

TAKE A CLOSER LOOK →

2010
CORPORATE RESPONSIBILITY REPORT

Encana

CORPORATE RESPONSIBILITY REPORT

As a low-cost, high-growth, senior natural gas producer, we at Encana Corporation made major strides in 2010 in pursuit of long-term value creation through a culture of discipline and innovation. We recognize that what counts in business is not only what we do as a company, but how we go about doing it.

Going about our business the right way is important to us, which is why we have a comprehensive corporate responsibility platform. We know that our sustainability is determined by the choices we make in growing our business to meet energy demand.

“Good corporate governance and corporate responsibility practices benefit Encana’s business and enhance shareholder value.”

David P. O’Brien
Chairman of the Board,
Encana Corporation

WHAT IS ENCANA’S CORPORATE RESPONSIBILITY COMMITMENT?

At Encana, we are committed to increasing value for our shareholders by mitigating our environmental impact and measuring and improving our performance. As an accepted member of the communities where we operate, we strive for progressive risk management through responsible operations, sincere actions and maintaining open, honest dialogue with our stakeholders.

OUR CORPORATE RESPONSIBILITY VISION

At Encana, we create value for our shareholders, are accountable to our stakeholders and remain steadfast in our role as an industry leader in workplace safety, environmental stewardship and social responsibility.

OUR THREE OVERARCHING CORPORATE RESPONSIBILITY GOALS

1. identify emerging issues and provide insight, guidance and direction to help manage and mitigate potential risk
2. identify and optimize opportunities that help build long-term relationships
3. be accountable, act with integrity and fulfill our commitments

WHERE WE’RE HEADED

Building on our past successes, we are committed to improving the methods and measurement of our performance. We will continue to evaluate the ways we measure environmental, social and governance data and seek ways to communicate this information to our shareholders. We will remain accountable through transparent reporting, ensuring that the ways we measure and report are aligned with our business and operational goals and by effectively engaging our stakeholders. Whether you are a shareholder, an employee or a member of the community, we hold ourselves accountable to you.

ABOUT THIS REPORT

This report is part of our commitment to transparency. For our 2010 Corporate Responsibility Report, we’ve focused on demonstrating how the outcomes of our policies and practices are interconnected with delivering shareholder value and mitigating risk. For additional details about our corporate responsibility performance, please visit www.encana.com/cr2010.

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A message from the

PRESIDENT & CEO

Randy Eresman
President & Chief Executive Officer
Encana Corporation

In 2010, our first year as a pure-play natural gas producer, we developed numerous initiatives at Encana that refined, evolved and sharpened the way we do our business and how we earn and maintain the trust of the people with whom we deal. In this report we invite you to take a closer look at Encana. Is our company a safe and healthy place to work? Do communities welcome our investment and activity? What happens to the environment in and around our operating areas? What benefits do we bring to those places where we operate? These are the types of questions that help to measure how responsible we are.

I encourage you to page through the various stories and illustrations of how we have evolved in 2010. Leading the way was a revision to our corporate responsibility policy, which involved developing stand-alone policies on environment, and health and safety. Along with these expanded policies, we established our Ethos management system, a new tool that helps us measure, track, and understand our environment, health & safety performance.

At the very core of our culture is a clear dedication to earning people's trust. When people see the Encana name or logo, we want them to know Encana is a trustworthy company, one staffed by people who can be relied upon to act with integrity, as a natural gas producer that keeps safety top of mind, mitigates environmental impact from its operations, and has meaningful engagement with stakeholders.

UNDERPINNED BY RISK MANAGEMENT

Wrapped in a framework of risk management practices, our on-going pursuit of responsible operations is aimed at a series of key strategies and objectives that include: minimizing our impact on the environment, maintaining a premium safety culture,

operating ethically and within the law, being a good neighbour and a respected operator, ensuring we hire and retain the best and the brightest and always striving to provide a positive impact on the communities where we operate. On page four of this report, our Chief Risk Officer, Tony DiMaio, answers key questions on our risk management approach.

WATER PROTECTION AT THE CORE OF ENCANA NATURAL GAS DEVELOPMENT

Recently, there has been much public debate about how natural gas companies use water and hydraulic fracturing in their operations. We employ proven engineering, design and operational practices to ensure we protect groundwater and minimize our environmental impact before, during and after our drilling processes. On page 16 of this report, on our website and in our 2010 Annual Report, we outline real water management projects and operations that illustrate how we responsibly source, use, transport and dispose of water. We are also supporting independent research that we know will help advance and improve our practices in the years ahead.

IMPROVED SAFETY PERFORMANCE IN 2010

One of our most fundamental goals for each year is to improve our safety performance. At Encana, our core safety principle is: if we can't do something safely, we don't do it. In 2010 we achieved our lowest recordable injury rate in Encana's history and we had no fatalities in our operations. This is a strong achievement and we hope to continue this trend.

INVESTING IN EDUCATION AND INNOVATION

Also in 2010, we refined our approach to community investment, sharpening our investments to focus on environment and education. Part of this education includes helping the public understand the benefits of expanding natural gas use in our society, particularly in power generation and transportation. While these are long-term initiatives that grow incrementally, it is this investment in education and environmental innovation that empowers individuals to make informed choices that will protect the environment. We believe natural gas use is one of those highly beneficial choices.

IMPROVING PROJECT EFFICIENCIES AND REDUCING ENVIRONMENTAL IMPACT

As we look ahead to 2011 and beyond, we will continue to relentlessly strive to improve our environmental performance and the efficiency of all our operations. In our most focused operations, resource play hubs, we are drilling and completing several wells from a single pad location. This innovative approach to natural gas development captures numerous efficiencies and is directly aimed at helping achieve our core focus of lowering production costs. This means that savings in emissions or water use not only benefit project economics, but also reduce our environmental impact; this is a win-win for all.

While Encana is a leading natural gas producer, we are also an energy consumer. So I invite you to take a closer look at what I believe is one of our most promising opportunities for enhancing not only our own environmental performance, but also in influencing a global transition towards new and

less impactful energy solutions. The fuel supply systems on several of our drilling rigs and our field trucks have been modified to burn natural gas. This has resulted in an instant reduction of about 25 percent in carbon emissions compared to burning diesel. We have also taken some initial steps to improve the environmental performance of our own transportation needs. By the end of 2011, we expect to have completed the construction of five natural gas fuelling stations in Louisiana, Colorado, Wyoming, Alberta and British Columbia. Others are joining in, as one of our water hauling service companies in Louisiana has ordered 200 new trucks fuelled by liquefied natural gas. Governments and municipalities across North America are looking for new ways to save money and cut emissions by converting more fleet vehicles to run on natural gas, and the major automakers are exploring the production of trucks and vans fuelled by compressed natural gas. This is just a start, but it marks a promising path that can help all of us contribute to a more sustainable world.

While our report contains numerous stories of how we are continually working to improve our performance, an important measure is independent assessment of our company's performance. For the fifth year in a row, Encana was named to the Dow Jones Sustainability World Index and we earned the title of "sustainability leader" in the oil and gas industry. While we hope to continue to earn such notice from independent organizations, it is vitally important that similar approvals continue to come from every person that comes in contact with our company and our people.



Randy Eresman
President & Chief Executive Officer
Encana Corporation

FINANCIAL AND OPERATING PERFORMANCE

YEAR-END HIGHLIGHTS

FINANCIAL HIGHLIGHTS			OPERATIONAL HIGHLIGHTS		
(US\$ millions, except per share amounts)	2009 ⁽¹⁾	2010	After Royalties	2009 ⁽¹⁾	2010
Revenues, Net of Royalties	6,732	8,870	Production		
Cash Flow ⁽²⁾	5,021	4,439	Natural Gas (MMcf/d)		
Per Share – Diluted	6.68	6.00	Canada	1,224	1,323
Net Earnings	749	1,499	USA	1,616	1,861
Per Share – Diluted	1.00	2.03	Total Natural Gas (MMcf/d)	2,840	3,184
Operating Earnings ⁽²⁾	1,767	665	Canada	15,880	13,149
Per Share – Diluted	2.35	0.90	USA	11,317	9,638
Total Capital Investment	3,755	4,773	Total Oil & NGLs (bbls/d)	27,197	22,787
Net Acquisition and Divestiture Activity	(815)	(150)	Total Production (MMcfe/d)	3,003	3,321
Net Capital Investment	2,940	4,623			
Dividends Per Common Share	0.80	0.80			
Dividend Yield (%) ⁽³⁾	2.0	2.7			
Debt to Capitalization (%) ⁽²⁾	32	31			
Debt to Adjusted EBITDA (times) ⁽²⁾	2.1	1.4			

⁽¹⁾ Reflects Pro Forma results.
⁽²⁾ Non-GAAP measures as referenced in the Advisory on page 29.
⁽³⁾ Based on NYSE closing price at year-end.

“Our continued recognition as a world leader in sustainability shows that our initiatives around responsible development – including those pertaining to Environment, Health & Safety and our stakeholders – are well-balanced with our economic achievements. It reflects the daily efforts our people undertake to ensure we conduct our business in the most responsible and sustainable fashion possible.”

Dave Lye

Vice-President, Corporate Environment, Health & Safety, Security & Corporate Responsibility

RISK MANAGEMENT AT ENCANA

AN INTERVIEW WITH TONY DIMAIO, VICE-PRESIDENT & CHIEF RISK OFFICER

Risk: The chance of something happening, measured in terms of probability and impact, that will affect the achievement of business or strategic objectives.



At Encana, we are well aware that businesses face risks every day. We accept that there is inherent risk in operating a leading North American business like Encana; however, we strive to minimize risk through prevention and diligence related to operational aspects in our control.

As part of our focus on sustainability, we've adopted a comprehensive approach to evaluate and understand risk in order to maximize return and minimize negative impacts. We have a risk management approach in place that is structured, disciplined and pervasive. We create and preserve value by preparing for and managing the uncertainties inherent in a global business climate and our own operations. It's ingrained in our business. In the following interview, Tony DiMaio, Vice-President & Chief Risk Officer, sheds light on the pervasive risk management culture at Encana.

Q HOW DO YOU MANAGE YOUR RISKS AT ENCANA?

A We incorporate risk management principles into virtually every aspect of our business. For example, our corporate governance policies and practices are effective in assessing and mitigating potential risks and impacts arising from our activities. Furthermore, compliance with all applicable regulatory requirements is our priority. We often go beyond those requirements where we see opportunities to reduce our risk. We are also committed to the highest standard of transparency in our reporting.

Q WHAT TYPES OF RISKS IS ENCANA FOCUSED ON?

A While our risk management strategies are focused on enhancing our bottom line, there are many components that go well beyond the financial statements. Risks such as capital cost overruns or changing commodity prices are always on our radar. In addition to these financial risks, we also face operating risks related to reservoir performance, gaining land access, regulatory changes and environmental, health and safety performance. We are well aware that we must mitigate risks to maintain our social license to operate. We engage with stakeholders at all levels to ensure we are addressing the wide variety of internal and external risks to our overall financial performance.

Q WHAT ARE SOME OF THE STRATEGIES ENCANA USES TO MANAGE RISK?

A At the company-wide level, our budget and strategic plans are prepared under a variety of scenarios to incorporate financial and operating risks. As well, Encana's compensation program is designed to reward a balanced approach to risk-taking. Incentives are linked to short and long-term performance using a variety of criteria, including those that are explicitly linked to environmental, regulatory and safety performance.

We continuously evaluate and update our strategies in order to prepare for new and potential risks as they arise. It's how we operate.

Q WHY DOES ENCANA PLACE SO MUCH EMPHASIS ON RISK MANAGEMENT?

A In any business, there is a cost associated with managing risk. If you don't identify risks and plan for them, they can harm your business; however, if you identify and plan for risks, you can often improve your business and operations. For example, improved safety and environmental performance has a positive impact on our bottom line.

Q HOW DO STAKEHOLDERS AFFECT ENCANA'S RISK MANAGEMENT STRATEGIES?

A Stakeholders have a direct impact on our social license to operate. As a large organization, we face many external and internal risks. Our ability to anticipate, prevent and manage risk has come under increased scrutiny by all stakeholders. We work hard to be a good neighbour and corporate citizen. We consider relationships with our stakeholders in our core business strategies as we strive to continuously improve our performance and mitigate any impacts our operations may have. All stakeholders expect us to have an entrenched and evolving risk management culture. By effectively engaging our stakeholders, we can learn, respond and improve the way we do business. Throughout the company, we're focused on maintaining positive and productive stakeholder relationships every day.

Q HOW DOES ENCANA ENSURE ITS RISK MANAGEMENT STRATEGIES ARE WORKING?

A Risk management is a top priority at the Executive level and with the Board of Directors. A quarterly risk report is prepared and presented to the Board highlighting our top five risks. A more comprehensive report of risks, grouped by financial, operational and strategic risks, is presented to the Board annually. These reports summarize our risks and the approach being taken to address them. In addition, detailed reports, including risk analysis, are prepared and presented to sub-committees of the Board, including the Corporate Responsibility, Environment, Health & Safety Committee, the Audit Committee and the Reserves Committees. Our leaders are focused on risk management and that commitment extends throughout the organization.



GOVERNANCE

At Encana, governance is about defining expectations, verifying our performance and being accountable. We do that with consistent management, cohesive policies and practices and transparent reporting.

We believe that strong corporate governance practices are good for business and translate into enhanced shareholder value. We maintain a comprehensive, multi-faceted corporate governance program. We continually assess and update our practices where necessary to help ensure the continued achievement of our objectives.

Our corporate governance practices are a component of a larger corporate responsibility philosophy. While our corporate governance and other practices are designed to ensure that we comply with applicable legal requirements, these practices are also aimed at enhancing stakeholder confidence.

WHAT WE'VE DONE

- realigned the Corporate Responsibility Policy
- created separate Environment and Health & Safety policies
- realigned the Environment, Health & Safety management system (Ethos)
- redesigned the corporate Environment, Health & Safety audit program

POLICIES RENEWED

We have an established set of business standards that clearly demonstrate the expectations we have of our employees and contractors. Our policies ensure a common understanding among our workforce of the business, legal and regulatory steps we follow. Our policies and practices support our commitment to corporate responsibility.

Following the corporate reorganization of our oil and gas businesses in 2009, we worked to realign our policies and practices with our operations. This realignment included revising the Corporate Responsibility Policy and creating separate Environment and Health & Safety policies in order to clarify and enhance our commitments in each area. Our employees are

responsible for understanding and complying with Encana's policies and practices. In 2010, all employees were required to confirm their commitment to Encana's policies and practices. In accordance with individual accountability, 100 percent of our staff signed off on the core policies and practices.

NEW ENVIRONMENT, HEALTH & SAFETY MANAGEMENT SYSTEM LAUNCHED

Our operations carry inherent environmental, health and safety risks and the ongoing improvement of our performance depends on successfully identifying and mitigating those risks. In 2010, recognizing that a systematic approach is the most effective way to address those risks, we refined and reintroduced our Environment, Health & Safety management system, called Ethos.

Ethos establishes 16 corporate-wide Environment, Health & Safety standards that clearly define how we conduct our business at Encana. These standards govern how we manage our environment, health and safety responsibilities and are designed to help us create an injury-free workplace, minimize our environmental impact and treat our neighbours with respect. These actions provide the foundation for responsible development.

Integral to those standards is the implementation of a systematic methodology called Plan, Do, Check, Act. This simple, four-step approach guides users to predictable and repeatable results and drives the continuous improvement of our processes.

Ethos also allows us to more comprehensively track and understand our environment, health and safety performance. It promotes accountability throughout the organization and all Encana staff are expected to integrate Ethos into their work – everything from conducting routine daily tasks to the execution of our development plans.



"Recognition as a world leader in sustainability reflects the commitment our employees display every day. Our commitment to sustainability permeates every aspect of the way we do business."

Bob Grant

Executive Vice-President, Corporate Development, EH&S & Reserves

NEW AUDIT PROGRAM

We redesigned our corporate Environment, Health & Safety audit program to focus on governance and management system conformance assurance. The new audit program aligns seamlessly with Ethos, ensuring the policies and practices we've developed through Ethos are meeting our objectives. We're committed to providing transparent and effective progress tracking and reporting to ensure we are continuously improving.

WHERE WE'RE HEADED

- continue training staff to use Ethos
- conduct Environment, Health & Safety audits based entirely on Ethos
- continue to improve Ethos
- improve the availability and responsiveness of the integrity hotline by adding a 24/7 call centre

OPERATING WITH INTEGRITY

At Encana, we are committed to attaining the highest standards of corporate governance. If we fall short of any of our commitments, we want to know about it. Our Integrity Hotline is one way for employees, vendors, contractors or other stakeholders to raise any concerns they may have about our company. In 2010, 93 callers called the hotline, of which 46 calls were requests for information and 47 were callers raising a concern.

Concerns Raised – Integrity Hotline in 2010



Governance

	2008	2009	2010
Business conduct investigations (new)	45	29	49
Total incidents of violations involving rights of indigenous people	0	0	0
Business Units analyzed for risk related to corruption (percentage)	100	100	100
Employees trained in Encana's anti-corruption policies and procedures (sign off on Encana's Business Conduct & Ethics Practice) (percentage)	~ 100	~ 100	~ 100
Monetary value of significant fines ^{(1) (2)} and total non-monetary sanction for non-compliance with laws and regulations	0	0	0

(1) Encana defines "significant fines" as anything over \$3 million.

(2) The amount reported for fines reflects the amount paid in the year indicated, and may include fines levied in previous years.

RECOGNITION:

Encana's focus on being a leader in governance and corporate responsibility has been recognized in a number of areas, by a number of organizations. Recent examples include:

- we were the only North American company named to the Oil and Gas Producers' sector of the 2010 Dow Jones Sustainability World Index and one of only 12 companies named to the sector worldwide. Encana was also named as a "sustainability leader" in its sector. Encana has been named in the Dow Jones Sustainability World Index for five consecutive years
- we ranked in the top one percent of more than 4,200 companies rated by GovernanceMetrics International. In 2010, Encana was awarded an overall global rating of 10.0, the highest ranking assigned by GovernanceMetrics International
- we ranked as the top Canadian firm on Corporate Knights Magazine's "Global 100 Most Sustainable Corporations in the World" list. Based on our 2010 performance, we were number 12 on the global list and the second-highest ranked energy company
- we were ranked among the world's most ethical large companies by the Ethisphere Institute. We have the honour of being one of only two Canadian companies to make this list

OUR PEOPLE

With more than 5,000 dedicated staff at Encana, our people are our strength.

Our people provide the knowledge, passion and enthusiasm that delivers value. We seek only the best and brightest and foster their learning and development through a collaborative and open work environment where leaders share knowledge, encourage learning and education and reward exceptional performance.

WHAT WE'VE DONE

- improved on-boarding processes and evaluated employment branding and market pay practices for competitiveness
- created and implemented succession planning and support for employees who took on new roles with Encana
- improved employee leadership development programs, such as PEAK Leadership
- created a robust disability management practice to return employees to work in a timely and safe manner
- completed our employee policy review and commitment process. All employees committed to 10 key policies and practices
- developed a new third-party feedback tool to evaluate employee performance
- continued and expanded Respectful Workplace Training

UNIQUE INDIVIDUALS REQUIRE FLEXIBLE BENEFITS

To attract and retain an industry-leading workforce with diverse skills and abilities, you must be an industry-leading employer. Recognizing that everyone has unique needs, we offer flexible benefits that enable employees to customize their benefits to support their home life. We offer:

- vacation time ranging from three to eight weeks depending on life experience – not just length of employment
- flexible benefits



- annual allowances provide the flexibility for employees to use company allowances in a way that is most meaningful to them, such as, but not limited to, transportation/parking, fitness club memberships and financial consulting
- company pension contributions and investment plan matching

WHAT MATTERS TO OUR EMPLOYEES MATTERS TO US

Through the Encana Cares Program we support the charities and not-for-profit organizations that our employees give their time and money to. The program matches each employee's donations dollar for dollar, up to \$25,000 per year. We also have an employee volunteer program that provides cash grants to organizations where employees and their families volunteer their time. Thanks to our employees, Encana donated more than \$2.7 million in 2010 through the Encana Cares Program.

DEVELOPING LEADERS OF TODAY AND TOMORROW

In 2010, 59 of our leaders participated in PEAK Leadership – our internal leadership program in the USA Division. PEAK Leadership is a unique, intense 12-month program where leaders enhance their skills in planning, risk mitigation, coaching and change management. Since the program began in 2007, 136 leaders have completed the program and 60 are slated to attend in 2011.

What do our leaders think of the program?

- more than 98 percent state the program is a “worthwhile investment for Encana”
- more than 89 percent have seen improvement in specific skills and behaviours
- more than 94 percent agree they are more effective leaders because of the program
- 40 percent of graduates have been promoted since the program's inception in 2007, and 25 percent have been moved into other positions to continue their career development

“Encana’s continuing success depends on good leadership. As leaders, we are fully accountable for our results; we must foster strong teams, share our skills and experience, learn from our challenges.... Leadership means the ability to inspire superior efforts and to provide the right conditions for success.”

Bill Oliver

Executive Vice-President & Chief Corporate Officer

SUSTAINABLE GROWTH DRIVEN BY A SUSTAINABLE WORKFORCE

A sustainable workforce doesn’t just focus on current skill requirements. It must preserve and pass on knowledge and experience matched to long-term business needs. By offering fulfilling and rewarding career opportunities at every stage of an employee’s career, we help to ensure the long-term benefits of a sustainable, diverse, highly skilled and highly motivated workforce.

FOSTERING RESPECT

Our goal is to foster a harassment-free workplace where everyone respects one another. To help our employees meet this goal we designed our comprehensive Respectful Workplace Training program. This program was launched in our Canadian Division in 2009 and in 2010 we expanded it to our Canadian corporate groups and field locations. In 2010, 428 employees completed the training.

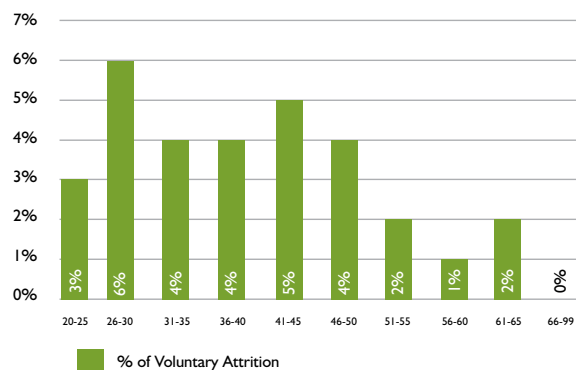
WHERE WE’RE HEADED

- continue to recruit those whose passion drives them to succeed and whose skills complement our business needs
- reward employee achievements that identify and reduce risk
- focus on accountability and merit-based rewards for our employees
- continue to evolve benefits and rewards to meet employee needs
- support education and develop leadership to help employees meet personal and corporate objectives
- maintain a collaborative and cooperative work environment that encourages innovation and maximizes efficiency

EQUAL OPPORTUNITY

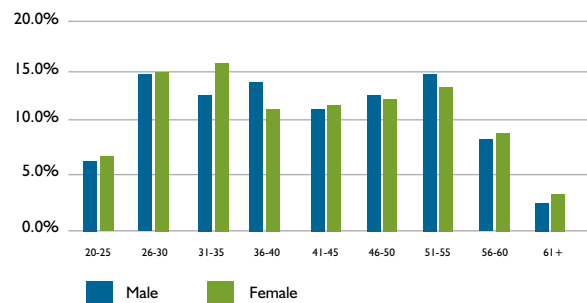
As a principle, we are committed to equal opportunity employment. When considering hiring, compensation, training and promotions, we provide consistent treatment for all employees.

Voluntary Attrition by Age Group ^{(1) (2)}



(1) Attrition numbers do not include retirements.
(2) There were 155 voluntary terminations in 2010.

Employee Breakdown by Age Group and Gender ⁽¹⁾



(1) Encana ranks in the top 90th percentile for percentage of female employees in the oil and gas sector in Canada according to Saratoga Canadian HR Benchmarking Survey - 2009.

ENVIRONMENT

At Encana, we believe that consistently strong environmental performance is a key indicator of our success. We set clear goals to find better ways to operate and constantly challenge ourselves to improve.

We live and work in the communities where we operate and we care about the impacts of energy development on the environment. Each area we work in brings its own unique environmental challenges. That's why we work closely with stakeholders to gather knowledge and develop an environmental approach that is tailored to the unique physical characteristics of each operating area. These environmental considerations are fundamental to all of our activities. We seek to minimize our environmental footprint by applying innovative technology and techniques. We work to optimize water use, ensure proper water disposal, manage air emissions and limit our physical footprint.

One way that we reduce our land disturbance is through the use of our resource play hub production model. This method of extraction utilizes a single, central 'hub' around which underground horizontal wells are drilled in a spoke-like

configuration. This technique allows us to reduce capital costs and speed up production while disturbing far less surface area. By drilling multiple wells from a single surface location, the land occupied by rigs and equipment is a fraction of conventional methods, while accessing more of the resource. The result is a collaborative, innovative process which is repeatable, reliable and reduces impacts on the surface environment.

The protection of water is also of paramount importance and we're committed to working with stakeholders to help them understand how we safeguard this precious natural resource. We carefully select our well sites to avoid wetlands and monitor the integrity of our operations to ensure the protection of groundwater.

We understand that there is a great deal of concern and a lack of understanding about the process and effects of hydraulic fracturing. We believe it is our responsibility to manage the water we use and to speak to any misunderstanding related to our practices. We're dedicated to addressing questions from our stakeholders in an honest and transparent manner.



"Encana continues to strive to reduce emissions intensity, responsibly source, handle and dispose of water, and increase efficiencies in its operations as it advances opportunities and practices aimed at increasing the use of natural gas as a cleaner energy source."

David P. O'Brien

Chairman of the Board, Encana Corporation

RESPONSIBLE PRODUCTS PROGRAM

In 2010, we developed a Responsible Products Program. The program assesses the potential health and environmental risks of each ingredient in the products used in our drilling and hydraulic fracturing fluids. Developed in concert with toxicologists and building from leading international standards and regulations, this program enables us to further our understanding of the products we use.⁽¹⁾ In developing the program, we worked with our suppliers to compile detailed product ingredient information. Product assessments have been conducted across our drilling and completions operations and we are currently analyzing the initial results. This information will help ensure we're using the most responsible products and associated risk management practices. The program also supports our commitment to encouraging suppliers to continue developing environmentally responsible products. We are committed to keeping the public informed about the products we use in our operations and what we are doing to minimize potential environmental impacts related to their use.

PARTNERING TO MITIGATE WATER CONCERNS

In 2010, we began an exploratory drilling program in the Marcellus Shale formation in northeastern Pennsylvania. Concerns about potential water contamination were addressed from the start. In consultation with local experts, such as Wilkes University and Lancaster-based RETTEW Associates, we conducted research to understand the unique characteristics of the shallow subsurface, as well as the location and flow of water in the area, including surface water, groundwater, private water wells and aquifers. Our research included baseline water-well testing in a one-mile radius surrounding the site of each of our initial two drilling locations. In addition to providing a baseline for both the quality and quantity of water, we established baselines for numerous other naturally occurring substances, including methane, iron and lead.

Although the wells we drilled in the Marcellus Shale formation were unsuccessful and we are no longer pursuing opportunities in Pennsylvania, this project clearly demonstrates our commitment to building trust in the communities where we operate. We often go beyond just asking our stakeholders to take us at our word. We use third-party partnerships and hold ourselves accountable to independent analysis and verification.

WHAT WE'VE DONE

- developed and implemented an environmental risk identification, assessment and tracking program
- developed a Responsible Products Program and corporate positions on key environmental issues, such as hydraulic fracturing, water use and emissions management
- implemented and improved environmental performance reporting
- continued to invest in new processes and technologies to improve environmental performance through our Environmental Innovation Fund

WHERE WE'RE HEADED

- continue to focus and align our Environmental Innovation Fund
- continue to reduce our emissions intensity and improve our energy efficiency
- continue integrating low-impact techniques and species conservation in our land use planning and operational decisions
- continue to develop best practices to expand our water management knowledge and strive to meet the expectations of stakeholders on our water use

For more information on our hydraulic fracturing and water management practices, please visit www.encana.com.

(1) Standards and practices included the EU Registration, Evaluation, Authorisation and Restriction of Chemical substances (REACH), the US EPA Toxics Substances Control Act (TSCA), Environment Canada's Priority Pollutant list, and American Conference of Governmental Industrial Hygienists (ACGIH®) Threshold Limit Values (TLVs®) and Biological Exposure Indices (BEIs®).

OUR ENVIRONMENTAL INNOVATION FUND

Our Environmental Innovation Fund directs investment to projects that develop innovative processes and technologies to improve the company’s environmental performance. The Environmental Innovation Fund seeks ways to increase our investments in projects and technologies that create measurable reductions in energy consumption, air emissions and land and fresh water use.

We direct our efforts not only to improving our production methods, but also to reducing emissions by sourcing alternative forms of energy for use in our operations.

TWO RIGS RUN ON LIQUEFIED NATURAL GAS

In 2010, Encana’s Environmental Innovation Fund worked with Ensign US Drilling and Prometheus Energy in Louisiana to convert two rigs to run on liquefied natural gas (LNG) from diesel.

The conversion of these rigs significantly reduces the amount of greenhouse gases, nitrogen oxides and sulphur dioxides emissions they produce.



USING NATURAL GAS TO REDUCE EMISSIONS ONE RIG AT A TIME

A 2010 bi-fuel project – funded by our Environmental Innovation Fund – allowed our equipment to run on diesel and natural gas simultaneously, achieving cost savings and reducing emissions and greenhouse gases in our Canadian Division.

The complex machinery necessary for drilling in tight, unconventional natural gas reservoirs requires multiple diesel engines. Our Fort Nelson Business Unit has successfully piloted the use of a bi-fuel system on the generator of an underbalanced rig. The bi-fuel system is designed to substitute 50 to 60 percent of an engine’s energy requirement with natural gas, resulting in significant reductions in diesel fuel consumption, cost and emissions.

As a result of this successful pilot, bi-fuel engines have been used to drill wells in our Fort Nelson and Canadian Deep Basin Business Units. In 2010, the use of bi-fuel engines displaced more than 2,500 barrels of diesel. Depending on the engine types, emissions (carbon dioxide equivalent) are reduced by as much as 15 to 20 percent. Nitrogen oxides and other air pollutants are also cut significantly. That means operating costs and air emissions were reduced by approximately \$600,000 and 1,000 tonnes (CO₂e) respectively per rig annually, based on drilling 24 wells a year.

As bi-fuel rigs continue to reduce our environmental impact and provide cost savings, we look forward to implementing this technology in other operating areas.

Tracking our Environmental Innovation Fund

	2009	2010
Internal Rate of Return (percentage)	61 ⁽¹⁾	33
Cumulative CO ₂ e ⁽²⁾ avoided (kilotonnes)	195	400
Cumulative natural gas conserved (Bcf)	1.79	3.40
Capital (\$MM)	17.98	11.81

(1) 2009 data included results from projects completed in 2008 that have ongoing emissions reductions.
(2) CO₂e = carbon dioxide equivalent.

LAND

At Encana, we recognize that virtually all aspects of our operations involve the use of surface land. Whether it's private, Aboriginal or public land, we work with landowners and our neighbours to minimize surface disturbance through effective planning and responsible development. We understand the expectations placed on companies to demonstrate a high degree of environmental protection for the land on which they operate and we are continuously driven to implement better land use practices.

ENCANA RECOGNIZED FOR WELL-PAD RECLAMATION

In 2010, the Colorado Oil and Gas Conservation Commission recognized us for our efforts in well-pad reclamation. We received an award for reducing the visual impacts of our well pads along western Colorado's Interstate 70 corridor. We were also acknowledged for our proactive natural resource management program on well pads. Steps taken include re-vegetation that improves the topsoil and enhances stormwater management.

Our new techniques in reclamation are taking root outside the company too. The Colorado Bureau of Land Management has made our topsoil management program one of its national best management practices for oil and gas development and it has become a condition of approval, where practical, for drilling overseen by the bureau's Colorado River Valley Field Office.

MAPPING OUR FOOTPRINT

In July 2010, Encana's Geographic Information Systems/Geomatics group completed an interactive mapping project, called iMaps, to reduce the physical footprint of new developments, minimize impacts on wildlife and habitat and enhance environmental planning and knowledge sharing.

Conforming with our new Environment, Health & Safety management system, called Ethos (see page 6), this constraints-mapping project supports every group in our Canadian Division, including field offices, by providing them with a new way to visualize environmental constraints from their desktops.

New interactive iMaps, based on geographic information system (GIS) software, were compiled for the entire Canadian Division, providing environmental planners with greater detail about the location of potential surface constraints in relation to the location of natural gas activity and infrastructure. Ultimately, this mapping system will guide us down the path to reduced impacts related to our operations.

Compiling reliable, up-to-date and detailed data on a visual map has enhanced pre-development planning efforts, increased communication and encouraged collaboration across all disciplines in the Canadian Division.

Abandonment and Reclamation				
	2008	2009	2010	
Total abandoned wells awaiting reclamation	887	308	662	
Total abandoned wells, active reclamation complete, awaiting reclamation certificate	658	165	172	
Well site reclamation certificates received	66	42	84	
Total wells undergoing active reclamation	620	516	621	
Total reclaimed land (acres)	4013	138	298	

"Efficiency and optimization are at the core of all we do at Encana. Everyone in the company is charged with finding ways to produce more natural gas with less effort, energy and investment, to reduce our impact on the environment and to continually innovate with every step we take in our processes."

Randy Eresman
President & Chief Executive Officer, Encana Corporation

"As the cleanest-burning fossil fuel, natural gas represents an affordable, readily available source of energy that allows us to hit the ground running as we aim to achieve the emissions reduction targets our society has set."

Eric Marsh

Executive Vice-President, Natural Gas Economy & Senior Vice-President, USA Division

AIR

Natural gas is the cleanest-burning fossil fuel, producing approximately 25 percent less carbon dioxide emissions than oil and up to 65 percent less carbon dioxide emissions than coal. Encana advocates increased use of natural gas in power generation and transportation.

Even though natural gas is the cleanest-burning fossil fuel, we continue to direct our attention to further reducing air pollutants from our production methods.

REPORTING GREENHOUSE GAS EMISSIONS

In 2009, British Columbia legislated hard limits on greenhouse gas emissions through its Greenhouse Gas Reduction (Cap and Trade) Act. The Act introduced regulation that requires mandatory reporting of greenhouse gas across industrial sectors. Reporting operations that emit more than 25,000 tonnes of carbon dioxide equivalent must have their emissions data verified by an independent and accredited third party.

All of our facilities in British Columbia follow the Ministry of Environment's definition of a linear facility and thus are subject to reporting under the Act. In addition, emissions from drilling and completions from all wellsites have to be included in the final report. Although we have reported our greenhouse gas emissions for several years, British Columbia's new regulation required a concerted effort from our team to make the necessary adjustments to our systems and processes to meet the requirements outlined in the Act.

We recognized the challenge of building a high-quality emission inventory and created a working committee in the early spring of 2010. Throughout 2010, the working committee met frequently to identify gaps in our British Columbia emissions inventory, review equipment inventories, develop measurement and calculation methodologies, conduct site visits to field operations and liaise with the British Columbia government. We did this to ensure that we could meet our reporting obligation on time and deliver an accurate, third-party-verified greenhouse gas emission inventory.

We also anticipated a surge in demand for third-party accredited verifiers as the reporting deadline approached. Early on, we engaged a qualified verifier through a competitive bidding process and by the fall of 2010 we had one in place. In fact, we exceeded what the reporting regulation required and what many of our industry peers were doing by engaging our selected verifier to conduct a pre-verification assessment of our greenhouse gas emission inventory in the winter of 2010/2011.

This work enhances our confidence in our greenhouse gas inventory in advance of the verification and reporting deadline.

As a result of our efforts, we have reduced our regulatory risk and more importantly, refined our greenhouse gas inventory and the underlying methodologies used to develop that inventory. The increased granularity in compiling our emissions inventory as per British Columbia's new regulatory requirements resulted in an increase in our Canadian Division's NO_x emissions in 2010 over the previous year. If we used equivalent methodology in 2009 and 2010 we would have seen an approximate five-percent decline in emissions year over year.

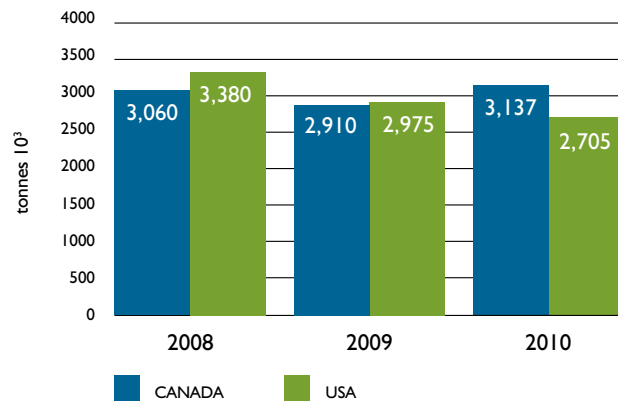
Emissions^{(1) (4) (5)}

Nitrogen Oxides (NO_x) (tonnes)	2008	2009	2010
Canadian Division⁽²⁾	13,997	13,452	18,960
USA Division⁽³⁾	6,292	5,472	4,451
Sulphur dioxide (SO₂) (tonnes)	2008	2009	2010
Canadian Division⁽²⁾	4,146	3,008	2,949
USA Division⁽³⁾	24	17	21

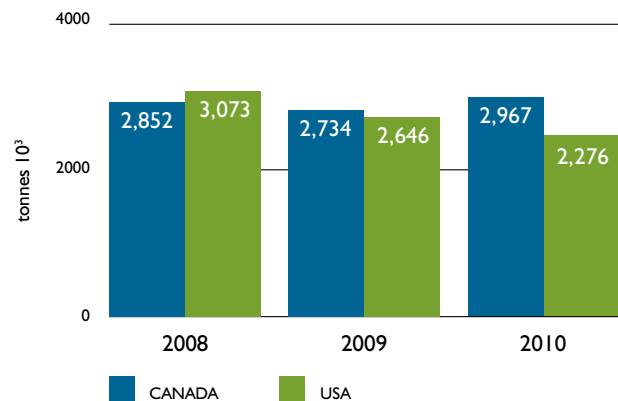
- (1) Some historic figures have been revised as we continue to improve our systems and incorporate various regulatory changes.
- (2) Canadian Division emissions methodologies follow Canadian Association of Petroleum Producers protocols.
- (3) USA Division methodology follows a combination of American Petroleum Institute and Mandatory Reporting Rule methodologies and emissions factors.
- (4) Canadian Division and USA Divisions are not directly comparable because data capture processes vary according to business system limitations and regulatory requirements.
- (5) Higher SO₂ and NO_x emissions in our Canadian Division as compared to our USA Division is due to a higher quantity of sour gas facilities and compression, respectively.

2010 ENCANA AIR EMISSIONS

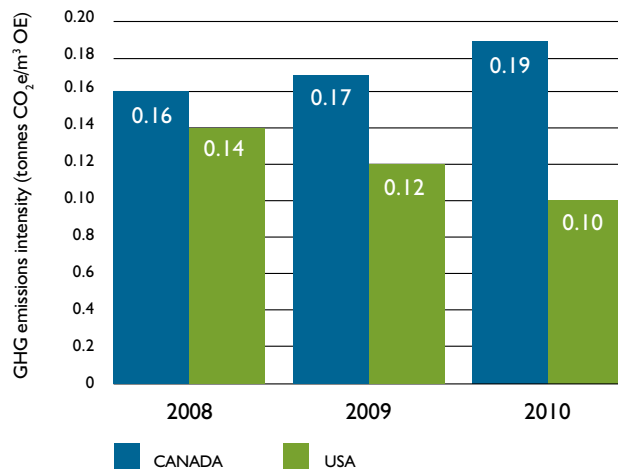
Total direct and indirect emissions (CO₂e) ^{(1) (2) (3) (4) (5) (6)}



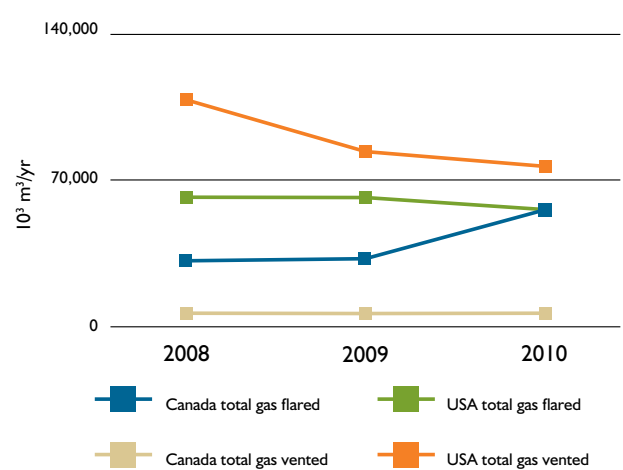
Direct emissions (CO₂e) ^{(1) (2) (3) (4) (5) (6)}



Production carbon intensity ^{(1) (2) (3) (4) (5)}



Total gas flared and vented ^{(1) (2) (3) (4) (5)}



- (1) Some historic figures have been revised as we continue to improve our systems and incorporate various regulatory changes.
 (2) Canadian Division emissions methodologies follow Canadian Association of Petroleum Producers protocols.
 (3) USA Division methodology follows a combination of American Petroleum Institute and Mandatory Reporting Rule methodologies and emissions factors.
 (4) Canadian Division and USA Divisions are not directly comparable because data capture processes vary according to business system limitations and regulatory requirements.
 (5) USA Division calculates combustion type GHG emissions from measured fuel and fuel usage derived from equipment's power rating and certain operational assumptions. This approach is selected due to existing regulatory requirements for calculation of other air emissions.
 (6) Direct operated GHG emissions includes Cavalier power station in Canadian Division.

"We need water. We need energy. It's not a question of one or the other. It's a matter of using both responsibly."

Dave Lye

Vice-President, Corporate Environment, Health & Safety, Security & Corporate Responsibility

WATER

We continue to evolve our water management approach to address geological factors, hydrology and operational needs. It is not a one-size-fits-all philosophy. No single water management approach works in all of our operating areas.

Protecting water resources and using them wisely is critical to our continued success. We recognize that our water requirements and the challenges posed by our operations require tailored approaches to water management. We work to reduce the use of freshwater through the sourcing of alternatives where appropriate and seek to reuse water wherever possible. Where produced water cannot be reused, it is managed and disposed of responsibly to prevent the potential contamination of freshwater resources or land.

CARING ABOUT WATER IN COLORADO

Since 2003, we have been using an extensive water treatment and distribution system to support drilling and well completion operations in Colorado's Piceance Basin. Produced water is removed from the wells, along with natural gas, from thousands of feet below the ground surface.

Due to salt content – up to 30 times higher than drinking water – produced water and completion flowback is unsuitable for domestic or livestock use. Encana's facilities in four locations are designed to treat about 45,000 barrels (5,366 cubic metres) per day and reuse produced water. Produced water from our wells and flowback water from well completion operations is transported to these facilities by an extensive network of pipelines. In the region, we also continue to build pipeline infrastructure to minimize the need for trucking water. In 2010, we installed another 10 miles (16 kilometres) of water pipelines, bringing the total to 111 miles (178 kilometres).

Once we recover water through our operations in the Piceance Basin, the water is run through a Dissolved Air Flotation Unit for treatment before the water is put into secure water storage ponds. Dissolved Air Flotation is used as a water treatment process to clarify wastewater by removing suspended matter, such as oil or solids.

The water is then discharged into the storage ponds. To further reduce air emissions and risk to wildlife, certain secure storage ponds are also covered.

During this same period, the South Piceance Basin team began an ambitious effort to close approximately 180 historic and active pits containing drill cuttings and completion flowback water. The last drilling and flowback pits were closed in early 2011. We are committed to not constructing any new drilling or flowback pits in this area. In so doing, the South Piceance has been able to address community concerns regarding perceived risks to groundwater and wildlife.

INDUSTRY RECOGNITION FOR WATER PLANT

Seeking alternatives to freshwater use in our operations is a major part of our water management strategy. We strive to use unutilized sources of water where appropriate and seek to reuse water as much as we can.

Encana was a co-winner of the Canadian Association of Petroleum Producers' 2010 Responsible Canadian Energy Award, for the Debolt Water Treatment Plant, which has been operating since June 2010 in the Horn River Basin of British Columbia.

A joint project between Encana and Apache Corporation, the plant supplies the bulk of the water needed for both companies' hydraulic fracturing operations in the Two Island Lake area – providing a viable alternative to freshwater use and serving as a testament to collaboration and innovation.

The Debolt formation, a deep, sub-surface, non-potable aquifer holding saline, sour water, was identified in 2007 when Encana and Apache began examining alternatives to freshwater use for hydraulic fracturing. Tapping into the resource required a dedicated team effort, with more than 40 different water supply systems considered during initial testing.

Encana and Apache went on to design and build the water treatment plant and develop the Debolt formation as a water source reservoir, the first of its kind in Canada. The Debolt facility is designed to deliver water at a maximum daily volume of 134,000 barrels (16,000 cubic metres). This amounts to 80 percent of the supply needed by hydraulic fracturing undertaken by both companies in the area.

In 2010 alone, 6.7 million barrels (800,000 cubic metres) of Debolt water were used in completions – which in the past would have been sourced from freshwater. In 2011, the plant is expected to produce more than 12.6 million barrels (two million cubic metres) of water, leaving only 10 percent of the water supply needed for hydraulic fracturing to be drawn from surface sources.

A WATER WIN-WIN

By constructing a water storage pond on our Kakwa property in west-central Alberta, we are optimizing collection of surface water flow and providing a permanent wetland habitat for wildlife use in the future.

The water required to develop the Kakwa resource was being purchased from the municipality of Grande Cache, Alberta and trucked to the Kakwa Field – a round trip of about 90 miles (140 kilometres). At a development rate of 40 wells per year, approximately 500,000 barrels (79,500 cubic metres) of water would be required annually.

The stakeholders near our Kakwa operations were concerned with the amount of truck traffic that would be added to their main transportation route, which is narrow, steep and winding. By constructing the water storage pond, we fulfill our water use requirements within the Kakwa field, which eliminates the need to use municipal water, reduces truck traffic and the associated emissions, as well as the costs of purchasing and transporting water from Grande Cache.

WE KNOW THAT RESEARCH GOES A LONG WAY

In the Peace Region of British Columbia, the Kiskatinaw River watershed is the only source of water for the City of Dawson Creek and the Village of Pouce Coupe. We have supported water research by the University of Northern British Columbia which monitors surface water and groundwater levels in the Kiskatinaw watershed and furthers our understanding of the hydrology in the area.

We have also supported the Horn River and Montney water projects undertaken by Geoscience BC. This industry-led, industry-focused, applied geoscience organization encourages mineral and oil and gas exploration investment

in British Columbia through the collection, interpretation and marketing of publicly available applied geoscience.

The Montney Water Project is designed to provide a regional overview of water sources in the Montney resource play area of northeastern British Columbia. The project will create a comprehensive database of surface water, groundwater and deep saline aquifers in the area.



HEALTH

Maintaining and promoting a healthy workforce is essential to our success and sustainability and is an integral component of effective risk management. Our stand-alone Health & Safety Policy articulates our commitment to a premier health and safety culture and contributes to long-term shareholder value.

OCCUPATIONAL HEALTH PROGRAM

We firmly believe that all occupational injuries and illnesses are preventable. In 2010, we reinforced our health and safety culture by refreshing our comprehensive, company-wide Occupational Health Program. Some key components of the expanded program include industrial hygiene, hearing conservation, respiratory protection, health surveillance, ergonomics and fitness for work. In addition to helping us meet our commitment to a safe and healthy workplace, the Occupational Health Program allows us to meet or exceed the various occupational health and safety regulations and laws in the jurisdictions where we operate.

INDUSTRIAL HYGIENE PROGRAM

We recognize that there are potential health hazards associated with working in the natural gas industry and an effective Industrial Hygiene Program is vital to the success of our Occupational Health Program. Our Industrial Hygiene Program is based on a thorough and inclusive risk-based strategy which evaluates workplace health hazards and generates actionable results to prevent occupational disease. This proactive approach helps us anticipate and identify potential workplace hazards that could affect the well-being of our workers or the community.

Industrial Hygiene is the science of anticipating, evaluating and controlling workplace health hazards that may cause illness or affect the well-being of workers and members of the public.

ONLINE HEALTH HAZARD TRAINING

Training staff about potential health hazards encountered in the workplace is an important part of our Occupational Health Program. Due to the diverse and often remote areas in which we operate, delivering training to field workers can be challenging. With this in mind, two new online training modules specific to hearing conservation and benzene awareness were developed. After reviewing the course material, participants are required to successfully complete skill-testing quizzes and a test. The hazards associated with noise and benzene can have severe impacts on an individual's health. Education and awareness can go a long way in reducing the risk of harmful exposure.

WHAT WE'VE DONE

- developed a framework for a comprehensive company-wide Occupational Health Program as part of Ethos
- increased our complement of staff Industrial Hygienists to two - one in our USA Division and one in our Canadian Division. With the support of Encana's leadership, these individuals carefully collect and analyze health-hazard-related data, assess associated risks and identify appropriate controls
- performed detailed industrial hygiene monitoring for benzene in our Jonah Field in Wyoming and implemented measures to control the risks associated with potential worker exposure
- implemented a strategy for a more comprehensive approach to occupational health in the USA Division
- strengthened our health resources by bringing on a consultant Occupational Physician to support the USA Division. Both our USA and Canadian Division health teams are now equipped with their own consulting physicians
- implemented an online health hazard training program for field staff

WHERE WE'RE HEADED

- implement Encana's Occupational Health Program
- develop and implement occupational health and industrial hygiene practices, processes and procedures specific to our different businesses and the areas in which they operate
- implement an electronic information management system to centrally house all occupational health-related data, enabling detailed data analysis and extensive reporting capabilities

PROMOTING HEALTH, REDUCING RISK

In 2010, our Health and Wellness team focused on delivering a robust Disability Management Program for the Canadian Division. Our goal is for employees to return to work from an illness or injury in a manner that is timely, safe and based on our ability to reasonably accommodate any work-related modifications. Providing this level of support ensures we have a highly-engaged workforce that is fit for work and is assisted in returning to work safely.



SAFETY

Achieving an injury-free workplace hinges on doing the little things right to ultimately ensure the safety of our staff and the public. At Encana, we expect everyone to take a steadfast approach to safety.

CREATING A PREMIER SAFETY CULTURE

Working safely is just the way we do things at Encana. We require everyone working with us to understand and comply with our policies and practices. These policies and practices start by applying our risk management principles in our safety planning to ensure we are analyzing and managing safety risks. We expect everyone working for us to speak up if they see an unsafe practice and we ask employees and contractors to contribute ideas for improving our safety performance. We've created a safety culture at Encana where we are continuously evolving to meet the challenges of today and tomorrow.

SAFETY ALL AROUND

Our Safe 360 program underscores the importance of identifying risks and being aware in all directions – whether it's hazards around a worksite or the safety considerations required in a project's design. Safe 360 also reflects our commitment to safety at home and on the road. We want our employees to be safe in all aspects of their lives.

The Safe 360 program is designed to promote a culture where:

- our safety philosophy extends to our personal lives and activities, such as driving
- everyone watches out for one another and is expected to speak up if unsafe practices are occurring
- people are encouraged to identify potential safety risks and contribute ideas for improvements



DRIVE SAFE PROGRAM EXPANDS

Managing the risks associated with motor vehicle incidents is an important part of our overall approach to risk management. Motor vehicle incidents have the potential to affect the health, safety and welfare of our most valuable resource – our people. These incidents are largely preventable, yet we continue to face the challenge of reducing their frequency each year.

Our goal is to safeguard staff and mitigate the risks related to motor vehicle incidents while ensuring maximum productivity.

Throughout 2010, our Drive Safe team analyzed motor vehicle incident data in an effort to better understand and manage our most common driving-related risks. They identified three focus areas: vehicle backing, wildlife and adverse weather conditions. Proactively identifying these issues enables us to continue to develop comprehensive driver training objectives and practices focused on improving the awareness and skill level of our workforce when behind the wheel.

WHAT WE'VE DONE

- expanded Environment, Health & Safety development and training for leaders and staff
- effective gathering, analysis and reporting of leading safety indicators
- continued effort to reduce motor vehicle incidents through our Drive Safe program
- completed audit reviews and inspections
- expanded safety training programs for leaders from field to office staff

WHERE WE'RE HEADED

- develop better ways of gathering, analyzing and reporting on safety indicators
- continue to enhance safety training for employees, contractors and leaders and measure success



"It's my responsibility to ensure that investors and other stakeholders have confidence in Encana, its financial performance, its ability to do its job in the safest possible manner, and that its corporate governance practices and policies are effective in assessing and mitigating potential risks and the impacts arising from its activities."

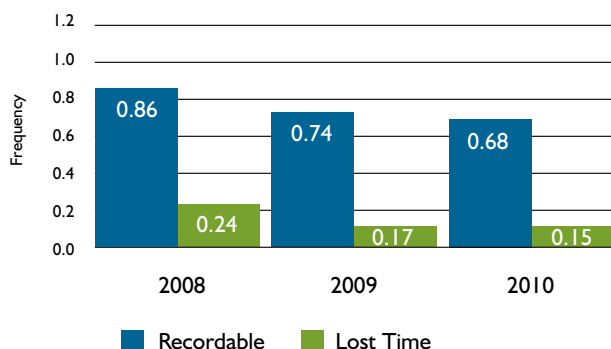
David P. O'Brien

Chairman of the Board, Encana Corporation

2010 Safety performance ^{(1) (2) (3) (4) (5) (6)}

	2008	2008	2009	2009	2010	2010
Recordable	Incidents	Frequency	Incidents	Frequency	Incidents	Frequency
Employees	11	0.31	21	0.56	8	0.20
Contractors	222	0.94	146	0.76	213	0.76
Total Encana	233	0.86	167	0.74	221	0.68
Lost Time						
Employees	4	0.11	5	0.16	2	0.05
Contractors	61	0.26	30	0.17	48	0.17
Total Encana	65	0.24	35	0.17	50	0.15

Total Injury frequency ^{(1) (2) (3) (4) (5) (6)}



- (1) Recordable injuries include total permanent disabilities, lost work day cases, restricted work cases, medical treatment cases and fatalities.
- (2) Estimation of contractor hours is based on gross operational and gross capital expenditures using Canada Association of Petroleum Producers 2008 conversion factors for contractors working in Canada and American Petroleum Institute 2009 conversion factors for contractors working in the USA.
- (3) Frequency is based on 200,000 exposure hours.
- (4) We calculate exposure hours based on US dollars in the Canadian and USA Divisions.
- (5) Lost time injury frequency and recordable injury frequency rates were calculated based upon known and recorded injuries as at January 24, 2011.
- (6) Frequency equals (number of occurrences X 200,000)/exposure hours.



ENGAGEMENT

We strive to be a respected and trusted member of the communities in which we operate. At Encana, stakeholder engagement covers the full range of our efforts to identify, meet, listen and respond to, understand and involve our stakeholders in our operational activities and business decisions.

We work hard to earn the respect and trust of a diverse network of stakeholders and believe that working collaboratively with these groups sparks the innovation needed to identify risks and meet new challenges. Our long-term success depends on our ability to generate support for our business in the community and on how well our stakeholders understand our strategy, operations and how we contribute to communities where we operate. This shared understanding of stakeholder concerns and our unique development approach helps us navigate the complexities associated with energy development while keeping the goal of community support in mind.

WHAT WE'VE DONE

- focused on building relationships, two-way communication and creating awareness through education
- delivered Courtesy Matters program to help mitigate impacts related to natural gas development
- supported local organizations that deliver important services and benefits to our communities

WHERE WE'RE HEADED

- refresh Courtesy Matters to increase participation and reinforce expectations
- continue to facilitate two-way communication through consultation and community involvement
- build upon meaningful relationships with stakeholders to collaborate and foster innovation



INCREASING STAKEHOLDER CONFIDENCE THROUGH RESPONSIVE TRANSPARENCY

Stakeholder engagement is about building trust through communication and collaboration. For example, we gathered information in part by conducting surveys in Alberta, British Columbia and Wyoming. The results of these surveys provide important benchmarks for our stakeholder engagement program and will help steer our communications and engagement priorities in the future.

We pride ourselves in being transparent and accountable to our shareholders. We regularly respond to surveys from investors and meet with them to gain input to improve our disclosure practices. We closely align our practices with internationally-recognized sustainability guidelines and indices, including the Global Reporting Initiative, the Dow Jones Sustainability Index and the Carbon Disclosure Project. Through voluntary disclosure, continuous improvement and accountability our investors can be confident that we are a sustainable long-term investment.

TAKING A LEADERSHIP ROLE IN BUILDING OUR ENERGY FUTURE

In 2010, we were instrumental in securing passage of the Clean Air-Clean Jobs Act in the Colorado Legislature. This legislation is designed to ensure that aging and inefficient high-emitting coal-fired generation units along the Colorado Front Range are retired and that natural gas is considered as the primary replacement fuel. The Act was the result of many months of strategic stakeholder outreach that we led. Our efforts spurred negotiations with the governor's office, key members of the environmental community and the incumbent utility, Xcel Energy Inc.

Xcel will convert 460 megawatts of power generation from coal to natural gas, representing a significant shift in its power generation portfolio towards this cleaner, abundant fuel. The Clean Air-Clean Jobs Act also serves as a model for other states seeking to reduce emissions through greater use of natural gas. The objective of this legislation was to reduce nitrogen oxides emissions by 70 to 80 percent and natural gas was the logical choice to accomplish this.



A WORKFORCE COMMITTED TO THEIR COMMUNITIES

We recognize and celebrate the fact that our most valuable natural resource is our people. In a dynamic organization like Encana that operates over such a large area, it's easy for employees to feel disconnected and become disengaged. But our Community Relations team took action to engage our people and, at the same time, capitalize on their ability to reinforce our relationships in the community.

In Linden, Alberta, we worked with our local employees to help the community build a new park using locally grown trees and shrubs. We provided 25 volunteers and landscaping equipment to help complete the job. Later, Encana hosted a family barbeque to celebrate the community's achievement. Efforts like this have helped us reinforce our relationships with the communities where we live and operate. We've built a foundation of trust and collaboration to increase community support for our company.

A RACE AGAINST HUNGER

In the summer of 2010, employees from our Calgary, Alberta office came together to raise food, funds and awareness for local food banks by participating in the Race Against Hunger program. With the spirit of the annual Calgary Stampede in full force, more than 1,100 Encana employees donated food and money during a Stampede barbeque lunch. In a demonstration of kindness and dedication to the community, our staff contributed more than four tonnes of food to support the Calgary Interfaith Food Bank.

This sort of effort wasn't limited to Calgary. Our employees supported food banks in other communities where they work and live, such as Grande Cache and Wembley, Alberta. By partnering with volunteer fire departments and local food banks, our staff ran weekend food drives and built awareness for the important services local food banks provide.

Efforts like these demonstrate the commitment of our workforce to being involved in their communities. It's this commitment that helps build lasting personal relationships and maintains strong communication between the public and our staff.

COURTESY MATTERS

A survey of our stakeholders gave voice to their concerns regarding the impacts of natural gas development near their communities. Noise, increased traffic, garbage, dust and gates that were left open began to erode community patience with the industry and Encana. This frustration jeopardized our support from communities and had the potential to impact our continued access to surface land. In an effort to minimize impacts on stakeholders, we responded by creating the Courtesy Matters® program, setting formal expectations for employees and contractors to act responsibly.

Over the years, Courtesy Matters has evolved and set a high standard for how we conduct business and engage with stakeholders. It provides a clear set of expectations for those representing Encana, resulting in on-the-ground actions that lead to positive, respectful behaviours.

® Registered trademark of Encana Corporation

"ENBASSADORS"

In 2010, we initiated the Enbassadors program in the USA Division. The program provides employees with the opportunity to address community groups about the natural gas industry. Employees engage with local community groups to provide education on the importance of natural gas and our role in helping provide this important resource.



ABORIGINAL RELATIONS

At Encana, we engage Aboriginal communities regularly in our operations. Our Aboriginal Relations team works with approximately 20 Aboriginal communities and organizations across Canada to secure surface land access by fostering positive relationships that respect their land and culture.

First Nations and Métis peoples have unique interests with respect to the land. Maintaining close relationships with Canada's Aboriginal peoples is integral to our business. Consulting with traditional land users is also required by law to uphold treaties and protect Aboriginal rights.

Establishing mutually-beneficial relationships with First Nations and Métis communities through open dialogue, respectful engagement, sponsorships, employment, training and business development is essential to the long-term sustainability of our operations.

We believe that thoughtful engagement puts us at a competitive advantage in a world moving towards openness, transparency and a more responsive operating environment. Involving Aboriginal communities and leaders in our decision making ensures that we're meeting the needs of their communities while preserving their lifestyles and traditions.



WHAT WE'VE DONE

- developed Aboriginal training programs to build capacity within communities
- extensive outreach to Aboriginal communities in proximity to our operations
- achieved a full complement of Aboriginal Relations staff to work as liaisons within First Nations communities

WHERE WE'RE HEADED

- manage land access risk through new and ongoing Aboriginal relationship building
- strategically engage Aboriginal communities affected by emerging resource plays
- explore new training opportunities

COMMITTED TO BUSINESS EDUCATION FOR ABORIGINAL YOUTH

Fostering constructive relationships and partnerships in the Aboriginal communities in which we operate is a cornerstone of responsible development. Our Aboriginal Relations team is committed to bolstering economic growth in the Aboriginal communities and cultures where we do business. Through our support of educational bursaries, we're helping to train the Aboriginal business leaders of tomorrow.

In 2010, we helped promote a unique scholarship and networking opportunity specifically tailored to make post-secondary business education accessible to Aboriginal youth. The Ch'nook Aboriginal Business Education initiative, offered through the University of British Columbia, allows Aboriginal learners to pursue business education at 25 colleges throughout British Columbia – allowing for study close to home and helping bring the entrepreneurial expertise of graduates back into their communities.

Helping to build strong Aboriginal communities is more than just a proactive approach – it's a vital component of our overall business strategy.

HIGH SKILLS TRAINING GOES LOCAL IN NORTHEAST B.C.

In 2010, we entered into a partnership in northeastern British Columbia as part of our ongoing efforts to promote Aboriginal training and employment. The partnership, which includes the Northeast Aboriginal Skills Employment Project, Spectra Energy and Northern Lights College, is focused on providing graduates with practical training that will enable them to work in the expanding field of natural gas exploration in the Fort Nelson area.

The partnership is already benefiting 16 local students who are enrolled in Northern Lights College’s 4th Class Power Engineering program at the college’s Fort Nelson campus. The program launched in February 2011 as students began the mandatory upgrading component. The main 10-month program will begin in June 2011 with the first nine months of training in Fort Nelson. Students will then complete one month of training at the Fort St. John campus before embarking on a practicum at local Encana and Spectra Energy facilities.



We’re committed to employing successful Aboriginal candidates in the region. By tailoring educational opportunities, communications activities and community capacity-building efforts to the unique needs of Aboriginal communities, we hope to facilitate lasting partnerships that provide mutually beneficial outcomes and a common understanding.

	2008	2009	2010
Procurement from Aboriginal suppliers ⁽¹⁾ (\$MM)	16.69 ⁽²⁾	9.26 ⁽³⁾	16.85
⁽¹⁾ Includes some community investment donations and relevant well application fees in British Columbia. ⁽²⁾ Value for 2008 was not previously assured by PricewaterhouseCoopers. ⁽³⁾ 2009 spend is restated due to corrected exchange rate.			

COMMUNITY INVESTMENT

Strategic community investment is an essential part of responsible development and plays a significant role in creating value for shareholders. In our first year as a pure-play natural gas producer, we refined our approach to community investment to support our business goals. We proactively designed our community investment programs to address areas of stakeholder importance, especially the environment and education.

Investing in communities where we operate simply makes good business sense. Our community investment programs are strategically aligned to help educate people on the importance of environmental stewardship, boost local economies and enhance the skill sets of the next generation of industry leaders. Our approach to community investment goes hand-in-hand with our business strategy and provides for mutually beneficial relationships with communities and non-government organizations.

WHAT WE'VE DONE

- revised our community investment strategies throughout the company to ensure they align with our new business strategy
- focused more of our community investment on environmental and educational programs
- developed metrics to be applied across the organization to indicate whether grant decisions align with our business strategy and gauge their impact on the community
- rebranded and remarketed employee programs to promote employee participation in community investment programs

WHERE WE'RE HEADED

- improve internal and external communications about our community investment goals, strategies and outcomes
- continue to engage staff in our employee programs
- proactively seek opportunities to support environmental and educational initiatives

MAKING A SPLASH FOR WETLANDS CONSERVATION

In 2010, we partnered with Ducks Unlimited Canada (DUC) on two unique wetlands conservation projects. These two milestone projects were the evolution of a long time environmental partnership which, in 2007, saw Encana earmark \$1 million for wetlands restoration, development of best environmental management practices and mapping.

We support Project Webfoot, a program focusing on wetlands education, in some of our key operating areas in northeastern British Columbia, Alberta and Nova Scotia. Thanks to our assistance, DUC announced in May 2010 that it would provide the learning materials from the program to public libraries in northeastern Nova Scotia. This is the first time in Canada that these resources have been available outside of the classroom.

Along with this gift to Nova Scotia libraries, our financial support also ensured a gift for the environment in northeastern British Columbia. On June 1, 2010 we helped unveil the newly restored 30-acre Piper Pond, located near Dawson Creek. The restored pond swiftly saw an influx of birds and other small wildlife exploring this new wetland habitat.





ENVIRONMENTAL EDUCATION IN ACTION

Educating the next generation about the importance of environmental stewardship also means demonstrating the benefits of natural gas. In 2010, we provided nearly \$450,000 in funding for National Energy Education Development programs in Colorado, Wyoming, Texas, Louisiana and Pennsylvania. National Energy Education Development is a national, non-profit organization that develops and delivers innovative energy curriculum and teacher training materials. Our efforts were recognized in June 2010, when National Energy Education Development awarded Program of the Year honours to the Colorado school system's energy education curriculum.

In May 2010, we awarded the Global Ozone Project (GO3) Foundation with a \$41,960 grant to support the participation of four Colorado high schools and their international sister schools in the Global Ozone Project. The grant provided students from all eight schools with a state-of-the-art ozone monitor and meteorological station. The equipment enables students to measure ground-level ozone outside their schools and upload the data to a global database. The data is uploaded as an overlay for a Google Earth map, giving students detailed visuals of ozone concentrations and variances in air quality.

"Making natural gas the centrepiece of North America's energy portfolio requires reaching out to students through a number of unique initiatives, both to promote environmental awareness and to educate the next generation about this clean, affordable, abundant resource within North America."

Don McClure

Vice-President, Government & Stakeholder Relations & Legal, USA Division

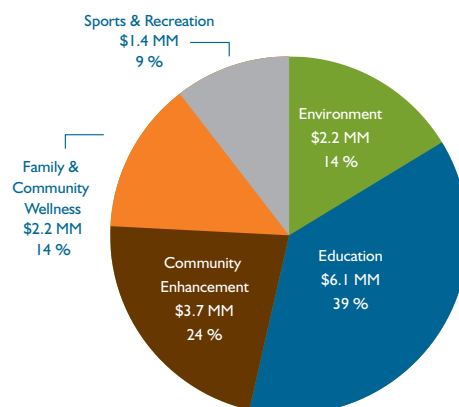
GETTING INSIDE EDUCATION

As a continuation of a long-standing partnership, we joined with Inside Education as the sole industry sponsor for their Climate & Conservation Education Programming. Inside Education is a non-profit organization providing programs that help Canadian teachers and students understand the science, technology and issues related to our environment and natural resources.

In 2010, with our support, Inside Education was able to deliver innovative, environment-focused educational programs to 73 teachers and more than 6,000 students throughout Alberta and British Columbia. The topics ranged from the importance of managing our water resources to energy conservation.

We also supported the popular Cooperation Action Responsibility Education (CARE) Package learning tool, which contained a variety of hands-on water and energy conservation items. The package was distributed to teachers and provided a variety of simple water and energy conservation activities for students.

2010 Encana Community Investment Grants by Focus Area ⁽¹⁾



(1) These numbers do not reflect employee program dollars.

INDEPENDENT ASSURANCE REPORT

To the Board of Directors and Management of Encana Corporation ("Encana"):

We have reviewed selected quantitative performance indicators (the "Subject Matter") presented in Encana's Corporate Responsibility Report (the "Report") for the year ended December 31, 2010. We did not review all information included in the Report.

Subject Matter

We reviewed the selected quantitative indicators listed below and set out in the Report:

- Community investment
- Total energy use (Canadian facilities only)
- Total direct greenhouse gas emissions
- Nitrogen oxide emissions
- Sulphur dioxide emissions
- Environmental fines
- New business conduct investigations
- Monetary value of significant fines and total non-monetary sanctions for non-compliance with laws and regulations
- Total staff (employees and contractors)
- Total # and rate of voluntary employee turnover
- Total lost time injury frequency & total recordable injury frequency

The selected quantitative performance indicators were chosen by Encana primarily on the basis of perceived external stakeholder interest. We did not review the narrative sections of the Report, except where they incorporated the Subject Matter.

Responsibilities

Encana management is responsible for the collection and presentation of the Subject Matter set out in the Report. Our responsibility is to express a conclusion, based on our assurance procedures, as to whether anything has come to our attention to suggest that the Subject Matter is not presented fairly in accordance with the relevant criteria.

Methodology & Assurance Procedures

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Federation of Accountants. As such, we planned and performed our work in order to provide limited assurance with respect to the Subject Matter. We obtained and evaluated evidence using a variety of procedures including:

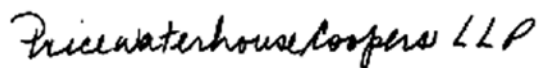
- Interviewing relevant Encana management and staff responsible for data collection and reporting
- Obtaining an understanding of the management systems, processes, and controls used to generate, aggregate and report the data
- Reviewing relevant documents and records on a sample basis
- Testing and re-calculating quantitative information related to the selected performance indicators on a sample basis
- Assessing the information collected for completeness, accuracy, adequacy and consistency
- Reviewing and discussing the final version of the Report with Encana management to confirm that it reflected our findings

Our evidence-gathering procedures were more limited than required for a reasonable assurance engagement and, consequently, we do not express an audit opinion on the Subject Matter.

We carried out our work on the selected performance indicators at Encana's offices in Calgary, Alberta and Denver, Colorado. Our assurance criteria comprised the Global Reporting Initiative Sustainability Reporting Guidelines (2006), industry standards, and Encana internal management definitions as disclosed in the Report, informed by relevant regulations. Our assurance team included individuals with social performance, environmental and health and safety assurance experience.

Conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Subject Matter is not, in all material respects, presented fairly in accordance with the relevant criteria.



PricewaterhouseCoopers LLP
Calgary, Canada
June 6, 2011

ADVISORIES AND TERMS

Currency, Pro Forma Information, Non-GAAP Measures and References to Encana

All information included in this document and comparatives is shown in U.S. dollars after royalties basis unless otherwise noted.

Non-GAAP Measures

Certain measures in this document do not have any standardized meaning as prescribed by Canadian Generally Accepted Accounting Principles (GAAP) such as Cash Flow, Cash Flow per share-diluted, Operating Earnings, Operating Earnings per share-diluted, Adjusted EBITDA, Debt and Capitalization and, therefore, are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this document in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. The calculations of Cash Flow and Operating Earnings are disclosed in the Supplemental Information in the Company's 2010 Annual Report which is available on the Company's website at www.encana.com

Resource Play

Resource play is a term used by Encana to describe an accumulation of hydrocarbons known to exist over a large areal expanse and/or thick vertical section, which when compared to a conventional play typically has a lower geological and/or commercial development risk and lower average decline rate.

References to Encana

For convenience, references in this document to "Encana", the "Company", "we", "us", "our" and "its", where applicable, refer only to or include relevant direct and indirect subsidiary corporations and partnerships (Subsidiaries) of Encana Corporation and the assets, activities and initiatives of such Subsidiaries.

Pro Forma

On November 30, 2009 Encana completed a major corporate reorganization (the "Split Transaction") that resulted in the Company's transition into a pure-play natural gas company and the spin off of its Integrated Oil and Canada Plains assets into Cenovus Energy Inc., an independent, publicly traded energy company. Encana's consolidated results include the financial and operating performance of the Cenovus assets for the first 11 months of 2009. To give investors a clear understanding of post-split Encana, 2009 financial and operating results in this document highlight Encana's results on a pro forma basis, which reflect the Company as if the Split Transaction had been completed for all of 2009. In this pro forma presentation, the results associated with the assets and operations transferred to Cenovus are eliminated from Encana's consolidated results, and adjustments specific to the Split Transaction are reflected.

Definitions

Aquifer – a body of permeable rock that can contain or transmit groundwater.

Deep saline – a deep underground rock formation composed of permeable materials and containing highly saline fluids.

Direct emissions – emissions resulting from our activities and that come from sources owned and controlled by us.

Flowback – water that is brought to the surface during the completions operations and may include fracturing fluids.

Indirect emissions – emissions that arise from our consumption of purchased electricity.

Motor vehicle incident – an incident which involves a motor vehicle in motion coming in contact with another vehicle, other property, person(s) or animals(s).

Non-potable water – water that is not of drinking water quality.

Produced water – water that is brought to the surface during the production of hydrocarbons. Produced water may include reused water or water produced from the geologic formation.

Reclamation – the process of restoring, improving or reclaiming disturbed land to productive uses and sustainability, or as defined and required by applicable regulatory agencies.

Sour water – waste water containing malodorous materials, usually sulfur compounds.

Abbreviations

bbls	barrels
bbls/d	barrels per day
BOE	barrels of oil equivalent
Bcf	billion cubic feet
Bcf/d	billion cubic feet per day
Bcfe	billion cubic feet equivalent
Bcfe/d	billion cubic feet equivalent per day
CO ₂ (e)	carbon dioxide equivalent
CO ₂	carbon dioxide
EBITDA	earnings before interest, taxes, depreciation and amortization
Mbbls	thousand barrels
Mbbls/d	thousand barrels per day
MMbbls	million barrels
MMbbls/d	million barrels per day
Mcf	thousand cubic feet
Mcfe	thousand cubic feet equivalent
MM	million
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MMcfe	million cubic feet equivalent
MMcfe/d	million cubic feet equivalent per day
NGL	natural gas liquids
NO _x	nitrogen oxides
SO ₂	sulphur dioxide
Tcf	trillion cubic feet
Tcfe	trillion cubic feet equivalent
/d	per day

DIVERSIFYING OUR RESOURCES

/ KEY RESOURCE PLAYS*

GREATER SIERRA
(includes Horn River)
BC / CANADA

CUTBANK RIDGE
(includes Montney)
AB / BC / CANADA

BIGHORN
AB / CANADA

COALBED METHANE
AB / CANADA

JONAH
WY / UNITED STATES

PICEANCE
CO / UNITED STATES

FORT WORTH
TX / UNITED STATES

EAST TEXAS
TX / UNITED STATES

HAYNESVILLE
TX / LA / UNITED STATES

* AS AT DECEMBER 31, 2010

Encana Corporation

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Integrity Hotline c/o Encana Corporation

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