

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

**I. PURPOSE**

- A. At Vermilion Energy Inc. (the "**Corporation**"), corporate governance means the process and structure used to supervise the business and affairs of the Corporation with the objective of enhancing shareholder value, which includes insuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, the board of directors and management.
- B. The main purposes of the Governance and Human Resources Committee (the "**Committee**") are:
  - i. to provide a focus on governance that will enhance the Corporation's performance, to assess and make recommendations regarding Board effectiveness and to establish and lead the process for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors; and
  - ii. to assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management.

**II. COMPOSITION AND OPERATIONS**

- A. The Committee shall be composed of not fewer than three directors and not more than five directors, all of whom are independent directors.
- B. The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in the Board Manual.
- C. The Committee shall meet at least two times per year, provided that at least one of the meetings shall be scheduled to review the corporate governance disclosure and compensation discussion and analysis required to be included in the management information circular relating to the elections of directors pursuant to applicable securities laws.

**III. GOVERNANCE DUTIES AND RESPONSIBILITIES**

The Committee has the responsibility to:

- A. Review the Corporation's structures and procedures to ensure the Board is able to, and in fact does, function independently of management.
- B. Review periodically, for Board approval, a Board Manual outlining the policies and procedures by which the Board will operate and the terms of reference for the Board,

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the Chairman, the Lead Director, the President and Chief Executive Officer (the "**President & CEO**"), a director and Committees.

- C. Assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to the Board as required.
- D. In consultation with the Chairman, Lead Director and the President & CEO, recommend committee members and committee chair appointments to the Board for approval and review the need for, and the performance and suitability of, those committees and make recommendations as required.
- E. At least annually, review and consider the Board's current and long term composition by taking into account:
  - i. the size of the Board;
  - ii. the particular competencies and skills ideal for the Board, including requirements to staff certain Board committees;
  - iii. the competencies and skills each existing director possesses; and
  - iv. personality and other qualities of each director, as these qualities may determine and contribute to the boardroom dynamic.
- F. In consultation with the Chairman, the Lead Director and the President & CEO, the Committee shall recommend to the Board nominees for election as members of the Board and its subsidiaries, keeping in mind the competencies and skills each new nominee will bring to the Board.
- G. Review, monitor and make recommendations regarding the orientation and ongoing development of directors.
- H. Annually review the directors' compensation program and make any recommendations to the Board for approval.
- I. Implement evaluations of the Board, the Chairman, the Lead Director, Board committees and individual directors as outlined in the Board Evaluation Process.
- J. Ensure there is a system that enables a committee or director to engage separate independent counsel in appropriate circumstances, at the Corporation's expense, and be responsible for the ongoing administration of such a system.
- K. Oversee the Corporation's Code of Business Conduct (the "**Code**"), including:

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- i. periodically review the Code and recommend any necessary revisions to the Board;
  - ii. ensure the Code is filed on SEDAR annually and within 30 days of any amendments to the Code;
  - iii. ensure a system to monitor compliance with the Code is in place and receive reports on that system;
  - iv. lead the Board in considering any explicit or implicit waivers of the Code, and ensure any waivers that are approved by the Board are reported to meet regulatory requirements; and
  - v. oversee the Corporation's Disclosure Committee.
- L. Oversee the Corporation's Reporting of Inappropriate Activity Policy including:
- i. periodically reviewing the policy and recommending any necessary revisions to the Board;
  - ii. implementing a system to monitor complaints reported pursuant to the policy;
  - iii. ensuring that all complaints are fully investigated and responded to in an appropriate manner; and
  - iv. reporting to the Board on complaints reported under the policy and the manner in which such complaints were resolved.
- M. Ensure that the Corporation's governance disclosure material is accurate and meets or exceeds all regulatory guidelines, including but not limited to:
- i. confirm that the Board has approved a position description for the President & CEO that is used in assessing the performance of the President & CEO;
  - ii. independence of the Board and its committees;
  - iii. establishment of all required and recommended Board committees;
  - iv. description of Board, committee and individual director evaluation process; and
  - v. ensure that all documents that are required to be publicly disclosed are available on the corporate web site, or in hardcopy by request, including but not limited to:

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- a. Terms of Reference for the Board of Directors;
  - b. Terms of Reference for the Chairman;
  - c. Terms of Reference for the Lead Director;
  - d. Terms of Reference for Board committees, with the added responsibility of ensuring the Terms of Reference for the Audit Committee are included in the Corporation's Annual Information Form.
- N. Appoint members of the Disclosure Committee.
- O. Recommend to the Board any reports on corporate governance that may be required or considered advisable.
- P. At the request of the Board, undertake such other corporate governance initiatives as may be necessary or desirable to contribute to the success of the Corporation.
- Q. Annually review 'Say on Pay' Advisory Vote Policy to ensure it is effective in achieving its objectives and make a recommendation to the Board.
- R. Annually review the effectiveness of "Diversity Policy" and its disclosure in the management proxy circular.

### IV. HUMAN RESOURCES DUTIES AND RESPONSIBILITIES

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

- A. Review and recommend for Board approval, corporate goals and objectives for the President & CEO to be considered in determining his or her compensation and performance evaluation.
- B. Recommend a performance evaluation process for the President & CEO and, when approved, lead the implementation of the process, and approve and recommend to the Board for approval, the President & CEO's compensation based on this evaluation.
- C. Review and recommend to the Board for approval the compensation philosophy, guidelines and plans for the Corporation's employees and executives.
- D. Review and consider the risk implications of the Corporation's compensation policies and practices.
- E. In consultation with the President & CEO, review the appointment of and make recommendations to the Board regarding the compensation, including the Vermilion Incentive Plan, incentives and bonuses and benefit plans for the executive officers, other than the President & CEO.

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- F. Review the Vermilion Incentive Plan with the President & CEO including:
  - i. designation of the employees who will participate; and
  - ii. share availability.
- G. Review with the President & CEO existing management resources and plans, including recruitment and training programs, to ensure that qualified personnel will be available for succession to executive positions and report on this matter to the Board at least once each year.
- H. Review and endorse major changes in the organizational structure of management as proposed by the President & CEO.
- I. Consider and approve any changes to the Employee Bonus Plan and the Employee Savings Plan, and recommend any such changes for approval to the Board.
- J. Review and recommend to the Board for approval, the "Governance and Compensation Committee Reports" for publication in public disclosure documents.
- K. Review with the President & CEO any significant public service commitments and/or outside Board appointments being considered by the President & CEO.

### V. ACCOUNTABILITY

- A. The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on governance and human resource matters relative to the Corporation.
- B. The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.
- C. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by it. The Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor to the Committee, and the authority granted in the Terms of Reference for the Committee shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under the Terms of Reference for the Committee. The Corporation shall provide appropriate funding, as determined by the Committee, for payment of reasonable compensation to any compensation consultants, outside legal counsel and any other advisors retained by the Committee.

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In retaining or seeking advice from compensation consultants, outside counsel and other advisors (other than the Corporation's in-house counsel), the Committee shall take into consideration all factors relevant to that person's independence from management, including the following factors:

- i. the provision of other services to the Corporation by the person that employs the compensation consultant, legal counsel or other adviser;
- ii. the amount of fees received from the Corporation by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- iii. the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- iv. any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
- v. any stock of the Corporation owned by the compensation consultant, legal counsel or other adviser; and
- vi. any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Corporation.

After considering the independence factors outlined above, the Committee may retain, or receive advice from, any compensation consultant, outside legal counsel or other advisor it prefers, including ones that are not independent.

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	Task	Meeting <sup>(1)</sup>			
		Q1	Q2	Q3	Q4
	<b>Governance Duties and Responsibilities</b>				
<b>A.</b>	Review structures and procedures to ensure Board independence	✓			
<b>B.</b>	Review Board Manual and the terms of reference for the Board, President & CEO, director and Committees				✓
<b>C.</b>	Assess frequency and location of meetings, meeting agendas, discussion papers, reports and information, conduct of meetings	<i>As needed.</i>			
<b>D.</b>	Recommend committee member and chair appointments and review the need for, and the performance and suitability of committees	<i>As needed.</i>			
<b>E.</b>	Recommend Board composition requirements	<i>As needed.</i>			
<b>F.</b>	Recommend nominees for election as directors	<i>As needed.</i>			
<b>G.</b>	Review director orientation and development	<i>Ongoing.</i>			
<b>H.</b>	Review director compensation program				✓
<b>I.</b>	Board, Committee, Chairman and Lead Director evaluation and Director Skills Matrix				✓
<b>J.</b>	Ensure a system that enables a committee or director to engage separate independent counsel	<i>Ongoing.</i>			
<b>K.</b>	Oversee Code of Business Conduct including:				
	i. review the code and recommend revisions				✓
	ii. ensure Code is filed on SEDAR	<i>Ongoing.</i>			
	iii. ensure compliance with the Code.	<i>Ongoing.</i>			
	iv. lead the Board in considering any explicit or implicit waivers of the Code	<i>As needed.</i>			
	v. oversee Disclosure Committee	<i>Ongoing.</i>			
<b>L.</b>	Oversee the Corporation's Policy for Reporting of Inappropriate Activity (" <b>Whistleblower Policy</b> ")	<i>Ongoing.</i>			
<b>M.</b>	Ensure governance disclosure is accurate:				
	i. confirm position description of the President & CEO				✓
	ii. independence of the Board and its committees	✓			
	iii. establishment of all required and recommended Board committees;	<i>As needed.</i>			
	iv. description of Board, committee and individual director evaluation process;				✓
	v. all documents require to be publicly disclosed are posted on corporate website	<i>Ongoing.</i>			

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<b>N.</b>	Appoint members of Disclosure Committee	<i>As needed.</i>			
<b>O.</b>	Recommend any report on corporate governance	<i>As needed.</i>			
<b>P.</b>	Other initiatives, at the request of the Board	<i>As needed.</i>			
<b>Q.</b>	Review 'Say on Pay' Advisory Vote Policy to ensure it is effective in achieving its objectives	✓			
<b>R.</b>	Review effectiveness of Diversity Policy and disclosure in the management proxy circular				✓
	<b>Human Resources Duties and Responsibilities</b>	Q1	Q2	Q3	Q4
<b>A.</b>	Review corporate goals and objectives	✓			✓
<b>B.</b>	President & CEO Evaluation and recommendation to the Board for approval of the CEO's compensation based on such evaluation	✓		✓	✓
<b>C.</b>	Review compensation guidelines	✓			✓
<b>D.</b>	Review and consider the risk implications of the Corporation's compensation policies and practices	✓			✓
<b>E.</b>	Review appointment and recommend to the Board for approval the compensation for the executive officers other than the President & CEO	✓			
<b>F.</b>	Review Vermilion Incentive Plan (i) designation of employees who will participate; and (ii) share availability	✓			✓
<b>G.</b>	Review management resources and plans				✓
<b>H.</b>	Review and endorse major changes in the organizational structure	<i>As needed.</i>			
<b>I.</b>	Consider and approve any changes to the Employee Bonus Plan and the Employee Savings Plan, and recommend any such changes for approval to the Board.	✓			✓
<b>J.</b>	Review Governance and Compensation Committee Reports for purposes of Proxy disclosure	✓			
<b>K.</b>	Review any significant public service commitments for the President & CEO	<i>As needed.</i>			

**Note:**

1. Pursuant to the Terms of Reference for the Governance and Human Resources Committee, the Committee is required to meet at least twice annually.