$292.5 MM
Reserves	121,717 Mboe

The Netherlands

Production	7,559 boe/d
Staff	130
Net Revenue	\$126.0 MM
Reserves	16,320 Mboe

France

Production	12,429 boe/d
Staff	199
Net Revenue	\$254.5 MM
Reserves	63,612 Mboe

Australia

Production	6,454 boe/d
Staff	80
Net Revenue	\$162.8 MM
Reserves	17,465 Mboe

United States

Production	247 boe/d
Staff	10
Net Revenue	\$3.0 MM
Reserves	7,988 Mboe

Germany

Production	2,630 boe/d
Staff	13
Net Revenue	\$34.9 MM
Reserves	8,250 Mboe

Ireland

Production	5 boe/d
Staff	-
Net Revenue	\$0.1 MM
Reserves	25,538 Mboe

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

Message From Our Chief Executive Officer



Anthony Marino
CEO and President

When the United Nations released its Sustainable Development Goals in the fall of 2015, it generated an unprecedented focus on collaboration between nations, civil society and business to create a sustainable future for people and the planet. The Conference of the Parties in Paris last November made the need for working together even clearer.

At Vermilion, we have always been committed to the priorities of health and safety, the environment, and economic prosperity – in that order. Nothing is more important to us than the safety of our communities and those who work with us, and the protection of our natural surroundings. And while our communities rely on us to conduct business responsibly, we believe in reaching beyond, ensuring that our investors, our people, our partners and our communities share in our success.

The past year has continued to present significant economic challenges for the energy sector, but we did not retrench from our determination to effect positive change for all stakeholders during this industry downturn. Instead, we remain committed to our vision of disciplined, long-term growth and of delivering shareholder value by operating in an economically, environmentally and socially sustainable manner.

As we release our third annual sustainability report, I am honored to share how we are moving forward with this vision. In 2015, we recognized Integrated Sustainability as one of our six key business drivers, and we established internal champions with mandates to advance our objectives. Our employment of the phrase “Integrated Sustainability” reflects our belief that every facet of Vermilion’s business, beginning with our physical operations and encompassing our financing, human resources and community relations, must advance our overarching goal of advancing global sustainability. We understand that as a careful and socially conscious energy producer, we contribute to the economic and environmental strength of the communities and countries where we operate, particularly as the planet moves toward a low-carbon economic model.

The displacement of coal by natural gas is an important part of this energy transition, and is recognized as such by many of the governments where we conduct our operations. In 2015, for example, our natural gas would have offset nearly 1.9 million tonnes of greenhouse gas emissions compared to a coal-based energy source. We expect this offset to further increase in 2016, given that we have already moved from a 60/40 oil-gas production balance at the end of 2015 to a 50/50 split in mid-2016. We are also continuing to pilot the generation of renewable energy within our operations, including expanding geothermal applications in France to an entire eco-neighbourhood, and assessing our geothermal potential in The Netherlands.

We are focused on the transparent reporting of our sustainability performance. In keeping with this, we are taking 2016 as a foundational year to analyze the data we have compiled since 2012 and to compare it to feedback from key stakeholders, including investors and socially-responsible investment agencies, and to industry benchmarks. As a result, we will progress this fall to include climate change policy, science-based target setting approaches, and restructuring our reporting to make it even more useful to our stakeholders. This is critical work, and we are investing both the time and resources that are required to get it right. Please stay tuned for our future announcements in these key aspects of our sustainability program.

Vermilion contends that the oil and gas sector has an essential role to play in the achievement of the UN Sustainable Development Goals, especially on the issues involving energy and the environment. We intend to make an outsized contribution to this effort. We take on this mantle not out of inwardly-directed self-interest, but instead because it is the right thing for an internationally-focused, well-governed company to do. In fulfilling our commitment, we will have clear expectations for both our results and the manner in which we achieve them. We are proud of our broad emphasis on Integrated Sustainability, and we hope that this 2016 Sustainability Report clarifies our commitment to this key part of Vermilion’s mission.

Finally, I ask that you, as our stakeholders in this critical venture, provide us honest feedback in your assessment of this Report and our overall efforts. And I ask that you join us in our commitment to global sustainability.

Yours very truly,

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

Anthony Marino

Our Approach to Sustainability

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

Vermilion’s third annual sustainability report is our way of communicating how we identify the economic, environmental and social impacts of our operations, and how we integrate their associated opportunities and risks into our business strategies. We are still in the early stages of our sustainability reporting journey, but over time, our reporting activities will be able to help us chart our progress towards realizing our sustainability vision:

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

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

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

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

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.

1

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

2

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

3

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

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

Our Board of Directors and our Executive and Leadership teams continue to 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 continues to be a contributing reason why Vermilion is a leading choice for investors, employees, partners and communities.

Commitments

In 2015, we continued to make good progress toward achieving our immediate and longer-term sustainability goals.

Vermilion's long-term vision is founded on business pillars that cover the key elements of success, including: our people; health, safety and environment programs; shareholder returns; operational excellence; and portfolio balance. Each of these pillars has its own objectives, supported by an Executive champion along with annual commitments that are reviewed regularly at the Executive and Board levels. Progress toward these objectives is assessed annually by setting goals, and measuring progress toward achieving them through the year. In late 2015, we assigned Integrated Sustainability as our sixth pillar of our long-term business vision. Vermilion has established a management position to deal primarily with Integrated Sustainability, and this subject is championed by our entire group of C-suite officers and our EVP of People and Culture.

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

- an adverse HSE event
- the volatility of oil and gas prices
- potential changes to government regulations and fiscal policies in our operating areas
- the long-term financial implications of climate change, and
- public concerns about our industry

Vermilion's Board of Directors, Executive team and Risk Management Committee regularly review these risks, along with mitigation strategies and associated opportunities.

When we began our sustainability reporting in 2014, we identified that our focus was primarily internal, and that we would develop our external stakeholder engagement over time. In 2015 and continuing through 2016, this external engagement has taken shape, as we have sought input from key socially-responsible investment agencies, and welcomed engagement from shareholder signatories to the United Nations' Principles for Responsible Investment.

Combined with our existing and ongoing sustainability work, this has led to three key areas of focus in 2016:

- Climate Change Policy development
- Science-based Target Setting analysis, and
- Sustainability Reporting Review

This is critical foundational work, and we are investing both the time and the resources required to get it right. We expect to communicate our progress in our 2017 sustainability reporting.

Working Toward Target Setting

We are working in 2016 to analyze science-based target setting in relation to our operations in critical areas identified by both internal and external stakeholders, including safety, energy use, greenhouse gas emissions and water use. Understanding that organizations often progress along a continuum of action, we have already achieved the following milestones:

- Understanding our current situation: our sustainability reporting since 2012/2013 highlights the increasingly sophisticated and streamlined data collection process we are using internally, and is now providing a platform from which to assess current levels, trending and comparisons to industry peers.
- Setting an internal carbon price: We have established location-dependent carbon pricing schemes for Scope 1 emissions as part of our risk management process, looking at the three most likely scenarios to impact our business in the next 5 years (low, anticipated and high carbon pricing). Our rationale is to determine the extent of the potential impact of carbon costs to Vermilion's financial performance and competitiveness, and where the risk exceeds thresholds, plan and implement mitigation measures. We review carbon pricing at the corporate level based on in-country results. For more information, please see our 2016 CDP submission, Question 2.2d.
- Setting absolute targets based on our performance via operational activities:
 - Safety: our target is zero incidents; we continue to make progress toward this, reducing our Lost Time Incidents from 12 in 2014 to 4 in 2015, and continuing to have zero fatalities.
 - Scope 1 – flaring and venting: after our 2014 acquisition of light-oil assets in southeast Saskatchewan, we set a target to reduce emissions associated with flaring from these operations by 50% by 2020. In 2015, we completed a variety of initiatives that have already reduced these emissions by 42%, reflecting that we are 84% of the way toward our target.
 - Scope 1 – flaring and venting: we established a target to reduce flaring emissions at one of our major facilities in France by 65%; through the commissioning of a gas export system in the second quarter of 2015, we have achieved this target.
 - Scope 2 - renewable energy: we have set a target to exceed 5% of our total power consumption coming from renewable sources (and replacing traditionally generated electricity) by 2017, primarily through the implementation of our solar and TEG powered lease sites in Canada. Beginning in January 2016, we are exceeding this target as a result of our purchase of 100% green power from our largest electricity provider in The Netherlands.
- Increasing low carbon products: in 2016, we have moved from a 60/40 production weighting of oil and natural gas respectively to a 50/50 split. We recognize that our natural gas – which provides the market with a power generation alternative that achieves approximately 80% energy efficiency and up to 50% cleaner burning than coal-fired electricity – is an important part of the transition to lower carbon energy. For example, if the natural gas produced by Vermilion on an annual basis in Canada were used for power generation as opposed to coal-fired power, the consumer would be able to avoid 2,839 ktonnes of CO₂e. We continue to explore additional projects in this area, including using flared gas to produce electricity at our facilities to offset our power consumption.
- Comparing our performance to industry benchmarks: Our emissions reduction initiatives have resulted in Vermilion having a top quartile emissions intensity (emission rate per BOE produced) when compared against our peer group

(based on 2014 data, as 2015 was not yet released at the time of this writing).

- Anticipating changes in regulatory requirements: One example is the update to Directive 039 in Alberta. This regulatory change led Vermilion to complete engineering reviews and facility updates that we estimate to total \$1MM by the end of implementation in 2018. This will result in Criteria Air Contaminants reductions beyond regulatory requirements, and is a good example of how we are staying ahead of changing regulations. We have also participated in the MJA3 (Term Agreements on Energy Efficiency) programs in The Netherlands since 2005, with the result that our operations are 76% more energy efficient than our base year of 2005.

Ethics



2015 Targets	Progress on 2015 Targets	Additional 2015 Highlights	2016 Targets/highlights to date	2017-2020 Goals
One-button access to send concerns anonymously to our Corporate Secretary	Complete, as part of our new business unit external website rollout in Netherlands & Germany		Rollout in all locations as the website structures are updated; via email or toll-free phone call in the interim	
Develop procedures for contractors to confirm awareness of and compliance with code of business conduct	Ongoing	Added Germany to annual sign-offs through Workday in 2016: Employee Obligations for employees and Insider Trading for contractors		

Governance



2015 Targets	Progress on 2015 Targets	Additional 2015 Highlights	2016 Targets/Highlights to date	2017-2020 Goals
Continue to conduct annual "say on pay" advisory votes at annual AGM	Received 99% shareholder approval on "say on pay" advisory vote at 2015 AGM for the 2014 comp		Received 96% shareholder approval on "say on pay" advisory vote at 2016 AGM for the 2015 comp	Continue to hold annual "say on pay" advisory votes
Continue to monitor corporate governance regulations, requirements, and trends			Created two corporate performance scorecards, to reflect annual and long-term evaluations Amended anti-hedging policy aligned with best governance practices Introduced one rolling reserve for all Vermilion's	Continue to improve communication and disclosure in the Annual Information Circular & Proxy for purposes of transparency for shareholders

			security-based compensation arrangements of 3.8% (reduced from 5%) aligned with best governance practice and posted all on SEDAR	
Continue to demonstrate strong results in the area of board and corporate governance		Board of Directors recognized for strong corporate governance (See Awards)	Appointed an independent Lead Director to provide the Board with an independent perspective ensuring the Board is organized properly, functions effectively and operates independently of management	Continue to demonstrate strong results in the area of board and corporate governance

People



2015 Targets	Progress on 2015 Targets	Additional 2015 Highlights	2016 Targets/Highlights to date	2017-2020 Goals
Increased emphasis on employee development and training	Avoided downturn-related across-the-board layoffs	46 new hires and 28 staff moves, including lateral moves, promotions and progressions	Continue to hire for critical new and replacement positions only	Focus on appropriately staffing for long-term growth, placing priority on the development of internal staff through lateral moves and promotions, rather than external hires, wherever possible

Recognized as a Best Workplace by the Great Place to Work Institute in all of our participating jurisdictions	Achieved		Recognized as a Best Workplace by the Great Place to Work Institute in all of our participating jurisdictions	Continue to be recognized as a workplace of choice, via ongoing focus on best in class recruiting processes, growth opportunities for all employees, and competitive compensation and benefits programs in all markets with focus on additional communication with staff, process improvements and streamlining
Creation of Employee Handbooks, with country-specific policies amendments, for Germany and US	Complete	Created Employee Handbook with country-specific policy amendment for Hungary		
Establish Works Council in The Netherlands	Complete			

Safety



2015 Targets	Progress on 2015 Targets	Additional 2015 Highlights	2016 Targets/Highlights to date	2017-2020 Goals
Implement Fair Culture Policy	Fair Culture policy implemented in France, Netherlands, Germany and US		Policy to be implemented in Central & Eastern Europe in 2016	Implement policy in any new Business Unit
Development of fit-for-purpose Process Hazard Analysis (PHA) Standard Development of fit-for-purpose Process Hazard Analysis (PHA) Standard	Completed Process Hazards Analysis (PHA) Standard PSMS drafted		Implement PHA globally Completion of PSMS and development of implementation plan	Implement in new operating regions Implement in operating regions

Inventory, review and creation of new safety operating procedures as part of operator competency program (OCP) development in Canada	Continued review and approval of critical procedures in Canada	Developed project charter and selected team for OCP in France	Advance review and approval of critical procedures and implementation of OCP program in Canada	Implementation of OCP in Canada and France Review and update of OCP in the Netherlands
Development of in-house HSE Leadership Program	Customized a HSE Leadership Program for managers and frontline supervisors	Delivered HSE leadership training in France and The Netherlands Created and implemented performance-based HSE leader competency	Deliver HSE leadership training to Canada office and field supervisors	Further develop training program and train new leaders
Develop robust hazard identification and risk mitigation program around Vermilion's top fatal risk exposures and top environmental sensitive sites	Develop robust hazard identification and risk mitigation program around Vermilion's top fatal risk exposures and top environmental sensitive sites		Continued focus on robust hazard identification and risk mitigation program around Vermilion's top fatal risk exposures and top environmental sensitive sites	Continued focus on robust hazard identification and risk mitigation program around Vermilion's top fatal risk exposures and top environmental sensitive sites

Environment



2015 Targets	Progress on 2015 Targets	Additional 2015 Highlights	2016 Targets/Highlights to date	2017-2020 Goals
			Assess science-backed target setting for emissions intensity and/or emissions reduction	
Publish Corporate Sustainability Report Submit CDP Report	Complete, including more complete Scope 3 reporting	Recognized as the top scoring energy company on the Climate Disclosure Leadership Index (Canada 200)	Publish Corporate Sustainability Report Submitted CDP Report	Continued focus on transparent reporting of EESG performance, including streamlined data collection

Assess potential for transfer of geothermal and other technology to locations beyond Parentis, France	Conducted pilot programs and trials on the implementation of new technology to improve environmental performance and decrease the impact of operations		Continue pilot programs and trials, particularly in The Netherlands	Move projects from pilot to implementation based on results
Significant reduction of flaring and venting at Southeast Saskatchewan assets acquired in 2014	Completed		Continue emission management programs	Continue emission management programs
Assess cost-benefits of electric cars for fleet in France	Assess cost-benefits of electric cars for fleet in France		Review electric car cost-benefits results	
Signed a 30-year partnership with French land developer Pichet to provide heat for up to 450 homes in a newly planned eco-neighbourhood complex		Continued to support the eco-neighbourhood project development		

Community Investment



2015 Targets	Progress on 2015 Targets	Additional 2015 Highlights	2016 Targets/Highlights to date	2017-2020 Goals
Continue to enhance staff involvement in community investment activities globally through in-country plans	Opportunities created for staff in all business units to become involved in Vermilion's community investment activities		Days of Caring in all operating business units to strengthen staff-company-community connection	Support staff involvement in external volunteer activities through increased promotion of existing Volunteer Grant program
Develop a sustainable funding model for community investment budgets globally	Complete			
			Redevelop community investment plan in The Netherlands to include flagship partnership and focus on operating areas	

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 dignity and respect.

We recognize the principles of The Universal Declaration of Human Rights, and have policies in place to support these principles throughout our operations, including creating a fair and equal-opportunity workplace.

We challenge and inspire our employees to achieve their best, and value the teamwork, collaboration and innovation that lead to creating both a great place to work and outstanding company performance.

4. Health, Safety and Environment



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

5. Communities



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

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
Carbon Disclosure Project	Vermilion has filed Climate Change Responses with CDP since 2014; we were recognized as the top scoring energy company on the Climate Disclosure Leadership Index 2015. Vermilion was the first Canadian energy company to achieve the top score of 100.
Energy Sector Sustainability Leadership Initiative	This working group focused on sustainability benchmarking within the oil and gas industry in Calgary when it launched in 2013, and has since transitioned into a focus on energy sector sustainability best practices.
London Benchmarking Group Canada	Vermilion began reporting community investment through LBG Canada in 2012.
Australian Petroleum Production & Exploration Association (APPEA)	Vermilion is an active member of APPEA, which represents Australia's oil and gas exploration and production industry. Our Managing Director in Australia has been a long-time director on the APPEA board, and currently serves as Chairman.
UFIP (Union française des industries pétrolières)	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.
Dutch oil and gas explorer and producer association (NOGEP)	Vermilion is an active member of the Dutch oil and gas explorer and producer association. We participate in several workgroups and sub-committees to work closely with other industry representatives to continuously improve our practices as they relate to safety and environment as well as public acceptance.
Ambès Regional Water Basin Committee	Our Ambès superintendent has been elected as a member of this basin committee, having a key role in 2 commissions: the Littoral Commission and the Industry Commission.

Awards

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



Recognized by the Great Place to Work Institute® as a Best Workplace in Canada and France for a seventh consecutive year; in The Netherlands for a third consecutive year; and in Germany, in the Berlin-Brandenburg region, in our first year qualifying.



Recognized by CDP with the Climate Disclosure Leadership award (Canada 200) in 2015.



Corporate Knights Canada's Future 40 Responsible Leaders list, 2016. Vermilion ranked 9th, an improvement over last year's ranking of 15th. We are also the highest ranked oil and gas company on the list.



Recognized for excellence in governance practices via Globe and Mail annual Board Games survey. Vermilion's governance practices resulted in a 2015 rank of 2nd among oil and gas companies, and 20th of 234 corporations overall.



Golden Gavel Award for Best Disclosure of Governance Practices and Approach to Executive Compensation by a small or mid-sized issuer.

Brendan Wood International First Intelligence

Shareholders have accredited Vermilion, our Board of Directors, CEO and CFO with TopGun status for 2015, ranking Vermilion's strategy, leadership and governance with the highest levels of the confidence index. We are one out of seven companies in Canada that was honoured with all four TopGun designations.



Lorenzo Donadeo was recognized in 2015 for his outstanding service to France by being appointed to the rank of Chevalier in France's Legion of Honour. Awarded to those who have served France with high distinction in areas such as business and culture, the Legion of Honour is France's highest honour. It reflects Lorenzo's – and Vermilion's – long-term commitment to France, the role we play in the economy there, and the way we operate, with respect for people, the environment and our communities.



Lorenzo Donadeo was recognized as CEO of the Year in 2015 by Alberta Oil Magazine.



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

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



Recognized by Department of Landes in France as 2014 Aquitaine Company of the Year.



Awarded the Special Jury Prize, 7th annual Road Safety Award by Prefecture of Landes. The prize recognizes our place as a leader in safety and risk prevention in road travel.

About Our Report

Our 2016 Sustainability Report is Vermilion's third annual report on our economic, environmental, social and governance (EESG) impacts, the content of which emphasizes our activities throughout the 2015 calendar year. Our intent is to produce an updated downloadable full report on an annual basis; however, in the spirit of environmental stewardship, we are electing not to produce print versions of these reports annually.

We continue to use the GRI-G4 framework to guide our sustainability reporting, as we believe the Global Reporting Initiative remains the current leading framework for EESG reporting. The information we have shared to date is largely reflective of our decision to report in accordance with GRI's comprehensive reporting option. Our 2016 report follows the same four-step process of Identification, Prioritization, Validation and Review as we followed for our 2013 report, and incorporates the key principles of Sustainability Context, Materiality, Completeness and Stakeholder Inclusiveness.^{G4-32}

This report covers Vermilion's operated business units, including the Canadian Business Unit (CBU), France Business Unit (FBU), Netherlands Business Unit (NBU), Australia Business Unit (ABU) and U.S. Business Unit (USBU). To effectively serve our stakeholders, we produce both a full online report and a 20-page Highlights report, and we make translations available of at least one of these formats in French, Dutch, German, Croatian and Hungarian.

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

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

There is one significant change to the report structure, in that we have changed the year on the report to better reflect its publication date. Using our previous numbering system, our current report would have been our 2015 Sustainability Report; it has been renamed the 2016 Sustainability Report (with performance metrics reflecting the 2015 calendar year). ^{G4-23}

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
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

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

Stakeholder Engagement

Our people, partners, suppliers, investors and members of the communities in which we operate continue to be regarded as Vermilion’s key stakeholders: those whom we believe to have the greatest impact on our business, or whom are most impacted by our activities.

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

We believe that a failure in our economic, environmental and/or social performance could have negative and long-lasting effects on our key stakeholders.

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.

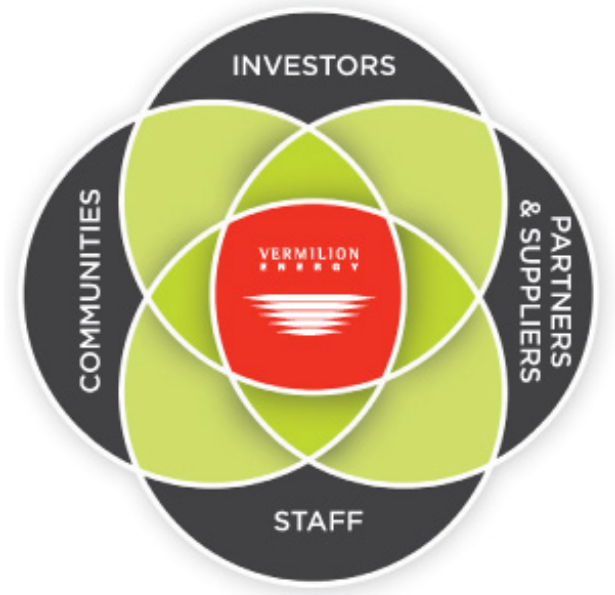
For those stakeholders with lesser degrees of impact or influence, our engagement is more specific and generally involves direct engagement on specific issues.

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
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<ul style="list-style-type: none"> ➤ Annual General Meeting and webcast, distribution of financial statements & proxy statement ➤ Annual benchmarking against peers through Board Games ➤ Business updates, analyst conference calls ➤ Ongoing presentations to investor and industry conferences, with webcasts on external Vermilion website and intranet ➤ Ongoing monitoring of and response to investor relations e-mail and phone inquiries ➤ Ongoing monitoring of and response to social media including LinkedIn and Twitter ➤ Media monitoring/ media appearances ➤ News releases ➤ Responses to sustainability-related queries from, and engagement with, socially responsible investment agencies and shareholders who are signatories to the UN's Principles for Responsible Investment 	<ul style="list-style-type: none"> ➤ Financial results ➤ Increasing emphasis on transparency and sustainability reporting 	<ul style="list-style-type: none"> ➤ Ongoing communication of material issues and results ➤ Confidential industry benchmarking project for CDP reporting ➤ Third submission to CDP and third sustainability report ➤ Response to requests for interviews and other input ➤ Reviews of evaluations by socially responsible rating agencies, including corrections and responses
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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 	<ul style="list-style-type: none"> ➤ Strategic direction of the company ➤ Employee engagement and satisfaction ➤ Communication (internal and external) of community investment program 	<ul style="list-style-type: none"> ➤ Executive response to all town hall suggestions and questions ➤ Implemented suggestions from staff working groups ➤ Implementation of Fair Culture Policy in all business units

<p>team levels</p> <ul style="list-style-type: none"> > Quarterly staff updates (town halls) > Staff interactive sessions held in Canada, France, The Netherlands > New employee breakfasts and lunches, scheduled as needed > Vermilion 101 – Introduction to Oil & Gas for new staff, scheduled as needed > Whistleblower policy, 24/7 (referred to internally as “Reporting of Inappropriate Activity”) 	<ul style="list-style-type: none"> > Clear communication and implementation of HSE program 	
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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 ▼

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 	<ul style="list-style-type: none"> > Community support and capacity building 	<ul style="list-style-type: none"> > Progressing community investment program in all locations based on community and staff engagement (see Our Communities in this report)

<ul style="list-style-type: none"> ➤ Ongoing partnerships with key social agencies ➤ Meetings, e-mail, phone calls with other local social agencies & councils, ongoing ➤ Customized community investment program for each location, ongoing ➤ Communication of community investment via external website & LinkedIn, ongoing ➤ Engagement with First Nations and/or Métis communities near our operations as appropriate, including provision for consultation and community investment OG-9, DMA Social 		<ul style="list-style-type: none"> ➤ Discussions with local communities regarding impacts and potential partnerships
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Governments



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

NGOs: industry, environment, social



Engagement Channels	Topics Related	Response
<ul style="list-style-type: none"> ➤ Ongoing participation in industry meetings and conferences ➤ High-level review of NGO positions and topics ➤ Meetings with NGO personnel 	<ul style="list-style-type: none"> ➤ Increasing transparency and communication of sustainability performance ➤ Environmental concerns and performance based on location, including fracing 	<ul style="list-style-type: none"> ➤ Published annual CDP submission and sustainability report ➤ Focus on operational excellence, including compliance with or exceeding all regulations

Identifying Issues

To identify the topics relevant to Vermilion's 2016 sustainability report, we began with a review of the issues we had originally identified in our 2013 report (published in 2014).

Issue identification for the inaugural report had involved 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.

Once we had reviewed the issues included in our 2013 report, we then provided key internal stakeholders, including Leadership team members, with opportunities to provide their feedback on these original topics as well as any new topics for consideration in this report. G4-18 G4-19 G4-27

We also reflected upon the disclosure requirements and EESG topics contained within other sustainability reporting frameworks, as well as the sustainability reports and disclosure activities by our peers. Where we felt we could strengthen our own reporting and disclosure, we incorporated these topics into our reporting.

Finally, we reviewed and reflected on the feedback that we have received from SRI and other sustainability-related organizations since launching our inaugural report, and incorporated this feedback where we felt it strengthened our level of disclosure on the sustainability topics that matter most to Vermilion and our key stakeholders.

Material Issues

The issues identified for this report have been cross-referenced to the GRI G4 Aspects and Standard Disclosures list. A Boundary Assessment for each Aspect was performed in our 2013 reporting cycle and it was determined that the outcomes of the original assessment for each Aspect had not changed as to its relevance to Vermilion or any of the stakeholders throughout our value chain. ^{G4-20 G4-21}

Where the issues were relevant to Vermilion or its stakeholders, we reevaluated whether they were of high, medium or low impact on Vermilion, and high, medium or low impact from the perspective of our key stakeholder groups.

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

Moreover, while we remain comfortable with our original high-medium assessment for the “Regulatory Framework” topic, we continually monitor changes that could influence its future categorization as it relates to the impact on Vermilion. For example, in September 2014, the Council of the European Union formally adopted the Directive on disclosure of non-financial and diversity information by certain large companies. This Directive introduced measures that will strengthen the transparency and accountability of approximately 6000 companies in the EU who have more than 500 employees. While the changes may not affect Vermilion from a mandatory perspective because our staff count in Europe does not meet the Directive’s threshold, the changes nevertheless affect our environment and the sustainability context within which we operate.

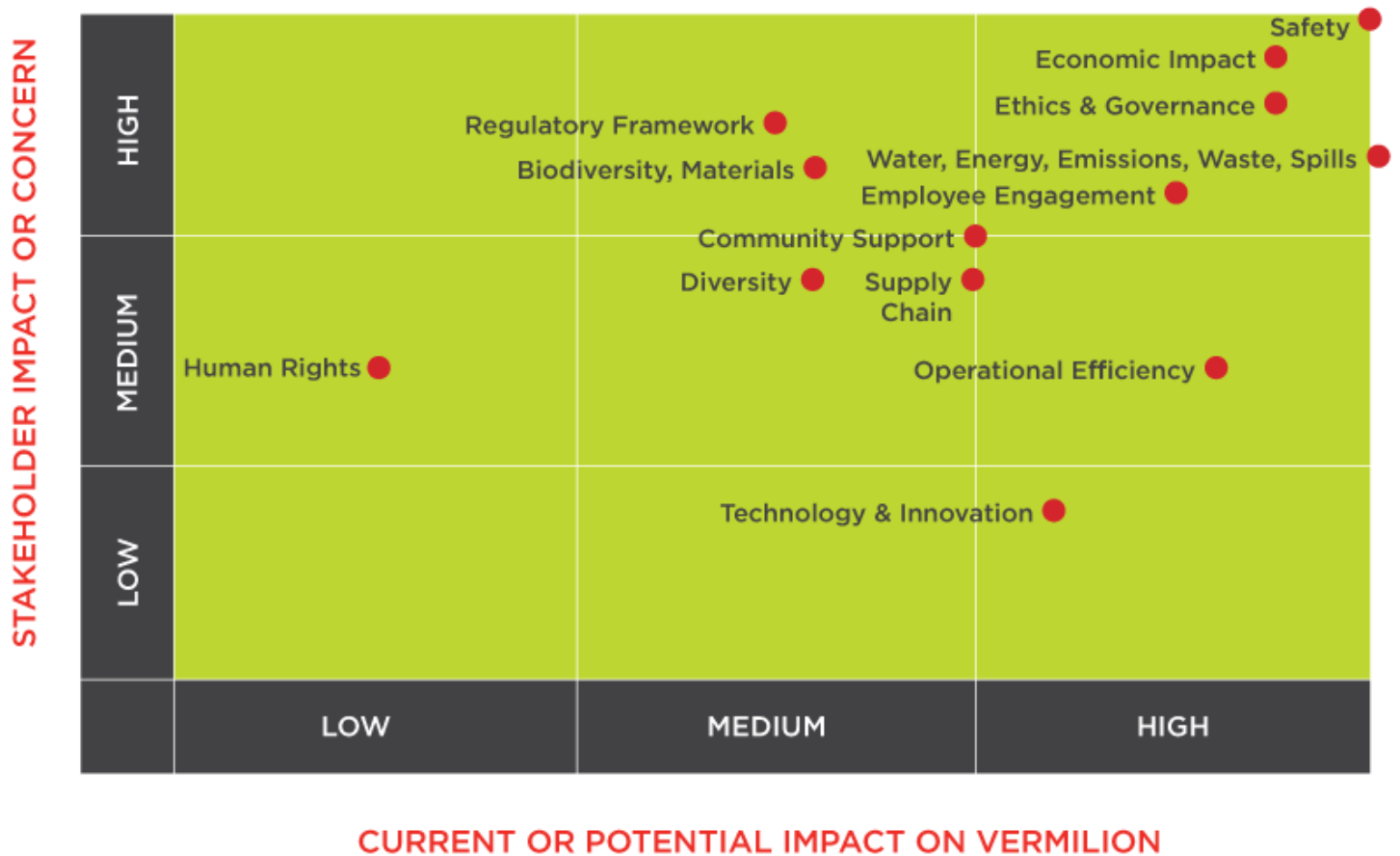
The following parameters were used to assess the level of impact on Vermilion:

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

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

We used a similar approach to assessing potential impact of these issues on stakeholders. We analyzed our engagement results with different groups of stakeholders, to identify issues and rate their importance reflecting the critical/high, important/medium, and small/low definitions from the table above. We also took into consideration how directly affected the stakeholders were (for example, employees and fenceline communities are more directly affected by Vermilion's operations than 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.^{G4-19 G4-20 G4-21}



Validation & Review

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

It is our intent to engage our sustainability consultants to assist us with ensuring alignment with GRI Guidelines and best practices every couple of reporting cycles to support Vermilion's focus on continuous improvement.

Our intention is to conduct formal external stakeholder validation of the issues contained within Vermilion's sustainability report every two to three reporting cycles. While this means that we did not formally engage external stakeholders to provide feedback on this report, we have engaged with, and incorporated feedback from, a range of external stakeholders on such issues as governance, climate change, science-based target setting, and environmental metrics reporting.

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

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Discussion of Management Approach

Under GRI's G4 framework, each of Vermilion's nine identified Material Aspects under the Specific Standard Disclosures section requires a Discussion of Management Approach, or DMA, which in turn requires three main elements:

1. What makes the Aspect material?
2. How do we manage the Aspect?
3. How do we evaluate our management approach, and does this lead to adjustments?

Much of this information is contained in our Materiality Analysis and within the report text. However, to make this easier to locate in the report, we have summarized the DMAs for each Aspect below. These include why we selected the Aspect as material, how we manage, evaluate and adjust as needed, where operational responsibility lies within Vermilion, and where to find additional details about our management approach within the Sustainability Report. They also include not only the general DMAs expected for every Aspect, but also Aspect-specific DMAs where they apply.

ASPECT: ECONOMIC PERFORMANCE, INCLUDING INDICATORS FOR RESERVES AND COMMUNITY INVESTMENT	
Materiality	<ul style="list-style-type: none"> ➤ Critical to Vermilion's continued operation, and to stakeholders who depend on the company's success, including investors, staff, partners/suppliers, and communities
Manage	<ul style="list-style-type: none"> ➤ Commitments: consistently strong return on capital, reliable growth and access to strong markets ➤ Approach: short, mid- and long term milestones outlined in internal business strategy mapped out to 2020 ➤ Target: production growth of 30% between 2014 and 2016 ➤ Focus: operational excellence leading to greater efficiencies and effectiveness
Evaluate	<ul style="list-style-type: none"> ➤ Departmental quarterly reviews of commitments and progress within the strategy and reporting to the executive and Board of Directors ➤ Quarterly executive and Board reviews of strategy and milestones reached ➤ Monitoring of investor relations trends and issues

<p>Adjust</p>	<ul style="list-style-type: none"> ➤ Changes to strategy as needed to adapt to macroeconomic changes ➤ Changes to internal processes or technologies as needed to fulfill production targets and shareholder returns ➤ Acquisitions as needed to fulfill production targets
<p>Responsibility</p>	<p>Chief Operating Officer, Chief Financial Officer, Director Business Development</p>
<p>More detail</p>	<ul style="list-style-type: none"> ➤ About Vermilion Energy Inc.

<p>ASPECTS: ENVIRONMENT, INCLUDING ENERGY, WATER, EMISSIONS, EFFLUENTS AND WASTE, (DMA SIMILAR FOR ALL, ENCOMPASSES SAME POLICIES)</p>	
<p>Materiality</p>	<ul style="list-style-type: none"> ➤ Presents as critical operational risk from an adverse environmental incident, but also as important opportunities to improve technology and processes to both protect the environment and contribute to operational excellence and return to shareholders
<p>Manage</p>	<ul style="list-style-type: none"> ➤ Commitments: to fully integrate Health, Safety and Environment into our business, creating a culture recognized as a model by industry and stakeholders. ➤ Approach: integrated management system that includes HSE and Asset Integrity, focused on five pillars: HSE Culture, Communications and Knowledge Management, Technical Safety Management, Incident Prevention and Operational Stewardship and Sustainability. Supported by HSE Policy with 10 focus areas. ➤ Target: zero adverse environmental incidents; improvement of process effectiveness and efficiencies to minimize environmental impacts of our operations; continuous improvement in four areas: improving energy efficiency, reducing greenhouse gas emissions, minimizing water use, caring for the land (especially protecting against spills and releases) ➤ Focus: establishment of comprehensive climate and environmental risk matrix analysis; continual examination of technology and processes, annual assessment of legislative and regulatory changes and their potential impacts; GHG Quantification Methodologies study and Carbon Liability Analysis completed ➤ Measurement: use of Event Management Information System to track health, safety, environmental, regulatory and public complaint incidents or near misses, their root causes, actions taken and preventive measures ➤ Aspect specific DMA for Energy and Emissions: country, regional and industry regulations/policies for energy can be found in Our Commitment to HSE – Our Regulatory and Reporting Framework ➤ Aspect specific DMA for Emissions: numerical targets for GHG reductions are described in CDP Report

<p>Evaluate</p>	<ul style="list-style-type: none"> ➤ Established baselines for key performance indicators through Carbon Disclosure Project and sustainability reporting in 2012 and 2013. ➤ As reporting progresses from baseline into trend analysis, identify additional areas for improvement ➤ Internal review of sustainability policy
<p>Adjust</p>	<ul style="list-style-type: none"> ➤ Changes to sustainability policy as needed
<p>Responsibility</p>	<ul style="list-style-type: none"> ➤ Chief Operating Officer, via Director, HSE
<p>Details</p>	<ul style="list-style-type: none"> ➤ Our Commitment to HSE – Our Focus on Environment

<p>Aspect: Employment</p>	
<p>Materiality</p>	<ul style="list-style-type: none"> ➤ Vermilion and its stakeholders recognize that staff are key to achieving operational goals, including in the areas of economic, environmental, safety and social issues
<p>Manage</p>	<ul style="list-style-type: none"> ➤ Commitments: to maintain Vermilion’s position as a workplace of choice, to enable the company to attract and retain high quality staff ➤ Approach: competitive compensation and benefits packages; provision of a safe and respectful work environment ➤ Target: low turnover rate, ease of finding qualified candidates ➤ Focus: strong two-way communication between management and staff; launch of new intranet in 2013; launch of Workday system in 2013 to streamline employee information for both staff and management ➤ Aspect specific DMA for Employment: Vermilion is not aware of any work that is done within our supply chain that is not subject to appropriate institutional and legal frameworks, including but not limited to social and labour protection, fair working conditions and compensation, or disguised employment relationships. We rely on our legally constituted contracts and supplier agreements to ensure that work and products comply with all labour laws and regulations. However, we recognize that we may not be aware of all suppliers in our extended supply chain. This is an area that we need to review and research in order to determine action needed to ensure the integrity of our supply chain once it is removed from those working with us directly.

Evaluate	<ul style="list-style-type: none"> ➤ Analysis of results from Great Place to Work® staff survey, including department workplans to respond to staff concerns and suggestions ➤ Monitoring of/action in response to staff suggestions via the intranet ➤ Analysis of Workday statistics in key areas such as turnover to ensure competitive position ➤ Gap analysis for performance metrics
Adjust	<ul style="list-style-type: none"> ➤ Adjustments to work/employee policies as needed ➤ Increased communication via intranet and other internal communication channels ➤ Increased data gathering to close gaps in performance metrics
Responsibility	<ul style="list-style-type: none"> ➤ EVP People & Culture
Details	<ul style="list-style-type: none"> ➤ Our People

Aspect: Occupational Health and Safety, including Process Safety	
Materiality	<ul style="list-style-type: none"> ➤ First priority for company and its stakeholders: nothing is more important than the safety of staff, partners, suppliers, communities and all those who work with us
Manage	<ul style="list-style-type: none"> ➤ Commitments: to fully integrate Health, Safety and Environment into our business, creating a culture recognized as a model by industry and stakeholders ➤ Approach: integrated management system that includes HSE and Asset Integrity, focused on five pillars: HSE Culture, Communications and Knowledge Management, Technical Safety Management, Incident Prevention and Operational Stewardship and Sustainability. Supported by HSE Policy with 10 focus areas. ➤ Target: zero safety incidents ➤ Focus: integration of existing HSE Management System and Asset Integrity Management System with newly developed Process Safety Management System ➤ Measurement: use of Event Management Information System to track health, safety, environmental, regulatory and public complaint incidents or near misses, their root causes, actions taken and preventive measures

Evaluate	<ul style="list-style-type: none"> ➤ Analysis of results from staff HSE Perception Survey ➤ Analysis of safety metrics ➤ Analysis of audit and compliance reviews
Adjust	<ul style="list-style-type: none"> ➤ Continued implementation of Fair Culture policy across business units ➤ Complete Implementation of Process Safety Management System ➤ Continued implementation of competency and training program ➤ Continued focus on increasing internal communication of safety programs ➤ Further development of OH&S within supply chain
Responsibility	<ul style="list-style-type: none"> ➤ President and Chief Operating Officer, via Director, HSE
Details	<ul style="list-style-type: none"> ➤ Our Commitment to HSE – Our Focus on Safety

Aspect: Training and Education	
Materiality	<ul style="list-style-type: none"> ➤ Considered a critical element of employee engagement, building productivity, and contributing to staff attraction and retention
Manage	<ul style="list-style-type: none"> ➤ Commitments: engage Vermilion in assisting staff to identify and achieve career and development goals ➤ Approach: lifelong learning approach, combined with annual identification of specific development goals for all permanent employees ➤ Target: 100% of permanent employees participating in an annual performance review and development plan ➤ Focus: provision of informal and formal training and development opportunities that fulfill both company and employee needs
Evaluate	<ul style="list-style-type: none"> ➤ Gap analysis of company and staff training needs
Adjust	<ul style="list-style-type: none"> ➤ Strengthen training offerings in personal development training and key health and safety courses

Responsibility	<ul style="list-style-type: none"> ➤ EVP People & Culture
Details	<ul style="list-style-type: none"> ➤ Our People - Encouraging Learning and Development

Aspect: Anti-Corruption	
Materiality	<ul style="list-style-type: none"> ➤ Critical ethical, reputational and legal risk for the company, which could jeopardize economic performance and negatively impact not just Vermilion but also key stakeholders
Manage	<ul style="list-style-type: none"> ➤ Commitments: zero tolerance for corruption on the part of our Board, staff, suppliers and any other entity related to Vermilion ➤ Approach: clear anti-corruption policy is part of Vermilion's Code of Conduct; advice can be sought or infractions noted anonymously to our Corporate Secretary ➤ Target: 100% compliance on the part of the Board, staff, suppliers and any other entity related to Vermilion ➤ Focus: annual sign-off by members of the Board and staff ➤ Aspect specific DMA for Anti-Corruption: We assess the risk for corruption based on geography during our business development due diligence. We specifically operate in geographical regions noted for their stable, well developed political regimes and fiscal and regulatory policies regarding oil and gas exploration and development. We have developed a clear and comprehensive Code of Conduct that includes policies specific to anti-corruption and anti-bribery, with which all staff must comply. Community investments such as charitable donations and sponsorships are approved through either Business Unit community investment committees and managers, or through several levels of review (such as the Senior Community Investment Advisor, Team Lead Community Investment, Managing Director and the EVP People & Culture and CEO, depending on location). They are granted using specific and detailed parameters that minimize the risk that they could be used as bribery. We have identified none of our governance body members, employees or business partners as having a high risk of incidents of corruption. We provide specific anti-corruption training when required, but do not participate in collective action initiatives related to anti-corruption.
Evaluate	<ul style="list-style-type: none"> ➤ Evaluate based on percent of Board and staff who certify their compliance annually (currently 100%). Compare Vermilion current practices with industry best practices to determine gaps
Adjust	<ul style="list-style-type: none"> ➤ Ensure continued communication of expectations and monitoring of compliance ➤ Best practices indicate the need for contractor and supplier certification in addition to Board and staff. Review process needed to put this into practice.

<p>Responsibility</p>	<p>> CEO, CFO, and EVP People & Culture</p>
<p>Details</p>	<p>> Our Leadership - Living Our Values</p>

Abbreviations & Terms

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

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

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

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	About Vermilion Economic & Operational Highlights 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 Economic & Operational Highlights
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
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 Our Focus on Environment
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
G4-19	List all material Aspects	Identifying Issues Material Issues 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	Performance Metrics

G4-23	Significant changes from previous reporting periods	No significant changes.
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 (Sector supplement including indigenous peoples)	Stakeholder Engagement
REPORT PROFILE		
G4-28	Reporting period	2014
G4-29	Date of most recent previous report	2013
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions about report	Kyle Preston, 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	Our Highest Governing Body 2015 Proxy Statement & Info Circular
G4-35	Process for delegating authority for economic, environmental & social topics to senior executives and other employees	Our Highest Governing Body
G4-36	Executive level position in EESG	Our Highest Governing Body
G4-37	Consultation process between stakeholders and highest governance body on EESG	Our Highest Governing Body
G4-38	Composition of highest governance body and committees	Our Highest Governing Body
G4-39	Is chair of highest governance body also an executive officer?	No
G4-40	Nomination and selection process for highest governance body	Board Diversity 2015 Proxy Statement & Info Circular
G4-41	Processes for avoiding conflict of interest for highest governance body	Ethical Culture 2015 Proxy Statement & Info Circular
G4-42	Highest governance body's roles in developing organization's purpose, value, mission, EESG policies	Our Highest Governing Body
G4-43	Measures to develop highest governance body's knowledge about EESG	Board Diversity
G4-44	Process of evaluating highest governance body's performance in EESG	Risk Oversight 2015 Proxy Statement & Info Circular
G4-45	Highest governance body's role in identifying EESG risks and impacts	Risk Oversight
G4-46	Highest governance body's role in reviewing effectiveness of EESG risk management processes	Risk Oversight
G4-47	Frequency of 4-46 review	Quarterly Risk Oversight
G4-48	Highest level of formal sustainability report review	CEO
G4-49	Process for communicating critical concerns to highest governance body	Our Highest Governing Body
G4-50	Nature and number of concerns communicated	No critical concerns communicated Performance Metrics
G4-51	Remuneration policies for highest governance body and senior executives	2015 Proxy Statement & Info Circular
G4-52	Process for determining remuneration	2015 Proxy Statement & Info Circular
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	Transparency of Compensation 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	Ethical Culture

G4-57	Mechanisms for seeking advice on ethical issues	Ethical Culture 2015 Proxy Statement & Info Circular
G4-58	Mechanisms for reporting ethical concerns	Our Highest Governing Body Ethical Culture 2015 Proxy Statement & Info Circular
SPECIFIC STANDARD DISCLOSURES		
ECONOMIC		
Economic Performance		
G4-DMA		Discussion of Management Approach
G4-EC1	Direct economic value generated and distributed Assurance LBG Canada annual audit of 2012, 2013 and 2014 community investment data	Performance Metrics
G4-EC2	Financial implications of climate change	Protecting What's Important Climate Change
G4-EC2SS	Reduction in water use	Water Use Performance Metrics
G4-EC3	Coverage of defined benefit plan obligations	Performance Metrics
G4-EC4	Financial assistance received from government	Performance Metrics
G4-OG1	Volume and type of estimated proved reserves and production	Performance Metrics Economic & Operational Highlights
ENVIRONMENTAL		
Energy		
G4-DMA		Discussion on Management Approach
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 Greenhouse Gas Emissions
G4-EN6	Reduction of energy consumption	Performance Metrics Greenhouse Gas Emissions
G4-EN7	Reductions in energy requirements of products and services	Through the production of natural gas, Vermilion in many cases helps to fuel a power generation alternative with a feedstock that is estimated to be 50 to 60 percent cleaner burning than coal.
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 Water Use
Emissions		
G4-DMA	Assurance Scope 1 and 2 emissions verified in accordance with ISO 14064-3	Our People Our Focus on Safety Our Focus on Environment Protecting What's Important Materiality Analysis
G4-EN15,SS	Direct greenhouse gas (GHG) emissions (Scope 1)	Performance Metrics Greenhouse Gas Emissions
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Performance Metrics Greenhouse Gas Emissions
G4-EN17, SS	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Performance Metrics

G4-EN18, SS	Greenhouse gas (GHG) emissions intensity	Performance Metrics Greenhouse Gas Emissions
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Performance Metrics Greenhouse Gas Emissions
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 Our Focus on Environment Protecting What's Important 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 Convention2 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 Greenhouse Gas Emissions
OG-7	Drill mud & cuttings	Performance Metrics
Overall		
G4-DMA		Our People Our Focus on Safety Our Focus on Environment Protecting What's Important Our Regulatory & Reporting Framework Materiality Analysis
EN-31	Total environmental expenditures	Performance Metrics
SOCIAL		
Employment		
G4-DMA		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 Our People
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Performance Metrics Compensation & Benefits
G4-LA3	Return to work and retention rates after parental leave, by gender	Performance Metrics
Occupational Health and Safety		
G4-DMA		Our People Compensation & Benefits Encouraging Communication Learning & Development 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 Our Focus on Safety
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 Learning & Development
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Performance Metrics Encouraging Learning & Development
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
Human Rights Grievance Mechanisms		
G4-DMA		Identifying Issues Materiality Analysis
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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Values Matter



Performance Metrics

Main

ASPECT / Indicator Name	2012	2013	2014	2015	Notes	GRI
ORGANIZATIONAL SCALE						
Financial						
Gross petroleum and natural gas sales (\$)	1,083,103	1,273,835	1,419,628	939,586		G4-9, EC1a
Canada	304,202	382,005	537,788	320,613		
France	388,410	453,315	431,252	281,422		
Netherlands	123,528	139,570	123,815	129,057		
Germany			41,962	41,384		
Ireland				57		
Australia	266,963	298,945	283,481	162,765		
United States			1,330	4,288		
Direct Economic Value Distributed, by Business Unit						
Operating costs – total – excludes transportation, royalties and G&A (\$ thousands)	178,442	195,043	232,307	225,938		G4-9, EC1a,b
Canada	55,418	55,804	76,178	89,085		
France	54,907	66,997	61,729	50,718		
Netherlands	19,149	20,617	24,041	22,746		
Germany			8,686	10,956		
Ireland				15		
Australia	48,968	51,625	61,432	51,676		
United States			241	742		
Employee wages and benefits costs – total (\$ M)	116,134	134,729	168,552	155,638		G4-EC1a,b
Canada	71,167	86,714	95,021	79,066		
France	17,672	19,945	24,948	22,419		
Netherlands	9,598	9,514	14,378	19,192		
Germany			681	3,787		
Ireland						
Australia	17,697	18,556	29,628	26,248		
United States			3,896	4,986		
Dividends declared (\$ thousands)	223,717	242,599	272,732	283,575		G4-9, G4-EC1a,b
Interest payments	27,586	38,183	49,655	59,852		G4-EC1a,b
Taxes paid – total (\$ thousands)	181,913	218,359	157,336	51,115		G4-EC1a,b
Canada	1,582	1,403	1,420	1,091	Canada: Corporate taxes related to holding companies that pay current taxes in foreign jurisdictions. Corporate income tax for the Canadian business unit is \$0.	
France	63,006	94,524	66,901	23,764		
Netherlands	25,648	34,132	4,154	12,152		

Germany			44	0		
Ireland				0		
Australia – includes PRRT and corporate taxes	91,677	88,300	84,817	14,108		
United States			0	0		
Royalties paid – total (\$ thousands)	52,084	67,936	108,000	65,920		EC1SS
Canada	31,667	40,891	65,563	28,144		
France	20,417	27,045	28,444	26,958		
Netherlands	0	0	5,014	3,082		
Germany			8,613	6,479		
Ireland				0		
Australia	0	0	0	0		
United States			366	1,257		
Community investments – total (also see additional economic impact below) (\$ thousands)	718	1,076	1,345	1,012		G4-EC1a,b
Canada	531	801	919	686		
France	117	188	189	158		
Netherlands	41	29	114	89		
Australia	29	58	124	65		
United States				14		
Economic value retained – total corporate (Sales less Direct EV distributed) (\$ thousands)	302,509	375,910	429,701	96,536		
Economic value retained in Canada Business Unit	143,837	196,392	298,687	122,541		
Economic value retained in France Business Unit	232,291	244,616	249,041	157,405		
Economic value retained in Netherlands Business Unit	69,092	75,278	76,114	71,796		
Economic value retained in Germany Business Unit			23,938	20,162		
Economic value retained in Ireland Business Unit				42		
Economic value retained in Australia Business Unit	108,592	140,406	107,480	70,668		
Economic value retained in US Business Unit			-3,173	-2,697		
Assets, Debt and Equity						
Net land position (acres)	1,807,024	2,207,800	2,539,700	2,734,045	2012/3: Canada, France, Australia, Netherlands, excludes Ireland 2014/5: Canada, France, Australia, Netherlands, Hungary, US. Excludes Ireland, Germany	G4-9
Common shares outstanding (millions) (basic)	99.135	102.123	107.303	111.991		
Market capitalization (\$ billions)	5.125	6.367	6.116	4.212		
Fund flows from operations (\$ thousands)	557,728	667,526	804,865	517,167		
Fund flows from operations per basic share	5.69	6.61	7.63	4.71		
Fund flows from operations per diluted share	5.62	6.51	7.51	4.65		
Net earnings (\$ thousands)	190,622	327,641	269,326	-217,302		
Net earnings per basic share	1.94	3.24	2.55	(1.98)		
Capital expenditures (\$ thousands)	452,538	542,726	687,724	486,861		
Acquisitions (\$ thousands)	315,438	36,689	601,865	28,897		
Cash dividends per share	2.28	2.40	2.58	2.58		
Dividends as % of fund flows from operations, gross	40%	36%	34%	55%		
Dividends as % of fund flows from operations, net	27%	26%	24%	25%		
Long term debt (\$ thousands)	642,022	990,024	1,238,080	1,162,998		
Total shareholders' equity (\$ thousands)	1,418,646	1,716,375	2,021,346	1,858,659		

Total assets (\$ thousands)	3,076,257	3,708,719	4,386,091	4,209,220		
Total shareholder return	19.60%	24.60%	-4.40%	-29.50%		
Operations						
Number of operations (business units)	4	4	5	5	Five operated business units. Seven business units in total.	G4-9
Production (bbls/d) – crude oil	23,971	25,741	28,879	28,502		
Production (bbls/d) - NGLs	1,299	1,730	2,533	4,214		
Production (mcf/d) – natural gas	75,200	81,210	108,850	133,240		
Production (boe/d) – total	37,803	41,005	49,573	54,922		
Total proved + probable reserves, gross (MBOE) (Canada, France, Netherlands, Australia and United States; excludes Ireland and Germany)	143,695	174,453	212,518	227,102	2012/3: Canada, France, The Netherlands, Australia. Excludes Ireland. 2014/5: Canada, France, The Netherlands, Australia, US. Excludes Ireland and Germany (non-operated).	OG1
GOVERNANCE						
Ratio of annual total compensation of highest-paid individual to median annual total compensation all employees; compensation includes base salary, bonus, Vermilion Incentive Plan, and allowances (e.g., holiday pay)	17.51	24.88	26.92	26.83		G4-54
Ratio of % change in CEO compensation to % change in employee median compensation from G4-54	NA	12.7:1	3.73:1	1.03:1		G4-55
ETHICS						
Requests for advice on ethical behaviour through corporate secretary	0	0	0	0		G4-56
Business conduct investigations	0	0	0	0		G4-57
Violations of rights	0	0	0	0		
Monetary value of fines for non-compliance with laws & regulations	0	0	0	0		
Total number of concerns expressed via hotlines or whistleblower lines	0	0	0	0		
Political donations	0	0	0	0		
ADDITIONAL ECONOMIC IMPACT						
Days of Caring (DWH) – hours by employees	1,000	1,179	2,128	1,995		G4-EC1
Employee volunteer grant program: Vermilion donations (\$)	14,500	22,358	46,188	40,138		
Employee volunteer grant program: Employee hours	1,392	4,831	8,875	9,079		
LBG corporate giving – total including external resources leveraged: (\$)	964,173	1,310,226	1,624,122	1,348,415		
Small circle (cash contribution) (\$)	553,733	860,708	1,063,220	789,688		
Medium circle (additional direct support) (\$)	163,862	214,738	282,244	258,117		
Big circle (external resources leveraged) (\$)	246,578	234,780	278,659	300,610		
Additional community investment not included elsewhere – road safety (\$)	70,000	140,000	44,100	0		
Defined Benefit Plan Obligations					Defined Benefit Plan Obligations: Until 2014, our Netherlands business unit had a defined benefit plan - our only business unit with such a plan. The plan liabilities were met using a fund held separately from our general accounts by Aegon, a pension insurance company. In 2014, we worked extensively on pension changes for 2015 due to	G4-EC3b,d,e

					contract expiry at the end of 2014. In 2015, we grandfathered the defined benefit plan and rolled out a defined contribution plan in the NBU. Note: In Germany, we have a hybrid contribution plan, as pure defined contribution plans are not possible due to German legislation. The hybrid plan is similar to a defined contribution plan, but there is a guaranteed minimum return. This liability is managed using a fund held separately from our general accounts by Allianz, a pension insurance company.	
Level of coverage of the fund's assets compared to obligations	100%	100%	100%	100%		
Percentage of salary contributed by employee	0%	0%	0%	0%		
Contribution of employer:	Annual premium per employee	Annual premium per employee	Annual premium per employee	Annual premium per employee	Annual premium per employee	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.
Level of participation in retirement plans	100% in NL	100% in NL	100% in NL	90% in NL		
Financial Assistance Received from Government (e.g. tax relief/credits, subsidies, royalty holidays)	0	0	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 Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industries, 2009, American Petroleum Institute France : Arrêté du 31 janvier 2008 relatif au registre et à la déclaration annuelle des émissions polluantes et des déchets For global warming potentials: Environment Canada, Fourth Assessment Report, 2007						
Energy						
Energy consumption within the organization, in GJ, all non-renewable *Scope 1: includes natural gas, propane liquid, diesel fuel and vehicle fuel.	2,724,115	2,758,361	3,012,091	2,970,235		G4-EN3
Canada	1,897,339	1,977,236	2,130,186	2,022,377		
France	7,062	26,016	35,351	19,925		
Netherlands	31,897	31,248	33,842	14,148		
Australia	787,817	723,861	811,060	793,525		
United States	NA	NA	1,652	120,259		
Energy consumption outside the organization, in GJ, all non-renewable *Scope 2, all electricity, conversion: 1 MWh=0.2777 GJ	1,011,274	972,957	1,022,429	1,198,584		G4-EN4
Canada	169,481	169,481	181,438	223,557		
France	531,306	562,861	551,298	656,877		
Netherlands	309,853	239,749	287,681	313,423		
Australia	642	867	695	772		Line 150:
United States	NA	NA	1,317	3,955		G4-EN5
Energy intensity ratio – oil & gas production (Gj/boe)	0.34	0.32	0.22	0.21		

Total amount invested in renewable energy	\$140,000	\$140,000	\$147,000	\$42,600	2012 & 2013: Cost to establish the geothermal system for the tomato greenhouse heating in Parentis, from its inception, annual breakdown not available, assumed split between 2012 and 2013. 2014: Costs to date related to geothermal pilot project in the NBU. 2015: NBU geothermal pilot: 30,000E	OG2
Total amount invested in renewable energy as % of capital expenditure *Capex 2012 = \$452,538,000 *Capex 2013 = \$542,726,000 *Capex 2014 = \$687,724,000 *Capex 2015 = \$486,861,000	.03	.03	0.02	0.01		
Renewable energy and GHG emissions avoided GHG emissions avoided: *Basis of metric: Tomato greenhouse in Parentis, France. Based on 10,000 tonnes of CO ₂ e not generated per annum assuming electricity would have been used to heat the greenhouse, and using a France Grid Intensity Factor of 0.08 kg CO ₂ /kWh	125,000	125,000	125,000	125,000		OG3
Total amount of renewable energy generated by source (in MWh): *Actual energy content transferred	NA	NA	NA	31,380	Data became available from our partner in 2015	
Water						
Total water withdrawal by source, (all, m ³)	996,415	819,523	1,091,587	881,029		G4-EN8
Canada	NA	NA	227,323	92,044		
France	NA	NA	681,734	563,201		
Netherlands	NA	NA	30	0		
Australia	NA	NA	182,500	207,500		
United States	NA	NA	0	18,284		
Surface water, including wetlands, rivers, lakes, oceans	348,961	313,262	302,053	233,165		
Canada	NA	NA	119,553	25,665	Reduction associated with decreased activity level.	
France	NA	NA	0	0		
Netherlands	NA	NA	0	0		
Australia	NA	NA	182,500	207,500		
United States	NA	NA	0	0		
Groundwater	640,854	490,410	755,873	630,537		
Canada	NA	NA	101,401	61,858	Reduction associated with decreased activity level.	
France	NA	NA	654,442	550,395		
Netherlands	NA	NA	30	0		
Australia	NA	NA	0	0		
United States	NA	NA	0	18,284		
Municipal water supplies or other water utilities	6,600	15,851	33,661	14,455		
Canada	NA	NA	6,369	1,649	Reduction associated with decreased activity level.	
France	NA	NA	27,292	12,806		
Netherlands	NA	NA	0	0		
Australia	NA	NA	0	0		
United States	NA	NA	0	0		
Total number of water sources significantly affected by withdrawal of water	0	0	0	0		G4-EN9

Total volume of water recycled and reused = reduction in water use	0	7,400	21,934	2,872		G4-EN10
Canada	NA	NA	0	0	2015: We changed our completion program in 2014, which allowed for a significant increase in water reuse; reductions in 2015 reflect a significantly smaller completions program.	
France	NA	NA	0	0		
Netherlands	NA	NA	0	0		
Australia	NA	NA	0	0		
United States	NA	NA	0	0		
Total percentage of water recycled and reused	0	0.9%	2%	0.33%		
Emissions						
Gross direct (Scope 1) GHG emissions, operational control & equity	288,781	310,285	514,553	430,531	Restate: 2014 data (increase) reflects updated methodology	G4-EN15a
CO ₂ Scope 1 emissions (CO ₂ , excluding CH ₄ and N ₂ O)	212,933	220,538	383,586	333,643		SS
Canada	112,000	110,066	235,228	187,921		
France	24,303	37,981	59,276	48,525		
Netherlands	35,741	33,432	41,795	43,721		
Australia	40,889	39,059	45,822	46,013		
United States	NA	NA	1,466	7,464		
Methane, in tCO ₂ e	75,848	89,747	130,713	96,625		
Canada	45,688	57,513	94,241	56,672	Reduction from 2014 to 2015 is associated with emission reduction initiatives in our Alberta and Saskatchewan assets.	
France	5,244	10,055	10,961	12,852		
Netherlands	8,965	8,851	8,711	9,436		
Australia	15,951	13,327	16,727	17,294		
United States	NA	NA	74	371	Increase reflects full year of operation in 2015	
Nitrous Oxide (N ₂ O) - tCO ₂ e	Not tracked	Not tracked	253	263		
Canada	Not tracked	Not tracked	52	50		
France	Not tracked	Not tracked	109	118		
Netherlands	Not tracked	Not tracked	0	0		
Australia	Not tracked	Not tracked	92	96		
United States	Not tracked	Not tracked	0.00	0.005		
Hydrofluorocarbons	Not tracked	Not tracked	Not tracked	Not tracked		
Perfluorocarbons	Not tracked	Not tracked	Not tracked	Not tracked		
Sulfur hexafluoride	Not tracked	Not tracked	Not tracked	Not tracked		
Gross indirect (Scope 2) GHG emissions CO ₂ e	85,223	79,309	73,410	96,600		G4-EN16
Canada			41,006.79	48,899.59		
France			12,251.06	7,619.15		
Netherlands			19,908.05	39,630.79	Majority of power consumption associated with GTC; switched to 100% green power in 2016.	
Australia			151.00	162.93		
United States			93.15	287.88		
Gross other indirect (Scope 3) GHG emissions	2,839	9,860	2,997,538	7,858,296	Increase due to revision of Scope 3 quantification methodologies	G4-EN17

Biogenic CO ₂ Scope 3 emissions	0	0	0			
Estimated scope 3 associated with end use of products	Not applicable	Not applicable	2,250,071	7160865	Increase due to revision of Scope 3 quantification methodologies	SS
GHG emissions intensity, O&G production, Scope 1, CO ₂ e per barrel of oil equivalent	0.0209	0.0207	0.028	0.0226		G4-EN18SS
GHG emissions intensity, O&G production, Scope 2 CO ₂ e per barrel of oil equivalent	0.0062	0.0053	0.004	0.0051		
Emissions of ozone-depleting substances	0	0	0	0		G4-EN20
NO _x , SO _x and other significant air emissions, broken down by gas all for production, except SO ₂	Not currently tracked	Not currently tracked	2,847	544		G4-EN21
SO ₂	Not tracked	Not tracked	2,847	544		G4-EN17
Canada			1970.63	181.2412782	Reduction associated with decrease in flaring from Sask asset	
France			876.03	363.0802191	Reduction associated with the sale of Vic Bihl gas.	
Netherlands			0	0		
Australia			0	0		
United States			0	0		
Effluents and Waste						
Total water discharge by quality and destination m ³	275,299	7,665,326	7,776,122	8,212,284		G4-EN22
Canada			95,661	33,616	Reduction associated with decreased activity level.	
France			1,596	454		
Netherlands			5,835	3,274		
Australia		7,530,821	7,673,030	8,156,657		
United States			0	18,284	Water from drilling/completions would be disposed of via deep well injection.	
Total weight of waste by type and disposal method, metric tonne	87,189	114,226.86	113,881	82,143		G4-EN23
Canada			112,658	50,170		
France			162	8,420		
Netherlands			114	4,501		
Australia			0	450		
United States			948	18,602		
Reuse	0	7,400	21,935	78	2014: We changed our completion program, which allowed for a significant increase in water reuse.	
Canada			21,934	0		
France			0	0		
Netherlands			0	24		
Australia			1	54		
United States			0	0		
Recycling	36	13.48	107	2,855		
Canada			25	43		
France			29	2,091		
Netherlands			12	664		
Australia			42	58		
United States			0	0		
Recovery, including energy recovery	1,551					
Incineration			6,276	3,396		
Canada						
France			3,000	1,303		

Netherlands			3,276	2,094		
Australia						
United States						
Deep well injection	46,026	3,649	74,323	49,506	2014: Increase due to change in reporting methodology.	
Canada			74,323	31,223		
France						
Netherlands						
Australia						
United States				18,284		
Landfill	27,721	33,015	34,908	20,137		
Canada			34,860	13,511	Reduction due to decreased activity level	
France				4,573		
Netherlands				1,715		
Australia			48	338		
United States						
On-site storage	0	0	0	90		
Canada				90		
France						
Netherlands						
Australia						
United States						
Other – Oilfield Waste Processing	11,855	70,150	4,679	6,081		
Canada			3,451	5,304		
France			280	454		
Netherlands				5		
Australia						
United States			948	318		
Total number and volume of significant spills *No significant spills requiring reporting in financial statements in 2012-2015 *No impacts due to other spills; immediate clean-up initiated m ³	78	137	119	188	Increase in 2015 reflects increase in reporting associated with maturity of our HSE program	G4-EN24
	66	194	79	180		
Weight of hazardous materials transported across international borders	0	0	0	0		G4-EN25
Water bodies significantly affected by discharges of water & runoff	0	0	0	0		G4-EN26
Total volume of produced water (m ³)	1,559,854	1,599,692	23,156,436	24,457,667	2012/3: Reported figure is for Canada only. 2014 on: Reported figure is for all operated business units.	OG5
Canada		1,599,692	2,040,024	2,524,903		
France			13,414,954	13,605,896		
Netherlands			12,736	100,598		
Australia		7,530,821	7,673,030	8,156,657		
United States			15,692	69,612	Full operated year	
Volume and % of produced water by disposal method:	67%	67%	67%	67%	2012-2014 restated to 67% to better reflect water discharged to sea in Australia	
Reused	0	0	0	0		
Recycled	0	0	5,096	15,076		

Reinjected (m ³)	1,559,854	1,599,692	15,478,310	16,285,934	2013: Reported figure is for Canada only. 2014: Reported figure is for all operated business units.	
Canada	1,559,854	1,599,692	2,040,024	2,524,903		
France			13,414,954	13,605,896		
Netherlands			7,640	85,522		
Australia			NA			
United States			15,692	69,612		
Total volume of hydrocarbon discharged within produced water (tonnes)	242	244	113	275		
Canada			0	0		
France			0	0		
Netherlands			0	165		
Australia *This discharge comes from the produced water released to the sea in Australia and is within our operating approval volume			113	110		
United States			0	0		
Volume of continuously flared hydrocarbon by business unit: (m ³)	15,032.79	17,891.39	71,683	54,405		OG6
Canada 103m ³ /yr	2,173	3,137	46,884.90	34,999.90	2015: Reduction due to reduced flaring in SK	
Australia	734	293	512.80	442.50	2014: Increase due to performance issues and outages with the recovered gas compressor. This means that gas (at medium and lower pressures) that would normally be recovered and compressed went to flare.	
France	11,347	14,108	22,284.70	17,472.14	2015: Part of reduction attributed to the reduction in flaring as a result of gas sales to Sobegi from Vic Bihl	
Netherlands	779	354	1,771.42	371.48	2014: Increase due to an acquisition in the NBU.	
United States	NA	NA	230.47	1,118.63	2015: Increase is the result of a full year of reporting and of increased D&C activity.	
Volume of continuously vented hydrocarbon by business unit: (m ³)	2,861.71	3,818.12	3,583.11	3,714.03		
Canada	864	1,069	1,155.70	1,007.00		
Australia	1,166	1,088	796.39	1,196.81		
France	100	953	963.45	1,184.58		
Netherlands	732	709	381.21	303.06		
United States	NA	NA	286.36	22.57		
Volume vented and flared in relation to volume of O&G produced (e ³ m ³ /BOE)	0.00130	0.00145	0.00420	0.0029	2014 figure restated to align methodologies consistently	
Amount of drill mud & cuttings produced using non-aqueous drilling fluid, by disposal method: onshore disposal to controlled sites	Canada only: 14,085 m ³ onsite 2,252 t landfill	NBU: 0 Canada & France: 18,844 t landfill	23,822.57	9,357.84	2015: Increased data available	
Total - Tonne						
Canada				8,350.87		
France				0.00		
Netherlands				689.00		
Australia				0.00		

United States				317.97		
Amount of drill mud & cuttings produced using aqueous drilling fluid, by disposal method: onshore disposal to controlled sites	Canada only 14,085 m ³ onsite 2,252 t landfill	NL: 0 Canada & France; 5,273 m ³ onsite 6,701 t landfill	7,562.58	4,337.13		2015: Increased data available
Total - Tonne						
Canada				2,562.13		
France				0.00		
Netherlands				1,775.00		
Australia				0.00		
United States				0.00		
Volume of Non-Aqueous drilling fluid re-used at another location (I.e. recovered and transported invert).	New in 2015	New in 2015	New in 2015	2,192.00		2015: Increased data available
Canada				2,192.00		
France				0.00		
Netherlands				0.00		
Australia				0.00		
United States				0.00		
Amount of drill mud & cuttings produced using aqueous drilling fluid, by disposal method: disposal at Vermilion controlled location (Onsite/Remote Sump) - Tonne	New in 2015	New in 2015	New in 2015	443.64		2015: Increased data available
Canada				443.64		
France				0.00		
Netherlands				0.00		
Australia				0.00		
United States				0.00		
Overall						
Total environmental protection expenditures	\$39,954,133	\$37,441,842	\$36,956,969	\$25,714,010		Decrease is primarily related to a reduction in abandonment spending due to a decrease in wells requiring abandonment. Vermilion continues to focus on Operational Excellence and effectively managing assets throughout their lifecycle, including abandonment.
Canada			\$6,099,464	\$4,555,225		
France			\$10,907,708	\$6,008,486		
Netherlands			\$2,815,841	\$3,914,342		
Australia			\$1,177,894	\$614,884		
United States			\$0	\$516,060		
Waste disposal, emissions treatment and remediation	\$3,438,407	\$6,069,660	\$15,805,157	\$10,043,909		
Canada	\$899,825	\$1,817,792	\$3,456,493	\$2,467,810		
France	\$1,568,838	\$3,575,837	\$10,258,340	\$3,625,814		Decrease is primarily related to reduced abandonment, reduced drilling and significant decrease in drilling mud treatment costs due to new found treatment path and specific negotiation (disposal & transportation)
Netherlands	\$879,998	\$577,981	\$1,510,210	\$3,772,342		
Australia	\$89,746	\$98,050	\$580,114	\$177,942		
United States			\$0	\$0		

Prevention and environmental management costs	\$36,515,726	\$31,372,182	\$21,151,812	\$15,670,101					
Canada	\$5,628,804	\$4,559,869	\$2,642,971	\$3,540,676					
France	\$9,217,906	\$9,809,414	\$649,368	\$929,411					
Netherlands	\$7,246,839	\$4,419,513	\$1,305,630	\$142,000					
Australia	\$722,178	\$883,387	\$597,780	\$436,942					
United States			\$0	\$516,060					
Discharge of Abandonment (AER)	\$13,700,000	\$11,700,000	\$15,956,061	\$10,105,012					
Asset integrity and process safety									
Number of Tier 1 process safety events	0	0	0	0		OG13			
Number of Tier 2 process safety events	13	27	36	78	Increases are associated with increased reporting resulting from continued development of our PSMS.				
Anti-corruption									
Percentage of operations assessed for risks related to corruption	100	100	100	100		G4-SO3			
Percentage of governance body communicated to on anti-corruption	100	100	100	100		G4-SO4			
# and % of employees communicated to on anti-corruption	356	100	437	100	535	100	520	100	2012/3: Restated. Figures originally stated in 2013 Sustainability Report included employees and contractors. This figure has been revised to include employees only.
# and % of business partners communicated to on anti-corruption * data not available; not formally tracked	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
# and % of governance body members trained on anti-corruption	8	100	8	100	9	100	12	100	
# and % of employees trained on anti-corruption	0	0	18	4	0	0	0	0	2013: Figures originally stated in 2013 Sustainability Report have been updated. Included senior Vermilion personnel and individuals involved in international new growth opportunities.
Confirmed incidents of corruption	0	0	0	0	0	0	0	0	

Occupational Health and Safety

ASPECT / Indicator Name	2012	2013	2014	2015	Notes	GRI
Occupational Health and Safety						
Total number of workers represented by HSE committees	236	275	258	260	Quarterly HSE Leadership meetings held at the corporate level and whose participants include Senior Management and HSE advisors from all divisions and subsidiaries represent 100% of our employees.	G4-LA5
Percentage of workers represented by HSE committees	46	46	37	36		
Total recordable injury frequency (worldwide) *defined using industry safety standard metric, recordable injuries per 200,000 hours	0.97	1.09	1.46	1.13	Note that for all OH&S metrics, we are reporting male and female statistics together, as they are not tracked separately	G4-LA6c

Types of injury – all staff (permanent or fixed term) *defined using CAPP definitions for Lost Time, Restricted/Modified Work or Medical Aid	LT	RW	MA	LT	RW	MA	LT	RW	MTI	LT	RW	MTI		G4-LA6a
Canada	0	0	1	0	0	0	0	0	1	0	0	0		
Total	1			0			1			0				
France	0	0	0	2	0	0	0	0	0	0	0	0		
Total	0			2			0			0				
Netherlands	0	0	0	0	0	0	0	0	0	0	0	0		
Total	0			0			0			0				
Australia	0	0	0	0	0	1	2	0	0	0	0	0		
Total	0			1			2			0				
United States							0	0	0	0	0	0		
Total							0			0				
Injury rate – all staff (permanent or fixed term)														
Canada	.0000012			.0000032			0.0000019			0				
France	0			.0000085			0			0				
Netherlands	0			0			0			0				
Australia	0			.0000072			0.0000140			0				
United States							0			0				
Occupational diseases rate – all staff (permanent or fixed term), all locations	0			0			0			0				
Lost day rate – all staff (permanent or fixed term)														0
Total Workforce Hours (Emp & Permanent Contractor) *defined as total lost days compared to the total number of hours scheduled to be worked by the total workforce in the reporting period														
Canada	0			0.0001432			0			0				
France	0			0.0005633			0			0				
Netherlands	0			0			0			0				
Australia	0			0			0.0000063			0				
United States							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			0.5			0.3			0.7				
Work-related fatalities – all staff (permanent or fixed term)	0			0			0			0				
Types of injury – contractors *defined using CAPP definitions for Lost Time, Restricted/Modified Work or Medical Aid	LT	RW	MA	LT	RW	MA	LTI	RW	MTI	LTI	RW	MTI		G4-LA6b
Canada (including D&C)	3	1	6	2	1	5	4	4	5	0	3	3		
Total							13			6				
France (including D&C)	0	1	1	1	0	1	5	1	1	3	1	1		
Total							7			5				
Netherlands (including D&C)	0	1	1	0	3	0	1	2	1	0	1	1		
Total							4			2				
Australia (including D&C)	0	0	0	1	1	1	0	0	2	2	0	0		
Total							2			2				
United States (including D&C)							0	0	0	0	0	0		
Total							0			0				
Injury rate – independent contractors *defined as injuries relative to the total time worked by the total workforce in the reporting period														0.0000084
Canada	.0000065			.0000044			0.0000072			0.0000052				
France	.0000040			.0000038			0.0000100			0.0000288				

Netherlands	.0000151	.0000228	0.0000155	0.0000077	
Australia	0	.0000364	0.0000486	0.0000171	
United States			0	0	
Occupational diseases rate – independent contractors worldwide	0	0	0	0	
Lost day rate – independent contractors *defined as total lost days compared to the total number of hours scheduled to be worked by the total workforce in the reporting period					
Canada	0.0001535	0.0000580	0.0000094	0	
France	0	0.0001966	0.0000673	0.0013404	
Netherlands	0	0	0.0000543	0	
Australia	0	0.0003397	0.0006070	0.0000427	
United States			0	0	
Absentee rate – independent contractors *current system does not track absentee days for independent contractors, so this figure cannot be calculated	Not tracked	Not tracked	Not tracked	Not tracked	
Work-related fatalities – independent contractors worldwide	0	0	0	0	
Workers involved in occupational activities who have a high incidence or high risk of specific diseases, worldwide	0	0	0	0	G4-LA7

Social

ASPECT / Indicator Name	2012		2013		2014		2015		Notes	GRI
People										
Total staff (employees + contractors)	515		597		690		721		Consistent and growing use of the Workday system since 2013 has enabled us to capture, verify and report significantly more People data year over year since our inaugural report. G4-23	G4-9
Staff by employment contract & gender	M	F	M	F	M	F	M	F		G4-10a,c,e
Employees	241	136	304	157	365	170	356	164		
Total employees	377		461		535		520			
Contractors	112	26	108	28	124	31	171	30		
Total contractors	138		136		155		201			
Permanent employees by employment type & gender	M	F	M	F	M	F	M	F		G4-10b
Full-time	240	134	303	152	362	163	350	153		
Part-time	1	2	1	5	3	7	6	11		
Total workforce by region and gender	M	F	M	F	M	F	M	F		G410d
Canada	143	103	165	114	186	118	177	112		
Total	246		279		304		289			
France	109	41	125	46	137	50	152	47		
Total	150		171		187		199			
Netherlands	52	4	65	7	94	16	114	16		
Total	56		72		110		130			
Australia	54	9	62	13	62	13	65	15		
Total	63		75		75		80			
United States	NA	NA	NA	NA	5	3	7	3		
Total	NA		NA		8		10			

Germany	NA	NA	NA	NA	5	1	12	1	
Total	NA	NA	NA	NA	6		13		
Percentage of work performed by workers defined as self-employed	27%		23%		7%		6%		2014: In 2012 and 2013 this figure included all contract workers. Beginning in 2014, this figure omits contract workers who are employed by an agency.
Significant variations in employment numbers (e.g. seasonal changes)	None		None		None		None		
Percentage of employees covered by collective bargaining agreements	29%		29%		27%		30%		2015: 14 agreements in place covering 100% of employees in the FBU

SOCIAL

Employment (based on full-time, permanent staff)

Number of new employee hires by age group, gender and region	M	F	M	F	M	F	M	F	2014: Reporting full-time (FTE=1), permanent new hires, including conversions from contingent workers to full-time, permanent. Does not include FTE < v1 permanent hires. 2015: Reporting full-time (FTE=1) and part time (FTE = 0.8 or 0.9), permanent new hires, including conversions from contingent workers to full time, permanent.	G4-LA1a
Canada: under 30	3	2	6	5	13	5	1	1		
Canada: 30-50	13	8	23	15	22	11	2	4		
Canada: over 50	4	5	4	4	5	9	2	1		
Australia: under 30	1	0	2	0	8	0	0	0		
Australia: 30-50	3	0	3	0	3	0	0	0		
Australia: over 50	1	0	0	0	2	0	0	0		
France: under 30	2	0	9	3	4	4	0	0		
France: 30-50	1	0	17	5	13	4	0	1		
France: over 50	1	0	1	0	1	0	0	0		
Netherlands: under 30	0	0	2	2	3	1	0	0		
Netherlands: 30-50	2	0	15	0	8	3	2	2		
Netherlands: over 50	1	0	2	0	6	1	1	0		
Germany: under 30	NA	NA	NA	NA	0	0	0	0		
Germany: 30-50	NA	NA	NA	NA	1	1	3	0		
Germany: over 50	NA	NA	NA	NA	0	0	0	0		
United States: under 30	NA	NA	NA	NA	0	0	0	0		
United States: 30-50	NA	NA	NA	NA	2	1	3	0		
United States: over 50	NA	NA	NA	NA	3	2	0	0		
Rate of new employee hires by age group, gender and region (%)	M	F	M	F	M	F	M	F	2012-2014: Used "total # staff" in denominator. 2015: Replaced with "total # employees" in denominator for consistency with AIF	
Canada: under 30	38	22	38	36	58	36	5	11		
Canada: 30-50	17	14	25	21	20	17	2	7		
Canada: over 50	13	16	11	12	13	29	6	3		
Australia: under 30	33	0	40	0	70	0	0	NA		
Australia: 30-50	19	0	18	0	11	0	0	0		
Australia: over 50	90	0	0	0	10	0	0	0		

France: under 30	18	0	45	43	17	36	0	0	
France: 30-50	30	0	34	19	21	14	0	3	
France: over 50	30	0	30	19	2	0	0	0	
Netherlands: under 30	0	0	10	0	50	25	0	0	
Netherlands: 30-50	14	0	56	0	20	150	6	29	
Netherlands: over 50	30	0	25	0	32	40	7	0	
Germany: under 30	NA	NA	NA	NA	0	0	NA	NA	
Germany: 30-50	NA	NA	NA	NA	13	50	60	0	
Germany: over 50	NA	NA	NA	NA	0	0	NA	NA	
United States: under 30	NA	NA	NA	NA	0	0	NA	NA	
United States: 30-50	NA	NA	NA	NA	200	200	100	0	
United States: over 50	NA	NA	NA	NA	200	200	0	0	
Employee turnover numbers by age group, gender and region	M	F	M	F	M	F	M	F	
Canada: under 30	0	2	3	1	2	1	3	3	
Canada: 30-50	10	5	6	8	3	4	6	7	
Canada: over 50	4	3	1	10	1	2	8	5	
Australia: under 30	0	0	0	0	2	0	0	0	
Australia: 30-50	1	0	5	0	1	0	1	0	
Australia: over 50	0	0	1	0	1	0	2	0	
France: under 30	0	0	1	0	1	1	0	0	
France: 30-50	2	0	5	1	1	0	0	0	
France: over 50	2	0	4	0	2	0	3	1	
Netherlands: under 30	1	0	0	0	0	0	0	0	
Netherlands: 30-50	0	0	0	0	3	1	2	0	
Netherlands: over 50	2	0	0	0	1	0	0	0	
Germany: under 30	NA	NA	NA	NA	NA	NA	0	0	
Germany: 30-50	NA	NA	NA	NA	NA	NA	0	0	
Germany: over 50	NA	NA	NA	NA	NA	NA	0	0	
United States: under 30	NA	NA	NA	NA	NA	NA	0	0	
United States: 30-50	NA	NA	NA	NA	NA	NA	0	0	
United States: over 50	NA	NA	NA	NA	NA	NA	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	M	F	M	F	
Canada: under 30	0	21	25	9	12	10	16	32	
Canada: 30-50	13	9	7	13	3	7	6	12	
Canada: over 50	13	10	3	31	3	7	25	14	
Australia: under 30	0	0	0	0	40	0	0	NA	
Australia: 30-50	7	0	30	0	6	0	5	0	
Australia: over 50	0	0	9	0	10	0	20	0	
France: under 30	0	0	6	0	5	14	0	0	
France: 30-50	5	0	12	4	2	0	0	0	
France: over 50	6	0	11	0	6	0	9	14	
Netherlands: under 30	0	0	0	0	0	0	0	0	
Netherlands: 30-50	0	0	0	0	13	50	6	0	
Netherlands: over 50	44	0	0	0	12	0	0	0	
Germany: under 30	NA	NA	NA	NA	NA	NA	NA	NA	
Germany: 30-50	NA	NA	NA	NA	NA	NA	0	0	
Germany: over 50	NA	NA	NA	NA	NA	NA	NA	NA	
United States: under 30	NA	NA	NA	NA	NA	NA	NA	NA	
United States: 30-50	NA	NA	NA	NA	NA	NA	0	0	

G4-LA1b

United States: over 50	NA	NA	NA	NA	NA	NA	0	0	
Total turnover rate globally					4.6%		7.2%		
Net employment creation	11		73		100		-15		G4-LA1
Parental Leave (includes Maternity, Paternity and Parental Leaves)	M	F	M	F	M	F	M	F	All Vermilion employees who experience the required life event (birth or adoption of a child) are eligible for maternity, paternity and parental leave in accordance with local legislation.
Number of employees entitled to parental leave	241	136	305	156	365	170	356	164	
Total number of employees entitled to parental leave	377		461		535		520		G4-LA3
Number of employees who took parental leave	1	4	1	9	6	16	5	4	
Total number of employees who took parental leave	5		10		22		9		
Number of employees who took parental leave by region and gender:	M	F	M	F	M	F	M	F	
Canada					0	10	0	3	
Australia					0	0	0	0	
France					6	5	3	1	
Netherlands					0	1	2	0	
Germany					NA	NA	0	0	
United States					NA	NA	0	0	
Number of employees who returned to work after end of parental leave	1	3	1	9	6	9	5	6	
Total number of employees who returned to work after end of parental leave	M	F	M	F	M	F	M	F	
Canada					NA	4	NA	3	
Australia					NA	NA	NA	NA	
France					6	5	3	3	
Netherlands					NA	0	2	NA	
Germany					NA	NA	NA	NA	
United States					NA	NA	NA	NA	
Total	4		10		15		11		
Rate of employees who returned to work after end of parental leave	100	75	100	100	100	56	100	100	
Number of employees still employed 12 months after end of parental leave	M	F	M	F	M	F	M	F	
Canada					1	2		5	
Australia	NA	NA	NA	NA	NA	NA	NA	NA	
France					NA	2		1	
Netherlands					NA	NA			
Germany	NA	NA	NA	NA	NA	NA	NA	NA	
United States	NA	NA	NA	NA	NA	NA	NA	NA	
Training and Education	M	F	M	F	M	F	M	F	
Hours of Training	3419.5	2471.3	4297.0	3447.2	12074.0	3917.8	6,054	1,823	
Total	5890.8		7744.2		15991.8		7877.0		Decrease in training hours reflects economic conditions, priority on continuing HSE training for all staff
Administration Staff Average Hours of Training	939.9	1632.0	1051.0	2205.8	1155.5	2872.8	479	1,362	
Production Staff Average Hours of Training	2479.6	839.3	3246.0	1241.3	10918.5	1045.0	5,575	462	
Percentage of employees who received a regular performance and career development review	M	F	M	F	M	F	M	F	
%					92.6%	93.5%	94.0%	96.8%	

Total	NA	44.0%	92.9%	94.9%	
Absentee Rate (Permanent & Fixed Term)	NA	0.5%	0.3%	0.7%	

Materiality Analysis

[View our materiality analysis](#)



Aspect	Boundary Assessment		Impact on Vermilion	Importance/Concern to Key Stakeholders					
BU=Business Unit	Relevance or impact inside Vermilion	Primary impact or relevance outside Vermilion, through our value chain		Shareholders & potential investors, including rating agencies	Staff	Partners & Suppliers	Communities	Other (regulators, media, gov, industry associations, NGOs)	Average of Stakeholder Concern
Economic Impact									
Economic Performance	All BUs	All stages	High	High	High	High	High	Medium	High
Market Presence	All BUs	Production	Medium	Low	Medium	Medium	High	High	Medium
Indirect Economic Impacts	All BUs	Production	Medium	Low	Low	Medium	High	High	Medium
Procurement Practices	All BUs	Supply	Medium	High	Low	High	High	Medium	High
Reserves	All BUs	Exploration	High	High	High	High	High	High	High
Environment									
Materials	All BUs	Supply	Medium	High	Low	High	High	High	High
Energy	All BUs	Production	High	High	Medium	High	High	High	High
Water	All BUs	Production	High	High	High	High	High	High	High
Biodiversity	All BUs	Exploration	Medium	High	High	High	High	High	High
Emissions	All BUs	All stages	High	High	High	High	High	High	High
Effluents & Waste	All BUs	Production Transportation	High	High	High	High	High	High	High
Products & Services	All BUs	Distribution Product Use	Low	Low	Low	Low	High	High	Medium
Compliance	All BUs	All stages	High	High	High	High	High	High	High
Transport	All BUs	Transportation	Medium	High	Low	High	High	High	High
Overall	All BUs	All stages	High	High	Low	High	High	High	High
Supplier Environmental Assessment	All BUs	Supply	High	High	High	High	High	High	High
Environmental Grievance Mechanisms	All BUs	Production	High	High	Low	High	High	High	High
Employee Engagement									
Employment	All BUs	Exploration Production	High	High	High	High	High	High	High
Labor/Mgmt Relations	All BUs	Exploration Production	Medium	Low	High	Low	Low	High	Medium
Occupational Health and Safety	All BUs	All stages	High	High	High	High	High	High	High
Training and Education	All BUs	All stages	High	High	High	High	Low	High	High
Diversity and Equal Opportunity	All BUs	Exploration Production	Medium	High	High	High	Low	High	Medium
Equal Remuneration for Women and Men	All BUs	Exploration Production	Medium	High	High	High	Low	High	Medium
Supplier Assessment for Labour Practices	All BUs	Supply	High	High	High	High	High	High	High
Grievances	All BUs	All stages	High	High	High	High	High	High	High
Human Rights									
Investment	n/a in our operating areas	Exploration	Low	Low	Low	Low	Low	High	Medium
Non-discrimination	All BUs	All stages	High	High	High	High	High	High	High
Freedom of Association and Collective Bargaining	No operations or suppliers at risk of violations	All stages	Low	Low	High	High	Low	Low	Medium
Child Labour	No operations or suppliers at risk of violations	Exploration	Low	High	Low	High	Low	High	Medium
Forced or Compulsory Labour	No operations or suppliers at risk of violations	Exploration	Low	High	Low	Low	Low	High	Medium
Security Practices	All BUs	Exploration	Low	Low	Low	High	High	High	Medium
Indigenous Rights	CBU and USBU	All stages	Medium	High	High	High	High	High	High
Operations HR Assessments	All BUs	Exploration	High	High	High	High	High	High	High
Supplier HR Assessments	All BUs	Supply	Medium	High	Low	High	High	High	Medium
Human Rights Grievance Mechanisms	All BUs	All stages	Medium	High	Low	High	High	High	Medium
Safety									
Occupational Health and Safety	All BUs	All stages	High	High	High	High	High	High	High
Asset Integrity & Process Safety	All BUs	All stages	High	High	High	High	High	High	High
Governance & Ethics									
Local communities (social impact assessments)	All BUs	All stages	Medium	High	High	High	High	High	High
Anti-corruption	All BUs	All stages	High	High	High	High	High	High	High
Public Policy	All BUs	All stages	Medium	Low	Low	Low	Low	High	Medium
Anti-competitive behaviour	All BUs	All stages	Low	High	Low	High	High	High	Medium
Compliance	All BUs	All stages	Medium	High	Low	High	High	High	Medium
Supplier Assessment for Impacts on Society	All BUs	Supply	High	High	Low	High	High	High	Medium
Grievance Mechanisms for Impacts on Society	All BUs	All stages	High	High	Low	Low	High	High	Medium
Emergency Preparedness	All BUs	All stages	High	High	High	High	High	High	High
Involuntary Resettlement	n/a	n/a	Low	Low	Low	Low	Low	Low	Low
Asset Integrity & Process Safety	All BUs	All stages	High	High	High	High	High	High	High
Governance	All BUs	All stages	High	High	High	High	High	High	High
Ethics	All BUs	All stages	High	High	High	High	High	High	High
Product Responsibility									
Customer Health & Safety	All BUs	Product Use	Medium	High	High	High	High	High	High
Product & Service Labelling	All BUs	Product Use	Medium	High	High	High	High	High	High
Marketing Communications	All BUs	Distribution	Low	High	Low	Low	High	High	Medium
Customer Privacy	All BUs	Distribution	Low	Low	Low	High	Low	High	Medium
Compliance	All BUs	All stages	Medium	Low	Low	High	Low	High	Medium
Fossil Fuel Substitutes	All BUs	All stages	Low	Low	Low	High	High	High	Medium

Our Highest Governing Body



The members of our Board of Directors, Vermilion’s highest governing body, are proven leaders who guide our management, ensure the continued integrity of our people and processes, oversee risk management, and position our company to deliver on our mission to consistently deliver superior rewards to investors, employees, partners and the communities in which we operate.

As of March 1, 2016, we announced changes that resulted from a long-term succession plan that was undertaken by the Board and senior executives. Mr. Lorenzo Donadeo, Vermilion’s co-founder and formerly Chief Executive Officer, was appointed Chair of the Board, and Mr. Anthony Marino (formerly President and Chief Operating Officer) was promoted to President and Chief Executive Officer. Mr. Larry

Organizational responsibility for sustainability flows from the Board to our President and CEO and our 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 in confidence directly and anonymously, via postal mail and email, as well as via our dedicated Investor Relations phone and e-mail lines, or at investor relations presentations and events, and our annual meetings. For more information on communicating with our Board, please refer to our Proxy Statement and [Information Circular](#) G4-35 G4-36 G4-37 G4-42 G4-49

Macdonald, an independent director and Chairman of our Board since 2003, was appointed Lead Director. The Board Operating Guidelines were also updated to reflect that we are committed to the appointment of an independent Chair of the Board, or if the Chair is not independent, an independent Lead Director.



As of May 6, 2016, Vermilion's Board of Directors is comprised of nine directors and one corporate secretary. Seven of the nine Directors (78%) are considered independent, and two (22%) are female. Mr. Anthony Marino and Mr. Lorenzo Donadeo are non-independent directors. We define independence as the absence of relationships that could compromise the ability of a director to exercise judgment with a view to make an objective assessment of management and assess the merits of management initiatives. Our independence statement is publically available via our Board Operating Guidelines, which are published on our [corporate website](#). G4-41

On February 27th, 2015, we announced the appointment of two new Directors to our Board, Mr. Kevin Reinhart and Ms. Cathy Williams. We also announced that Mr. Ken Davidson, who has served as Chair of Vermilion's Audit Committee and as a member of the Governance and Human Resources Committee since 2007, after joining our Board in 2005, would not be standing for re-election to Vermilion's Board of Directors in 2015.

Our directors oversee all matters related to performance, including our economic, environmental, social and governance impacts, through four committees (below), and a New Venture Working Team: G4-34 G4-38

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

Our board structure is a one-tier system. Vermilion has never had an Executive Committee – a small committee of directors that can make decisions without the rest of the board.

International directorships

In addition to our Board of Directors, Vermilion practices good governance standards with its international subsidiary companies and has appointed independent directors to the Boards of our various subsidiaries. Here again, independence is based upon the absence of relationships and interests that could compromise the ability of directors to exercise judgment with a view to the best interest of the Company. G4-41

International Board members are responsible for overall guidance of the subsidiaries and are knowledgeable in the country of operations with backgrounds in legal, regulatory, executive leadership and operations. In aggregate, we have 11 independent Directors, including two Directors who are women.

Boards of our international subsidiary companies are two-tier systems and include representation by non-executive directors and employee representatives.

Proven Performance

Our Board of Directors is committed to demonstrating a high standard of corporate governance. We believe that strong governance promotes effective decision making at the board level, helping to ensure that all of Vermilion's business dealings are fair and transparent and that we can be held accountable and responsible to our stakeholders.

Vermilion's strong governance practices are widely and independently recognized by a number of well-respected entities:



The **Canadian Coalition for Good Governance** named Vermilion the recipient of the 2014 Governance Gavel Award for Best Disclosure of Governance Practices and Approach to Executive Compensation by a Small or Mid-Sized Issuer. This award recognizes Vermilion's dedicated efforts in observing guidelines for high performing boards, developing and maintaining exceptional disclosure practices, and actively engaging all shareholders.

Brendan Wood International First Intelligence

Institutional investors in the **2015 Brendan Wood International Shareholder Confidence Report** ranked Vermilion a TopGun energy company for a fourth year in a row. Vermilion's Board, CEO and CFO were all uniformly accredited with TopGun status – the highest level of confidence in the worldwide survey – ranking Vermilion's strategy, leadership and governance.



The **Globe & Mail's 2015 Board Games** ranked Vermilion's corporate governance performance second within the energy sector and 20th overall out of 234 companies and income trusts in the S&P/SSX composite index. Having consistently placed in the top ranks of oil and gas companies, and Canadian companies overall, since 2006, this is a continued positive reflection of Vermilion's performance in the areas of board composition, executive compensation, shareholder rights and disclosure.

Vermilion's consistently strong results in the area of disclosure and governance practices are a strong indicator that we have a framework of policies and practices in place to ensure accountability, fairness and transparency to our stakeholders.

We continue to monitor corporate governance regulations and legal requirements, while also maintaining a watch on trends in governance disclosure and structure, along with benchmarks that compare our performance to that of our peers. We use this information to implement practices and policies that ensure Vermilion remains best in class in the area of governance. In 2014, for example, we introduced an annual 'Say on Pay' Advisory Vote.^{G4-53}

The 'Say on Pay' Advisory Vote reflects our belief that Shareholders should have the opportunity to understand the objectives, philosophy and principles the Board has used in its approach to executive compensation decisions, and have an opportunity to have a non-binding advisory vote on Vermilion's approach. We continue to hold annual 'Say on Pay' advisory votes at our annual general meetings; in 2016, the vote received 96% support from Shareholders. ^{G4-53}

Vermilion has been following an anti-hedging policy on an informal basis for some time, but formally adopted the policy in February 2014. The anti-hedging policy prohibits directors and officers from hedging Vermilion shares, and ensures alignment through long-term holdings. In March 2016, the Board amended this policy to provide that all directors and officers are prohibited from engaging in any arrangement that is designed to hedge or offset a decrease in the market value of shares. The amended policy is a robust anti-hedging policy aligned with best governance practices.

The clawback policy was also adopted in February 2014, and demonstrates that our Board will act on behalf of Shareholders to hold management accountable for their actions. The clawback policy requires repayment where the executive(s) and officer(s) engaged in intentional misconduct that causes financial restatement.^{G4-51}

Ethical Culture

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

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

Specifically, the Code of Conduct covers:

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

The Code of Conduct is contained within each country-specific Employee Handbook. These handbooks, which

are published on our company intranet, also contain Vermilion's country-specific policies, workplace guidelines, and employment obligations.

Our employment obligations cover the following topics:

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

We require all of our Directors, officers and employees to review their employment obligations annually, including sign-off to confirm their understanding and compliance with these obligations. ^{G4-41}

Within the company, our President and CEO and our EVP People & Culture hold responsibility for these policies, while our entire executive team operates with an open-door policy for staff concerns about any of these issues. This is augmented by a confidential website email or link and phone number that allow staff to anonymously report concerns 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 – known internally as our “Reporting of Inappropriate Activity Policy” – prohibits retaliation, harassment or discrimination against anyone making a complaint or reporting a concern. No concerns or complaints were registered with the Corporate Secretary in 2015^{G4-49 G4-50 G4-57 G4-58}

Fair Culture

Fair culture is about understanding human involvement in relation to events and establishing a fair, transparent assessment of the behaviour.

We developed and implemented a Fair Culture policy in September 2014, implementing it first in Canada in 2014, and internationally in 2015. The current policy applies to all Vermilion staff and third parties performing work on our premises in Canada, France, The Netherlands, Germany and the US. The policy for Central and Eastern Europe is being developed and implemented in 2016. We have had a Fair Culture Policy – referred to locally as the *Culpability Procedure* – in place in Australia since 2011. ^{G4-56}

We developed the policy because we believe that fair culture:

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

The purpose of our Fair Culture policy is to establish fair and consistent procedures by which all reported events or potential violations of company policies and guidelines or local laws are properly reviewed, documented and resolved. The policy creates transparency by outlining procedures for reporting and investigating events and complaints.

We believe this new policy creates a balanced approach to assessing organizational, leader and employee accountability as it relates to an event, helping to align Vermilion with industry best practices and positioning us as a leader in the Fair Culture approach.

Risk Oversight

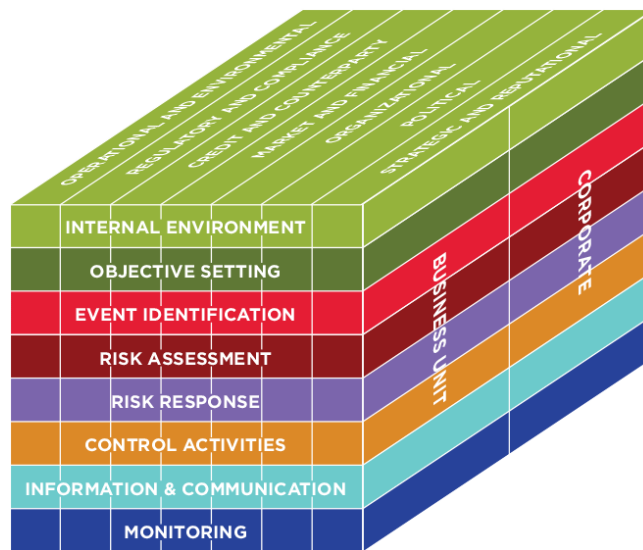
One of the key roles of the Board is to provide risk oversight for Vermilion, including sustainability related risks.

As a responsible company, effective risk and crisis management is vital for Vermilion. Our focus on awareness and the effective management of our business related risks, including sustainability risks, begins with our Board of Directors. Through its four committees, the Board independently reviews the effectiveness of Vermilion’s identification and management of risk quarterly. G4-44, G4-45a G4-46 G4-47 This gets translated into action by our executive team, through implementation of associated policies and procedures. Our staff also play a key role in identifying potential risk areas through their participation in tabletop staff interactive sessions which often form part of our semi-annual staff update meetings. G4-45b G4-45b Feedback is communicated to the management team, which in turn reports back to staff with responses to concerns, ideas and suggestions raised. The feedback is also communicated to the Board when considered material.

Our internal control processes are proactive and comply with existing regulations. They are also designed to help us achieve our business strategy of delivering modest annual growth in production and cash flow while also providing reliable and growing dividends to our shareholders. Our management approach reflects this, with a long-range plan that covers business strategy and related goals and objectives, to 2020. G4-45

Vermilion’s Enterprise Risk Management Process

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



* Vermilion’s ERM process based on Coso ERM Framework

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 to guide us in identifying and prioritizing material issues for sustainability reporting on our materiality matrix.

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}

Transparency of Compensation

Transparency Matters.

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

Although not required, we take our disclosure practices a step further and also disclose the annual total compensation (includes base salary, bonus, Vermilion Incentive Plan and allowances) of the highest-paid individual – our CEO – to the median annual total compensation for employees in the Performance Metrics Table of our Sustainability Report. ^{G4-54}

Vermilion's 2015 CEO-to-average worker ratio of 26.8 to 1 is significantly lower than the 2015 CEO-to-worker pay ratio for S&P 500 Index companies of 335 to 1, as reported by the American Federation of Labor-Congress of Industrial Organizations.

([Source - edit.aficio.org](#), [Source - www.aficio.org](#), [Source - www.macleans.ca](#))

Dodd-Frank

The Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly referred to as “Dodd Frank”, was signed into U.S. federal law by President Barack Obama in 2010 and represents significant changes to financial regulation in the United States. As a Canadian-based Foreign Private Issuer under securities regulations in the United States, we are not required to comply with the disclosure requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act; however, we choose to disclose the annual total compensation of the highest-paid individual – our CEO – to the median annual total compensation for employees because we believe that transparency matters. ^{G4-53}

Board Diversity

We recognize the importance of diversity as a component of board effectiveness and business performance. Diversity and complementarity of skills are key criteria in Vermilion’s board nomination process. ^{G4-38 G4-40}

Our current Board is made up of a diverse group of individuals with a broad range of skill sets. We believe that by composing our Board with individuals that bring diverse backgrounds and skills, Vermilion has been and will continue to be successful in problem-solving, deliberating key issues and making quality decisions that deliver positive long-term results for our shareholders and stakeholders alike. We also recognize the importance of gender diversity and at this time our Board has two female members, which represents 22% of our Directors. To learn more about Vermilion’s Board of Directors, please see our 2016 Proxy Statement and [Information Circular](#)

SKILLS MATRIX

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

As part of our most recent recruiting process for additional Board members, the director's skills matrix was reviewed by the Board to ensure an appropriate mix of backgrounds, skills and experience to guide Vermilion’s long-term strategy and ongoing business operations. The review process resulted in changes to the 2015 skills matrix, including the addition of Risk Management and Reserve Evaluation skills.

As can be seen by the table, the skills matrix includes sustainability-related skills, including Governance, HSE, Social Responsibility and Stakeholder Relations. All of the skills are supported by board training as required. With specific regard to Corporate Social Responsibility, we also benefit from the expertise of one of our Board members, Dr. Timothy Marchant, who is an Adjunct Professor of Strategy and Energy Geopolitics at the Haskayne School of Business at the University of Calgary, and teaches graduate-level courses on CSR and related areas. ^{G4-43}

CEO / Senior Officer	Experience as a CEO or senior officer for an organization of a size similar to or greater than Vermilion.
Managing / Leading Growth	Experience as a CEO or senior officer in developing business strategies and leading significant growth through mergers and acquisitions.
Oil and Gas Operations	Experience as a CEO or senior officer in various aspects of oil and gas development and operations, including exploration, marketing and production.
Reserve Evaluation	General experience with or executive responsibility for oil and gas reserve evaluation.

Global	Experience as a CEO or senior officer leading an international operation providing an understanding of the challenges faced in different political, cultural, and regulatory environments.
Health, Safety, and Environment	General experience with, or executive responsibility for knowledge of, industry regulations and best practises related to workplace health, safety and environment issues.
Governance / Board	Experience as a senior executive or board member of a Canadian operation (public, private or non-profit sectors), that provides a good understanding of the requirements of a good corporate governance.
Financial Literacy	Ability to critically read and analyze financial statements.
Risk Management	General experience with or executive responsibility in, evaluating and managing the variety of risks faced by an organization.
Human Resources & Compensation	Management or executive experience with responsibility for human resources, creating a highly effective organization with a strong corporate culture, and compensation, benefits and long term incentive programs with specific experience in executive compensation.
Social Responsibility and Stakeholder Relations	General experience with all aspects of social responsibility, and managing of stakeholder relations.
Government Relations / Regulatory	Broad regulatory, political and public policy experience in Canadian and international jurisdictions and local, national and international governmental levels.

BOARD DIVERSITY POLICY

While the skills matrix helps us to identify gaps in needed skill sets, and is used to guide our search for new directors, we are also committed to increasing an even broader notion of diversity on the Board over time. In support of this, the Board has adopted a Board Diversity Policy that embraces a broad concept of diversity encompassing factors including age, race, gender, personal attributes, skill, training, educational background and life experience.

BOARD ELECTION & TENURE

Board members are elected on an annual basis individually, as opposed to elected by slate. We do not have a term limit for directors. We believe that a directors' depth of knowledge specific to our company is a valuable asset to shareholders and we believe it is important to have directors who understand our industry and our company's specific characteristics. While term limits can help ensure the Board gains new perspectives, imposing this restriction means it would lose the contributions of longer serving directors who have developed a deeper knowledge and understanding of Vermilion and our industry over time. We also value new perspectives. In the last two years, we have appointed three new directors to the Board who bring valuable new skills and experience to our company.

Our People

We view our strong culture as being the single most important factor in our long-term success.

We work very hard to build a team of highly motivated, empowered people who work together to deliver superior results and make Vermilion a great place to work. We believe our strong corporate culture is of paramount importance to our success.

Our culture influences everything we do and how we do it, which is why we focus on:

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

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. Our onboarding process is designed to make our new team members feel immediately welcome and to integrate them quickly into our culture.

Throughout the economic downturn that our industry has been facing since the latter half of 2014, our objective has been to avoid layoffs to the fullest extent possible and remain focused on:

- Appropriately staffing a viable business focused on long-term growth
- Our ability to take advantage of opportunities in our industry, and
- Continued development of our employees.

In 2015, including both employees and contractors, we had a total of 28 staff moves globally (compared to 53 in 2014) through such activities as lateral moves and promotions. We also had 46 new hires (166 in 2014), including 23 permanent or expatriate positions to help us achieve our business plans. ^{G4-LA1a}

While our employee count has remained relatively flat since 2014, we have increased production and reserves per employee:

	2014	2015	2016	'16 vs. '14
Employees	535	520	511	-4%

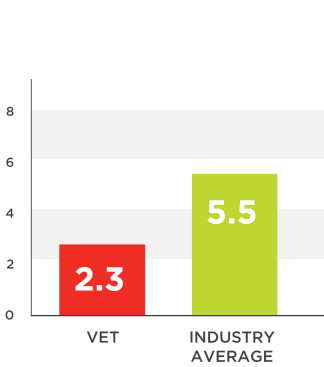
BOED/Employee	93	106	123	+33%
2P Reserves BOE/Employee	317,000	380,000	406,000	+37%

In 2015, we established a Central and Eastern European (CEE) Business Unit, and opened a new office in Budapest, Hungary. Consistent with how we have determined other office locations, we chose the CEE office space based on its proximity to transportation links and attractiveness, which helps us reduce our carbon footprint while attracting top talent.

By nurturing and protecting our culture, we believe we attract and retain the best of the best. Our successful efforts are best reflected by our consistently low voluntary turnover rate, which has remained markedly below the industry average year after year. In 2015, our voluntary turnover rate was 2.3% (vs. 3.5% in 2014) compared to an industry average of 5.5%. (Source: 2014 MTCS Results)^{G4-LA1b}

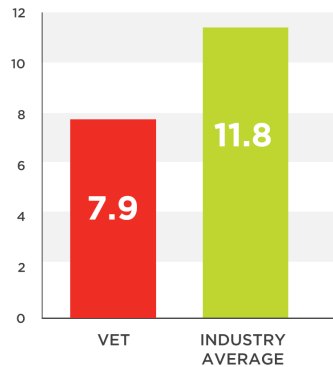
VET total turnover rate was 7.9% (vs. 5.6% in 2014). Industry total turnover was 11.8% (Source: 2014 MTCS Survey)

VOLUNTARY TURNOVER RATE



SOURCE: 2014 MTCS RESULTS

TOTAL TURNOVER RATE



SOURCE: 2014 MTCS SURVEY

Spotlight: Energy Apprenticeships Group Academy

Vermilion has played a key role in a new industry partnership in Australia, resulting in a standardized education and training program to increase the supply of safe, skilled workers. The partnership hopes to set a national standard in training and development for the oil and gas industry across the country.

It's already making progress: the first Energy Apprenticeships Group Academy (EAGA) class started training February 2016 and will enter the workforce in 2020, employed at oil and gas facilities across Australia.

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

The partnership is focused on addressing future workforce requirements through collaboration to achieve cost-effective and sustainable results. According to the Energy Apprenticeships Group, over the next three years, the number of LNG production trains in Australia will increase from 7 to 21, requiring an additional 3,000 operations personnel. Meanwhile, 50% of the highly-skilled industry workforce is expected to retire – and it takes eight years of industry experience to fully replace an effective operator.

To address this issue, Vermilion and other industry leaders from Shell, Woodside, and Quadrant began discussing a better way to recruit and train apprentices. They approached Australia's leading authorities in oil and gas training:

- Energy Apprenticeships Group (EAG), and
- Challenger Institute of Technology's Australian Centre for Energy and Process Training (ACEPT).

For the first time in Australia, four different companies agreed on the technical and life skills they want in their ideal first-year process operator. Together with the Resources Industry Training Council (RITC), they formed a steering committee to provide guidance and direction for the project.

- Graduates of the four-year course will have:
- Formal qualification, in engineering and Process Control training packages
- Life skills training (conflict resolution, etc.)
- Underpinning knowledge in oil and gas systems

- Secondments to operational workshops (valves, pumps, etc.)
- Secondments to live oil and gas facilities

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

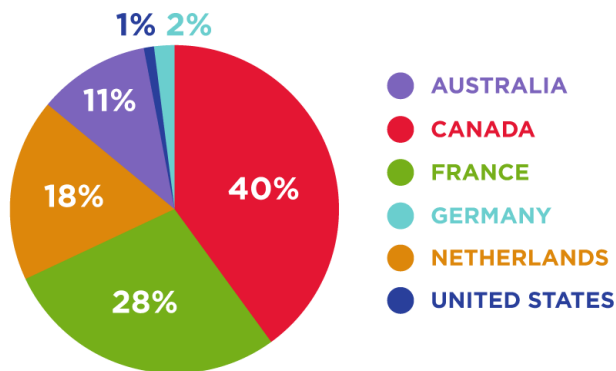
2015 At-A-Glance

Total Count

At December 31, 2015 our team comprised 721 people globally, compared to 690 at December 31, 2014. Permanent employees accounted for nearly three quarters (72%) of our workforce.

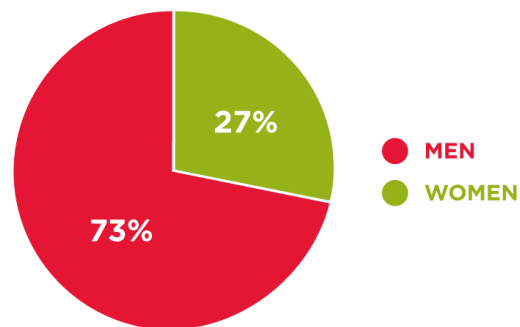
Workforce by Business Unit

41% of our workforce was located in North America, 47% in Europe and 11% in Western Australia.



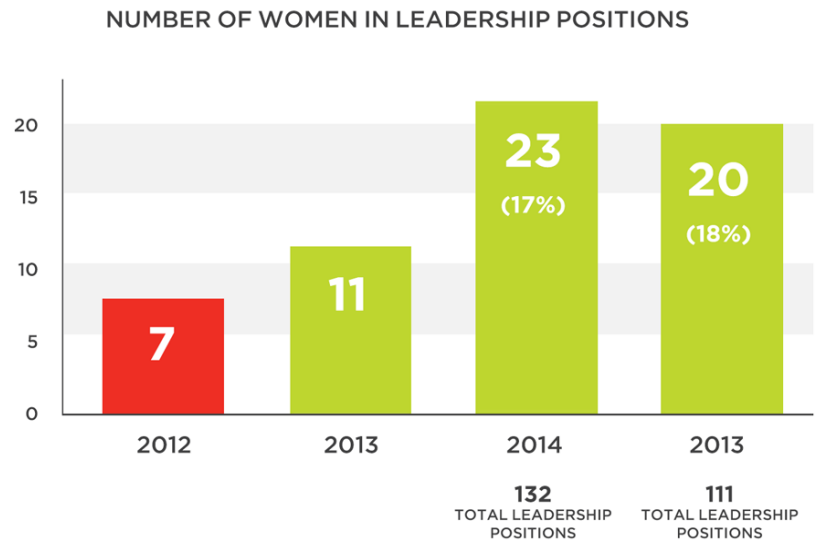
Workforce Diversity

73% of our workforce was comprised of male staff members and 27% of female staff members, which continues to be representative of the gender split seen across the energy sector overall.



Women in Leadership

Although we do not currently have a formal policy in place addressing the representation of women in senior management positions, two out of our current nine (22%) Directors on our Board are female and one out of five (20%) of our named executive officers is female. In 2015, 18% of leadership roles at Vermilion were held by women. Moving forward, we will continue our focus on supporting more women to reach leadership positions.



Total Staff count

	2012	2013	2014	2015
Total Count	515	597	690	721
Permanent Employees	73%	77%	78%	72%
Contractors	27%	23%	23%	28%

A Great Place to Work

Our people tell us Vermilion is a great place to work!

Vermilion continues to be recognized as a Best Workplace in all jurisdictions where our staff count meets the eligibility requirements for the Great Place to Work Institute's Best Workplaces competition.



For a seventh year in a row, we have made the Great Place to Work Institute's® Best Workplaces List in both Canada and France. We also made the Best Workplaces List in The Netherlands for a third year in a row. We made our inaugural appearance on the Best Workplaces List in Germany, in what was also our first year of qualifying for the Best Workplaces regional competition.

- In Canada, we placed 30th out of more than 300 participating companies. We were the only energy company to receive this award in 2016. This is very significant given the challenges we face in our industry today, and it demonstrates Vermilion's ability to excel under all conditions.
- In France, we placed 16th out of the 111 mid-sized companies that participated in the survey. Only 39% (43 out of 111) of the companies that entered the competition in this category earned recognition as a Best Workplace, so this is a significant achievement for Vermilion.
- In The Netherlands, we ranked 20th out of 64 organizations.
- In Germany, we achieved a ranking of 5th out of 11 companies in our region and category (employers with 10 to 49 employees).

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

Our rankings – and staff participation rates – have remained strong year over year since we began our involvement with the Great Place to Work Institute. In 2016, our participation rates in each country were:

- Canada: 88%

- France: 80%
- Netherlands: 75%
- Australia: 79%
- United States: 100%
- Germany: 100%

In part, we attribute our strong results to the importance we place on reviewing and addressing the staff feedback shared through each business unit's annual survey. We believe the feedback gleaned from these surveys is so important that we ask staff in all business units to participate in the survey, regardless of whether or not the business unit's staff count meets the minimum requirement to compete for Best Workplace recognition. This was the case in Australia and the United States, where our staff count is below the qualifying threshold.

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

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

- *I am very proud to work for Vermilion, particularly during these difficult times when the industry is struggling. Vermilion continues to make good decisions and manage through this period in a way that shows respect for employees.*
- *Highly proficient people, with the ability to make difficult decisions, to celebrate as appropriate, and communicate with the community and stakeholders very effectively. These combinations rarely occur in business.*
- *The People. From top to bottom, it's a good organization of built on good people with strong values, morals and work ethic.*

Compensation & Benefits

Our competitive compensation and benefits package is one way we acknowledge the value our people bring to Vermilion.

All permanent employees are offered a competitive base salary, short and long-term incentive plans, and an employee retirement-like scheme. ^{G4-EC3} Our compensation and benefits programs are designed with commonality across all geographies where possible, with alignment to the local market.

Compensation – specifically bonus and long-term incentives – is associated with key corporate metrics for all employees, executives and our board of directors. Individual and company performance is associated with these metrics, which include weighted components of sustainability and HSE performance.

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

In a number of our business units, staff have the option to purchase additional vacation days. The Vacation Purchase Policy was introduced in 2016, in response to employee feedback requesting additional flexibility and work arrangements.

In France and The Netherlands, employees in companies with more than 50 employees benefit from participation in a Works Council, which helps to guide the employee-employer relationship. Such a council has been in place in France since 2006, and was established in Netherlands in 2015, after we reached the staff threshold level there. 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 presence also provides selected staff unique opportunities to work on assignment for a period of time, helping to broaden their operational expertise and understanding of our global operations.

To learn more about Vermilion's compensation and benefits plans, please see our 2016 Proxy Statement and [Information Circular](#).

Strong Communication & Use of Technology to Enhance Information Sharing

At Vermilion, we employ a number of communication channels to ensure everyone understands Vermilion's corporate goals and the key role they play in helping to achieve them.

Being the best requires strong communication and sharing, which is why we have a culture of respectful, open, two-way communication at Vermilion. Leaders make themselves available to staff, and staff feel comfortable approaching leaders. Through the annual Great Place to Work® survey – an excellent feedback tool in and of itself - our people often tell us that they value the approachability of our leaders at Vermilion, and that they feel heard.

We understand that nothing beats face time, so members of our senior leadership team make visits to our field and international business unit locations.

Recognizing that frequent and timely business updates are very important, we have moved from at least two staff updates per year, to quarterly town halls. These meetings, in which members of the executive present our progress and plans, are videotaped and webcasted worldwide for the benefit of staff who are not located at our corporate headquarters. A staff interactive/survey component is often included so that staff can help generate ideas and provide feedback. These components are an excellent way for questions, concerns and suggestions to be raised, with the knowledge that there will be post-meeting follow-up that often includes incorporation of the staff feedback into ongoing company strategy discussion.

Our bilingual corporate intranet, launched in 2013, has proven to be a great success. Content generation and publishing is a shared responsibility amongst stakeholders from across the organization, and we take a very managed approach to ensuring the editorial content remains fresh and informative. We believe this is a large reason why traffic to the employee portal continues to remain high. For example, our unique visitors to the intranet in Q1 2015 increased by 14% compared to Q1 2014. We leverage functionality in SharePoint to help our staff connect and collaborate across the globe. Throughout 2014 and into 2015, there continues to be strong uptake of Team Site and Forms functionality by Operations, HSE, Engineering and Corporate teams in their day-to-day work activities.

Workday

As a high-performing, global organization, Vermilion utilizes an integrated, web-based system called Workday to manage all people-related data globally. Workday is a people information system that enables employees to easily manage their personal information while providing leaders access to required information on their staff and teams.

This system supports our focus on 'Extraordinary People', one of the six key matters of importance that comprise our 2020 Vision, by providing staff immediate access to information they need.

Consistent and growing use of the new system across the organization has enabled us to capture, verify and report significantly more data in 2014. ^{G4-23}

Encouraging Learning & Development

We encourage and support our staff to be the best they can be so that Vermilion can be the best oil and gas company it can be. ^{G4-LA10}

We place high importance on our performance management program in aiding two-way communication between management and staff, and aim for 100% participation amongst eligible employees. Staff who join the company after August 31st of a calendar year are not required to participate in a year-end review due to the relatively short evaluation period. Having moved the administration of our performance management process over to Workday in 2014, we are now able to collect, verify and report on significantly more data

In 2015, 95% of employees completed our performance management cycle (vs. 93% participation in 2014), which involves setting clear expectations for performance, identifying opportunities to learn and grow, providing ongoing feedback, evaluating goals, and recognizing accomplishments. ^{G4-LA11}

Our cycle begins at the start of the year with our people identifying their performance and development goals, career aspirations and mobility interests through our “Driving Excellence – Plan Forward” process. Evaluation of individual performance, in terms of the results achieved and how those results were accomplished, is done through the “Looking Back – Performance Review” process that occurs at the end of the year.

Performance conversations and ongoing feedback between supervisors and staff – not just at the beginning and the end of the year but throughout – are key ingredients to ensure performance is on track and recognized.

We know that when we develop our people, we benefit not only our staff but the whole company as it helps us to retain and attract the best talent in the industry.

Our overall learning and development philosophy is to help our people to develop, through a variety of different activities, not only the skills they need for their current job but those that will benefit them throughout their career. We believe that powerful development involves a combination of:



95% OF EMPLOYEES
COMPLETED A REGULAR PERFORMANCE
AND CAREER DEVELOPMENT REVIEW



7,877

TOTAL HOURS OF FORMAL
TRAINING IN 2015

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

In 2015, our people took part in 7,877 hours of formal training, prioritizing health, safety and environmental training. G4-LA11

Our HSE Commitment

Nothing is more important to Vermilion than conducting our business in a way that ensures the health and safety of our people and those involved directly or indirectly in our operations.

Our commitment to conducting our activities in a manner that will protect the health and safety of our employees, contractors and communities is a pillar to our success. This is directly reflected in our core values of Excellence, Trust, Respect and Responsibility. This commitment also aligns to Vermilion's HSE vision to fully integrate Health, Safety and Environment into our business, creating a culture recognized as a model by industry and stakeholders, resulting in a healthy workplace free of incidents.

We continue to operate by the mantra of "HSE: Everywhere. Everyday. Everyone." because we believe that striving for a healthy workplace free of incidents is key to efficient and successful operations that will continue to generate strong returns to our employees, shareholders and the communities that we operate in. We also believe that HSE is about more than the statistics published in this report, top quartile performance, or being 'Best in Class' – those are just measures. When it comes to HSE, protecting our people and the places they work, play and call home is what really matters most.

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

HSE
Everywhere.
Everyday.
Everyone.

HSE Policy

Our HSE Policy is also our promise.

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

Vermilion's HSE Policy

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

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

Vermilion Energy will:

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

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

5 Key HSE Pillars

We know there are clear linkages between strong HSE performance and strong business performance.

We consolidate our efforts and focus on what we consider to be the five key pillars of HSE performance because we believe this enhances our ability to advance our HSE priorities, and reduce our risk, which in turn helps us ensure worker and public safety, environmental protection, and the delivery of superior business results. Our five key pillars of HSE are:

1. HSE Culture
2. Communications & Knowledge Management
3. Technical Safety Management
4. Incident Prevention
5. Operational Stewardship & Sustainability

We have developed longer-term outcomes for each of these five pillars in order to articulate what we want to achieve now and in the future:

Key HSE Pillar	2020 Vision Outcomes
<p>HSE Culture</p>	<ul style="list-style-type: none"> ➤ Management and the workforce are actively involved in delivering HSE performance & improvement ➤ The Organization looks at what might go wrong and takes steps to prevent it ➤ The Organization creates an environment of empowerment, trust and accountability
<p>Communications & Knowledge Management</p>	<ul style="list-style-type: none"> ➤ Continuously learns and shares information to improve performance ➤ Values training and validates competencies ➤ Demonstrates reliable data systems, analysis, trending and generation of improvement actions

<p>Technical Safety Management</p>	<ul style="list-style-type: none"> ➤ Has a broad array of systems and practices to identify hazards and manage/reduce risks ➤ Demonstrates regulatory compliance
<p>Incident Prevention</p>	<ul style="list-style-type: none"> ➤ Focuses on proactive measures for incident prevention. Responds promptly to hazards and takes immediate action ➤ Intervention is seen as a positive action
<p>Operational Stewardship & Sustainability</p>	<ul style="list-style-type: none"> ➤ Integrates sustainability policy and practices into business strategies and performance measures ➤ Considers that HSE and sustainable development has a direct correlation to business success

Our 2015 accomplishments in the area of HSE are a good indicator of our progress towards realizing our HSE vision. Examples of these accomplishments include:

KEY HSE PILLAR	2015 Accomplishments
<p>HSE Culture</p>	<ul style="list-style-type: none"> ➤ Focus on the priorities and measurable actions around 5 key focus areas of HSE Culture, Communication and Knowledge Management, Technical Safety Management, Incident Prevention and Operational Stewardship & Sustainability ➤ Implemented a Fair Culture Policy to ensure transparency in our processes ➤ Development of in-house HSE Leadership Training program ➤ Senior management HSE steering committee and working group ensuring compliance with our Vision ➤ Implementation of a performance-based HSE leader competency
<p>Communications & Knowledge Management</p>	<ul style="list-style-type: none"> ➤ Achieved the distinction of being recognized as a Climate Disclosure Leader (2015) by CDP ➤ Continued development, communication and measurement against leading and lagging HSE key performance indicators ➤ Continued development and enhancement of our competency and training programs

<p>Technical Safety Management</p>	<ul style="list-style-type: none"> > Development of a fit-for-purpose Process Hazard Analysis Standard > Continued development and implementation of our Process Safety and Asset Integrity Management Systems
<p>Incident Prevention</p>	<ul style="list-style-type: none"> > Continued focus on our robust hazard identification and risk mitigation program around our top fatal risk exposures > Continuing risk management efforts in addition to detailed emergency-response planning
<p>Operational Stewardship & Sustainability</p>	<ul style="list-style-type: none"> > Reducing long-term environmental liabilities through planned and managed decommissioning, abandoning and reclaiming well leases and facilities > Managing our waste products by reducing, recycling and recovering > Conducting pilot programs and trials on the implementation of new technology to improve environmental performance and decrease the impact of operations > Completing projects that enabled Vermilion to reduce our corporate emissions footprint while increasing production. > In 2015, Vermilion made Integrated Sustainability one of six key pillars of our business strategy

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

That is why in 2015, we compiled and analyzed our comprehensive data set from across business units and worked with our international operations related to our 'Top Fatal Risks' on the job, examining how they could be eliminated and implementing changes to our systems to help ensure the organization is focused on preventing these critical risks.

Understanding there are more than just the top fatal risks that are present in our industry, we selected those risks that were common across our operations for a more detailed review. We then assessed those hazards and developed comprehensive plans specific to each business unit to prevent those hazards from occurring. Finally, the groups focused on what could be done to eliminate the hazard or what barriers and controls were required to help prevent an event from happening.

We built on our people's experience, demonstrating the effective collaboration of our operations and management groups. A solid plan supporting risk prevention is being put in place that aligns with all the efforts we've directed towards competence and training programs in our operations. New leading KPIs, which our staff can access on our corporate intranet, have been created to follow Vermilion's progress on hazard awareness and risk prevention as part of our corporate scorecard.

The 'Top 5 Fatal Risks' identified at Vermilion are:

1. Driving
2. Energy Isolation (electrical / mechanical, etc.)
3. Crushed / caught between
4. Struck by
5. Process hydrocarbon release
6. Fall from heights
7. Structural Failure

Our HSE Framework

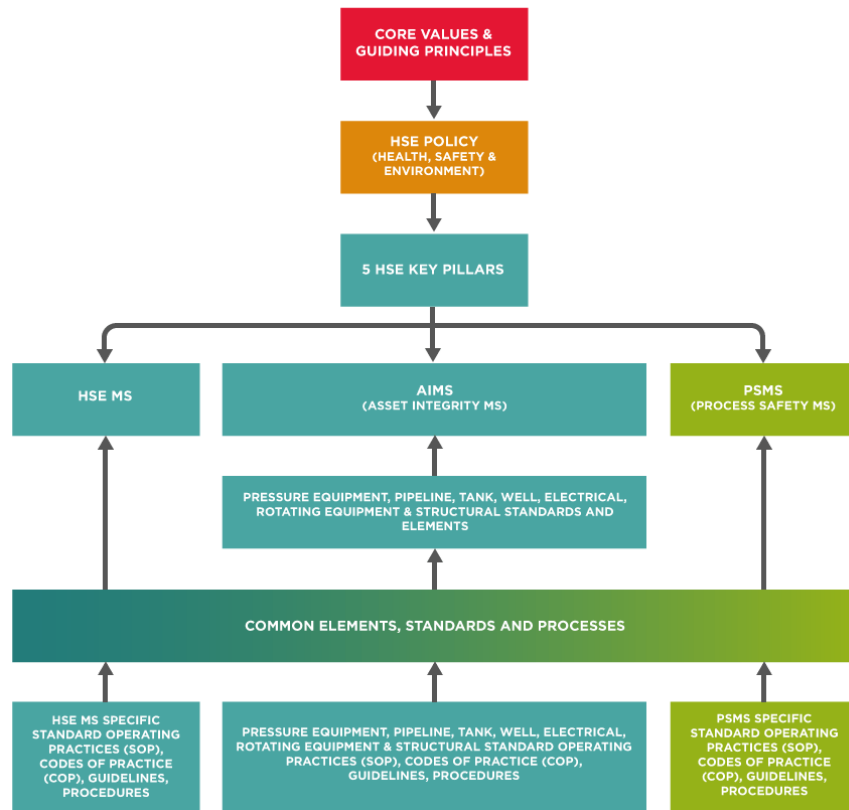
Three management systems form the integrated framework of our HSE culture at Vermilion.

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

HSE Management System

HSE MS provides the structure for the delivery of our HSE policy and commitments. By following the action steps of Plan, Implement, Check & Correct – which provide a process for continual improvement – we are able to eliminate, manage or reduce health, safety and environment hazards and risk

aspects associated with our company’s global operations. It also describes areas of corporate ownership and responsibility for the HSE Policy and the 12 elements that form the basis of the HSE MS. The objective of the HSE MS, together with the efforts of the leadership team and regional HSE resources, is to maximize consistency across the organization in the development and implementation of the HSE MS element.



Asset Integrity Management System

AIMS serves as the framework of processes and procedures in place to help us execute safe and reliable operation of our assets. AIMS helps us to understand when work on an asset needs to be performed, how much it will cost to perform that work, and where to start. However, perhaps even more importantly, it helps

us understand the impact and cost if no action is taken. Adherence to quality standards and practices, effective testing and inspection of equipment, quality of spare parts and repairs, and correct control of operating parameters are all activities within the scope of AIMS. We believe a successful AIMS helps us improve operational safety, reduce spill volumes and frequency, increase overall reliability and life expectancy of assets through cost effective measures, assure proper management of high risk assets, implement best practices in managing our assets, and ensure compliance with regulatory requirements.

Process Safety Management System

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

We use a corporate Event Management Information System (EMIS) called iTrack to collect information from each of our operations about potential health, safety and environmental hazards and the actions taken to resolve them.^{G4-LA6c} Our information tracking includes 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 President and CEO, COO, EVPs and other key leadership team members are immediately informed of all high potential near misses, recordable injury events and serious incidents entered into our EMIS. This reflects the critical importance of HSE at Vermilion. All lost time incidents and serious events are also reported to all staff throughout the company, with a focus on key learnings and prevention.

HSE Perception Survey

We know that the best management systems and processes in the world will fail without strong leadership from the top and widespread buy-in throughout the organization.

HSE commitment and leadership is engrained in Vermilion's Management and Leadership Teams, through visible and active participation. Our Management sets the tone, provides the vision and resources required to achieve our HSE objectives and actively participates to ensure the importance of HSE is well understood and to maintain a high standard of compliance.

We know that all of our employees and contractors play a critical role in the success of our HSE performance, and in helping to establish and maintain a safety-oriented workplace overall. That is why in 2013, we asked all staff globally to share with us their perceptions regarding 10 overarching safety climate factors, via our first ever HSE Perception Survey.

The 10 safety climate factors include:

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

Thanks to the over 90% staff response rate, we have a solid baseline measure of staff perceptions of how well they feel that safety is being managed at Vermilion. Three years out, we continue to mine the data and work to better understand the inaugural survey results and use those learnings to identify focus areas.

For example, our Fair Culture policy, which was implemented in Canada in 2014 and in other business units in 2015 (implementation in Central and Eastern Europe is planned for 2016) was developed in response to staff feedback via the survey indicating that Vermilion's incident investigation and resolution process was not sufficiently clear. Other examples of actions taken as a result of the HSE Perceptions Survey feedback include

advancement of our Competency Programs, updates to our Event Management Practice (EMP) and enhancement of our Event Management Information System (EMIS).

Our second HSE perception survey was implemented in 2016 (results were being analyzed as this report was published) with subsequent surveys planned to occur every three to four years thereafter. We believe this schedule will provide the timeframe required to clearly understand the outcomes and effectively plan and implement the actions required to respond to or address the survey findings.

Our Focus on Safety

Our focus on fostering a safety-oriented culture is reflected in our HSE mantra of “HSE: Everywhere. Everyday. Everyone.” This focus starts from the top and is entrenched throughout our organization.

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

Safety for all

We require third-party vendors to be HSE (Health, Safety, Environment) pre-qualified prior to commencing service work. This helps ensure that the company has an HSE program in place that meets or exceeds our requirements. We also observe vendors on an ongoing basis to ensure that they are adhering to Vermilion's HSE practices, procedures and rules.

Quarterly HSE Leadership meetings held at the corporate level and whose participants include Senior Management and HSE advisors from all divisions and subsidiaries represent 100% of our employees.

In addition, we hold mandatory HSE meetings in every field district where participation of all staff (field and admin) is required. There is routine participation by senior management from Calgary. On a quarterly basis, the monthly HSE district meetings are replaced by District town hall meetings that have an HSE focus and include participation by our vendors (third party contractors). This practice, which has been in place since 2011, has resulted in a better understanding of Vermilion's HSE requirements among our vendors, and an improved understanding of where and how we can provide better support to our vendors.

2015 Safety Performance

As Vermilion's HSE vision states, we are 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 hazard identification and risk mitigation 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 in our proactive approach to create a safe and healthy workplace.

In 2015, we met or exceeded 95% of our leading indicators at the business unit level, and many business units far exceeded their individual targets. Corporately, we met 100% of our leading KPIs.

Our Progress on Safety

We believe in measuring what matters – which is why we track key safety performance indicators, to provide insights into our progress toward our vision of zero incidents. We pay particular attention to our Lost Time Incident (LTI) data; we believe our 2014 LTI result was an outlier, with our 2015 results getting us back on track. In addition, the severity of our LTI events was low, because all of our affected workers were all able to return to their duties in short order. As part of our safety management processes, we fully investigate all incidents and near misses, and implement corrective actions. We also share lessons learned across our business units to continuously improve our performance.

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

TRIF incidents per 200,000 hours



HSE Training

We have developed a comprehensive HSE training matrix that looks at all of the technical positions at Vermilion globally – from field operators to senior professional staff – and identifies the associated mandatory and recommended HSE training requirements.

We tracked nearly 8,000 hours of training globally in 2015, and over 80% of these hours represented HSE training, from fire extinguisher handling and driver training to blowout prevention and HSE leadership.

Because HSE also applies to our office staff, we have delivered training to this group on such topics as driving, office evacuation procedures, AED (automated external defibrillator) training, first aid and CPR, cyber-safety, and personal safety.

Operator Competency

A significant focus of our 2015 HSE training program was the advancement of Operator Competency Programs (OCP) in Canada and France; the Netherlands and Australia operations already have a well-established OCP for their activities.

In Canada, the focus of this work in 2014 and 2015 has been on the development of task procedures and levels of assessment, and we are targeting roll out of the OCP to field staff by end of 2016.

In 2015, Vermilion developed the OCP project scope and framing in France, advancing through knowledge identification and task inventory to SOP development, with the aim to roll out OCP to field staff in the FBU in 2017.

Operator competency helps in hazard identification and mitigates our exposure to a potential HSE event by ensuring that staff are properly trained to safely execute their daily tasks. A clear view of employees' competencies and training increases Vermilion's confidence that job functions are being performed safely and consistently within the guidelines of regulatory and Vermilion-specific policies, practices and guidelines.

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

HSE Competency for Leaders

Vermilion is committed to ensuring all our staff and leaders understand the importance of HSE and demonstrate this in our actions. We believe that all Vermilion's leaders – whether operational or non-operational – contribute to Vermilion's success by helping to generate HSE awareness, identifying HSE hazards, and understanding and mitigating the HSE impact of requests made of staff and operations. That's why our Performance Management system now includes a new HSE Competency for Leaders as follows:

Demonstrates HSE Leadership:

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

We provide resources to help our leaders understand what success looks like and how they can meet Vermilion's HSE expectations, including formalized HSE leadership training for all field and office leadership in 2015 and 2016. This HSE Leadership focuses on 7 key areas of:

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

For example, we believe that a leader who visibly acts in accordance with all HSE policies, standards, procedures, legislation and core values is one who:

- Understands HSE requirements, makes them a priority and integrates them into daily activities;
- Walks the talk, not hesitating to intervene for the safety of all staff, who reports unsafe situations, is willing to be challenged and follows up on commitments; and
- Believes in continuously learning and takes an active role in safety meetings, investigations and reviews.

Public Safety & Emergency Response

Our Commitment to Public Safety

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

In the NBU, for example, our primary areas of focus regarding public safety include:

Earthquake Risk Assessments

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

Subsidence Risk Assessments

As part of the production plan approval process, we conduct extensive baseline subsidence measurement surveys and construct detailed subsidence models to estimate the total lifetime subsidence as a result of gas production activities. Once production has commenced, we then conduct regular subsidence measurements to ensure gas extraction related subsidence stays within our modeled expectations. In the event that actual measured subsidence exceeds our production plans, we will cease production to conduct more detailed studies and measurement work to determine when (if ever) production can be recommenced.

Early models and concepts weren't as well developed as they are today. While we endeavour to reduce or eliminate impacts to the communities we operate in, if we have caused damages we will ensure they are compensated and corrected. In 2014 Vermilion contributed 3.6 Million Euros to a compensation fund related to the Harlingen Upper Cretaceous field in the Province of Friesland. We voluntarily shut in this field in 2008, after we took over operatorship in 2004, due to higher than expected levels of subsidence. This field has remained shut in since that time.

Spatial Planning Considerations

Where location of our target asset and where projects meet our financial criteria, we try to reduce our footprint on the land by re-using existing well sites, flow lines and surface facilities to support development, thereby reducing the aerial impact of our operations and removing the need for the construction of new well sites or pipelines. Traffic, noise, light, and flora/fauna impacts are carefully considered in our development and operations activities. We work with local residents and independent environmental groups to help reduce the impact we have on all of our neighbours. We seek early engagement with local communities through town hall sessions to discuss our full development plans and listen to any concerns, questions, or feedback that is provided to help shape our plans.

We regularly carry out emergency response exercises to test office and field staff response to emergency scenarios.

Vermilion’s organization and response to emergencies follows the globally accepted Incident Command System (ICS). The ICS design structure is applicable to all kinds of emergencies and is suitable for both small and day-to-day situations as well as very large and complex incidents. It is applied consistently with local emergency responders and across each operating area, and provides a common organization structure to aid the management of resources at emergency incidents. Exercises are organized throughout the year to train our people and test the effectiveness of our emergency response plan under various scenarios. A total of 128 exercises were held in 2015, ranging from table top sessions to extensive simulations with activation of the Corporate Command centre.

What is a LEVEL 4 ERP Exercise?

Emergency Response Plan (ERP) exercises can include table top exercises, simulations, and combined exercises with Corporate Headquarters:

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

Safety Case Revision

Safety Case Revision

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

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

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

The Safety Case, which was last accepted by the Regulator in 2014, is focused on the prevention of major accident events. Vermilion is required to identify, assess and manage major accident events through a series of formal safety assessments, including flammable hazards analysis, explosion risk assessment, and Escape, Temporary Refuge, Evacuation and Recovery Analysis. Throughout 2015, Vermilion undertook a review and update of the full suite of the Wandoo Formal Safety Assessments, which will be reissued in 2016.

The Environment Plan addresses the environmental impact from Operations, Well Construction and oil spill response. Vermilion undertook an environmental risk and impact assessment for all of our activities within the Wandoo Field and achieved acceptance from the Regulator in 2014. Vermilion maintains a comprehensive spill response plan, which is assessed and accepted by the Regulator. The spill response plan is aligned to our spill hazards and operating environment with capability requirements reviewed and tested annually.

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

The Regulator conducts regular inspections to confirm compliance. Four inspections were conducted in 2015, with no enforcement action required.

Life Extension

The Wandoo B platform, CALM Buoy and flowlines were installed in 1996 based upon a 20-year design life. Vermilion has identified that there are recoverable oil reserves beyond the existing 20-year design that could support extending the design life by an additional 20 years. The existing 20-year design life will be reached in March 2017. In 2015, Vermilion commenced the Life Extension Project to extend the operation design life beyond 2017.

Life Extension Process

- Vermilion undertakes extensive site surveys of the existing facilities to determine their current condition, identify areas for maintenance and repair, and verify their condition for ongoing use.
- Vermilion develops a Basis of Analysis that presents the criteria to be used to re-assess the platform, flowlines and CALM Buoy.
- The latest meteorologic ocean data (wave, wind and current), seismic loads are developed by subject matter experts.
- The platform, CALM Buoy and flowlines are then re-assessed and the results compared to the latest codes and standards.
- If the re-assessment is supported by the Independent Verifying Body (IVB), Vermilion is issued with a Verification Certificate allowing us to operate the facility for the agreed future period.

Independent Verifying Body

- Vermilion appoints an IVB that is a recognized expert to review the analysis and systems.
- IVB issues a Verification / Validation statement verifying the platform is acceptable for ongoing use for a future period.
- Vermilion has selected Lloyds Register as the IVB, meeting our independence and competency requirements

Our Focus on Environment

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

The diversity and beauty of the environments in which we operate and live are daily reminders of the value of protecting the environment.

To do so, we not only operate in compliance with all environmental regulations, but strive to lead the development of industry best practice standards in all of our operations in order to fulfill our commitment of pursuing Best-in-Class HSE and Sustainable Development.



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.

We also assess and actively participate in policy development in several regulatory theaters across our operations. In France, for example, we are a member of the Regional Water Basin Committee in the Ambès region – one of only six water basin committees in the entire country. In 2014, our Ambès superintendent was elected to the committee for a six-year term. The committee brings together both private and public stakeholders to discuss and define the main priorities of the region's water policy and the protection of its natural aquatic environments. The committee was responsible for the creation of a master plan for water development and management (SDAGE), and is often referred to as the "Water Parliament" of the basin.^{G4-16}

Protecting What's Important

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

Our focus on environmental stewardship places emphasis on four main areas for continuous improvement:

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

We have quantified the risk associated with our key environmental impacts for each business unit utilizing the Corporate Risk Management process. We use this process to assess implications and identify measures that are required to limit or reduce risk and potential liabilities to an acceptable level. This is in addition to our use of Vermilion's Corporate Risk Matrix to assess other types of risk, including operational, environmental, regulatory compliance, and reputational risk.^{G4-EC2}

We assess risk based on the anticipated impact severity and subsequent probability of an event occurring in consideration of human, environment, financial and social license to operate factors. We take a multi-stakeholder approach to risk assessment, including both internal (Board of Directors, Executive, Staff), and external (Landowners, NGOs, investors, the general public, industry groups) parties.

We proactively conduct operational and engineering reviews aimed at increasing efficiency, and reducing the emissions and monetary expenditure requirements at major facilities.

We have undertaken a GHG Quantification Methodologies study and Carbon Liability Analysis for our business units in Canada, France, The Netherlands and Australia. The Carbon Liability Analysis factors in a number of potential regulatory, price point and taxation changes that are possible in the near term. These documents detail the current emission generating activities (Scope 1, 2, 3) and the liability and risk associated with the carbon footprint of operations in each BU. We complete fugitive emission surveying annually, and we comply with all regulatory reporting requirements relating to emission reporting and reduction.

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. In 2015, Vermilion was recognized by CDP with the award of being a Climate Disclosure Leader. The Climate Disclosure Leadership index (Canada 200) represents the top 10% of companies of all submissions. Note: As Vermilion continues to grow, our base year emissions will be adjusted in accordance with the GHG Protocol.
All Business Units	Montreal Protocol	We have phased out Freon-22 in our C3 cooling plants in Netherlands to reduce the risk that this substance could be released.
Canada	Specific Gas Emitter Regulation	Reduction requirements do not apply, as Vermilion is below the threshold of 100,000 tonnes of CO ₂ e annually; our current and projected CO ₂ e reductions indicate that even with a 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	Alberta's Directive 039 (2013)	A regulatory change in Directive 039 led us to plan and begin the implementation of additional elements in our facility engineering and maintenance program to reduce benzene emissions associated with glycol dehydrators.
France	Register and the Annual Reporting of Emissions and Transfers of Pollutants and Waste	We report operations water, waste and greenhouse gas (GHG) information annually.
Netherlands	Netherlands Long-term Agreements with Industry (MJA3)	We report operations energy efficiency and emissions information annually.
Australia	National Greenhouse and Energy Reporting Act (2007)	We report under the robust emissions accounting required by this Act, and have examined three potential carbon taxation pricing scenarios and budgeted the costs associated with compliance.

Climate Change

There are a number of ways that we integrate the issue of climate change into Vermilion's business strategy:

- Our focus on achieving Best-in-Class HSE drives management support of programs that enhance our environmental performance, which in turn empowers our people to effect operational change. We track our progress on this best-in-class goal on a monthly, quarterly and annual basis, and communicate our progress across the business.
- We are committed to being compliant in all regulatory regimes across all business units. Compliance with changing regulations, planning for forecasted changes and efficiency are primary drivers for identification and implementation of emission reduction and fuel efficiency related initiatives.
- We have altered our project management framework to include aspects of sustainability and climate change – including regulatory change, water utilization, emissions reduction and footprint reduction – resulting in a reduction of ecosystem fragmentation. Our technical teams across the organization communicate with each other, collaborate on current and upcoming sustainability initiatives, and bring in technical expertise to augment project execution.
- We annually examine and re-assess the risks and opportunities associated with climate change and the potential effects on our operations globally. Some of the risks we examine include rising sea levels, climate change impacts, carbon taxation schemes and carbon sequestration requirements. Based on our assessments, we adjust our long term operating strategies to ensure efficient, effective and safe development of the resources in our operating areas. Examples of this include the research and development completed to implement technology that allows for the treatment and re-use of advanced gel chemical fracture flowback fluids. This approach reduces the requirement for fresh water to complete wells and the volume of water being disposed of via deep well injection. For facility construction, we employ new and efficient technology that is adaptable to changing requirements and decreases the impact on the environment. An example of this is the installation of solar power as a primary power source at a number of the new wells drilled in Canada in 2014. This solar power is augmented with thermoelectric generation (TEG) power units when the region lacks the necessary daylight to produce the amount of energy required. In addition, we have teams evaluating the potential for the re-use of infrastructure for geothermic energy in several of our business units^{G4-EC2}

Several substantial business decisions were made in 2014 and 2015 to reduce emissions. For instance, we scoped required modifications to acquired assets in southeast Saskatchewan that will allow for a significant (50%) reduction in Vermilion's 2014 emission levels in the medium term (2020). This included a significant capital commitment in our Saskatchewan operation to fund the completion of a gas plant project, with partners, that enables natural gas conservation in the region. Another example of a substantial business partnership that has a quantifiable reduction on Vermilion's emissions is the purchase of 100% green power from our largest power provider (of 3 providers) in our Netherlands business unit, resulting in an estimated 91% reduction in Scope 2 emissions within our NBU (an estimated 35,990 tCO₂e). The contract governing this power purchase came into effect in January 1, 2016. These are some of the examples of sustainability projects that not only met Vermilion's economic criteria, but will have an impact outside of our operations and result in a reduction in third party emissions, as well as Vermilion's Scope 1 emissions. These projects may allow a third party to directly reduce emissions, or avoid emissions by purchasing our products (which have may have a lower carbon footprint than our competitors).

Energy Efficiency

We believe that energy efficiency and operational efficiency go hand-in-hand, which in turn helps us to minimize our carbon footprint. ^{G4-EC2}

Emissions Reduction Drivers

There are a number of things that drive our emissions reduction activities, including compliance with regulatory requirements and standards, employee engagement, and financial optimization calculations. ^{G4-EN19}

Compliance with regulatory requirements & standards	Energy efficiency is driven by year-over-year expectations defined by the regulators in the countries in which we operate.
Employee Engagement	Emissions reductions are driven by suggestions and input gleaned from staff via our staff update meetings, as well as via our regular HSE district meetings and town halls. Staff feedback is taken into account by the groups responsible for management of emissions quantification and sustainability initiatives.
Financial optimization calculations	Emissions reductions are driven by the optimization activities we undertake in our business units. These impacts are identified at the project assessment stage and add value to projects. Value add and responsible, sustainable development of the resources in our operating regions are primary drivers for investment. The activities are typically identified by the in-country technical teams.
Other	Projects that have multiple benefits, including a reduction in emission intensity of our operations, factor into Vermilion's investment selection process. Many initiatives that support Vermilion's operational excellence and stewardship also have the effect of reducing emissions associated with our activities through the reduction of fuel or energy. These benefits are identified during the investigation phase of a project assessment. All projects completed must pass Vermilion's economic assessment criteria at the investigation phase of the project.

Here are just some of the recent ways we have reduced our environmental impact by being more energy efficient: ^{G4-EN6}

Canada

- Tie-ins performed at a number of our Canadian assets throughout 2014 and 2015 have reduced the amount of fluid trucking required. For example, we completed tie-ins at our Cardium single-well batteries, which resulted in a reduction of over 20,000 kilometers of trucking annually.
- Vermilion implemented operational changes to reduce trucking distances associated with production fluid and chemical required for our operation. This resulted in the elimination of over 135,000 km of heavy haul trucking in 2015.
- Electrification of some of our oil sites in Southeast Saskatchewan and our Southern Foothills district has eliminated the requirement for generator based power, eliminating over 5,400 tonnes of CO2e annually.
- We reconfigured our operations at various liquids-rich gas sites to use solar power as the primary power supply, with thermal electric power generators as the supplemental supply. This reduced the amount of fuel required for power generation at these locations on an annual basis, as well as removing the need to construct grid power infrastructure.
- We have encouraged the reduction of idle time while our fleet trucks are parked, reducing gas usage

France

At the request of our staff, we created an IT tool to link our business travelers together so that staff travelling to the same city can travel together, thereby reducing cost and the number of vehicles on the road. Also at the request of our FBU staff, we created a tool to help promote carpooling for the daily commute.

We continued our trial of two electric vehicles by our operators in the Aquitaine and Paris basins. So far, the results have been very positive in terms of CO2 with the vehicles generating zero emissions. The challenges we are facing with these vehicles include battery duration and the time required to recharge the battery, but we are looking at ways to address these challenges given that each car can help us reduce our carbon footprint by approximately 3.64 tonnes of CO2e annually, based on an average mileage of approximately 17,255 km.

GPS and/or vehicle monitoring devices are installed in company-owned vehicles in multiple business units. These devices, which help driving performance, have resulted in reductions in fuel consumption.

Our operators make daily operations visits to the 28 platforms installed on the lake in Parentis. We purchased a new boat that will help us to reduce our fuel consumption by approximately 10,000 litres per year.

The Netherlands

- › In 2014, we reorganized our workgroups in The Netherlands to minimize the driving distances required to operate our wells and facilities. We estimate that this has reduced the number of annual kilometers driven by 20% or 96,000 km on an annual basis. Not only is this making our workplace safer, it also has eliminated 19 tonnes of greenhouse gases on an annual basis.
- › We minimize our surface land use footprint through re-use of existing well sites for new drills.
- › Vermilion's focus on Integrated Sustainability is demonstrated through our continued business relationship with leading organizations such as Delta. In our northern region in The Netherlands, for example, we tendered our power supply contract to three different providers, and selected Delta as our provider of choice. This partnership has resulted in a quantifiable reduction on Vermilion's emissions through the purchase of 100% green power from our largest power provider (of 3 providers) there, resulting in an estimated 91% reduction in Scope 2 emissions in that business unit (an estimated 35,990 tCO2e). The contract governing this power purchase came into effect in 2016.
- › In addition, we are holding quarterly staff town halls, and monthly and weekly leadership and project review meetings via webcasting and video conferencing. In the case of our town halls, we estimate that the technology cost of 5,500 euros will be paid back within 1 to 2 years, as it has eliminated the need to hire four buses that travel 200 kilometres each per year – and it has reduced both fuel use and GHG emissions at the same time.

Australia

Three quarters of our staff in Perth walk, cycle or take public transport to work!

Walk or Cycle	21%
Public Transport	56%
Personal Vehicle	23%

Improvements to helicopter flight booking and scheduling in 2014 were implemented to reduce the number of helicopter flights to and from Wandoo facilities and improve seat utilization rates.

We commenced work on gas lift compressor realignment in 2014 to improve throughput by 7%, with an expected increase in fuel consumption of 4%, therefore improving the overall production rate per unit of energy consumed. This project was completed in May 2015.

At our Perth Office, we opened access to the stairwell to enable staff to use the stairs instead of the lift to transfer between floors. We also improved shower and locker room facilities within the office to encourage more staff to ride to work. Our current office location is close to a major train and bus station, as well as bike paths. As part of our scoping of new office locations, we have made a conscious decision to look for properties within the same area to enable staff to continue to use public transport.

Greenhouse Gas Emissions

Our Emissions Performance

In 2015, we decreased our gross greenhouse gas emissions while increasing production. This also reflects a decrease in our emissions intensity on a per unit of production basis. We have achieved this success thanks to our energy efficiency programs, emission reduction initiatives and an operational structure that maximizes production while reducing our footprint and energy consumption intensity. (see [Performance Metrics](#))

While our production increased by 11% from 2014 to 2015, Vermilion's gross emissions profile decreased by 11.5% during the same period. This absolute reduction reflects a 24% decrease in emissions intensity.

In 2015, our gross Scope 1+2 emissions decreased 9%. When compared to our 2015 Scope 1 and 2 emissions, we have avoided 93,020 tCO₂e. Of this value, 53,168 tCO₂e is directly related to emission reduction projects in Canada and France, while the remaining avoided emissions are related to producing oil and gas more efficiently.

Notes: Production referenced is only for operated business units falling under the financial control boundary, not total corporate production. As per the GHG protocol, our emissions calculations reflect an adjustment to base year emissions to allow for a comparison in terms of operational size.

Fugitive Emissions

Our active fugitive emissions (FE) monitoring program is aimed at reducing preventable losses to the atmosphere. We complete fugitive emissions qualitative surveying (i.e. thermal imaging) to identify potential sources of fugitive emissions in the methane value chain. Once point sources are identified, facilities engineering prepares appropriate mitigation action plans to sources where practical. Fugitive emissions surveying is completed across Vermilion's operations. These programs vary in extent based on business unit, and range from select major facilities and smaller locations up to 25% of assets in a BU per year. We also undertake reviews of the low pressure venting that occurs at our operations in Australia, and use the data to determine appropriate risk mitigation measures. In 2012, we initiated a review of emissions associated with our Australia operations, and in 2014 we completed an emissions accounting review to increase the accuracy of our emissions calculations.

Vermilion complies with all regulatory requirements relating to emission reporting and reduction. We are also

We continued to improve our emissions inventory and quantification methodology in 2015, which is primarily based on the API Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry.

actively monitoring regulatory changes in our operating areas, including Alberta, to anticipate potential changes and ensure that we are in a position to comply with future requirements.

Reducing Flared and Vented Volumes of Gas

Canada

In April 2014, we closed the purchase of a small private company with light-oil assets in Southeast Saskatchewan. In the short period of time that we have owned these assets, we have made important improvements that reflect Vermilion's focus on safety, operational excellence and continuous improvement; 2015 reflects the first complete calendar year of operation for this asset.

A significant focus has been on the reduction of flared and vented solution gas at these sites through gas conservation. In 2015, through the construction of new infrastructure, tying our production into gathering systems, installing vapour tanks with flares, upgrading battery flares including upgraded ESD systems, and converting to instrumental air systems, we have reduced emissions in our Southeast Saskatchewan assets by 42%. We are targeting a 50% reduction in gross emissions from our Saskatchewan asset by 2020 compared to 2014 emissions levels.

In addition to reducing our Canadian volumes of flared and vented gas, we have in recent years taken actions to reduce our emissions in our other business units.

France

Gas Export System

The oil producing field of Vic Bilh has, in the past, generated an average of 25,000 m³/day of associated gas, which we had flared since October 2013 due to the shutting-in of the Lacq gas treatment facility operated by another operator. With this facility under new operatorship and the construction finalized in 2015 of additional infrastructure required to tie the gas into the SOBEGI operated gas processing facility, we were able to conserve the associated gas from our Vic Bilh operations, providing energy to local industrial consumers that represents a CO₂ savings of 22,800 tonnes. We are targeting a 65% reduction in emissions associated with gas management at this facility, compared to a 2014 base year.

In 2014, we engaged experts to help us determine the feasibility of upgrading the associated gas produced at our Chaunoy and Vaudoy oil batteries in the Paris Basin. By producing electricity with a gas engine, we have determined that it is possible to reduce the flaring of the associated gas, and sell the electricity to the local utility company. Due to the reduction in energy prices over the last two years, these projects are not economical to pursue at this time; however, we will continue to review the opportunities.

Gas MicroTurbine System Pilot Project

In 2015, we began looking at turning our solution gas – which is traditionally destroyed in an oxidizer – by transforming it into electricity, with an option to produce waste heat for other users. We partnered with Capstone, leasing a C30 turbine that offers combustion to reduce emissions to the atmosphere.

We tested the turbine between November 2015 and March 2016 at our Parentis battery. In addition to a quiet,

odourless and smokeless operation, the turbine continues to power a resistance of 25Kw (a large radiator) using 10Nm3 / hour of process gas (approximately 3% of our total quantity of gas). We are continuing our testing of the turbines using our Parentis and Cazaux batteries, with the intention to eliminate the use of oxidizers by replacing them with turbines.

The Netherlands

In 2013 we implemented a compressor reconfiguration project at our treatment center in Garijp with the intent of reducing energy consumption and associated emissions. These compressors are electrically driven and the project resulted in an absolute reduction in power consumption of 35% or 3MWh (consumption reduced from 8MWh to 5MWh). This is an initiative that, on an annual and continuing basis, reduces power consumption by 26,280 MWh and Scope 2 emissions by an estimated 9,700 tonnes CO2e.

Vermilion is also examining the potential replacement of gas at another site in 2013 with the goal of reducing the energy intensity (through an absolute target) of compression in our Netherlands operations. In addition, we have commenced implementation of an NOx reduction project on a compressor in the Netherlands.

Vermilion's focus on Integrated Sustainability is demonstrated through our continued business relationship with leading organizations such as Delta. In our northern region in The Netherlands, for example, we tendered our power supply contract to three different providers, and selected Delta as our provider of choice. This partnership has resulted in a quantifiable reduction on Vermilion's emissions through the purchase of 100% green power from our largest power provider (of 3 providers) there, resulting in an estimated 91% reduction in Scope 2 emissions in that business unit (an estimated 35,990 tCO2e). The commitment governing this green power purchase came into effect in 2016.

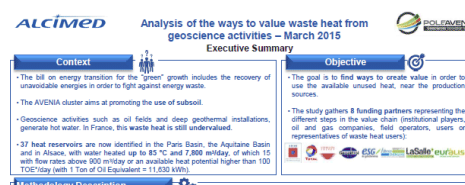
Australia

Water that is naturally present in the Wandoo reservoir from which the hydrocarbons are extracted is treated, processed and discharged as produced formation water. To manage the water discharge, we have developed a produced formation water and ballast water management framework. The objective of the framework is to monitor and manage potential impacts on the marine environment via routine daily, monthly and annual monitoring, as well as actions undertaken if the results exceed the defined threshold values. We are also continually working to optimize our operations, through technology, to further remove hydrocarbons from this water stream.

Reducing Greenhouse Emissions with Geothermal Energy

Greenhouse Expansion & Study (Parentis-en-Born, France)

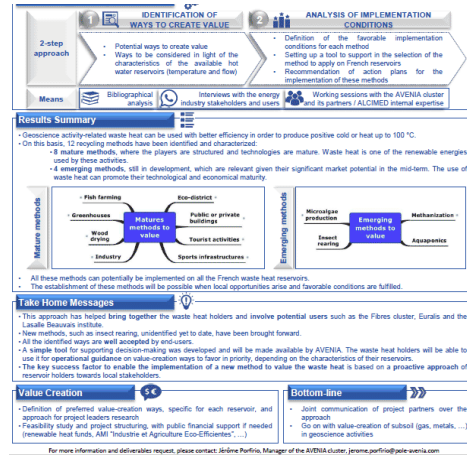
In 2008, Vermilion teamed up with four agricultural engineers who wanted to create an economically and ecologically viable greenhouse operation in which to grow tomatoes. The result was the construction of a 10-hectare greenhouse that will be heated



without carbon emissions for at least 25 years, thanks to the caloric content from Vermilion's produced water stream at our major facility adjacent to the greenhouse in Parentis-en-Born. By demonstrating proof-of-concept, our partnership with Tom d'Aqui has been credited as being the catalyst for three new projects launched independently of Vermilion in 2014-15, which have generated significant additional economic benefits for the community in Parentis.

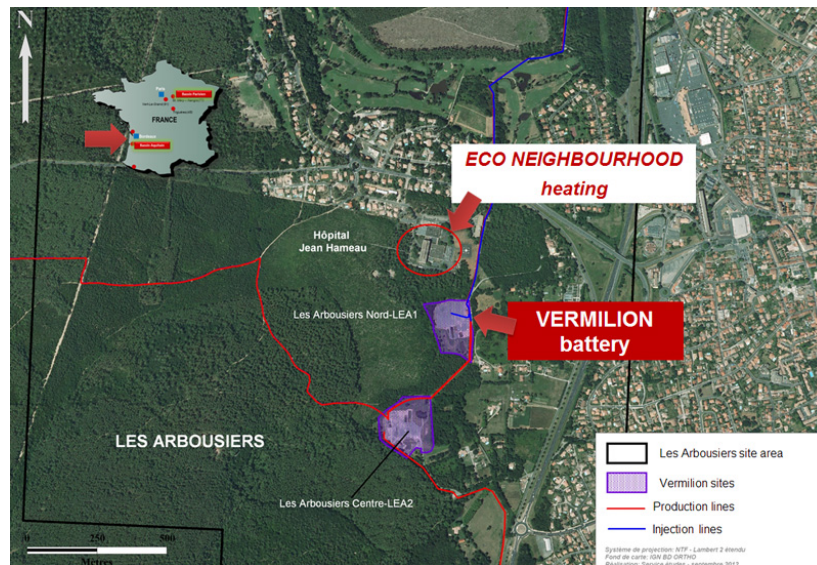
We believe there are opportunities for other organizations to apply similar technology and principles in their own operations. This belief, coupled with our desire to demonstrate leadership and excellence in all that we do, is why we encouraged AVENIA to launch an industry and country-wide study to identify the potential of waste energy use from oil and gas operations. In addition to contributing financial support towards the study, we have provided the expertise of our people, and have actively encouraged other companies to participate in the study. The results of the study, which also focuses on geothermal potential, will be available to all oil and gas players in France, and will be released following a detailed review by AVENIA.

The tomato greenhouse project is currently producing 6,000 tonnes of tomatoes per year, creating 150 local jobs, and avoiding 10,000 tonnes of CO₂e.



Eco-Neighbourhood (La Teste de Buch, France)

We signed a 30-year partnership in 2015 with French land developer Pichet to provide heat for up to 450 homes in a newly planned eco-neighbourhood complex. Construction of the eco-neighbourhood, which is located in the community of La Teste, in the south west of France, started in Q2 of 2015 and is expected to be completed in 2018. The project involves the construction of 450 housing units, 30% of which are intended as low-cost housing. It also includes the construction of a community centre and various sports facilities.

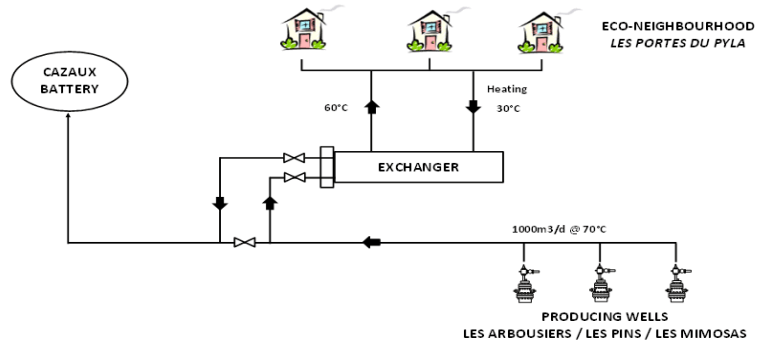


Starting in September 2016, Vermilion will supply 70% of the energy necessary to heat these homes thanks to a "petrothermal" solution, using energy from oil well injection water from the nearby Les Arbousiers and Les Pins fields. The remaining 30% will be supplied by the use of gas resulting from biomass, thanks to a COFELY/ENGIE boiler. For users, this will generate a 65% decrease in their energy bill.

The signing of the eco-neighbourhood charter by all stakeholders will occur later in 2016, with the awarding of the seal of approval and the arrival of the first residents of the eco-neighborhood expected in October 2016.

How it will work:

- > Vermilion produces oil from three fields in the Arcachon Basin (part of the Aquitaine Basin): Les Mimosas, Les Pins and Les Arbousiers. The production is gathered in a central battery where approximately 1,000 m³/day of water at a temperature of 70 degrees Celsius is produced daily along with the oil.
- > The installation of a heat exchanger on our battery will allow the transfer of the energy from the produced water to the eco-neighborhood.



Once construction is complete, we anticipate the recycled heat from Vermilion’s produced water source in the Arcachon Basin will be able to provide approximately 80% of the heating requirements of these 450 homes.

Geothermal Pilot Project (The Netherlands)

In February 2014 we sent a notification letter to the Ministry of Economic Affairs in The Netherlands indicating that we wished to utilize Vermilion’s subsurface, HSE, and drilling expertise to aid in the development of localized geothermal projects for the benefit of local communities that host our operating activities, as well as to create synergies with our commercial and industrial neighbours.

To date, we have focused our activities on converting three depleted gas wells in the province of North Holland to a geothermal pilot project to support a regional business park development. We have committed nearly 100,000 euros to this project to date, and are currently in the execution phase of the feasibility study, working to progress this pilot project to the construction phase in 2016. Reflecting our long-term, committed approach to emissions and energy reduction, we expect to continue our work on this project through 2020.

We are also developing geothermal assessment plans on new gas drilling prospects so that a single drilling operation can address the potential of both natural gas and geothermal energy opportunities. It is our belief that combining the planning and development of natural gas and geothermal opportunities through a single operation provides a net benefit to all stakeholders since it will ultimately result in more natural gas and geothermal energy opportunities being pursued to the benefit of both local and national stakeholders.

Water Use

We produce key performance indicators on water use in the Performance Metrics section of this report. This includes water withdrawal by source, and percentage and volume of water recycled and reused.

We endeavor to reduce our potable water consumption wherever possible. In February 2015, for example, we carried out a workover at our Vic Bilh asset in order to convert a suspended oil well into a saline water producing well for injection support. We expect this non-potable water reduction initiative will conserve approximately 146,000 m3 of potable water per year.

Hydraulic Fracturing

Hydraulic fracturing is a government regulated technology that has been successfully used in Canada for more than 60 years. Some formations will not produce hydrocarbons without hydraulic fracturing, so we elect to use this rock stimulation method on some wells to enhance their productive capability. Government regulations, in combination with industry operating practices and Vermilion’s own focus on Best-in-Class HSE and Operational Excellence, help ensure safeguards are in place to protect the environment, fresh water aquifers and ensure safe and responsible operations.

Improving Water Management

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

Approximately one-quarter of the water we pump during a Cardium frac returns immediately during flowback operations. The fracture fluid technology we employ further facilitates the re-use of the flowback water on subsequent wells.

We are also working on ways to further reduce the amount of water utilized, including adjustments in the

WATER QUALITY

Saline water, also commonly known as “brackish” water, contains more than 10,000 parts per million of total dissolved solids – it is not suitable for drinking water or agriculture.

Freshwater is non-potable water with a dissolved salt concentration of less than 10,000 parts per million of total dissolved solids.

Potable water is drinking water. Vermilion does not use potable water for any of its hydraulic fracturing operations.

completion schedules. In addition, flowback water can be recycled to reduce overall make-up water requirements. Finally, we are also looking at the potential of using produced water (non-potable water produced with oil and gas), from our operations.

Groundwater Protection

We operate in accordance with strict regulations and Industry Recommended Practices (IRPs) that protect groundwater sources through exploration and production phases. For example, Petroleum Services Association of Canada's IRP #14 ensures that non-toxic, water-based drilling fluid is used when penetrating fresh-water aquifers down to the government established base of groundwater protection, then steel casing is put in place and cemented in permanently to isolate the upper portion of the well while drilling to the final reservoir target.

In Alberta, the Cardium formation is Vermilion's shallowest development play where we currently use hydraulic fracturing practices to stimulate the formation. Here, as in our other areas of operation, we employ micro-seismic and computer modeling to ensure we are not contacting or impacting potable water aquifers through our activities. The micro-seismic events measured during hydraulic fracturing operations indicate the height and extent of the fracture system. We know from this seismic data that a typical hydraulic fracture height in the Cardium interval is up to 100 metres. We also know that the Cardium interval is typically found at 1750 metres below surface and the base of the deepest groundwater is at approximately 600 metres, so we therefore maintain an approximate distance of 1100 metres from the base of groundwater protection to the top of the hydraulic fracture.

Ensuring Containment

Flowback fluids are contained onsite in a closed system where they are later treated and re-used or alternatively disposed of at authorized facilities at the conclusion of a program. In addition to accessing current technology in our operations, Vermilion has been involved in trialing many new and emerging technologies and invested time and money in an effort to make them viable.

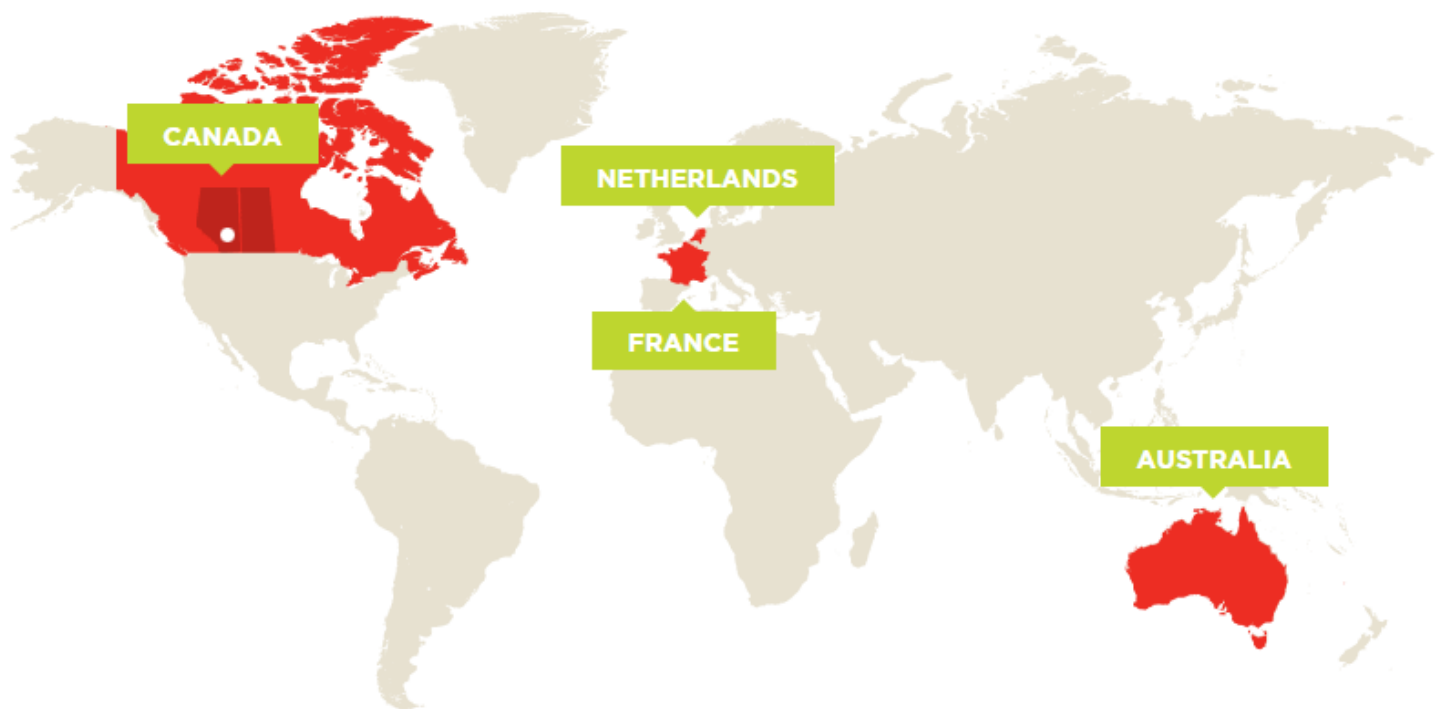
"Greener" Additives

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

Caring for the Land

We understand our responsibility to be careful stewards of the land.

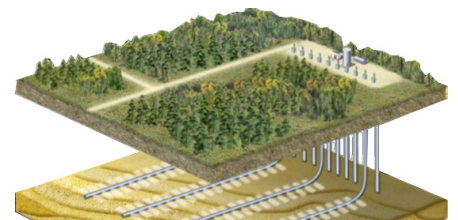
Throughout our operations, we focus on a systematic approach to caring for the land – from environmental assessments during our exploration activities, to wildlife and vegetation protection during production, to planning and implementing reclamation activities when drilling is complete. The following examples represent just a few of the related activities that we undertake.



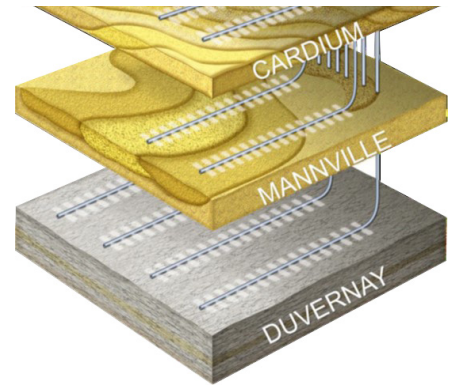
Canada

Minimizing Surface Footprint

In Canada, we often employ the use of horizontal wells. Where sub-surface geometries are conducive, we program these wells from a single surface location or pad, with up to eight wells being drilled from a single location. Pad drilling reduces the aerial extent of the well site, surface facilities, pipelines and roads. To put this in perspective, vertical well surface impact is approximately 1.7 hectares per well, while an eight-well pad surface impact is only about 0.5 hectares per well.



As the horizontal length of a well gets longer, the amount of sub-surface area developed increases. Originally, horizontal well lengths were 1,400 metres. We are currently drilling wells with horizontal lengths of up to 3,400 metres. In the past, one pad site was used to develop about 20 hectares (1,400 metres in horizontal length), but we are now developing 1,000 hectares from a pad site – up to 3,000 metres of horizontal length. Our Pembina stacked play has the added environmental benefit of being able to share surface infrastructure, such as roads, pipelines and processing facilities. This higher well density reduces driving distances, and therefore emissions associated with development, monitoring and maintenance of wells. It also optimizes equipment and energy used during development and maintenance of productive reservoirs.



Vermilion's Pembina stacked play helps us minimize our surface footprint.

France

The Pelican

We welcomed a new boat, the Pelican, to our Parentis Lake fleet in August 2015, allowing us to minimize the impact of our activities on the environment and our operating area. The boat is used for our lake rounds, and is increasing our presence and monitoring, offering a gain in intervention efficiency. From an environmental perspective, the engines meet the latest standards and regulations. This reduces fuel consumption and the boat's wake, thus offering greater respect for other lake users such as fishermen and sailors.



Caring About our Community

Vermilion's 2015 replacement of incinerator technology at our battery in Parentis has significantly reduced flaring, and helped us be a good neighbour to the community. Vermilion is reducing flaring in many of our locations, because it is more efficient to incinerate or use gases such as methane (instead of flaring or venting them). In turn, this allows Vermilion to reduce our greenhouse gas emissions and our potential impact on nearby communities.

In Parentis, given the proximity of the glass windows of the tomato greenhouse that is co-located with our battery, it was particularly important to find a solution that avoided strong vibrations. From May to October 2015, we tested a new incinerator, along with new piping, a new scrubber and new safety fencing in the incinerator area. The dry run for the incinerator showed the impact immediately: no noise, vibration or smoke.

Vermilion's new incinerator runs at a much higher temperature (900C instead of 400-500C) and combusts the gas in a much taller, 9-metre stack. Together, these measures allow much more of the gases – such as carbon monoxide, carbon dioxide, sulphur oxides and nitrogen oxides – to be safely incinerated, minimizing the gas that has to be flared.

The Netherlands

Sharing the land

In The Netherlands we recognize that we share the land, water and sea with many neighbours, including those with feathers. In many of our locations, these feathered neighbours will pay us a visit and in some cases stay for a while, so it is very important that we keep our sites clean and safe for them. We work closely with



environmental experts to guide us in our activities to ensure that we do not disrupt or disturb their migration, feeding or breeding patterns. In some cases, this means that we delay or reroute our development activities. In 2015, we delayed pipeline construction activities around our Diever-02 well site to ensure we do not interfere with birds nesting in the area.



We recognize that we share the land, water and sea with many neighbours, including those with feathers.

Whenever possible, we also try to reuse existing well sites, pipelines and surface facilities to limit our land use footprint. In 2014/2015, we drilled nine wells, six of which were drilled from pre-existing well sites, thus minimizing the need for the construction of new well sites or pipelines. All of our lease sites are sealed with asphalt to isolate them from the groundwater table. We collect rainwater that falls on our lease sites in a series of berms, gutters and storage systems so we can confirm first that it is safe to release back to the environment.

In addition, we are holding quarterly staff town halls, and monthly and weekly leadership and project review meetings via webcasting and video conferencing. In the case of our town halls, we estimate that the technology cost of 5,500 euros will be paid back within 1 to 2 years, as it has eliminated the need to hire four buses that travel 200 kilometres each per year – and it has reduced both fuel use and GHG emissions at the same time.

Australia

Approval of Wandoo Facility and Well Construction Environment Plans

In November 2014, the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) accepted our Wandoo Facility Environment Plan in September and the Well Construction Environment Plan under the new Offshore Petroleum Greenhouse Gas Storage (Environment) Regulations 2009.

The objective of the Regulations is to ensure that any offshore petroleum or greenhouse gas activity is carried out in a manner consistent with the principles of ecologically sustainable development and by which the environmental impacts and risks of the activity will be reduced to as low as reasonably practicable and acceptable levels.

In Australia, the offshore environmental compliance requirements have improved over the last five years following the major global spill events. The accepted Environment Plans outline how Vermilion will undertake operations, marine projects and drilling activities at Wandoo to meet these improved standards. This was achieved through significant input from the operations, engineering, drilling and project teams within Vermilion.

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

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



Vermilion will be undertaking offshore marine monitoring in 2015 within the Wandoo field.



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

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

This work, particularly given our drilling operations in 2015 and 2016, was supported by our previous work in Australia to develop the oiled wildlife response capability necessary to effectively manage the impact of a large oil spill on wildlife. We funded the necessary equipment (a rapid response unit that would receive, assess and treat oiled wildlife) and training, created a register of wildlife responders, and developed "at call" capacity for support specialists. To enable all-industry access, we subsequently donated this equipment to the Australian Marine Oil Spill Centre, which is funded by the Australia Upstream and Downstream Industry group, which includes Vermilion. This initial investment and follow up support from Vermilion has enhanced oiled wildlife response within Western Australia. While we hope there is never a reason to use this equipment, we are proud to have meaningfully increased the spill response capabilities of industry in our operating area.

Ways of Caring

Strategic investment in our communities is part of Vermilion’s corporate DNA and helps us fulfill our mission of delivering superior rewards to investors, employees, partners and the communities in which we operate.



VERMILION WAYS OF CARING
give back. give time. give together.

Our people care about their communities and they expect Vermilion to care too. Pride in the ways that we give back to the community continues to be a top scoring item in our annual Great Place to Work® survey: 97% of staff in Canada responded favourably to the 2016 survey statement “I feel good about the ways we contribute to the community.”

Through our Vermilion Ways of Caring program, we give back, we give time and we give together. This approach to community investment exemplifies “The Vermilion Way” of getting things done – through leadership, embracing responsibility and achieving excellence.

Our approach to community investment has been recognized by a number of our community partners, including the Town of Drayton Valley.

"We are thrilled to see the investment Vermilion Energy has generated not only through financial contribution, but also the ambassadors the employees locally have become for our program in the community. I don't believe that there has been a sponsorship model like Vermilion's in this community prior to Vermilion coming on board ... it can certainly be asserted that [Vermilion] has been influential. Within the last two years, the Town has been approached by several companies interested in building a sponsorship built around meaningful engagement. I believe that this has occurred because of how Vermilion Energy has established it's sponsorship program within the ECDC (Early Childhood Development Centre)."

- Town of Drayton Valley

Give Back

In 2015, the total value of Vermilion’s community investments was over \$1.3 million. These investments were focused in four key investment areas:



give back.

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

Give Time

We provide funding for the wide variety of non-profit and charitable organizations that our staff support through their personal volunteer time. In 2015, 61 grants recognized the 9,079 hours our people invested of their own time towards the causes and community organizations that meant the most to them.



give time.

Give Together

We encourage our people to spend up to two days per year volunteering on company time as part of a team or corporate day of caring project. These hands-on opportunities help us to not only put caring into action, but also help to build genuine and authentic relationships between our people and between our company and the communities where we operate.



give together.

In 2015, staff in North America, Europe and Australia took part in corporate and team days of caring amounting to 1,995 hours of volunteering during company time. This is largely consistent with 2014's figures, and demonstrates our staff's continued commitment to the community.

Is there anything unique or unusual about this organization that makes it a great place to work?

What Vermilion employees had to say:

“Vermilion is great at giving its employees opportunities to give back to the community. Even through these tough economic times they continue to be stewards in helping the community.”

“The emphasis placed by the management and employees to giving back through charitable works to each and every community that the company operates in is unique and exceptional, based on my 25+ years experience in this industry.”

“Community involvement participation and encouragement by everyone is amazing.”

“The organization has a focus on giving back to the community. Even in hard times, they keep up with the work they do to support those in need.”

“One of the best things about Vermilion is the giving back to the community. The Days of Caring this year were at Woods Homes to help troubled kids. It’s great to see what a team of people can do in a day. Not only is it a chance to work with others from different departments but there is a real sense of satisfaction at the end of the day knowing that we have made a difference. The management is very approachable and down to earth. They really do care about us.”

“Commitment to community investment, especially for company this size. Focus on sustainability - company wants to be a leader. New Year’s Party at Chateau Lake Louise for employees and their families - includes babysitting and age-appropriate children’s parties. Geographical diversity (in politically stable areas) of our operations makes for interesting work. Our work group is involved in the community and respected for both our community work and in the manner we conduct our business.”

Sustainable Funding Model for Community Investment

In 2015, we developed a sustainable funding model for our Vermilion Ways of Caring program. The model uses a formula that links the community investment budget to key business performance metrics. We believe this will help provide stable funding for community investment over time, link investing in our communities with company success, level out one-time spikes or drops in annual revenue, align Vermilion with other community investment leaders, and position Vermilion as a company that leads by example.

Top 5!

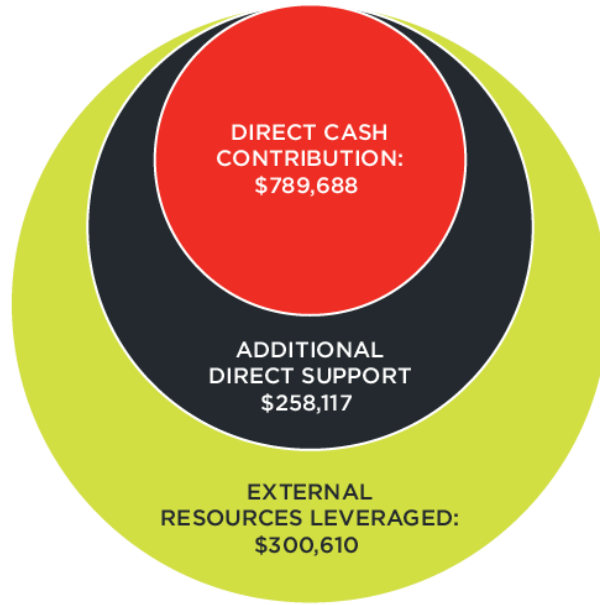
United Way of Calgary & Area recognized our 2015 workplace campaign’s backpack mountain as one of its “Top 5 Campaign Moments” – our staff filled some 200 backpacks for Inn from the Cold, a local charity that focuses on supporting families that are homeless.

London Benchmarking Group (LBG) Canada



We have been a LBG Canada member since 2012. We report the value of our community

investments using LBG's standard "circles" of investment, in an effort to more fully reflect our total contribution to the communities where our people live and work:



TOTAL VALUE OF COMMUNITY INVESTMENT IN 2015

\$1,348,415

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

Wood's Homes

Vermilion Energy Family Centre

The Whole Family Treatment program at the Vermilion Energy Family Centre opened its doors to the first family in June of 2015 as part of a pilot project funded by the



Wood's Homes Foundation. It is an intensive, short-term program for families from across Canada, many of whom have exhausted all of their resources, including those in the communities where they live. Families who come to the program are struggling with complex issues including mental illness, crisis management, parenting strategies, and child development.

While families are participating in treatment, the upper level of the Vermilion Energy Family Centre is a home-away-from-home, a place where they can address difficult issues in a home-like setting. The lower level of the Vermilion Energy Family Centre provides clinical space for therapists and Family Support Counsellors to complete assessments and have skill building meetings with families.

We are proud of the groundbreaking role that the Vermilion Energy Family Centre is helping to play in delivering family-centred treatment. That role is important, because while whole family treatment is an option that is growing in other countries, such as Australia and the United States, there is only one similar program available in Canada.

We recognize the link between mental health and risk factors for living in poverty or becoming homeless. In 2013, we chose to commit \$1 million to help create the Vermilion Energy Family Centre at the Bowness campus of Wood's Homes because we believe that investing in the well-being of children and their families is a key factor in preventing the issues of homelessness and poverty from becoming an even greater societal problem.

YWCA of Calgary

The Vermilion Energy / YWCA Employment Resource Centre (ERC) continues to be a vibrant and busy employment centre serving a diversity of women from different cultural

backgrounds, a variety of career streams, and a full assortment of education and training needs.



The Vermilion Energy / YWCA Employment Resource Centre (ERC) provides an important service to the community. Poverty affects 1 in 10 Calgarians directly, and all of us indirectly. Across demographic groups – such as aboriginals, visible minorities, people with disabilities, single parents and recent immigrants – women experience higher rates of poverty than men. In 2015, 58% of the women served across all program areas at the YWCA of Calgary were unemployed and 75% had a net income of less than \$25,000 per year (about \$2,000 per month, before taxes).

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. In 2013, recognizing the changing economic and employment climate in Calgary and a critical need to serve greater numbers of women, the Skills Training Centre transitioned to become the Employment Resource Centre.

In the past year, the ERC made service delivery changes to meet the needs of women and address staffing constraints. The 'informal' drop-ins for computer use and job searches were replaced with an increased focus

on 'formal,' in-depth services with career coaching; one-on-one time with clients; and employment skills supports. The intake model shifted to a group approach in order to streamline processes and provide opportunities for networking for clients. Group job search sessions were also introduced.

Since its inception in June 2013, the ERC has served 781 clients, in a variety of ways, including 308 employability workshops and 33 skills-for-life workshops, and 398 client consultations and 274 1-on-1 career coaching sessions.

Of the women who took part in employability workshop surveys from October to December 2015, 100% responded that the workshops helped increase their awareness of their employability skills and 97% of respondents reported feeling more confident in their ability to find employment.

Client Story

Sarah came to the ERC group intake in December 2015 and expressed that working through the immigration process for four years was like feeling confined. Sarah said she was not able to go home, as she would not be let back into Canada, and she was unable to work as she did not have the immigration status required or a work permit. Sarah attended all of the ERC workshops and has been engaged in the ERC Job Club. She has found a job already; in fact, when she attended an interview, the interviewer hired her on the spot for a job within the store. Sarah has worked hard and built her confidence and is employed now.

United Way



United Way
Calgary and Area

United. Building a great city for everyone.

We believe that for a city to be great, it has to be great for everyone, which is why we have been organizing an annual United Way workplace campaign since 1998.

Our 2015 campaign raised \$363,377, which is approximately 95% of our 2014 campaign total.

We are proud of this achievement, particularly given the uncertain economic times that Calgarians continue to face as a result of the challenges we are facing in our industry.

We are very proud that in our 20 years of support to United Way, our workplace campaigns have raised over \$3.3 million for the community. One of the reasons that we have been a steadfast United Way supporter is because we believe no single organization can tackle systemic issues alone. United Way brings together all areas of community – business, government, academia, school boards and others – to address social issues at the root cause and develop long-term strategies to solve them.



Days of Caring Around the World

Oxbow, Saskatchewan

Over two days in July 2015, staff in our Saskatchewan district installed fencing around the perimeter of a playground at Oxbow Elementary School. From a safety aspect, this was an important project for the school. In addition to providing the labour, which would have been a significant expense to the school, we also purchased the fencing material.



Calgary, Alberta

Our 2015 Corporate Day of Caring took place on Wednesday, May 20 at the Bowness and Parkdale campuses of Wood's Homes. More than 120 volunteers came out to help out with the upkeep and beautification of these campuses.



Parentis, France

Over several days in the summer of 2015, Vermilion staff in France helped with the herculean task of

trying to eradicate an invasive plant species along the marshy edges of Parentis Lake.



The Netherlands

In September 2015, 36 staff participated in one of four projects in support of two local foodbanks and two branches of a well-respected conservation organization: Foodbank Harlingen, Foodbank Waalwijk, Fryske Gea Alde Feanen, and Fryske Gea Katlijk



Perth, Australia

In September 2015, 11 staff volunteered at a St. Bartholomew's House mental health support services residence, which provides accommodation for people living with mental illness who need 24-hour support in order to live independently in the community. The team helped build a kitset chicken coop, constructed a herb garden, planted fruit trees for the residents to enjoy, and tidied up the garden beds.



Denver, Colorado

Staff in our US Business Unit organized three Days of Caring in 2015. Two of these projects supported the Food Bank of the Rockies, and the other supported the Denver Boys and Girls Club.

