

## TERMS OF REFERENCE FOR THE BOARD

### I. INTRODUCTION

- A. The Board's primary responsibility is to foster the long-term success of Vermilion Energy Inc. (the "Corporation")<sup>1</sup> consistent with the Board's responsibility to the shareholders to maximize shareholder value.
- B. The Board of Directors has plenary power. Any responsibility not delegated to management or a committee of the Board remains with the Board.
- C. These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

### II. COMPOSITION AND BOARD ORGANIZATION

- A. Nominees for directors are initially considered and recommended by the Governance and Human Resources Committee of the Board, approved by the entire Board and elected annually by the shareholders of the Corporation.
- B. At least two-thirds of the directors comprising the Board must qualify as independent directors<sup>2</sup>.
- C. Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees will be as set forth in their terms of reference, as amended from time to time.

### III. DUTIES AND RESPONSIBILITIES

#### A. Managing the Affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described in detail in Section IV. Subject to these legal obligations and to the Articles and By-laws of the Corporation, the Board retains the responsibility for managing its own affairs, including:

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<sup>1</sup> Reference to the Corporation's operations and employees and matters related thereto shall include the Corporation's subsidiaries, as applicable.

<sup>2</sup> The Board has adopted the meaning of "Independent" from NI 52-110, which is included as an appendix to the Board Operating Guidelines, Tab 6.

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- i) planning its composition and size;
- ii) selecting and setting the terms of reference for the Chairman of the Board;
- iii) nominating candidates for election to the Board;
- iv) appointing committees;
- v) determining director compensation; and
- vi) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

### **B. Management and Human Resources**

The Board has the responsibility for:

- i) the appointment and succession of the Chief Executive Officer (the "CEO") and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
- ii) approving terms of reference for the CEO;
- iii) satisfying itself as to the integrity of the CEO and the other executive officers and that the CEO and the other executive officers create a culture of integrity throughout the organization;
- iv) in consultation with the CEO, approve annual objectives that the CEO is responsible for meeting;
- v) reviewing CEO performance at least annually, against agreed upon written objectives;
- vi) approving decisions relating to senior management including the:
  - a) appointment and discharge of officers;
  - b) compensation and benefits for executive officers;
  - c) CEO's acceptance of public service commitments or outside directorships; and

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- d) employment contracts, termination and other special arrangements with executive officers, or other employee groups.
- vii) ensuring succession planning programs are in place, including programs to train and develop management;
- viii) approving certain matters relating to all employees, including:
  - a) the annual salary policy/program for employees;
  - b) new benefit programs or material changes to existing programs; and
  - c) pension fund investment guidelines and the appointment of pension fund managers, if applicable.

### C. Strategy and Plans

The Board has the responsibility to:

- i) participate with management, in the development of, and ultimately approve, the Corporation's strategic plan;
- ii) approve annual capital and operating budgets which support the Corporation's ability to meet its strategic objectives;
- iii) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Corporation;
- iv) approve material divestitures and acquisitions; and
- v) monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

### D. Financial and Corporate Issues

The Board has the responsibility to:

- i) with consideration to the recommendation of the Audit Committee, nominate an External Auditor for approval by shareholders; and if the Board does not adopt the Audit Committee's recommendation

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- for External Auditor, ensure this fact is disclosed in the Annual Information Form or Proxy Statement & Information Circular;
- ii) with consideration to the recommendation of the Audit Committee, approve the compensation of the External Auditor; and if the Board does not adopt the Audit Committee's recommendation, ensure this fact is disclosed in the Annual Information Form or Proxy Statement & Information Circular;
  - iii) take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
  - iv) review operating and financial performance relative to budgets or objectives;
  - v) approve annual and quarterly financial statements, related Management's Discussion & Analysis and related press releases and approve release thereof by management;
  - vi) approve the Management Proxy Circular in respect of annual and special meetings, Annual Information Form and documents incorporated by reference therein;
  - vii) declare and approve dividends;
  - viii) approve financings, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and indentures; and
  - ix) approve the commencement or settlement of litigation that may have a material impact on the Corporation.

### **E. Business and Risk Management**

The Board has the responsibility to:

- i) ensure management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;
- ii) assess and monitor management control systems:

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- a) evaluate and assess information provided by management and others (e.g., internal and external auditors) about the effectiveness of management control systems; and
- b) understand principal risks and determine whether the Corporation achieves a proper balance between risk and returns.

### **F. Policies and Procedures**

The Board has the responsibility to:

- i) approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;
- ii) direct management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- iii) adopt a written Code of Business Conduct and Ethics (Tab 7); and
- iv) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment, health and safety).

### **G. Compliance Reporting and Corporate Communications**

The Board has the responsibility to:

- i) ensure the Corporation has in place effective communication processes with shareholders and other stakeholders, the public in general and financial, regulatory and other recipients;
- ii) approve interaction with shareholders on all items requiring shareholder response or approval;
- iii) ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- iv) ensure the financial results are reported fairly and in accordance with applicable accounting and reporting standards;

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- v) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- vi) report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report, Information Circular and/or Proxy Statement & Information Circular).

**IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS**

**A.** The Board is responsible for:

- i) directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained; and
- ii) approving matters requiring shareholder approval at shareholder meetings.

**B.** Legal requirements for the Board include:

- i) to act honestly and in good faith with a view to the best interests of the Corporation; and
- ii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances.