

CORPORATE RESPONSIBILITY REPORT 2011

2011 ACCOMPLISHMENTS

GOVERNANCE conducted a review of our Executive compensation program / improved accessibility of our Integrity Hotline / implemented a comprehensive audit program / developed and delivered training to 76 percent of employees on Ethos

PEOPLE performed a comprehensive employee survey with an 86 percent response rate / enhanced support for women and new grads in the workplace / provided leadership training to 277 leaders throughout our operations

ENVIRONMENTAL INNOVATION FUND expanded our Environmental Innovation Fund mandate to seek efficiencies in a wider variety of environmental factors / approved \$15.6 million for 27 projects within our operations and invested \$1.6 million in four external technology development projects

ENVIRONMENT implemented our Responsible Products Program, which assesses and manages our use of chemicals in our hydraulic fracturing operations / provided well information including fluid disclosure through the FracFocus registry for wells in the U.S. / created Ethos practices for environmental stewardship to target specific topics such as Wildlife and Habitat and Environmental Land Management / received a record number of reclamation certificates in our Canadian Division / received the International Erosion Control Association's Mountain States Chapter 2011 Innovative Project Award for our innovative and low-cost Divide Creek reclamation in Colorado

HEALTH continued implementation of Encana's comprehensive Occupational Health Program in support of Ethos / increased our complement of Industrial Hygienists from two to four / implemented a formal information management system for industrial hygiene data in our USA Division

SAFETY identified key areas for improvement and implemented targeted initiatives to reduce young worker injuries and motor vehicle incidents / implemented Safety Essentials Training across the company / utilized donations and community partnerships to enhance Encana's Safe 360 approach to safety at work and in our communities

NATURAL GAS ECONOMY developed significant natural gas infrastructure, including five compressed natural gas stations, six mobile liquefied natural gas filling stations and one fixed liquefied natural gas station / converted a large number of Encana fleet vehicles to run on compressed natural gas / undertook a number of advocacy initiatives to increase the use of natural gas

ENGAGEMENT improved tools to communicate environment, health and safety goals and Courtesy Matters expectations to service providers and contractors / continued to seek community partnerships which address local issues and contribute to dialogue about natural gas / responded to stakeholder surveys with improved programming and proactive communications strategies

ABORIGINAL ENGAGEMENT continued engagement and information-sharing to maximize benefits to Aboriginal stakeholders and minimize impacts from our activities / developed initiatives to integrate traditional knowledge into our reclamation activities / continued our support of educational initiatives which train Aboriginal workers to fulfill our future labour needs

COMMUNITY INVESTMENT further aligned our community investments to business goals, increasing our environmental spend by 161 percent / created long-term educational partnerships with a number of organizations / provided start-up funding to municipalities and not-for-profit organizations to advance the use of natural gas as a transportation fuel / supported and matched employee donations totalling over \$6 million to charities across North America through our Encana Cares program and ongoing employee matching gifts

TABLE OF CONTENTS

CORPORATE RESPONSIBILITY REPORT 2011

Overview and Materiality.....5

CEO’s Message.....6

Year-end Highlights.....8

Q&A with Bob Grant.....10

Governance.....12

People.....16

Environment.....22

Operating Area Map.....28

Case study: DJ Basin.....30

Case study: Horn River Basin.....34

Health.....38

Safety.....40

Engagement.....44

Community Investment.....48

Strategic Innovation.....52

Independent Assurance Report.....56

Advisories and Terms.....57

For more information on corporate responsibility at Encana please visit www.encana.com



CORPORATE RESPONSIBILITY REPORT 2011

Our Corporate Responsibility Report provides stakeholders with information on our economic, environmental, social and governance performance. Corporate responsibility is a key part of our corporate culture through which we establish our organizational strategy, implement action plans and assess outcomes. In order to improve our operations, we measure our performance, set goals and manage change. This report is our primary platform for communicating those efforts and capturing information that influences our strategy, policy and operations.

CERTAINTY THROUGH COLLABORATION

The theme of our report for 2011 is Certainty Through Collaboration. This theme is responsive to current market volatility and reflective of our approach to stakeholder engagement and community partnerships. This report demonstrates how, through successful internal and external collaboration, we are able to meet our corporate responsibility goals as an operator, employer and partner of choice.

Operator of choice

We demonstrate how corporate responsibility functions as an integral part of risk management and how we remain committed to stakeholder engagement, even though market conditions are challenging.

Partner of choice

We provide tangible examples of how we are building capacity in our communities through the economic benefits of development and by engaging our contractors and service providers. We also show how we are working to preserve value as a joint venture partner through our approach to corporate responsibility and reputation management.

Employer of choice

We show how, by engaging our employees and responding to their concerns, we are able to develop programs that ensure our workforce is able to deliver operational excellence.

In this year’s report we have also included case studies demonstrating how we address the unique characteristics of the areas in which we operate. Although strong governance and responsible development are inherent in all of our operations, these case studies highlight how each development strategy varies based on local geological and operating needs, stakeholder feedback and regulatory requirements.

MATERIALITY

Our process for determining the materiality of the information included in this report is exhaustive and driven by our stakeholder engagement efforts. The report reflects the sustainability-related interests of a diverse group of stakeholders, including the impacts, risks and opportunities facing our operations and the challenges facing the energy sector as a whole.

We seek input on what should be included in this report through investor dialogue, stakeholder surveys and by engaging our employees. We take into consideration our overall competitive strategy, concerns expressed by stakeholders and broader societal expectations.

We weigh economic, environmental and social impacts of our operations. Not all material will be of equal importance and the emphasis of our report evolves annually, based on our priorities for the previous year. In short, we report on relevant topics and indicators that may substantively influence the assessment and decisions of our stakeholders.

The year-long process of building this report, assuring our data and reviewing our content is a constant cycle. Our report is prepared using the Global Reporting Initiative G3.1 sustainability reporting guidelines, which serve as a generally accepted framework for reporting on an organization’s economic, environmental and social performance. In addition, we refer to guidance from organizations such as the International Petroleum Industry Environmental Conservation Association and the Canadian Association of Petroleum Producers Responsible Energy Program.

CEO’S MESSAGE

Learn how we are creating certainty through collaboration.

In 2011, in the face of significant market challenges, Encana recorded one of its best operational performance years ever. Despite a prolonged low natural gas price environment we achieved our core operating and financial targets. We took steps to fortify our balance sheet and to refocus our portfolio mix to reinforce a long-term, sustainable business model. We also worked closely with all of our stakeholders to further advance our responsible development, improve the efficiency of our operations and reduce our impact on the environment.

Our ability to deliver on our commitments depends in large part on the collaborative relationships we maintain with all of our stakeholders. We realize that community acceptance is paramount in order to operate in the areas surrounding our operations – protecting people and the environment is of the utmost importance.

We are proud of our accomplishments and we strive to be an industry leader in all that we do. That dedication is evident in our track record of operational excellence and our commitment to our three corporate responsibility goals – establishing ourselves as the operator of choice, employer of choice and partner of choice. In the pages that follow you will learn how we are striving to meet our commitments to be fiscally, environmentally and socially responsible.

OPERATOR OF CHOICE

Our industry leadership in efficiency and responsible development has positioned us well – we have a great asset base and innovative, value-driven teams who remain steadfastly committed to acting in a manner that is fiscally, environmentally and socially responsible. We also helped pioneer the technology that has created the resource play development model now widely used across North America, the resource play hub. Advancing resource play hub technology is important in achieving growth across Encana’s vast portfolio of assets as we continue to meet and exceed our operating and cost reduction targets.

Advancing best practices in corporate governance and responsible development goes hand-in-hand with improving our operations. At all levels of the organization, the goals and compensation of our leaders are tied to environmental, health and safety performance. This approach to leadership compensation, along with our emphasis on a premier safety culture, helped us to once again improve our safety record and lower the frequency of time lost for injuries year over year. It was also the second consecutive year that we sustained no work-related fatalities in our operations.

While we are proud to be acknowledged for our accomplishments, we recognize that our stakeholders have expressed concerns about the impact of our operations on their communities and the environment. We understand that hydraulic fracturing operations are currently of particular concern to some of our stakeholders. In keeping with our commitment to continually improve our practices, Encana has been working with our industry peers and stakeholders to develop new technologies and programs to enhance and reinforce the strict hydraulic fracturing regulations and guidelines we follow. In 2011, Encana implemented our Responsible Products Program, a first-of-its kind program to ensure that the hydraulic fracturing fluids used in Encana’s operations are safe and environmentally responsible. In order to inform stakeholders about our operations, we also support the disclosure of hydraulic fracturing fluid additives and are active participants in both the Canadian and U.S. versions of FracFocus, the online disclosure registry. Collaboration with many of Encana’s stakeholders – suppliers, contractors and regulators – was instrumental in the success of these programs.

EMPLOYER OF CHOICE

Encana is characterized by its strong core values and pervasive spirit of collaboration. As part of our focus on improving the Encana experience, in 2011 we surveyed our employees for their views on the company’s performance in a number of areas. We scored favourably in health and safety, working conditions, ethics and social responsibility. In areas where opportunities for improvement exist, we have implemented a number of initiatives to improve internal communications and increase leadership visibility and engagement. Our ongoing effort to improve the satisfaction of our employees was recently acknowledged by the editors of Canada’s Top 100 Employers, which named Encana a Top 55 employer in Alberta in 2012.

Encana focuses on attracting and retaining the most talented staff. We work hard to ensure that Encana remains a place where people want to work. Our employees share their ideas to reduce costs, improve efficiencies and reduce our impact on the environment. They implement best practices and apply them across our operations to create highly-efficient, highly-talented teams. As a high-performance company, we will continue to benefit from our strong pool of talented people as we refocus on growing our oil and liquids-rich plays to diversify our energy portfolio in the coming years.

BUSINESS PARTNER OF CHOICE

Encana’s reputation for strong corporate governance and responsible development are key factors in attracting third-party investment and maximizing value for our investors. Third-party investment – including joint ventures – helps create jobs, investment, economic opportunities and new government revenues. These partnerships helped Encana to maintain our momentum and capture value from our assets during this period of lower natural gas prices. Our joint ventures and partnerships are consistent with Encana’s well-established operating procedures and corporate responsibility practices. We are committed to continuing to demonstrate reliability and trustworthiness as these partnerships engage in safe, energy-efficient, responsible development.

COMMUNITY PARTNER OF CHOICE

Our role as a partner of choice extends into the communities where we operate. Our commitment to community engagement is the focus of our community relations and community involvement teams, who are on the ground every day listening and responding to our neighbours. We are proud of the many partnerships we have established with community groups, environmental organizations and post-secondary institutions throughout North America. For example, in 2011 Encana received recognition for its partnership with Louisiana’s Bossier Parish Community College by the Council for Resource Development. The partnership was

awarded the 2011 Volunteer for Business/Industry Award for creating a new degree and certificate program in Oil and Gas Technology for North Louisiana. This program was in response to the tremendous increase in the demand for trained workers created by the discovery and development of the Haynesville play in Louisiana.

Partnering with academic institutions will help to provide our future leaders with the valuable skills they will require to create a sustainable future for the energy industry including a firm understanding and commitment to leading environmental practices.

LOOKING FORWARD

While we have experienced a low natural gas price environment for the past two years, we do not believe that this price environment is sustainable in the long-term. Encana has positioned itself well for the future when natural gas prices are expected to rebound. We will continuously strive to lower our costs and improve our operational and environmental performance. We will continue to lead by example as we expand the use of natural gas in our own vehicle fleets and to power our own drilling rigs. We will continue to work with federal, state, provincial and local governments to establish policies and incentives to help service companies, fleet owners, other energy companies and individual consumers recognize the value of increasing the use of abundant, domestic and cleaner natural gas for transportation fuel and power generation.

We also appreciate and recognize the concerns of our stakeholders related to resource development. We will continue to address these challenges in the best way possible – by striving for the highest standards of responsible development, developing our assets with the support of our communities and collaborating with concerned stakeholders. The interactions we have with our stakeholders are fundamental to our success now and into the future and we look forward to building upon those relationships for years to come.



Randy Eresman

President & Chief Executive Officer
Encana Corporation



2011 FINANCIAL AND OPERATING PERFORMANCE

YEAR-END HIGHLIGHTS

Operationally and financially, Encana is able to adapt to the challenges and opportunities that come its way, all with the overriding goal of creating value for its shareholders.

\$4.2 billion or **\$5.66 per share**
cash flow

3.3 Bcf/d
total natural gas production

24,000 bbls/d
oil and NGL production

Financial highlights

(US\$ millions, except per share amounts)	2011	2010 ⁽¹⁾
Revenues, Net of Royalties	8,467	8,870
Cash Flow ⁽²⁾	4,175	4,437
Per Share – Diluted	5.66	5.98
Net Earnings	128	1,170
Per Share – Diluted	0.17	1.55
Operating Earnings ⁽²⁾	398	598
Per Share – Diluted	0.54	0.81
Total Capital Investment	4,578	4,764
Net Acquisition and Divestiture Activity	(1,565)	(150)
Net Capital Investment	3,013	4,614
Dividends Per Common Share	0.80	0.80
Dividend Yield (%) ⁽³⁾	4.3	2.7
Debt to Capitalization (%) ⁽²⁾	33	31
Debt to Adjusted EBITDA (times) ⁽²⁾	1.9	1.6

(1) Reflects transition to IFRS.
(2) Non-GAAP measures as referenced in the Advisories and Terms on page 57.
(3) Based on NYSE closing price at year-end.

Operational highlights

After Royalties	2011	2010
Production		
Natural Gas (MMcf/d)		
Canada	1,454	1,323
USA	1,879	1,861
Total Natural Gas (MMcf/d)	3,333	3,184
Oil & NGLs (Mbbls/d)		
Canada	14.5	13.2
USA	9.5	9.6
Total Oil & NGLs (Mbbls/d)	24.0	22.8

Q&A WITH BOB GRANT

EXECUTIVE VICE-PRESIDENT
CORPORATE DEVELOPMENT, EH&S AND RESERVES



Q. How does Encana maintain a culture of corporate responsibility in a low natural gas price environment?

Corporate responsibility describes how we do business; it is our attitude, our values, our processes and our actions. No matter the external environment, corporate responsibility remains the foundation from which all of our decisions are made.

We will continue to responsibly develop our resources in the same way we have always done. This means being responsible to our employees by providing them training to take on new roles and re-deploying them to other projects within the company as required; responsible to our landowners and members of our communities by informing them of changes in our development plans and the potential impacts of those changes; and responsible to our shareholders by developing our portfolio in a way that maximizes value and responds to market challenges and opportunities.

The key now, as it always has been, is efficiency. Efficient use of resources and continued efficiency in terms of mitigating environmental impacts are instrumental in maintaining our position as a low-cost energy producer. Through initiatives like those undertaken by our Natural Gas Economy team and strategic investments such as the proposed Kitimat liquefied natural gas export terminal, we are seeking new markets and ensuring that we are able to realize the maximum value of our resources in the future

Q. How does sound corporate governance support corporate responsibility at Encana?

Strong corporate governance is embedded in our culture and we maintain a comprehensive system of governance as part of our overall corporate responsibility program. One key component of that program rests with our Board of Directors. Our Board is responsible for appointing a competent leadership team and enforcing our rigorous corporate governance structure to ensure that we conduct ourselves in an ethical and legal manner.

We have an established set of business standards which outline the expectations we have of our staff. These standards are clearly articulated in our policies, practices and management systems.

We have numerous checks and balances in place to ensure that the high standards we set as a company are adhered to, such as our Investigations Committee, Integrity Hotline and audit program. Our expectations, commitments and performance are communicated to all of our stakeholders through several tools, including our Annual Report, Corporate Responsibility Report, news releases, newsletters, advertisements, social media, one on-one meetings, community events and our website.

Q. How does Encana engage stakeholders?

We recognize that the needs of individuals and communities differ and we engage them accordingly. Employees, contractors, landowners, First Nations and community members represent just a few of our stakeholder groups and each group has a unique relationship with Encana.

We have conducted a number of stakeholder surveys in our operating areas over the last two years. As a result, we are better able to understand the expectations of our stakeholders and have refined our communications approach to meet those needs. For example, we’ve refined our Courtesy Matters program and revised our external website to include community-specific information, in order to better meet the specific needs of each region. To ensure we are transparent and accountable, we regularly respond to inquiries from investors and their representatives, non-government organizations and regulators and participate in voluntary disclosure initiatives such as the Carbon Disclosure Project and the Dow Jones Sustainability Index.

Our employees are among our most important stakeholders. We are an industry-leading employer and we seek to recruit, retain and develop the highest quality people. Programs like our Women’s Network, summer student and internship opportunities, New Grad Program and various development initiatives help distinguish us as a top-tier employer in a competitive job market.

Q. How is Encana dealing with the high demand for skilled labour?

Our proactive approach to managing human resources is about managing risk and preparing the pool of talent we need for the future. We are an industry-leading employer, and as such we seek to recruit, retain and advance the highest-quality people within our organization. The need for innovation and highly-skilled workers is great, particularly in a low-cost environment. Our retention and attraction efforts start with programs like our summer student and internship programs and campus Enbassador initiative.

We also have succession plans in place to meet the needs of the organization in the future. We provide opportunities for internal cross-training, collaboration and employee development and offer competitive compensation.

Q. How does Encana manage environmental risks?

Risk management is incorporated into every aspect of our business, including how we assess and mitigate potential environmental risk. These risks are managed by maintaining policies and standards that comply with, or exceed, government regulations and industry best practices.

Our system identifies, assesses and controls environmental risk and requires regular reporting to senior management and the Board of Directors. Contingency plans are in place to ensure a timely response to potential environmental incidents and remediation/reclamation strategies are ready to deploy quickly.

We have established consistent and clear policies, procedures, guidelines and responsibilities for identifying and managing issues that may impact our reputation. For example, we have proactively responded to increasing stakeholder concerns regarding hydraulic fracturing by developing and implementing our Responsible Products Program (see page 26) and participating in both the Canadian and U.S. versions of FracFocus, the online hydraulic fracturing fluid disclosure registry.

We are committed to continuous improvement in every area of our business and we will continue to collaborate with educational institutions, regulators and other stakeholders to refine our approach and mitigate environmental impacts from our operations.

Our collaborative approach to development helps to ensure that we are a partner, employer and operator of choice.

GOVERNANCE

We are committed to the highest standards of corporate governance. We continually assess and update our practices where necessary to ensure that we are able to achieve our objectives.

Our corporate governance practices are part of our larger corporate responsibility program. While our corporate governance practices are designed to ensure that Encana complies with applicable legal requirements, they are also designed to enhance stakeholder confidence. We believe that we can proactively build stakeholder confidence by demonstrating how we operate responsibly and ethically as an operator, employer and partner of choice.

We are confident that enhanced stakeholder trust will translate into increased shareholder value. This value is realized through enhanced access to land, contractors and equipment; stronger relationships with regulators and government; and improved relations with Aboriginal communities and non-governmental and community organizations.

IMPROVEMENTS MADE TO OUR INTEGRITY HOTLINE

In 2011, to enhance the accessibility of our Integrity Hotline, we transitioned its operation to a third-party service provider. Reinforcing our commitment to ethical business practices, changes to the hotline include a round-the-clock call centre and a new Integrity Hotline website, which allows stakeholders to share their concerns online.

The Integrity Hotline website and call centre allow individuals to submit their concerns and follow up on previously submitted issues. Although we encourage those reporting an issue to discuss their concerns openly with Encana, concerns can be submitted anonymously. All reports are confidential and requests for anonymity are honoured.

LINKING COMPENSATION TO RISK MANAGEMENT

We manage risk by actively engaging our Board and Executive Team in identifying risks and implementing appropriate strategies to prevent and mitigate those challenges. This includes our approach to compensation. We mitigate risk through the consistent application of our

compensation program, which applies to all employees and Executive Officers.

In 2011, we engaged a third party to perform a comprehensive risk assessment of our compensation program and practices. This assessment examined aspects of our compensation program such as governance and oversight, measures used to determine annual incentive compensation and executive compensation disclosure. The assessment concluded that our compensation program and practices are designed to prevent risks which could have an adverse material effect on our business.

In 2011, shareholders were provided with the opportunity to accept Encana's approach to Executive compensation through a non-binding advisory vote (also known as "Say on Pay"). The Board recognizes that shareholders should be given an opportunity to fully understand the philosophy, objectives and elements considered in making executive compensation decisions. Almost 450,000 votes were cast with over 91 percent of voters in support of the Board of Directors' approach to Executive compensation. In 2012, shareholders were once again provided with the opportunity to vote on our approach to Executive compensation.

ETHOS TRAINING FOR STAFF

Ethos, our environment, health and safety (EH&S) management system, contributes to our long-term success and sustainability by helping us meet and surpass our EH&S obligations and manage associated risks. To ensure they understand how Ethos can be integrated into their daily activities, all staff are responsible for completing our online Ethos Level 1 Awareness Training. The web-based training module provides an overview of Ethos and how it impacts employees and their roles. To date, 76 percent of all Encana employees have taken the training.

For those staff requiring a more in-depth understanding of Ethos, such as EH&S staff and leadership, advanced second and third training modules have also been developed. Because they play a key role in the system's implementation, Ethos

Our focus on leading in governance and corporate responsibility has been recognized in a number of areas, by a number of organizations. Recent examples include:

- **Encana was named to the 2011 Carbon Disclosure Leadership Index for Canada in recognition of our leadership in the reporting of greenhouse gas emissions**
- **Encana was named to the 2011 Dow Jones North America Sustainability Index, again ranked among the top in our industry. Encana performed 32 percent above the industry average for oil and gas producers and remained strong or improved in the areas of risk management, stakeholder engagement, social impacts on communities and occupational health and safety. Encana also received favourable scores for corporate governance and strong environmental policies and reporting**
- **Encana was the only North American oil and gas company evaluated by the Natural Value Initiative, a multi-stakeholder collaboration between international non-governmental organizations, socially responsible investment organizations and academic stakeholders. We compared favourably to our peer companies among international oil and gas producers and were recognized by the Natural Value Initiative as a "company engaged and actively managing" biodiversity risks and impacts**
- **Encana was named among the top Canadian firms on Corporate Knights Magazine's 2012 Global 100 Most Sustainable Corporations in the world list**



Level 2 training is specifically designed to address the needs of our operational leaders. The training provides a more in-depth understanding of how the system functions, along with the framework and tools needed to integrate Ethos into the business. So far, 634 staff have taken this training.

Ethos Level 3 training focuses on those individuals within the organization that have direct responsibility for development, implementation and ongoing coordination of Ethos-related activities. These activities include practice development and implementation, reviewing and revising operating procedures to conform with Ethos and participating in Ethos audits.

Ethos Audits Based on Ethos

Our EH&S Audit Program, overseen by Encana’s Board of Directors Corporate Responsibility, Environment, Health and Safety Committee, is focused on governance and management system conformance. The program ensures that the practices we have developed through Ethos are meeting our objectives.

In 2011 we continued to rebuild our audit program. Our first step was to develop an internal, independent EH&S audit team. An independent audit team has the advantage of being dedicated

to the auditing process and having expert knowledge of Encana's EH&S systems. The team established a 10-year audit plan based on a comprehensive Corporate Verification and Audit Practice and trained 30 of our EH&S professionals on the practice.

We conducted four audits in 2011, two in each of our operating divisions. Each audit involved an extensive review of documentation outlining practices and operational procedures in order to demonstrate conformance with the 16 EH&S standards identified in Ethos. In support of our commitment to continuous improvement, a detailed report and corrective action plan was created for each audit, which provided our operational teams with guidance on how to fully integrate Ethos into their business. The 2011 audit program identified progress in the areas of contractor management, emergency response planning, information systems for managing staff competency and training and the overall development of EH&S practices to support the standards outlined in Ethos. Further opportunities exists to refine existing practices to more concisely align with Ethos.

2011 accomplishments

- conducted a review of our Executive compensation program
- improved accessibility of our Integrity Hotline
- implemented a comprehensive audit program
- developed and delivered training to 76 percent of employees on Ethos

2012 priorities

- conduct four Ethos EH&S audits in 2012, two in each division
- continue to improve the audit program
- revise Corporate Responsibility Policy to reflect commitment to staff development, retention, and commitment to human rights
- develop a formalized anti-corruption policy
- revise and continue to develop meaningful metrics for Integrity Hotline reports to the Board of Directors
- continue Level 3 Ethos training

Governance	2011	2010	2009
Business conduct investigations (new)	35	49	29
Total incidents of violations involving rights of indigenous people	0	0	0
Percentage of business units analyzed for risk related to corruption	100	100	100
Percentage of employees trained in organizations anti-corruption policies and procedures (sign off on Encana's Business Conduct and Ethics Practice)	~100	~100	~100
Monetary value of fines and total non-monetary sanction for non-compliance with laws and regulations	0	0	0
Environmental fines (USD) ^{(1) (2)}	54,680	205,263	352,682

(1) The amount reported for environmental fines reflects the amount paid in the year indicated, and may include fines levied in previous years. Each area where we operate presents distinct environmental challenges and we are constantly learning and defining how we incorporate environmental considerations into our operations. Encana began enhancing its compliance programs in 2009 and we are beginning to see an increase in compliance rates.

(2) In the United States, most federal actions against businesses or individuals for failure to comply with environmental laws are resolved through settlement agreements. As part of a settlement, an alleged violator may voluntarily agree to undertake an environmentally beneficial project related to the violation in exchange for mitigation of the penalty to be paid. Supplemental Environmental Projects (SEPs) further the Environmental Protection Agency's goal of protecting and enhancing public health and the environment. Encana paid \$184,301 towards SEPs in 2011. The indicator shows only the portion of the settlement agreement that may be considered an environmental fine.



PEOPLE

Encana is a high-performance company, known for its approach to continuous improvement, technical innovation and efficiency. However, our greatest competitive advantage is our people. They are proof that our collaborative, competitive approach to development can deliver the innovation, capacity for change and technical expertise necessary to achieve our operational and responsible development goals.

As we increase our focus on liquids-rich and oil plays, we are well-positioned to leverage our talented staff in order to meet new challenges and opportunities. Our goal is to remain an employer of choice in the areas where we operate, and in order to meet that goal we must continuously improve and refine the ways we develop our staff.

ACTIVELY SEEKING OPPORTUNITIES FOR IMPROVEMENT THROUGH OUR EMPLOYEE SURVEY

Given some of the significant changes Encana has undergone over the past three years, we worked with a third party to conduct an in-depth, company-wide employee survey in 2011. The anonymous survey was designed to help our leadership measure and understand employee perceptions about their roles, work environment and level of engagement. In addition, the survey allowed us to compare our 2011 findings to previous benchmarks, energy industry performance and overall North American averages.

Some highlights of the report included:

- the employee survey received an 86 percent response rate, which was a significant increase from a consistent 77 percent response rate from previous years
- overall employee engagement was 80 percent favourable (North American norm is 68 percent)
- overall employee enablement was 73 percent favourable (energy sector norm is 65 percent)

Our strongest performance metrics were in the areas of health and safety, working conditions, ethics and social responsibility. We also scored favourably in the areas of leadership and supervision. The greatest

opportunities for improvement were identified in the areas of structure and process, growth and development and communication. The combined metrics, which were ultimately consolidated and shared with Encana’s Executive Team, provided a sense of overall employee effectiveness and highlighted areas that require a more concerted effort in the future. We have since implemented a number of initiatives to improve internal communications, increase leadership visibility and bolster the Encana experience.

DEVELOPMENT FROM THE GROUND UP

Recruiting, retaining and developing talented staff is and always will be a priority. As our goal is to remain an employer of choice in a highly competitive industry, we take a holistic approach to employee development.

Post-secondary outreach

We begin employee development with capacity-building programs such as our post-secondary investments and partnerships, which provide students with skills necessary to understand our business. One such example is our 2011 donation to the Institute for Sustainability and the Environment at Mount Royal University in Calgary, where students will conduct environmental research to develop a hands-on understanding of the challenges facing the energy industry.

Encana’s recruitment programs are focused on meeting today’s needs and anticipating the business needs of tomorrow. We are particularly proud of our new graduate recruitment and development program that provides specialized training and work experiences to developing professionals. We recruit from campuses in Canada and the United States bringing in more than 200 summer students, new grads and interns into our company throughout the year. New grad recruitment ensures a pipeline of innovative thinkers.

Our robust student and internship program also helps to ensure that we have access to the most promising future leaders. For example, in May 2011 we hired 214 students on summer work terms. Throughout the summer, these students worked as integral members of our teams and were assigned value-added projects designed to provide them with learning opportunities while delivering meaningful contributions to Encana. Top-performing students are often offered full-time positions and since 2009, 81 percent of students company-wide have been offered roles as land negotiators, engineers, geologists and geophysicists.

In order to keep our relationships with core universities strong, we launched our company-wide Campus Enbassador program in 2011. This program engages former summer students and interns to act as campus liaisons. As Campus Enbassadors, students assist in faculty outreach to establish new recruitment opportunities, participate in campus and Encana-sponsored events and help educate others about Encana by sharing their experiences.

New graduates

Once we have hired new graduates, we make every effort to integrate them seamlessly into our operations. We provide a broad range of technical and business experiences, allowing New Grads to gain exposure to varied job functions, key assets, business processes and a variety of leaders. Through job rotations, training, mentorship and support our New Grad program offers new technical talent the ability to fully understand our resource play strategy, execute with excellence and grow into future leaders.

Continuous growth

We continue to build capacity and drive exceptional performance throughout each employee’s tenure. Each employee designs a development plan in collaboration with their supervisor and works with them throughout the year to meet their goals. We also often offer development opportunities through local educational institutions in order to build additional capacity. For example, in Calgary we partner with the Southern Alberta Institute of Technology (SAIT) to offer courses that build skill sets in critical areas. In 2011 we offered 38 sessions at SAIT for 700 people.

Leadership development

We have programs in place to ensure that our leadership is among the very best. In Canada in 2011 we offered 25 leadership development sessions and programs which were attended by 427 current and future leaders. Topics included coaching for performance, conflict resolution, building trust and collaboration, strategic thinking and change management. We also promote the development of our future leaders through PEAK Leadership, a unique and intense 12-month program where leaders enhance their skills in planning, risk mitigation, coaching and change management. In 2011, 61 leaders in our USA Division participated in PEAK Leadership and 197 leaders have completed the program since it began in 2007.

These leadership programs support the development of our employees and are especially effective in driving performance. In fact, approximately 40 percent of PEAK Leadership and Building Leadership Capacity graduates have been promoted since the programs’ inception, while 97 percent experienced key behavioural change and 100 percent have agreed that the program is a worthwhile company investment.



People

	2011	2010	2009
Total staff (employees and contractors)			
Canada	3,093	2,978	2,744
U.S.	2,017	2,081 ⁽¹⁾	2,152
Other	0	3	2
Total Staff	5,110	5,062	4,898

(1) An administrative change was made to how contractors are categorized in our USA Division in 2010, resulting in a lower number of reported contractors.

ENCANA WOMEN'S NETWORK LAUNCHED

We are committed to a diverse workforce. To this end, the Encana Women's Network was created in March 2011. The objective of this group is to support the development of women in leadership roles and raise the profile of women as integral members of Encana's workforce. The network is focused on four objectives:

- mentoring
- networking
- communication
- resources



2011 accomplishments

- performed a comprehensive employee survey with an 86 percent response rate
- enhanced support for women and new grads in the workplace
- provided leadership training to 277 leaders throughout our operations

2012 priorities

- focus on leadership development and implement a capability model that includes, change/innovation, communication, teamwork and execution excellence
- continue to support knowledge transfer and technical development programs to uphold Encana's model of innovation
- develop and enhance internal and external communication of Encana's business strategy
- implement a new talent management system which will improve the corporation's ability to tie pay to performance
- ensure corporate measurements are aligned to scorecard objectives



Management average salary

	2011	2010	2009
Ratio of male to female salary ⁽¹⁾	1.05	1.07	NPR

(1) Reflective of Vice-President level only.

ENVIRONMENT

We are committed to responsibly developing our resources in a way that improves operational performance while mitigating impacts to water, air and land. Our approach to environmental stewardship is multi-faceted and includes risk awareness, minimizing environmental impacts and ensuring sound environmental performance throughout the life cycle of an asset. This holistic approach is outlined in our Environment Policy and Corporate Responsibility Policy. Ethos, our environment, health and safety management system, sets further guidance on mitigating environmental risk.

Throughout our operations, our staff are expected to minimize, manage, monitor, track and inventory environment-related issues. We are then able to address these risks through targeted innovation and collaboration. We had great success in 2011 understanding and improving our environmental performance.

RESPONSIBLE PRODUCTS PROGRAM

In keeping with our commitment to continuous improvement and proactively addressing stakeholder concerns, we have developed and implemented a company-wide program to manage the chemical products used in our hydraulic fracturing operations. The Responsible Products Program, which began development in the first quarter of 2010, allows us to assess our hydraulic fracturing fluids for effectiveness and potential health, safety and environmental impacts.

In July 2011, we shared this risk-based program with the Canadian Association of Petroleum Producers (CAPP) as a potential tool for industry to proactively address stakeholder concerns related to the chemicals used in hydraulic fracturing. CAPP and its members are supportive of our approach and are now working with us to facilitate an industry-wide rollout of the program in Canada.

All of the hydraulic fracturing fluid products we use are assessed for their potential impact to human health or the environment using widely accepted toxicological criteria. We developed the tool in conjunction with third-party toxicologists, allowing us to conduct thorough, objective and accurate product assessments. The program uses

government databases and information from Environment Canada, the European Union, the U.S. Environmental Protection Agency and the American Conference of Governmental Industrial Hygienists as the basis for its classification.

Encana prohibits the use of any hydraulic fracturing fluid products containing diesel, 2-Butoxyethanol (2-BE) or benzene. We have informed our suppliers that any product containing these additives cannot be used in our hydraulic fracturing operations. Additionally, we have determined that none of the hydraulic fracturing products Encana uses contain arsenic, cadmium, chromium, lead or mercury. Encana is committed to verifying that none of these heavy metals will be used in our hydraulic fracturing operations in the future.

FRACFOCUS

FracFocus is an online hydraulic fracturing chemical registry designed for companies, including Encana, to provide the public with information related to the chemicals used for hydraulic fracturing. These websites (one in Canada and one in the U.S.) also feature general information on the hydraulic fracturing process and region-specific regulations governing its use.

We are an active participant in both the Canadian and U.S. versions of FracFocus and continue to support the increased disclosure of information regarding the composition of fluids used in hydraulic fracturing. As of the release of this report, we have uploaded information for the vast majority of the more than 700 hydraulic fracturing jobs completed in the United States in 2011 and will continue to include data for all jobs on an ongoing basis. Meanwhile, the Canadian version of FracFocus officially launched in British Columbia in late 2011 and we began uploading information to the registry in early 2012.

Our involvement in FracFocus is one example of our efforts in building stakeholder confidence in our operations and advancing best practices in hydraulic fracturing and water management.

RESOURCE PLAY HUB MODEL

Our resource play hub model is designed to reduce operating and capital costs while improving operating and environmental efficiencies. Implemented across our entire asset portfolio, the resource play hub is an innovative and efficient production model tailor-made to reduce production costs and environmental impacts.

A resource play hub is created when multiple deviated or horizontal wells are simultaneously drilled, completed, tied in and produced from a single surface location, or well pad. This allows us and our service providers to optimize every part of the process and significantly lessens our surface impact.

This concentrated, disciplined method means that drilling rig and hydraulic fracturing crews need only travel a short distance from task to task, while supplies can be delivered in bulk to centralized resource play hub locations. The net result is enhanced environmental and safety performance markers – reduced vehicle traffic and emissions, less movement of fluids and chemicals and suppression of dust. When taken together, this demonstrates the resource play hub’s importance in maintaining our license to operate.

2011 accomplishments

- implemented our Responsible Products Program, which assesses and manages our use of chemicals in our hydraulic fracturing operations
- provided well information including fluid disclosure through the FracFocus registry for wells in the U.S.
- created Ethos practices for environmental stewardship to target specific topics such as Wildlife and Habitat and Environmental Land Management
- received a record number of reclamation certificates in our Canadian Division
- received the International Erosion Control Association’s Mountain States Chapter 2011 Innovative Project Award for our innovative and low-cost Divide Creek reclamation in Colorado

2012 priorities

- refine greenhouse gas (GHG) forecasting model to assess and evaluate potential impact of various GHG regulatory scenarios on our operations
- standardize methodologies and metrics of Encana’s air emission data and reporting
- continue to develop processes for data gathering, tracking and reporting of water sources, use and disposal
- continue to implement and refine our Responsible Products Program, including working with the Canadian Association of Petroleum Producers to make the program available to industry
- continue to refine metrics and practices for Environmental Land Management; Spills and Releases; Wildlife and Habitat and Materials and Waste to ensure compliance with standards outlined in Ethos



ENVIRONMENT
AIR

Our air quality programs are designed to manage our air emissions inventory and identify opportunities to reduce air emissions where feasible. We continue to make significant investments in projects that improve operational efficiencies and mitigate the emissions associated with our operations. Issues related to climate change, such as our greenhouse gas emissions, and other air pollutants are actively managed across our operations.

We incorporate risk management in virtually every aspect of our business activities, including those related to air quality. Risk analysis is also incorporated into performance reporting and peer review of our projects. Accordingly, we continue to monitor, review and adapt to developments in current and emerging climate change policy and legislation and consider the associated costs of carbon in our strategic planning. We work to continuously develop industry-leading initiatives within our operations to address stakeholder concerns.

CELEBRATING A DECADE OF REDUCED EMISSIONS INTENSITY

After 10 years of operation, our Cavalier Power Station continues to set a leading example of a more efficient and environmentally-friendly future for power generation. In operation since 2001, the 115-megawatt facility supplies enough electricity to the Alberta grid to service a city with a population of 100,000 – and it does so with cutting-edge technology and minimized emissions.

Located 10 miles (16 kilometres) southeast of Strathmore, Alberta, Cavalier Power Station’s operational mandate is to supply Encana with the electricity we need at the lowest cost and in the most environmentally-friendly manner possible by using natural gas-powered turbines to efficiently generate electricity. Using these energy-efficient turbines creates significant reductions in greenhouse gas emissions when compared with coal-fired electricity generation and offers significant economic benefits as well.

Not only does Cavalier’s electricity generation meet our power demands, but using this cleaner energy at our Alberta facilities allows us to use an Encana-specific electrical indirect emission factor, as opposed to the published grid average factor for our Alberta facilities. As a result, the emissions intensity for our Alberta facilities is much lower than would otherwise be the case.

REDUCING EMISSIONS IN WYOMING

Innovation plays an important role in supporting responsible development. For example, in 2011 our team in the Jonah field in Wyoming commissioned two pilot projects to help reduce emissions, improve local air quality and support our position as an operator of choice in the region.

These pilot projects involve the testing of condensate stabilization systems. Condensates are hydrocarbons that are in a gaseous state within a hydrocarbon reservoir. Through changes in temperature and pressure during the production process, condensate becomes a liquid at the surface that must be separated from the natural gas stream and stored. In liquid form, stored condensate produces vapors that are typically collected by vapor recovery units and then combusted. This process can reduce hydrocarbon emissions to the atmosphere by up to 98 percent.

Although combustion of these hydrocarbon vapors is effective and achieves a substantial reduction in emissions, it does not eliminate them entirely. In an attempt to further reduce our emissions, we initiated two pilot projects to stabilize condensate streams to minimize production of hydrocarbon vapors. This allows the condensate to be stored at atmospheric conditions and simultaneously recovers any vapors produced during stabilization for processing and sale as natural gas.

With an estimated production rate of 90 barrels of condensate per day, the emissions reduction per 10 million cubic feet per day of natural gas production in the Jonah pilot is estimated to be up to 2.6 tonnes per year of nitrogen oxides and 10.2 tonnes per year of volatile organic compounds.

ENHANCING AIR EMISSIONS MANAGEMENT AND REPORTING

Our operations are subject to diverse air emissions regulations at the provincial, state and federal levels and our processes may vary in order to reflect regulatory and policy requirements.

In 2011 we began to align the methodologies used by our Canadian and USA Divisions to calculate various air emissions metrics. Our goal is to align the methodologies to the extent that it is possible without compromising our regulatory reporting requirements. This process is currently underway and will continue to evolve as we respond to regulatory developments.

In order to better facilitate our data management and regulatory reporting for air emissions, our Canadian operations also began the transition from an outsourced emissions management and reporting solution to an in-house application developed by a third-party leader in environment, health, safety and sustainability management solutions.

We also decided to replace the existing in-house air emissions management and reporting application in our U.S. operations in 2011 and are currently in the process of implementing

the new system. We conducted an intensive risk management analysis, cost analysis and feasibility study and concluded that the new system will better meet our diverse reporting requirements and provide more consistent, accurate and efficient emissions management and reporting.

Emissions ^{(1) (2) (3) (4)}

	2011	2010	2009
Total energy use (Canada facilities only) (10³ GJ)	36,562	35,341	32,856
Emissions intensity Canadian Division ⁽⁵⁾			
Production energy intensity (GJ/m³OE)	2.03	2.28	2.07
Direct carbon intensity (tonnes/m³OE)	0.16	0.18	0.16
Production carbon intensity (tonnes/m³OE)	0.17	0.19	0.17
Emissions intensity USA Division			
Direct carbon intensity (tonnes/m³OE)	0.09	0.08	0.11
Production carbon intensity (tonnes/m³OE)	0.10	0.10	0.12
Greenhouse gas emissions ^{(6) (7) (8)}			
Canadian Division			
Direct CO₂ e (10³ tonnes)	3,074	2,967	2,734
Total purchased electrical consumption (MWh)	413,790	397,162	397,608
Indirect CO₂ e (10³ tonnes)	177	170	176
USA Division			
Direct CO₂ e (10³ tonnes)	2,373	2,276	2,646
Total purchased electrical consumption (MWh)	457,152	462,367	354,059
Indirect CO₂ e (10³ tonnes)	389	429	328
Nitrogen oxides (NOx) emissions (tonnes)			
Canadian Division ^{(9) (10) (11)}	17,968	18,960	13,452
USA Division ⁽¹²⁾	1,948	4,451	5,472
Sulphur dioxide (SO₂) emissions (tonnes)			
Canadian Division	2,747	2,949	3,008
USA Division ⁽¹³⁾	4	21	17
Total gas flared (10³m³/yr)			
Canadian Division	50,102	51,889	54,733
USA Division ⁽¹⁴⁾	25,482	52,199	61,421
Total gas vented (10³m³/yr)			
Canadian Division	2,742	4,490	5,551
USA Division ⁽¹⁵⁾	88,409	70,387	84,843

(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 and Western Climate Initiative protocols.

(3) USA Division emission calculation methodologies follow USEPA GHG Reporting Rule requirements.

(4) Canadian Division and USA Division are not directly comparable because data capture processes vary according to business system limitations and regulatory requirements.

(5) Emission intensities do not include Cavalier Power Station in the Canadian Division.

(6) Direct operated greenhouse gas emissions include Cavalier Power Station in the Canadian Division.

(7) USA Division calculates combustion GHG emissions from measured fuel and fuel usage derived from equipment power ratings and certain operational assumptions. This approach is selected due to existing regulatory requirements for calculation of other air emissions.

(8) Emissions from purchased electricity dropped by 9 percent while purchased electricity consumption dropped by only 1 percent due to changes in the Environmental Protection Agency’s e-GRID emission factors for 2011.

(9) NOx related to diesel combustion for British Columbia drilling and completions was reported in 2010 but is not included in the 2011 corporate inventory. This change was made to facilitate consistency with other business units in Canada and the U.S.

(10) NOx emissions include Cavalier Power Station.

(11) The Canadian Division is currently undertaking a project to update its production accounting reporting processes and refine the allocation of fuel used in the field. At the time of assurance of the 2011 Corporate Responsibility Report the project was completed only for our Clearwater business unit, and was a work in progress for other business units. Once the fuel and equipment mapping exercise is completed for remaining business units, it is expected that the Canadian Division’s NOx emission inventory will increase for 2012 to reflect more accurate fuel and equipment mapping.

(12) NOx emissions trended down due largely to the effects of divestitures for midstream and compression assets.

(13) SO₂ reductions are attributable to an acid gas removal facility not operating in 2011.

(14) Flared and vented volumes were heavily impacted by changes in assumptions regarding the percentage of completions operations that were flared versus vented.

(15) Flared and vented volumes were heavily impacted by changes in assumptions regarding the percentage of completions operations that were flared versus vented. Additionally, more rigorous accounting for liquids unloading venting events, as well as refinements in one business unit’s equipment inventory have resulted in an increase in vented emissions.

ENVIRONMENT
LAND

Encana defines environmental land management or surface management as managing the use and development of land resources responsibly. This includes life cycle analysis, planning and mitigation in managing our activities. Land management ranges from the initial site and risk analysis all the way through to final land use, abandonment and reclamation.

With such a broad scope, our land management programs are designed to be inclusive and comprehensive. They ensure that environmental risks are effectively identified and managed and include mandatory programs that minimize, reclaim or remediate impacts to land throughout the life cycle of the asset.

ENCANA TEAM CREATES EFFICIENT LEGACY

Encana has been operating in southern Alberta for decades, which means we have several existing well sites and facilities that can be repurposed. In many cases, these wells have natural gas reserves which were previously unattainable but can now be accessed using current technology. However, due to population growth and expanded municipal boundaries, many of these legacy wells are now located in or near residential areas and additional safety and environmental considerations are appropriate before development can begin.

In early 2011, a multi-disciplinary team of Encana staff was able to identify potential issues and mitigate potential impacts in order to ultimately tap some of these legacy wells in Strathmore, Alberta. In addition to the collaboration among our own engineering, stakeholder relations, land and environmental teams, we included local developers, landowners, municipal staff and regulators in the process.

These wells, producing natural gas once again, will eventually be situated within a residential green space. With careful planning and execution, these legacy sites can continue to be economic and co-exist with other land use – all while maintaining environmental integrity and responding to local stakeholder interests.

AWARD-WINNING RECLAMATION EFFORTS IN COLORADO

Our recent reclamation of an access road located on U.S. Forest Service property in Colorado won the International Erosion Control Association’s Mountain States Chapter 2011 Innovative Project Award for our Divide Creek final reclamation project. The project incorporated an innovative “One Touch Speed Reclaim” technique and aggressive surface roughening earthwork practices, along with unique coordinated earthwork and re-vegetation activities, to deliver an extremely efficient and cost-effective final reclamation project. The Divide Creek Project successfully addressed multiple U.S. Forest Service management objectives and set a new precedent for the Piceance Basin and final reclamation projects, coming in under budget and ahead of schedule.

The road was reclaimed using an innovative approach designed to reduce costs and take advantage of existing vegetation diversity. Some of the techniques used include:

- 1. placing priority on rapid vegetation
- 2. completing the earthwork with one operator and one track hoe
- 3. staging the earthwork and seeding immediately after soil is placed
- 4. borrowing topsoil and native plant material from the adjacent landscape

Historically, this type of project could have taken up to two weeks. However, using our innovative approach, our skilled Piceance Basin civil construction, reclamation and surface management teams managed to complete the project in only four days.

NEW FRONTS FOR CANADIAN RECLAMATION

Our track record in land reclamation is proof of our commitment to responsible development and 2011 marked a significant accomplishment in that regard. In 2011, our Canadian Division received a record number of reclamation certificates – a total of 89 certificates were issued to Encana, accounting for almost 360 acres (or 145 hectares) of land. This increase helped to drive our total number of reclamation certificates received for all of our operations in 2011 to 107, nearly a 30 percent increase over 2010.

Our reclamation efforts have also resulted in a number of requests from Aboriginal communities who want to be more involved with our environmental reclamation projects. These requests prompted a collaborative effort between our Aboriginal Relations and Environment, Health & Safety teams to develop alternative reclamation methodologies

focused on restoration of wildlife habitat and use of native plant species. These collaborative reclamation projects have a number of benefits, such as engaging concerned stakeholders, providing economic opportunities for local communities, cost savings and honouring the strong Aboriginal stewardship of the land.

ETHOS GUIDANCE ON ENVIRONMENTAL STEWARDSHIP

Internal collaboration plays an important part in ensuring that the steps outlined in our corporate governance are ultimately implemented in the field. In 2011, to ensure that our staff are able to meet the standards outlined in Ethos, our environment, health and safety management system, our corporate office worked closely with their divisional counterparts to develop six guidance documents specific to environmental stewardship. These guidance documents govern the implementation of specific, concrete practices throughout our operations.

For example, our Environmental Land Management guidance document ensures that practices are implemented to mitigate and identify environmental risks during

acquisitions and divestitures, in order to manage our assets and liabilities. Both of our divisions are required to develop practices and procedures that ensure management, abandonment, decommissioning, remediation and reclamation procedures are in place. Procedures are also included in the planning process to minimize, reclaim or remediate impacts for the full life cycle of an asset. This allows us to appropriately manage, abandon and reclaim Encana sites.

Our Spills and Releases guidance document provides guidance on spill containment and encourages the development of practices to properly manage spills and releases in conformance with regulatory requirements. Through these practices, we are committed to conforming to regulatory requirements, conducting response exercises as required and establishing procedures and accountabilities to allow prompt and accurate reporting.

We have also created a Wildlife and Habitat guidance document, which gives direction on programs to minimize impacts to wildlife and habitat throughout the life cycle of our assets. We promote a

landscape-level approach to development and planning and ensure that tracking procedures are in place to identify, mitigate and monitor potential impacts to wetlands, wildlife and wildlife habitat.



Abandonment and reclamation

	2011	2010	2009
Total abandoned wells awaiting reclamation	699	662	308
Total abandoned wells, active reclamation complete, awaiting reclamation certificate	86	172	165
Well site reclamation certificates received ⁽¹⁾	107	84	42
Total wells undergoing active reclamation	893	621	516
Total reclaimed land (acres)	424	298	138

(1) Due to low commodity prices and a number of divestitures, Encana focused on reclamation of sites, resulting in an increase in reclamation certificates and reducing the backlog of sites requiring reclamation.

Spills

	2011	2010	2009
Number reportable ⁽¹⁾	224	113	137
Estimated reportable volume (bbls)	12,491	11,069	6,746

(1) A revised rule in Wyoming accounted for an additional 49 reportable spills in our USA Divison that would not have been accounted for in our reporting methodology in previous years.

ENVIRONMENT

WATER

Responsible water management is fundamental to our ongoing success and we recognize that the unique requirements and challenges posed by our operations require tailored water management strategies. Our continued ability to responsibly source, transport, reuse and dispose of water is of paramount importance.

In 2011, considerable effort was made to develop corporate guidance on water tracking and reporting as part of Ethos, our environment, health and safety management system. This guidance helps us incorporate industry best practices; set standards on collecting, maintaining and reporting water data; promote the efficient use and protection of surface and groundwater; encourage the use of unutilized water such as saline, non-potable and recycled water; and encourage watershed planning in project development.

While we have measures in place to ensure that we are operating responsibly, we are continuously improving our processes and engaging our stakeholders on issues related to water management. Maintaining our position as both an operator and partner of choice depends on our ability to successfully steward this vital resource.

OUR WATER MANAGEMENT STRATEGY

Each of our operations poses its own unique challenges and each of our wells requires individual consideration when it comes to how we manage our water resources. However, in all of our operating areas we work to ensure that sound operating practices are in place. Our seven-tiered water management strategy is as follows:

1. Baseline groundwater testing

We are committed to protecting fresh groundwater sources and routinely test domestic water wells in the area of oil and natural gas wells being drilled. We also participate in longer-term regional groundwater monitoring programs.

2. Water sourcing and volumes

We use a tailored approach when sourcing water and evaluate many different available options once a resource has been proven prior to beginning our operations. We have also developed corporate guidance on water tracking and reporting as part of Ethos.

3. Wellbore construction

During operations, groundwater-bearing rock formations are protected from the contents of the well by layers of steel casing and cement. Before we begin completion operations, we pressure-test the casing to ensure integrity and monitor pressures within the well during each fracturing operation.

4. Additive selection

We have implemented a company-wide program to manage the chemical products used in hydraulic fracturing. Our Responsible Products Program assesses hydraulic fracturing fluids for potential health, safety and environmental impacts.

5. Additive disclosure

In order to reassure stakeholders about our operations, we support the disclosure of fracturing fluid additives and are active participants in both the Canadian and U.S. versions of FracFocus.

6. Fracturing fluid transport, handling and storage

We are committed to reducing the risk of potential spills of fracturing fluids, produced water, flowback water and wastes associated with hydraulic fracturing by adhering to government regulations, ensuring proper storage and secondary containment and maintaining spill response plans.

7. Flowback fluid reuse, recycling and disposal

Where practical, we reuse flowback water and seek opportunities to use other unutilized sources of water in our operations. This could be water located far deeper than typical drinking water aquifers or water that is of too poor quality for household or agricultural use. Where we are unable to reuse produced water or flowback fluids, we dispose of these substances in licensed disposal wells.

GROUNDWATER MONITORING ASSOCIATED WITH COALBED METHANE DEVELOPMENT IN THE HORSESHOE CANYON FORMATION

In 2007, at the request of the Energy Resource Conservation Board, a third-party hydrogeological firm installed a deep groundwater monitoring well on behalf of Encana prior to installing a coalbed methane (CBM) well near Torrington, Alberta. The monitoring well was installed in an effort to address stakeholder concerns regarding the potential for methane contamination in groundwater and the perceived environmental risks associated with CBM development.

The monitoring well, which was installed 147 feet (45 metres) north of the proposed CBM well, was completed to a depth of approximately 78 feet (24 metres) above the uppermost zone of methane extraction. Pre-development data on the water level and water quality was collected and analyzed by the third-party consultant. Subsequent data on water quality and water levels was collected from the monitoring well for a period of five years, including the drilling and completions activities associated with a CBM well.

In 2011, after five years of data collection and analysis, we were able to determine that there were no impacts to the groundwater from CBM development. In fact, the analyses indicated that our operations would have had no impact on the performance of a producing water well. The results of this monitoring program reinforce the value of our water management strategy and the strength of existing regulations.

CAPP COLLABORATION HELPS CREATE BEST PRACTICES FOR HYDRAULIC FRACTURING

In 2011, the Canadian Association of Petroleum Producers (CAPP) announced new Canada-wide guiding principles for hydraulic fracturing operations. In February 2012, CAPP introduced accompanying operating practices, which provides direction to the industry to improve water management for shale gas and tight gas development across Canada.

The development of these principles and practices is an excellent example of successful collaboration as both an industry and a company. Staff from our corporate office and both operating divisions provided insight into the development of this industry-leading guidance. Broader, inclusive collaboration from a number of our industry peers also helped facilitate the process. Efforts are now underway to map Encana's existing water strategy against CAPP's practices in order to ensure alignment throughout our operations

These practices will contribute to improving our environmental performance and transparency, which we believe will contribute to a stronger understanding among our stakeholders and the general public of how we operate.

INDUSTRY COLLABORATION TO UTILIZE WASTEWATER

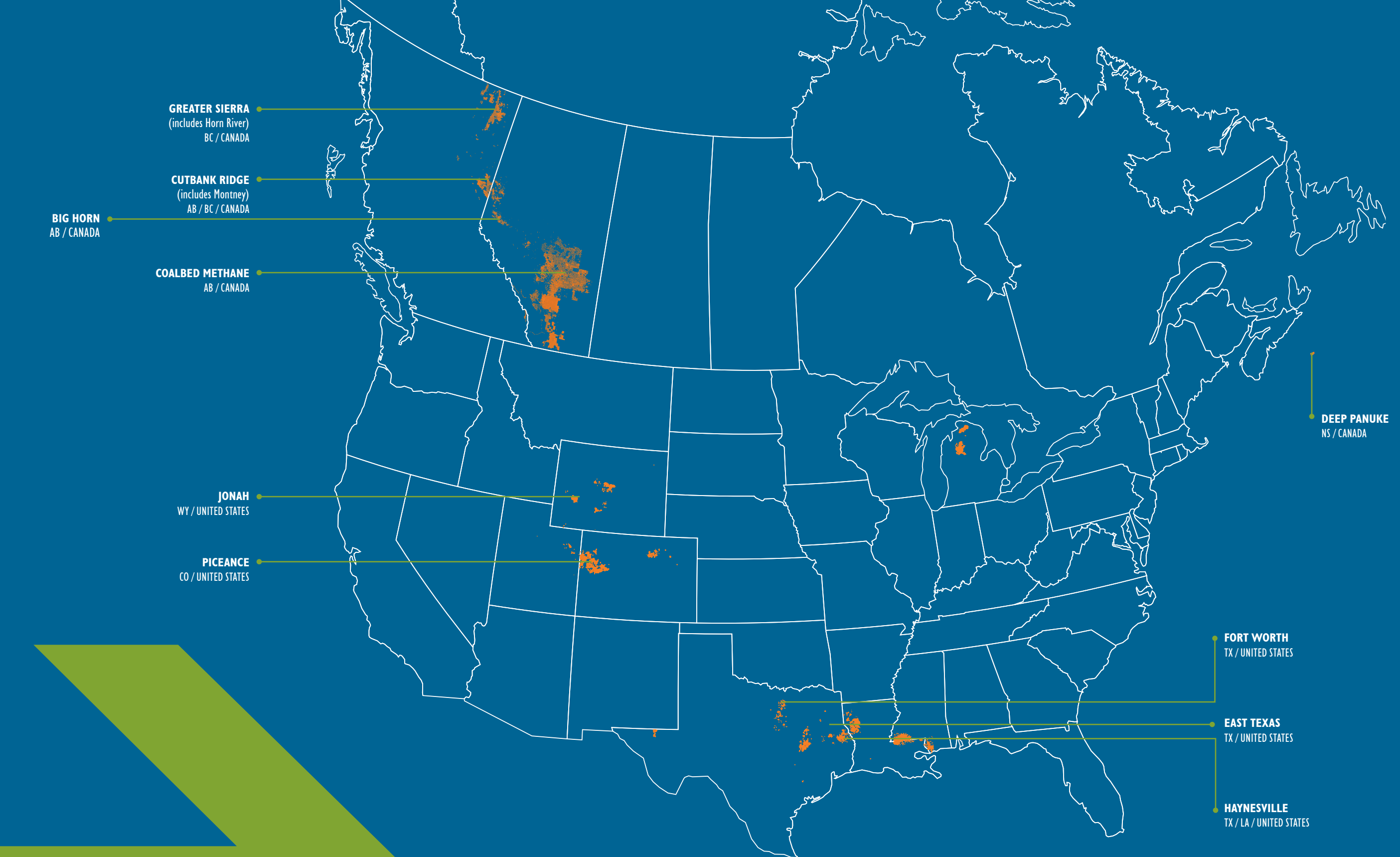
In 2011, faced with challenging drought conditions near our operations in north Louisiana, we actively began seeking opportunities to reduce our dependence on sourcing fresh water and increase the percentage of recycled water used for hydraulic fracturing. As such, we approached local contractors Select Energy Services and Exco Resources to find alternative sources of water. Through the collaborative efforts of our completions and environmental teams and our partners, we were able to source effluent wastewater from a local pulp mill in order to displace some of the surface water used in our operations.

The pulp mill water, which proved to be a readily available source of water for hydraulic fracturing operations, requires less surface pipeline infrastructure, less dependence on water transfer ponds and provides significant cost savings. Instead of requiring 12 miles (19 kilometres) of surface water supply pipeline to transport water from Wallace Lake to our nearest water storage ponds, we only needed approximately 2 miles (3.2 kilometres) of surface pipe. We were able to run surface lines from a pull point on the effluent water pipeline directly to our well site tanks, which significantly reduced the risk of spills or leaks. This project also eliminated

the need for several transfer pumps, water storage pit liners and storage tank rentals, and enabled us to decrease the water supply cost for seven wells.

Although not possible or practical in other areas, this project demonstrates that innovative water management initiatives are found throughout our operations.





OUR OPERATING AREAS

AS AT DECEMBER 31, 2011

OUR APPROACH TO URBAN DEVELOPMENT

Our corporate responsibility philosophy is underpinned by good corporate governance and best practices unique to each of our operating areas. Managing very different environmental challenges, such as droughts in Texas or the harsh winters of northern British Columbia, requires fit-for-purpose solutions. Similarly, the social challenges we face in operating near densely populated areas in Colorado differ greatly from the factors we face near our rural operations.

Operating in urban areas can present a number of unique challenges and opportunities, and requires a community-focused approach to development. With our neighbours just a short distance away, successfully engaging local communities is a top priority. This case study highlights how we are working to mitigate community impacts, create meaningful relationships with our neighbours and advance best practices in responsible development.

THE DENVER-JULESBURG BASIN

Opportunities and challenges

The Wattenberg Field, located in northeastern Colorado, is a world-class oil and gas field within the Denver-Julesburg (DJ) Basin. The field has been home to oil and gas development for more than 40 years. The Wattenberg Field covers five counties including Weld County, which has more than 15,000 producing oil and natural gas wells – 40 percent of all wells in Colorado. Many of these wells, though drilled 20 or 30 years ago, continue to produce at economic levels today. The county is also home to growing urban communities; the population in the DJ Basin has increased nearly 40 percent* since Encana entered the area in 1998 after acquiring existing leases and wells. Population growth means that many existing wells, which once bordered acres of pasture, now border clusters of single-family homes and other urban development.

Because we are faced with unique considerations when operating in an urban area, we have adapted the way we operate in the DJ Basin. We follow a comprehensive stakeholder engagement strategy that provides the framework for how we engage with the community and local government officials. Each well we drill meets state and federal regulatory requirements and, if located within town limits, must also be approved by the municipality. Often, our operational standards in these urban areas exceed regulatory standards. We take great pride in our industry-leading approach to community outreach and mitigation efforts.

Urban development

Encana has a team of operations and community relations professionals dedicated to each phase of our operations – many of whom live and work in the areas where we operate. The team provides regular updates to the community about our current and planned activities, addresses concerns and educates landowners about the work we do. We have also implemented innovative techniques to further mitigate the impact of our operations, such as directional drilling, installing hospital-grade mufflers on rigs and using light diffusing materials on rig lights. We also use remote telemetry units on well sites to reduce lease operator traffic, utilize dirt berms and sound walls to reduce noise and seek to use natural gas rigs which significantly reduce emissions associated with drilling operations.

In order to meet the challenges associated with this type of development, we place a great deal of emphasis on communication and education. We have created a list of High Density Residential Area Best Management Practices (BMPs) when operating within high-density residential areas along the Front Range, as designated by the Colorado Oil and Gas Conservation Commission. The practices include a comprehensive notification program, where anyone living within one-half mile of planned or current development receives notice regarding our planned activity. In order to improve the efficiency of communication with residents, we use an automated system that provides notification to our neighbours using the individual’s medium of choice – such as phone, text or email. We also hold community meetings prior to municipal approval to share our development plans and address stakeholder concerns about specific locations.

We employ a number of operational BMPs and often collaborate with local officials to identify areas of concerns and develop creative solutions. For example, our use of a closed-loop drilling and completion system eliminates the need to use open earthen pits. We are also committed to using the best available emissions control technology to help us meet or exceed strict state and federal air quality standards. To further manage our air emissions, we use combustors on our wellheads which can reduce emissions of both methane and volatile organic compounds. We build our



locations with our neighbours in mind – taking into consideration topography and proximity to homes and maximizing the setback of our operations where possible. Encana seeks ways to minimize the impact of our operations by managing associated traffic, scheduling around high traffic times, mitigating dust and making efficient use of water resources. The careful planning for each location can take months, if not years.

In spite of our ongoing efforts, we sometimes face opposition to development within the DJ Basin. We understand that the impacts associated with natural resource development are of concern to some, and we are actively seeking opportunities to collaborate with our industry peers, regulators and municipalities to address these concerns. By working collaboratively with stakeholders to mitigate the impact of our activities and enhance confidence in our operations, we believe that we are able to address community concerns while still delivering on our development plans.

Geography

The DJ Basin, which covers approximately 1,400 townships, is a rich deposit of oil and natural gas located in northeast Colorado extending into Wyoming and Nebraska. Encana’s holdings total approximately 49,000 net acres of land and include an interest in more than 1,000 producing wells. Much of our DJ Basin operations are located in areas of residential and commercial development.

Our operations in the DJ Basin are predominantly focused on the Wattenberg field, one of the top 10 natural gas fields in the United States. As the state’s second largest gas field, the Wattenberg Field supplies about one third of the natural gas consumed by Front Range homes and businesses. It covers parts of Adams, Boulder, Broomfield, Larimer and Weld counties.

* U.S. Census Bureau, Population, percent change, 2000 to 2010

Operations

Our wells in the DJ Basin are typically drilled to a total depth of 8,000 feet (2,400 metres) and completed in three stages using hydraulic fracturing technology. The field produces gas and associated condensate and oil in some areas. Initial average vertical well production rates are approximately 300,000 cubic feet per day of natural gas and 30 barrels of oil per day.

We are integrating innovative technology, consistent with existing regulations, to access reserves that may not otherwise be accessible due to surface restrictions, communities and geographic features and seeking to retain our low-cost leadership position in the basin. As we expand our understanding of our Niobrara horizontal opportunities, we are working hard to maximize the amount of resource available while reducing disturbance on the surface.

Our water in the DJ Basin is sourced through contractors who primarily access water through municipal contracts or other approved water sources. The amount accessed is regulated by state authorities. We may use anywhere between 5,000 and 90,000 barrels (approximately 600 and 10,700 cubic metres) of water to complete an individual well.

Due to the urban nature of these areas, we often use public roads. In some cases, Encana’s access roads are also used by the public. Because of these unique circumstances, we work hard to maintain roads in such a way that minimizes dust and ensures safe transitions from public to private access. We also seek to minimize traffic congestion caused by water trucks and large drilling rigs in our development process. With careful planning and close cooperation with our contractors, we design our operations in a manner that seeks to minimize disruption to our neighbours.

Regulations

We meet or exceed the regulatory requirements in our operating areas. Adhering to these strict guidelines helps ensure efficiency and builds stakeholder confidence in our operations. By working with federal, state and local regulators, we enhance our ability to meet the needs of stakeholders and foster responsible business practices.

In the DJ Basin, we adhere to a number of U.S. federal regulations, including those specific to the responsible management of water and the control of air emissions. These include regulations established by the Environmental Protection Agency and those within the Federal Water Pollution Control Act (also known as the Clean Water Act). At the state level, the Colorado Oil and Gas Conservation Commission (a division of the Department of Natural Resources) regulates oil and gas activities. The State Engineer’s Office and the Colorado Division of Wildlife also have responsibility for enforcing state and federal regulations. Municipalities and counties also have certain governance over development conditions and approvals.

Community

One important aspect of our involvement in these communities is the economic impact of our operations. In the DJ Basin, we work with approximately 220 contractors and subcontractors within the community. We also train and work with contractors to ensure they understand our values and corporate responsibility policy. This includes information-sharing, disclosing information about fluids used in our operations and conducting sensitivity training for field staff to help them understand the unique considerations required when working in urban areas.

Our actions reflect the goals outlined in our Courtesy Matters program. Especially suited for growing urban communities like Erie, this program sets the foundation for how we operate. Our success is demonstrated through ongoing feedback as well as acknowledgement from local leadership for our commitment to responsible business practices. For instance, in 2011 the Erie Chamber of Commerce named Encana its 2010 Corporate Business Partner of the Year for our long-standing commitment and contributions to important local initiatives.

We also believe that by partnering with local community organizations and other non-profit groups, we can positively contribute to the future of the area. We have contributed to a number of innovative community programs, focusing on education, environment and community life. These initiatives include:

- a hydronic solar collection system for domestic water at Erie’s community centre
- energy-efficient lighting system at Erie’s community baseball fields
- a high school scholarship program for area recipients
- National Energy Education Development teacher workshops
- the Global Ozone Project (GO3)
- support of the area County Fair, Future Farmers of America and 4H programs
- special transit: energy-efficient heating, venting and air conditioning system and a natural gas-powered transit vehicle
- support of community events like the Erie Town Fair, Biscuit Day & Harvest Festival
- support for the Thorne Ecological Institute

The DJ Basin is one of our greatest development success stories. The nature of this development often prompts questions about the value and/or risks of developing our energy resources in an urban environment, and conflicts can arise. We are committed to responsible development of oil and natural gas resources and we adhere to strict regulations and follow comprehensive best practices. We will continue to seek to build community confidence through consistent, transparent stakeholder engagement and by creating mutually-beneficial relationships with our neighbours, employees and shareholders.



OUR APPROACH TO REMOTE DEVELOPMENT

We are long-term members of the communities where we operate and our success depends on successful planning, collaboration, technical innovation and risk management. Because our operations are located in a variety of diverse settings, our approach to development differs significantly from resource play to resource play.

Operating in isolated areas requires a carefully-planned approach to development. Collaborating with our peers to develop infrastructure, mitigate our environmental impacts and address very specific community needs is important in successfully executing on our business objectives. This case study highlights how we are able to responsibly develop vital energy resources in an extremely remote environment.

THE HORN RIVER BASIN

Opportunities and challenges

Located in northern British Columbia, the Horn River Basin is home to one of the most remote deposits of natural gas in Canada. The nature of entering a remote resource play, where no previous development has occurred, comes with both significant challenges and opportunities.

Due to the Horn River Basin’s remote location, getting natural gas to a growing world market requires an innovative, tailor-made production model which reduces costs and mitigates environmental impacts. This model is what is known as Encana’s resource play hub approach to development. With this technique, our production at the Horn River has grown from 4 million cubic feet per day of natural gas in 2008 to an average of 91 million cubic feet per day in 2011.

Extreme weather conditions and the isolated nature of this remote northern resource play can pose safety challenges. We mitigate those risks by working with emergency response professionals in the community along with our supply chain management, construction and transportation teams. Safety is paramount at Encana and all staff and contractors are required to complete the appropriate safety training before being granted access to our sites. We communicate frequently with field staff on the risks and hazards associated with our operations and look for opportunities to improve our safety performance.

The Horn River Basin is also located near natural gas infrastructure that will support the proposed Kitimat liquefied natural gas export (LNG) terminal. In 2011, Encana agreed to acquire a 30 percent interest in the planned terminal, located on the west coast of British Columbia, as well as in the associated natural gas pipeline. This proposed Kitimat LNG export development is intended to open new market opportunities in the Asia-Pacific region for abundant supplies of Canadian natural gas. Partnerships like Kitimat, as well as industry collaboration through initiatives like the Horn River Producer’s Group, help us overcome the challenges of remote development.

Remote development

In this remote and difficult environment, single-well pads, traditional work camps and a vast network of roads and pipelines simply would not work. The cost to get the natural gas to market would be too high and the physical footprint too large. To address these challenges, we employ our resource play hub production model.

A resource play hub is created when multiple deviated or horizontal wells are simultaneously drilled, completed, tied in and produced from a single surface location, or well pad. In the Horn River, one 14-well pad, with up to 440 hydraulic fractures per pad, can drain up to eight square miles of resource – essentially replacing several hundred vertical wells and well sites. This method means drilling rig and hydraulic fracturing crews travel a short distance from task to task, and supplies can be delivered to centralized locations. This reduces vehicle traffic and emissions and results in less movement of fluids and chemicals. In order to further reduce our environmental impact and drive down costs, we use drilling rigs which run on natural gas in addition to diesel fuel and converted some of our hydraulic fracturing pumps to also run on a bi-fuel system. The natural gas is pipelined to the site from central compressor stations, and produces fewer emissions and saves on transportation and fuel costs.

In this area, community and rural residents often live a significant distance from our development. We conduct focused engagement with key stakeholders who have an interest in our activity. In order to facilitate development, it is essential that we successfully build relationships and trust with local communities while developing necessary infrastructure. Transportation, logistics and ensuring adequate levels of

qualified staff can be challenging in developing the Horn River. Building capacity within local communities is often as important to our success in this region as building industrial infrastructure, such as pipelines or roads.

Access to water resources and the associated infrastructure can also pose challenges. In order to address these hurdles, successful collaboration with industry partners is a must. For example, the Debolt formation, a deep, sub-surface, non-potable aquifer holding saline, sour water, was identified in 2007 when Encana and Apache Corporation began examining alternatives to freshwater use for hydraulic fracturing. Because of the quality of the water – saline water with total dissolved solids content ranging from 15,000 to 40,000 milligrams per litre and a hydrogen sulfide concentration of 65 milligrams per litre – it is generally unfit for most common uses.

With those limitations in mind, Encana and Apache designed and built a water treatment plant and developed the Debolt formation as a water storage reservoir, the first of its kind in Canada. Apache and Encana began with initial laboratory testing and field trials, which finally resulted in the construction of a full-scale plant. The plant went into operation in June of 2010 with the intent to reduce dependence on fresh surface water sources in the Two Island Lake area of the Horn River Basin. The Debolt water treatment plant now provides approximately 95 percent of the water required for our completions operations in the Two Island Lake area.

Geography

Our Horn River operations are located in northeastern British Columbia in the Muskwa geological formation and the Horn River Basin. Covering more than two million acres, the Horn River is one of North America’s most prolific plays and one which Encana, in our tradition as a first-mover, began exploring in 2003. The area is now over 95 percent staked by the world’s leading resource companies. Encana has significant land position in the Horn River of 278,000 net acres, of which 10 to 15 percent are currently developed.

Operations

Our drilling program in the Horn River is designed to drill long-reach, multi-stage horizontal wells that ultimately develop more of the resource, more efficiently and at a lower cost – all from a single surface location. This centralized deployment of goods and services is driving costs down to the point that an area that would otherwise have been one of our highest-cost plays is very quickly emerging amongst our lowest. For example, we have seen a 60 percent drop in completions costs over the three years leading into 2011.

After drilling to a depth of about 8,200 feet (roughly 2,500 metres) the drill bit turns horizontally. Breakthroughs in technology and engineering now take the horizontal reach out another 11,500 feet (3,500 metres) or further. Once the wells are drilled side-by-side, the completions process and hydraulic fracturing begins. In the Horn River, functional groups execute many operations concurrently. For example, it is not uncommon to have wireline work, coil operations and hydraulic fracture pumping all taking place at the same time on the same lease.





As in all of our operations, we take extensive measures to protect groundwater during our operations. In addition to the cement sheaths and steel pipe used to case our wells, thousands of metres of rock separate groundwater aquifers from the producing rock formation. In this area specifically, groundwater is located between 300 and 1,000 feet (approximately 90 and 300 metres) below the surface, while natural gas development can occur anywhere between 6,500 and 11,500 feet (2,000 and 3,500 metres) below surface.

Regulations

We are strictly regulated throughout our operations. In this region, technical oil and gas activities are overseen and regulated by the BC Oil & Gas Commission (OGC). The OGC is an independent, single-window regulatory agency with responsibilities for overseeing oil and gas operations in British Columbia, including exploration, development, pipeline transportation and reclamation. Regulatory responsibility is delegated to the OGC through the Oil and Gas Activities Act and includes specified enactments under the Forest Act, Heritage Conservation Act, Land Act, Environmental Management Act and Water Act.

While oil and gas activity is regulated at the provincial level, federal legislation may also apply to our operations. For example, projects may trigger environmental assessments under the Canadian Environmental Assessment Act. Similarly, the Fisheries Act may require federal authorization for activities at fish habitat.

Community

Local hiring is a big part of how we demonstrate leadership and commitment to the community; we have approximately 35 staff living in the Fort Nelson area. We also employ a large number of service companies and contractors and work with organizations such as the Canadian Association of Petroleum Producers, the B.C. Ministry of Energy, Mines and Petroleum Resources and Energy Services BC (ESBC) on a number of initiatives related to local hiring. These efforts include posting employment positions on the ESBC website, working to connect contractors with ESBC and promoting use of its services, continuing to measure and report what percentage of our services and contractors are locally-based and raising awareness on the importance of local hiring with staff responsible for making procurement decisions. We support Aboriginal economic development and work with Aboriginal businesses to facilitate relationships and their success.

The success of our stakeholder engagement efforts in the Horn River depends on our relationships with local Aboriginal communities. There are two First Nations communities who consider the Horn River area their traditional lands and we strive to keep those groups engaged and work cooperatively to build capacity. We respect the unique relationship that Aboriginal peoples have with the land and often benefit from that traditional knowledge.

For example, in 2011 we funded two projects with two local First Nations groups to conduct traditional land use studies. The studies, which were designed to better understand the traditional uses and cultural impacts of the land in the area, were conducted as part of the environmental assessment process for the Government of British Columbia. Other initiatives in the area have included transplanting rare plant species in conjunction with local First Nations around the Cabin Gas Plant location. In 2010, we were involved in Centennial Treaty celebrations at Fort Nelson First Nation. In addition to funding, eight Encana staff participated in cleaning up and restoring the band's "Old Fort" complex.

We also work with a number of local energy producers to facilitate development of the Horn River Basin. The Horn River Basin Producers Group, which consists of 11 companies, meets regularly to ensure a coordinated approach to activities and initiatives within the community. The group works to promote open communication, understand stakeholder and First Nations concerns, minimize environmental impacts, ensure regulatory compliance and maximize benefits to the surrounding community.



HEALTH

A premier health and safety culture contributes to long-term shareholder value and helps ensure that we are able to maintain our social license to operate. The oil and gas industry faces a number of challenges managing potential health hazards and we believe our comprehensive occupational health program is well-positioned to overcome these obstacles.

Industrial hygiene, a specialized facet of our overall occupational health program, plays a key role in addressing workplace health hazards. Occupational illness and exposure to workplace health hazards can be prevented, and we believe the wellbeing of our workers and members of the public in the areas where we operate can be protected. This risk-based approach to anticipating, evaluating and controlling workplace hazards is just one way we are setting the standard as an operator of choice, employer of choice and partner of choice.

ASSESSING AND MANAGING EXPOSURE RISKS

Often, health hazards associated with our operations are not readily apparent and the resulting health effects may not be immediately obvious. Exposure to hazardous substances may occur without a worker being fully aware, or a worker may not exhibit any adverse signs for a number of years after initial exposure.

Education plays a major role in mitigating these exposure risks, which is why in 2011 we continued to raise awareness of occupational health hazards across the company through the implementation of our industrial hygiene program. We specifically involved key staff in the occupational exposure risk assessment process, issued health and safety advisory bulletins and delivered training on workplace health hazards.

In support of Ethos, our environment, health and safety management system, we continued implementing our comprehensive occupational health program in 2011. We conducted occupational exposure risk assessments in many of our operating areas and these assessments have led to the identification, assessment and control of health hazards such as noise, benzene and silica. In fact,

a total of 32 formal industrial hygiene assessments were performed in our Canadian Division in 2011.

At the same time, occupational exposure risk assessments have been performed in the Jonah, North Louisiana, DJ Basin and North Texas sub-business units in our USA Division. By involving our operational groups, we have been able to better identify and understand the health hazards specific to each location. They have also allowed us to prioritize our ongoing sampling efforts and paved the way for clear communication of occupational health risks to all stakeholders. As a result, we have been able to address various types of health hazards including noise, naturally occurring radioactive material, benzene, silica, ergonomics issues, oil-based drilling fluids and asbestos.

These types of assessments form the backbone of our industrial hygiene program, and in conjunction with these efforts we have developed a number of occupational health and industrial hygiene practices specific to a variety of health hazards commonly found in our industry. Examples include hearing conservation, health surveillance, respiratory protection and health hazard assessment and control.

HEALTH INFORMATION MANAGEMENT

Understanding the importance of effective data management in regards to occupational health, we began implementing a formal information management system for industrial hygiene data in 2011.

As a result, our USA Division now has up-to-date information on sampling data and exposure risk assessment results. This included the entry of 1,073 chemical exposure and 207 noise exposure samples.

This system ensures that we capture and accurately determine trends in health data, providing valuable feedback on the effectiveness of our programs and highlighting areas for further improvement. Effectively managing this type of data allows us to identify and address training

needs. Accordingly, our industrial hygiene team in the U.S. developed a training program for field staff in the last quarter of 2011 which addressed some of the more common occupational health hazards including benzene, silica and noise. The implementation of this training is to be conducted in 2012.

Our Canadian Division is currently in the process of implementing a similar system, which aligns seamlessly with the health and medical record management system used by our Health & Wellness team. We have also configured and implemented a new online database to manage Material Safety Data Sheets in our USA Division, which has been fully integrated with our Responsible Products Program.

STRENGTHENING INDUSTRIAL HYGIENE RESOURCES

In order to foster greater collaboration within our organization, we further strengthened our occupational health resources with the addition of two new graduates into our industrial hygiene team; one in each of our operating divisions. In addition to our full-time staff, both of our divisions have built a roster of consultant occupational health professionals in the event additional resources are required. We also continue to work closely with our service providers to identify and manage common health hazards found in our operations.

Our industrial hygiene team also played an instrumental role in the development of an industry-wide program development guideline called Controlling Chemical Hazards in the Oil and Gas Industry, published by Enform. The document provides a comprehensive approach to managing chemical hazards in the oil and gas industry. Our in-house expertise was essential in successfully collaborating with industry peers in creating this document, which benefits both Encana and the industry as a whole.

2011 accomplishments

- continued implementation of Encana's comprehensive Occupational Health Program in support of Ethos
- increased our complement of industrial hygienists from two to four
- implemented a formal information management system for industrial hygiene data in our USA Division

2012 priorities

- ongoing development of detailed processes and site-specific procedures that align with current occupational health and industrial hygiene practices
- complete the implementation of the industrial hygiene electronic information management system in Canada and the health and medical record management system in the U.S.
- continue performing occupational risk assessments throughout our operations including sampling for health hazards such as benzene, noise and silica
- ongoing development and expansion of our suite of online health hazard training resources
- implement a comprehensive health surveillance program in the U.S. that aligns with the current program being delivered in Canada



SAFETY

We are committed to continuously improving our safety performance and creating a premier safety culture; one where safety is top of mind at all times. This includes helping to ensure the safety of our contractors and service providers who work with us in identifying and implementing strategies to improve our overall safety performance.

We made great strides in 2011 in areas of particular importance, such as the safety of young and new workers and motor vehicle safety. Everyone working with us is required to understand and comply with our safety policies and practices and are encouraged to use the plan, do, check, act process outlined by Ethos, our environment, health and safety management system.

YOUNG AND NEW WORKER SAFETY REPORTING

Recruiting workers in a highly competitive labour market means ensuring they are integrated safely into the workforce and prepared for the job. Workers under 25 years old and workers in a new role are more likely to be injured than their more experienced colleagues and we work to provide them with the appropriate education and experience to complete their work safely.

To better track these more vulnerable members of our staff, we have updated our New or Young Worker Process in Canada. The process, which began in July 2011, ensures that when a new or young worker is either hired or transferred, a Young or New Worker Safety Orientation form is automatically emailed to their new supervisor. The form outlines necessary health and safety programs and requires that both the supervisor and worker have signed off on the appropriate practices, policies, commitments and training expectations. It also prompts the supervisor to review essential procedures, like the reporting of hazards and emergency response.

These forms are generated for all field staff and for those office staff who travel to the field on a regular basis. This updated process aligns with our regulatory obligations and our Safety Orientation Practice, and applies across the capital and operations/production groups in our Canadian Division.

STRATEGICALLY REDUCING MOTOR VEHICLE INCIDENTS IN OUR U.S. OPERATIONS

Motor vehicle incidents (MVIs) are one of the most common preventable incidents in our operations. We engage contractors and employees to identify specific areas for improvement and monitor and measure driving behaviour.

In 2011, we undertook a number of improvements in reporting and training in our driving telematics program in our U.S. operations. The program uses on-board electronic diagnostic devices to monitor driving behaviour such as speed, hard braking, rapid acceleration and stops, allowing us to improve driver training and mitigate driving risks. As of the fourth quarter of 2011, we reduced motor vehicle incidents on public roadways by 55 percent. We were also able to recognize and reward 42 drivers for their exceptional safe driving during 2011, as demonstrated by continuous weekly driving scores of 97 or better (out of a possible 100) under the telematics program.

A number of additional driving-related safety initiatives were implemented throughout our U.S. operations, including a customized driver training program for fleet vehicle drivers, a Backing and Parking Practice in our USA Division and the installation of back-up sensors in all 2012 model year fleet vehicles. Our Canadian Division also uses in-vehicle monitoring and is taking steps to consolidate those systems into a consistent Division-wide approach.

We also developed targeted communications efforts to support our commitment to safe driving. We created a Driving Safety web page on our intranet as a resource for staff in our USA Division and implemented a “Target Zero MVI” campaign in December 2011 – the month which historically has the highest number of incidents. The campaign was a tremendous success, resulting in a 41 percent reduction in MVIs for the month when compared with December of 2010.

SAFETY ESSENTIALS AT ENCANA

To support our uncompromising approach to safety, we continued to develop and refine our suite of Safety Essentials training programs throughout 2011. Encana first introduced Safety Essentials for Leaders (SEFL) in 2009, based on the Global Training Centre’s Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs.

The resulting three-day, 16-module course was designed to enhance and promote Encana’s safety culture and develop strong skills in safety leadership. The success of SEFL spurred the creation of a condensed one-day course for leaders without direct field accountability, called Safety Essential for Leaders Lite (SEFL Lite).

These comprehensive training courses continued to play a vital role in promoting our safety culture in 2011, with 263 Encana staff and service providers participating in SEFL and another 46 participating in SEFL Lite. We also introduced SEFL in our USA Division in 2011, with 129 staff participating.

In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Office Workers, which addresses safety issues for the many Encana staff who work in an office environment. The course provides our office staff with the knowledge they need to practice safe behaviour at all times, including identifying potential hazards in their workspace and driving responsibly to and from work. Over the course of 2011, a total of 257 Encana staff participated in the Safety Essentials for Office Workers program.

COLLABORATION WITH STARS BRINGS SAFETY TO NEW HEIGHTS

Building on a longstanding partnership, we continued to foster our unique relationship with the Alberta Shock Trauma Air Rescue Society (STARS) in 2011.

In June 2011, we announced a \$200,000 donation to the STARS Foundation over the next two years. A strong community partner, STARS has now been the recipient of over \$2.5 million from Encana (including \$250,000 in employee donations) since 2004.

In October 2011, we continued our collaborative efforts and made STARS responsible for fielding calls for both our Internal Emergency Line and Public Emergency Line in Canada. Throughout our Canadian operations, plant control rooms are now receiving calls passed on by STARS regarding public concerns, possible emergencies and complaints.

2011 accomplishments

- identified key areas for improvement and implemented targeted initiatives to reduce young worker injuries and MVIs
- implemented Safety Essentials Training across the company and at all levels of the corporation
- utilized donations and community partnerships to enhance Encana’s Safe 360 approach to safety at work and in our communities

2012 priorities

- expand divisional initiatives such as MVI reductions and young worker monitoring across the company
- continue to deliver our comprehensive Safety Essentials training program across the company and evaluate its success
- adopt and integrate the International Association of Oil & Gas Producers Land Transportation Safety recommended practice through the Drive Safe team
- combine the various in-vehicle monitoring systems in the Canadian Division into one program





Revisiting existing practices and developing new ones are all part of the plan, do, check, act process of Ethos. We made great strides in 2011 in areas of particular importance, such as promoting safety among new and young workers and encouraging motor vehicle safety.

Safety

	2011	2010	2009
Recordable number of incidents			
Employees	5	8	21
Contractors	209	213	146
Total Encana	214	221	167
Lost time number of incidents			
Employees	2	2	5
Contractors	33	48	30
Total Encana	35	50	35
Number of fatalities			
Employees	0	0	1
Contractors	0	0	2
Total Encana	0	0	3
Recordable injury frequency			
Employees	0.11	0.20	0.56
Contractors	0.72	0.76	0.76
Total Encana	0.64	0.68	0.73
Lost time injury frequency			
Employees	0.05	0.05	0.16
Contractors	0.11	0.17	0.17
Total Encana	0.10	0.15	0.17

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

ENGAGEMENT

We strive to be a respected and trusted member of the communities in which we operate. We engage collaboratively with a diverse group of stakeholders to support our business strategy and responsible development goals, including landowners, investors, community members and staff.

Successfully engaging these groups is vital to our operations and informs our approach to development in each operating area. Given our operational goals we are typically an active member in communities for the long term, often with activity taking place year-round. In order for us to maintain continued access to land and ensure that we can execute on our business strategy, it is important that all of our stakeholders understand our business.

CLARIFYING EXPECTATIONS FOR SERVICE PROVIDERS

We strive to maintain a premier safety culture, which means continuously improving our safety performance. Our employees, contractors and service providers all share a responsibility to conduct their work safely.

Our service providers represent an important stakeholder group. Due to the nature of their expertise, our service providers may also work with a number of our industry peers, which means it is especially important to help them understand what is expected of them while working with Encana. In keeping with these efforts, our Canadian Division released an On-site Service Provider Environment Health & Safety Expectations Manual in September 2011. The manual provides consistency and clarity to our service providers in Canada when it comes to our environment, health and safety expectations. The manual helps ensure that service providers working in our field locations are aware of the safety equipment and training necessary to meet our divisional practices before they arrive on site.

In addition to being available online, the manual was distributed to nearly 2,000 service providers directly through our online database of contractor safety management information, enabling them to incorporate our expectations into their safety management systems.

CONTINUOUS IMPROVEMENT AND STAKEHOLDER SURVEYS

In 2011, working with a third-party research and polling organization, we commissioned a comprehensive survey of our stakeholders across five key operating regions in our USA Division – DJ Basin, Haynesville, Piceance Basin, Texas (North and East) and Wyoming. Altogether, approximately 2,400 community members, government leaders, landowners and other stakeholders were interviewed about Encana’s local operations and community issues involving the oil and natural gas industry in general. The findings from these surveys provided insight into how our stakeholders prefer to receive information, identified potential gaps in our communications and flagged opportunities to improve how we engage and inform members of the community.

Key highlights from the survey include:

- three out of five adults in Encana’s operating regions trust the oil and natural gas industry
- Encana is viewed favourably by a five to one ratio among adults who are aware of the company’s operations
- Encana’s commitment to excellence in safety and environmental performance is viewed very favourably by stakeholders across all operating regions
- Encana’s positive economic impacts and community investment efforts have resonated with local residents

The survey indicated that Encana – and the industry, as a whole – has opportunities to improve communications efforts specific to the use of hydraulic fracturing, how we protect groundwater and how we work to mitigate the impacts of field operations. These findings will support the refinement and improvement of our community relations efforts throughout our operations.

EDUCATIONAL PARTNERSHIP DRIVES DEMAND FOR NATURAL GAS

For over six years, Encana has been hard at work making a positive impact in the lives of students at Arrupe Jesuit High School in Denver. The school is a co-educational, college preparatory school that serves economically disadvantaged students from Denver’s inner-city neighbourhoods. Without improved access to post-secondary education, Denver’s at-risk youth may have a difficult time competing in the region’s workforce and economy. Through this unique partnership, we are able to go beyond a conventional community investment and partner our strategic community engagement goals with driving increased use of natural gas as a transportation fuel. Not only does the partnership support education and provide employment for young people, but it demonstrates the economic benefits of natural gas.

Partnering with the Corporate Work Study Program, we have employed 14 different students in our Denver office since the 2005-2006 school year. In addition to staffing the mailroom, students volunteer their time to staff Encana’s special events. The contribution of these young and engaged workers exemplifies our approach to collaboration and our philosophy of engaging and empowering workers and supporting education.

In 2011, we expanded our partnership through the purchase and delivery of a new 42-passenger compressed natural gas vehicle for use in the school fleet, which transports over 80 students per day to their jobs at over 105 different locations. The use of natural gas should realize a 15 percent savings in fuel cost compared to a comparably sized gasoline-powered vehicle. With the existing Arrupe vehicles averaging 130,000 miles (226,400 kilometres) per year, the new bus will make a remarkable impact on the school’s maintenance and operations costs.

RACE AGAINST HUNGER BEATS FOOD GAP

In 2011, Encana’s Race Against Hunger reached new heights with the help of our partners and the passion of our employees. Together with the World Professional Chuckwagon Association (WPCA), the Race Against Hunger program raised over six tonnes of food and almost \$60,000 in cash for communities in our Canadian Division, including Grande Prairie, Drumheller, Ponoka, Strathmore, Dawson Creek and Calgary. By leveraging strategic community partnerships in our operating communities and encouraging the engagement of our staff, we were able to more than double our cash and food totals from 2010.

Our collaboration with the WPCA grew in 2011. Chuckwagon drivers were encouraged to participate in a “Food Driver of the Year” challenge, where drivers bagged groceries and helped sell food hampers to customers in local food stores in their communities. They also enlisted fans, friends and families to raise food and cash. This pervasive engagement strategy helped to ensure the success of the program by providing an additional community-focused initiative which resonated strongly with our stakeholders.

2011 accomplishments

- improved tools to communicate Environmental Health & Safety goals and Courtesy Matters expectations to service providers and contractors
- continued to seek community partnerships which address local issues and contribute to innovation and dialogue around natural gas
- responded to stakeholder surveys and regular engagements with improved programming and proactive communications strategies

2012 priorities

- review Courtesy Matters with key stakeholders to measure impact and find improvements in revised strategy
- continue to facilitate two-way communication through consultation and fostering dialogue on issues key to our stakeholders such as hydraulic fracturing, environmental protection, market volatility and company strategy
- build upon meaningful relationships with stakeholders to collaborate and foster innovation particularly in areas key to our business

Courtesy always matters

Our Courtesy Matters program is built on a foundation of demonstrating appropriate, courteous and respectful behaviour. Interactive communication, consultation and community involvement have helped us to understand concerns regarding the impacts of our natural gas development activities near communities where we operate.

Since implementing this program in 2006, we have had tremendous success in addressing and reducing the number of complaints associated with local impacts. In order to ensure we were still meeting the needs of our stakeholders, we overhauled the program in 2011.

We refreshed our focus areas and messaging to address new or emerging issues and local impacts identified by our stakeholders and provided updated materials to reflect refinement of the program. We also added some additional communications channels like Twitter and Facebook to our toolbox.

As a result of the feedback received, we have increased engagement efforts related to issues like dust, noise, traffic and garbage.

ENGAGEMENT
ABORIGINAL
RELATIONS

As landowners, business owners, employees, contractors and community members, Aboriginal peoples play an important role in our continued success. We regularly engage with over 20 Aboriginal communities and organizations, working to build trust and foster mutually beneficial relationships. Our corporate values, which guide our relations with these communities, include open communication, integrity, mutual respect and making a positive impact through community capacity-building. As one example, our procurement business objective is to achieve the “best value” in goods and services. Within this context, we are committed to working with Aboriginal communities in developing their capacity to participate in, and benefit from, business opportunities associated with our operations.

Through treaties and court rulings, Aboriginal rights and treaty rights have been established in Canadian law. We respect this historical relationship between First Nations and Aboriginal peoples and the Crown. We do so by adhering to appropriate laws and regulations, consulting with communities, incorporating traditional knowledge into our project planning and engaging, employing and educating communities on our operations. We also provide opportunities for input and knowledge-sharing in order to improve our own operations. We are a better operator and community member because of the relationships that we have with Aboriginal peoples in the communities where we operate.

PRESERVING KNOWLEDGE,
PRESERVING WILDLIFE

In October of 2011, in an innovative reclamation project, we successfully transplanted native plants on an abandoned well site located 60 kilometres (37 miles) north of Nordegg, Alberta. The project involved converting a former lease site into a sustainable wetland. The intent of the project was to work collaboratively with local Aboriginal communities to establish a suitable grizzly bear habitat.

Endorsed and approved by Alberta Sustainable Resource Department, the area was successfully converted into a wetland which supports local biodiversity. The project plan included engaging local Aboriginal workers to assist with the field work, which created valuable knowledge-sharing opportunities through shared dialogue. We benefited from the traditional knowledge on plants, animals and native habitat shared by Aboriginal elders involved in the program, and incorporated that knowledge into the project’s design. By implementing this innovative approach to surface reclamation, we avoided having to obtain large amounts of clean fill material from the area, thereby eliminating the need for additional surface disturbance. This negated the need to haul fill to the site, resulting in savings of between \$300,000 and \$400,000 in backfill costs.

This multi-generational project also allowed the traditional knowledge of the elders to be passed down to the young Aboriginal workers involved in the re-planting efforts, ensuring that this oral history and knowledge are preserved for future generations. The project will be monitored as part of the Foothills Research Institute’s Grizzly Bear Research Program, using on-site motion cameras which will report wildlife activities.

COLLABORATION CAPTURES
TRADITIONAL KNOWLEDGE

Tapping into the collective expertise of our Aboriginal stakeholders ultimately led to Encana sharing in a Collaborative Research Award, presented on January 11, 2012 at the Business Technology Awards in Prince George, British Columbia. The honour, awarded in conjunction with the Natural Resource Forum, was the result of our support for a research project by the University of Northern British Columbia, Environmental Dynamics Inc. and the Prophet River First Nation. The project involved studying and recording information on traditional plants from the Prophet River First Nation elders and knowledge holders.

A variety of habitats in 32 sites were visited during this project. The field trips included consultation with Prophet River First Nations elders, youth and other community members. Youth took part in learning from their elders in interviews and walkabouts. Important plants were identified and a herbarium of 200 plant specimens was completed.

Started in 2007, the project culminated in a report, Communicating Traditional Knowledge: Prophet River First Nation. The initiative required months of preliminary research work, followed by two seasons of fieldwork. This research will help provide a framework allowing Prophet River First Nation to independently and effectively work with industry to mitigate impacts on traditional plants and plant gathering locations into the future.

RENEWING OUR COMMITMENT
TO NEW GRADS

Encana provides a number of scholarships and supports education in Aboriginal communities. One such example is our support of the Ch’nook Aboriginal Business Education initiative through the University of British Columbia.

In 2011, we renewed a three-year, \$300,000 scholarship program for the Advanced Management Program, which integrates Aboriginal values with entrepreneurship, accounting, marketing and business strategy. The goal of the program is to foster future generations of Aboriginal business leaders by developing professional capacity. With the most recent graduation ceremony, over 80 students have graduated from the Advanced Management Program since its launch in 2007.

2011 accomplishments

- continued engagement and information-sharing to maximize benefits to Aboriginal stakeholders and minimize impacts from our activities
- developed initiatives to integrate traditional knowledge into our reclamation activities
- continued our support of educational initiatives which train Aboriginal workers to fulfill our future labour needs

2012 priorities

- manage land access risk through new and ongoing Aboriginal relationship building
- strategically engage Aboriginal communities affected by our development
- expand our educational initiatives to build capacity in Aboriginal communities through technology and targeted initiatives



Our innovative reclamation project near Nordegg, Alberta is monitored as part of the Foothills Research Institute's Grizzly Bear Research Program, using on-site motion cameras that report wildlife use.



Aboriginal Engagement

	2011	2010	2009
Procurement from Aboriginal suppliers (\$MM) ⁽¹⁾	30.8	16.85	9.26

(1) The extraordinary spend in Aboriginal Procurement is directly related to contracts awarded for services as a result of construction of the Cabin Gas Plant.

COMMUNITY INVESTMENT

Our community investment programs are strategically aligned to educate people on the importance of environmental stewardship, build and maintain the cultural fabric within our operating communities and enhance the skill sets of the next generation of industry leaders. Our community investment programs also help distinguish us as an employer of choice through our industry-leading employee giving programs.

In 2011 we continued to align our investments with our business priorities by focusing on initiatives specifically related to the environment, education and community life. This strategic focus is consistent with our anticipated needs regarding environmental innovation, an educated and engaged workforce and healthy and vibrant communities. Moving forward, our community investment initiatives will contribute to our success by supporting our business strategy, promoting our corporate responsibility philosophy and helping us maintain our social license to operate.

ENCANA PARTNERS WITH CITY OF CALGARY TO LAUNCH ECOACTION SCHOOL

In collaboration with the City of Calgary, we provided our support to an innovative educational program designed to support youth learning about wetlands and water conservation. In a unique outdoor classroom setting at the new Ralph Klein Park in southeast Calgary, Alberta, the Encana EcoAction School allows teachers to take students in Grades 1 through 12 out of the classroom and into the wetlands park for one week during the school year.

While at the state-of-the-art facility, youth learn the importance of water, wetlands and ecosystems – matters of the highest priority for both Encana and our stakeholders. This school provides an immersive week-long experience for students, equipping future generations with the knowledge necessary to address environmental challenges.

The Encana EcoAction School is operated by Campus Calgary Open Minds, an outreach educational program supported by the Calgary Board of Education and the Calgary Catholic School District. Our contribution of \$300,000 will sponsor the

program over the next three years. This investment aligns with our environmental education focus, provides us with an opportunity to support local wetlands and water conservation and promote the value of responsible water management.

LEAD CORPORATE DONOR IN SUPPORT OF SUSTAINABILITY AND ENVIRONMENT INSTITUTE

In November 2011, we announced a \$1.5-million donation to support the creation of an Institute for Sustainability and the Environment at Mount Royal University in Calgary. The Institute’s faculty will engage in cutting-edge research focused on seeking new and affordable ways to improve water quality, analyzing Canada’s attitudes and policies towards fossil fuel energy-related environmental issues, as well as environmentally sustainable business strategies.

Through the applied research taking place at the Institute, we will be able to improve our current practices and – through the public dissemination of research findings – support operational improvements within the industry as a whole.

For example, one research initiative will evaluate current practices in water recycling and disposal specific to hydraulic fracturing and determine methods to improve them. Specifically, the research will perform treatability experimentation with respect to wastewater reclamation and develop mitigation approaches to reduce the impact of hydraulic fracturing on water resources. The resulting data, which will ultimately be disseminated to the public, will assist regulators and policy makers in implementing effective policies and management strategies and encourage public confidence in our operations.



Community Involvement ⁽¹⁾

	2011	2010
Environment	\$ 5,756,228	2,207,486
Education	3,401,778	6,139,863
Community Enhancement	3,088,527	3,744,287
Family & Community Wellness	4,182,040	2,181,786
Sport & Recreation	1,441,237	1,447,315
Total	17,869,811	15,720,737

(1) 2009 numbers are not available due to our post-split method of reporting. Our systems did not allow us to break out corporate spend that has been directed to programs or areas that are now connected to Cenovus Energy Inc.

**ENCANA EMPLOYEES
MAKE A DIFFERENCE WITH
CHARITABLE GIVING**

Working with our employees to support community and non-profit organizations is a major pillar of our community investment strategy. Our signature Encana Cares program is comprised of three components: the annual donation campaign, the matching gifts program and our volunteer program. Through our annual campaign and matching gifts initiatives, Encana matches employee donations to the charity of their choice up to \$25,000 per employee per year.

Through our 2011 annual campaign, a total of \$3.2 million was directed to charities and non-profit organizations. More than 1,600 employees in Canada and the U.S. participated, donating \$1.6 million to more than 1,300 charities – a dollar amount then doubled by Encana’s match. Participation from our U.S. staff was particularly robust, increasing to over 50 percent and resulting in a record year for participation company-wide. An additional \$1.25 million in funds was also donated through our year-long commitment to match employee contributions to charitable and not-for-profit organizations.

Our volunteer program also saw significant participation in 2011, with 213 employees volunteering over 14,000 hours of their time. These employees also took advantage of our volunteer grant program and applied for \$240,000 in grants to those organizations. Altogether, Encana and our employees donated over \$6 million to organizations across North America in 2011.

**STRATEGIC INVESTMENTS
TO PROMOTE THE USE
OF NATURAL GAS**

In 2011 we made strategic investments and provided start-up funding to municipalities and not-for-profits to encourage natural gas use as a transportation fuel. In addition to fueling light and medium-duty vehicles, natural gas is the only alternative fuel to diesel and gasoline that can power heavy-duty vehicles.

With our support, the Fleet Management Division of the City and County of Denver is now in the process of replacing diesel-fueled vehicles with compressed natural gas (CNG). The first purchase of 15 heavy-duty refuse trucks will replace older, diesel-engine units in the fleet that are due to be retired. The cost for these 15 units is an estimated \$3.5 million dollars, which is covered by the city. Encana’s grant of \$500,000 will pay for the incremental cost difference of purchasing new vehicles with CNG engines instead of diesel at a cost of \$30,000 to \$40,000 per unit. The trucks will be purchased in 2012. The estimated fuel cost savings for these 15 vehicles is \$200,000 per year, or \$1 million over five years.

We also provided the Roaring Fork Transit Authority in Colorado with a grant of \$365,000 to allow the purchase of CNG-powered buses. The Transit Authority had a \$3.2-million budget for the purchase of 22 new diesel buses, which would travel the service area from Aspen to Rifle. Our grant allows them to purchase CNG-powered buses instead, saving money on fuel and generating fewer emissions.

Investing in these programs incorporates and promotes the benefits of natural gas and provides easily measured return on investment through vehicle performance and fuel use. Moreover, the positive environmental impacts can be easily calculated based on reduced emissions resulting in cleaner air.



2011 accomplishments

- further aligned our community investments to business goals, increasing our environmental spend by 161 percent
- created long-term educational partnerships with a number of organizations
- provided start-up funding to municipalities and not-for-profit organizations to advance the use of natural gas as a transportation fuel
- supported and matched employee donations totaling over \$6 million to charities across North America through our Encana Cares program and ongoing employee matched giving

2012 priorities

- create awareness of new community investment areas of focus: Environment, Education and Community Life through internal and external communications
- enhance efforts to leverage existing community partnerships to increase both community impact and awareness
- increase staff engagement in more of our community-focused partnerships as well as in the Encana Cares employee programs
- provide partners with information on how the use of natural gas is cleaner for the environment and less expensive as a transportation fuel

STRATEGIC INNOVATION

In a challenging economic environment, innovation – the willingness to collaborate, learn and adapt – is a catalyst for growth and long-term stability. At Encana, strategic innovation helps us align our responsible development priorities with our business drivers. Nowhere is strategic innovation more apparent than in two of our most unique business groups: our Natural Gas Economy and Environmental Innovation Fund.

Throughout 2011, these groups had great success in finding better ways to deliver on our business objectives through a number of creative initiatives. We continued to work collaboratively with industry and government to spur increased demand for natural gas use and actively sought opportunities within our business to mitigate environmental impacts while improving the efficiency of our operations.

NATURAL GAS ECONOMY

Encana is committed to the promising future of natural gas. Our Natural Gas Economy team’s mission is to help establish natural gas as the foundation of North America’s energy portfolio and to showcase, through advocacy and pilot projects, that natural gas is an economic and environmentally cleaner energy solution.

The Natural Gas Economy team works collaboratively with federal, state, provincial and local agencies to create policies and establish incentives so that service companies, fleet owners, utility companies, our peers and individuals see the value in using natural gas as a transportation fuel and as a fuel for baseload power generation. Throughout 2011, the Natural Gas Economy team made great strides with several key projects.

Driving demand for natural gas as transportation fuel

Further fueling a paradigm shift in the transportation sector, an innovative venture with Heckmann Water Resources (HWR) will see us supply natural gas to what will ultimately be the largest fleet of liquefied natural gas (LNG) trucks in North America.

In 2011, Encana reached an agreement that will see its mobile LNG fueling stations provide fueling services to the newest fleet of LNG heavy-duty trucks in North America. Encana has agreed to be the sole fuel supplier to HWR, a California company that provides water hauling services to Encana and other producers in Louisiana’s Haynesville resource play. Providing fuel for 200 LNG trucks represents a major step towards encouraging many companies servicing the energy industry to convert vehicles to run on affordable, environmentally-responsible LNG or compressed natural gas (CNG).

Encana will initially dispense LNG to HWR’s truck fleet using mobile fueling stations. Natural gas-powered cars and trucks that are fueled with CNG or LNG operate similarly to gasoline or diesel-powered vehicles, and generally have a longer operating life due to the cleaner combustion. Converting freight trucks and commercial vehicles has an immediate impact on saving fuel costs and reducing carbon emissions.

LNG-powered drilling rigs deliver environmental, economic benefits

In 2011, our Natural Gas Economy team worked closely with our Mid-Continent Business Unit in Louisiana to develop the first ever integrated fueling system enabling drilling rigs to run on LNG; four of Encana’s rigs are now powered by LNG.

Rather than the typical diesel-powered rig or even the innovative natural gas-powered rigs (used in our field operations where pipeline systems make it available), LNG-powered rigs offer a fit-for-purpose option that can be used in most places where LNG can be delivered. Again, we are leading by example and have offered a solution that can mobilize with the rigs so other operators can use this less emissions-intensive and abundant fuel option. Not only does this option mitigate greenhouse gas emissions, but we have realized significant fuel cost savings as well.

Advocacy paving the way for LNG and CNG transportation

Through its advocacy efforts, Encana continues to be an industry leader in growing the market for natural gas as a transportation fuel. Throughout 2011, we worked closely with the American Natural Gas Alliance (ANGA) and the American Gas Association to develop the natural gas vehicle (NGV) market through outreach, education and infrastructure development. For example, our work with ANGA and the Governor’s Energy Office in Colorado prompted four states to join together to increase the use of NGVs in their respective fleets. A memorandum of understanding signed by the governors of Colorado, Wyoming, Pennsylvania and Oklahoma will integrate NGVs into future operations plans for those states. It also calls for joint solicitation of a multi-state request for proposal that aggregates annual vehicle procurements. The four states anticipate that this effort will provide a demand base sufficient to support the design, manufacture and sale of functional and affordable NGVs by U.S. automotive manufacturers.

Meanwhile, Transport Canada has also publicly acknowledged the value of natural gas as a transportation fuel. In fact, the City of Calgary is now testing various models of CNG-fueled transit buses. The City hopes to acquire anywhere up to 350 of the CNG buses and develop the accompanying infrastructure. The City of Edmonton will also participate in the testing.

Throughout the course of 2011 we continued to lead by example by converting a large number of our own fleet vehicles to CNG. In Canada, we operate 72 bi-fuel vehicles which are fueled at Encana CNG stations in Drumheller and Strathmore, Alberta. In our U.S. operations we use another 252 CNG-fueled vehicles, which are primarily fueled at our CNG stations in Colorado, Wyoming and Louisiana.

2011 accomplishments

- developed significant natural gas infrastructure, including five CNG stations, six mobile LNG filling stations and one fixed LNG station
- converted a large number of Encana fleet vehicles to run on CNG
- undertook a number of advocacy initiatives to increase the use of natural gas

2012 priorities

- continue our advocacy efforts related to increased use of natural gas in transportation and power generation
- continue to convert our fleet vehicles to natural gas and expand the use of natural gas throughout our supply chain
- increase throughput at all of our stations by seeking new partnerships and third-party customers
- continue to invest in new natural gas infrastructure

ENVIRONMENTAL INNOVATION FUND

Collaboration plays a key role in the management and operation of our Environmental Innovation Fund (EIF). The fund, which makes investments that economically improve the environmental performance of the natural gas industry, provides capital for projects that include implementing innovative technology. These investments help demonstrate incremental environmental and economic benefits from what would otherwise be business as usual.

Our investment strategy is two-tiered, and depends on successful collaboration with both internal and external stakeholders.

- we fund projects within our operations that can economically create measurable reductions in air emissions or energy, land or fresh water use
- we fund early-stage start-up companies or projects that either align with environmental efficiency opportunities within our operations, or enable enhanced utility of natural gas in new markets or existing markets

Generating revenue through waste

Typically, throughout the oil and gas industry, pressurized natural gas is used to operate pneumatic instruments in process control applications. Once the natural gas has run through the series of instruments, it is generally vented. With funding from Encana’s EIF, two of our gas plants in southern Alberta were retrofitted with instrument air systems. These systems substitute compressed air for natural gas to operate pneumatic devices and, as a result, economically reduce greenhouse gas emissions by eliminating vented methane.

Ongoing collaboration with our field staff has helped make these projects a reality, and in order to build on this success, we are also undertaking two broader instrument air conversion programs.

The first initiative involves a full-scope opportunity assessment of larger Encana facilities with access to grid electricity which still rely on instrument gas. Our intent is to scope and systemically retrofit other facilities within our operations.

The second program involves piloting off-grid instrument air packages at several field booster compressor sites which do not have access to grid electricity. This type of system uses mechanical power from the compressor engine to drive the air compressor and, if successful, could be applied in other areas of our business.

Managing our water needs and reducing our impact

A \$2.5-million project in western Colorado is another example of how incremental benefits can add up to a major success. The project, located at the Middle Fork Water Management and Recycling Facility, replaces an existing flowback water storage pond with storage tanks. Middle Fork is the central gathering and storage point for water used in hydraulic fracturing operations in an area that produces over 200 million cubic feet of natural gas per day.

Replacing the pond with storage tanks will have a number of benefits, including operational cost savings, improvements to air and water quality and reduced impacts on local wildlife. The project eliminates the need to install a second dissolved

air flotation unit, which would have cost \$2.5 million, and will provide an estimated \$800,000 in annual operational cost savings. Moreover, the increase in water storage provided by the tanks will reduce water disposal volumes and allow us to reuse more water; we expect to reduce fresh water consumption by approximately 80,000 barrels per year.

The conversion is expected to reduce air emissions and mitigate risk to wildlife including local birds and native cutthroat trout that inhabit the creek surrounding the facility.

Continuous innovation drives continuously variable transmission

In 2010, we invested \$2.4 million in a project with CVT Corp Transmission Inc. (CVT Corp) to apply its continuously variable transmission to compressor cooling systems as a variable speed fan drive system. Additional support was granted from Sustainable Development Technology Canada to facilitate a pilot at an Encana site in 2012.

Using CVT Corp’s technology presents an innovative engine efficiency opportunity. Current compressor cooling systems are designed to move enough air to cool the engine under maximum load and peak ambient temperatures. As a result, energy is often wasted as there is no mechanism to adjust fan speed to match load or operating conditions requirements. CVT Corp’s technology is designed to adjust the speed of the cooling fan as required, avoiding excessive consumption of fuel.

This technology, once proven, has the opportunity for wide-scale deployment within our operations and the potential to deliver significant savings in fuel costs. This type of project, which pairs economic and environmental benefits, exemplifies the unique approach to innovation that supports our ongoing operational success.

2011 accomplishments

- expanded our EIF mandate to seek efficiencies in a wider variety of environmental factors
- approved \$15.6 million for 27 projects within our operations and provided \$1.6 million to four external technology development investments projects

2012 priorities

- launch our first wide-scale implementation of vent gas reduction technologies, including retrofits at 50 facilities and 150 well sites
- pilot CVT Corp’s variable speed fan drive system at an Encana compressor station



Through collaboration and strategic innovation, we are able to align our responsible development priorities with our business objectives.



Environmental Innovation Fund

	2011	2010	2009
Internal rate of return (%)	90	33	61
Cumulative CO ₂ e avoided (tonnes)	630,000	398,000	195,000
Cumulative natural gas conserved (Bcf)	5.23	3.4	1.79
Capital invested (USMM)	12.24	11.81	17.98

INDEPENDENT ASSURANCE REPORT

TO THE BOARD OF DIRECTORS AND MANAGEMENT OF ENCANA CORPORATION (“ENCANA”)

We have reviewed selected performance indicators (the “Subject Matter”) presented in Encana’s Corporate Responsibility Report (the “Report”) for the year ended December 31, 2011. A review does not constitute an audit and, consequently, we do not express an audit opinion on the selected performance indicators.

SUBJECT MATTER

We reviewed the selected performance indicators listed below and set out in the Report [GRI Reference]:

- Community investment [EC1]	\$17,869,811 USD
- Total energy use at Canadian facilities [EN3]	36,562 TJ
- Total carbon dioxide equivalent – Canadian Division [EN16]	3,074 ktCO2e
- Total NOx – Canadian Division [EN20]	17,968 tNOx
- Total SOx – Canadian Division [EN20]	2,747 tSOx
- Total number of reportable spills [EN23]	224
- Estimated volume of significant spills [EN23]	12,491 (bbls)
- Monetary value of environmental fines [EN28]	\$54,680 USD
- Employee and contractor recordable injury frequency [LA7]	0.64
- Employee and contractor lost-time injury frequency [LA7]	0.10
- New business conduct investigations [SO3, SO4]	35
- Monetary value of significant fines and total non-monetary sanctions for non-compliance [SO8]	nil

The Subject Matter was chosen by Encana management 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, nor did we review other performance indicators included in the report.

RESPONSIBILITIES

Encana management is responsible for 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.

ASSURANCE STANDARDS AND 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 management and staff responsible for data collection and reporting;
- Obtaining an understanding of the management systems, processes and the relevant controls used to generate, aggregate, and report the data at Encana operations and corporate office;
- Reviewing relevant documents and records on a sample basis;
- Testing and re-calculating information related to the selected performance indicators on a sample basis; and,
- Assessing the information for consistency with our knowledge of Encana’s operations, including comparing Encana’s assertions to publicly available third-party information.

Our assurance criteria comprised the Global Reporting Initiative (GRI) Sustainability Reporting 3.1 Guidelines (2011), industry standards, and Encana internal management definitions as disclosed in the Report, informed by relevant regulations. Our assurance team included individuals with environmental, health and safety, social, economics and assurance experience.

Environmental and energy use data are subject to inherent limitations of accuracy given the nature and the methods used for determining such data. The selection of different acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

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. This report is intended solely for use by the Management and Board of Directors of Encana.

Deloitte & Touche LLP
Calgary, Alberta, Canada
May 11, 2012

ADVISORIES AND TERMS

CURRENCY, 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, and in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. Prior to 2011, the Company prepared its consolidated financial statements in accordance with generally accepted accounting principles (GAAP) in Canada (previous GAAP). Unless otherwise noted, comparative information has been prepared in accordance with IFRS.

NON-GAAP MEASURES

Certain measures in this document do not have any standardized meaning as prescribed by IFRS 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 2011 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.

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 animal(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
Bcf	billion cubic feet
Bcf/d	billion cubic feet 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
MM	million
MMcf	million cubic feet
MMcf/d	million cubic feet per day
NGL	natural gas liquids
NO _x	nitrogen oxides
SO ₂	sulphur dioxide
Tcf	trillion cubic feet

Encana, eight Encana staff participated in cleaning up and restoring the bank's "Old Fort" site, also work with a number of local energy producers to facilitate development of the Horn River Basin. The Horn River Basin Producers Group, which consists of 11 companies, meets regularly to ensure a coordinated approach to activities and initiatives within the community. The group is addressing management potential health hazards and we believe our comprehensive occupational health program is well-positioned to overcome these obstacles. Industrial hygiene, a specialized facet of our overall occupational health program, plays a key role in addressing workplace health hazards. Occupational illness and exposure to workplace health hazards can be prevented, and we believe that the resulting health effects may not be immediately obvious. Exposure to hazardous substances may occur without a worker being fully aware, or a worker may not exhibit any adverse signs for a number of years after initial exposure. Education plays a major role in mitigating these exposure risks, which is why in 2011 we continued to raise awareness of occupational health and safety program in 2011. We conducted occupational exposure risk assessments in many of our operating areas and these assessments have led to the identification, assessment and control of health hazards such as noise, benzene and silica. In fact, a total of 32 formal industrial hygiene assessments were performed in our Canadian Division in 2011. At the same time, occupational exposure risks to all stakeholders. As a result, we have been able to address various types of health hazards including noise, naturally occurring radioactive material, benzene, silica, ergonomics issues, oil-based drilling fluids and asbestos. These types of assessments form the backbone of our industrial hygiene programs, and in conjunction with these efforts we have developed a number of occupational health management system for industrial hygiene data in 2011. As a result, our USA Division now has up-to-date information on sampling data and exposure risk assessment results. This included the entry of 1,073 chemical exposure and 207 noise exposure samples. This system ensures that we capture and accurately determine trends in health data, providing valuable feedback on the effectiveness of our occupational health programs. The training is to be conducted in 2012. Our Canadian Division is currently in the process of implementing a similar system, which aligns seamlessly with the health and medical record management system used by our Health & Wellness team. We have also configured and implemented a new online database to manage Material Safety Data Sheets in our USA Division, which has been fully implemented for the premier safety office, where one safety site is out of work at all times. This includes helping to ensure the safety of our contractors and service providers who work with us in identifying and implementing strategies to improve our overall safety performance. We made great strides in 2011 in areas of particular importance, such as the safety of young new workers and motor vehicle safety for the job. Workers under 25 years old and minors in a new role are more likely to be injured than their more experienced colleagues and we work to provide them with the appropriate education and experience to complete their work safely. To better track these more vulnerable members of our staff, we have updated our New or Young Worker Program in Canada. The process, which began in 2009, is to review existing procedures, like the reporting of hazards and emergency response. These forms are generated for all field staff and for those office staff who travel to the field on a regular basis. This updated process aligns with our regulatory obligations and our Safety Orientation Practice, and applies across the capital and operations/production groups in our Canadian Division. Strategic initiatives, the program uses on-board electronic diagnostic devices to monitor driving behaviour such as speed, hard braking, rapid acceleration and stops, allowing us to improve driver training and mitigate driving risks. As of the fourth quarter of 2011, we reduced motor vehicle incidents on public roadways by 55 percent. We were also able to recognize and reward 42 drivers for their safe driving. In 2011, we also implemented a program of back-up sensors in 2012 model year fleet vehicles. Our Canadian Division also uses in-vehicle monitoring and is taking steps to consolidate these systems into a consistent Division-wide approach. We also developed targeted communications efforts to support our commitment to safe driving. We created a Driving Safety web page on our intranet as a resource for staff in our USA Division. We also created a Driving Safety Essentials for Supervisors (SESH) in 2009, based on the Global Training Center's Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office staff titled Safety Essentials for Supervisors and Managers. The course was then customized and the curriculum and delivery were tailored to address our specific needs. The resulting three-day, 16-module course was designed to enhance and promote safe driving practices. In 2011, we conducted a training program in 2011, with 129 staff participating. In 2011, we introduced a specialized training course for our Canadian-based office

2012 PRIORITIES

PEOPLE focus on leadership development and implement a capability model that includes, change, innovation, communication, teamwork and execution excellence / continue to support knowledge transfer and technical development programs to uphold Encana's model of innovation / develop and enhance internal and external communication of Encana's business strategy / implement a new talent management system which will improve the corporation's ability to tie pay to performance / ensure corporate measurements are aligned to scorecard objectives

ABORIGINAL ENGAGEMENT manage land access risk through new and ongoing Aboriginal relationship building / strategically engage Aboriginal communities affected by our development / expand our educational initiatives to build capacity in Aboriginal communities through technology and targeted initiatives

GOVERNANCE conduct four Ethos EH&S audits in 2012, two in each division / continue to improve the audit program / revise Corporate Responsibility Policy to reflect commitment to staff development, retention and commitment to human rights / develop a formalized anti-corruption policy / revise and continue to develop meaningful metrics for Integrity Hotline reports to the Board of Directors / continue Level 3 Ethos training

NATURAL GAS ECONOMY continue our advocacy efforts related to increased use of natural gas in transportation and power generation / continue to convert our fleet vehicles to natural gas and expand the use of natural gas throughout our supply chain / increase throughput at all of our stations by seeking new partnerships and third-party customers

ENVIRONMENTAL INNOVATION FUND launch our first wide-scale implementation of vent gas reduction technologies, including retrofits at 50 facilities and 150 well sites / pilot CVT Corp's variable speed fan drive system at an Encana compressor station

ENVIRONMENT refine greenhouse gas (GHG) forecasting model to assess and evaluate potential impact of various GHG regulatory scenarios on our operations / standardize methodologies and metrics of Encana's air emission data and reporting / continue to develop processes for data gathering, tracking and reporting of water sources, use and disposal / continue to implement and refine Responsible Products Program, including working with the Canadian Association of Petroleum Producers to make the program available to industry / continue to refine metrics and practices for Environmental Land Management; Spills and Releases; Wildlife and Habitat and Materials and Waste to ensure compliance with standards outlined in Ethos

HEALTH ongoing development of detailed processes and site-specific procedures that align with current occupational health and industrial hygiene practices / complete the implementation of the industrial hygiene electronic information management system in Canada and the health and medical record management system in the U.S. / continue performing occupational risk assessments throughout our operations including sampling for health hazards such as benzene, noise and silica / ongoing development and expansion of our suite of online health hazard training resources / implement a comprehensive health surveillance program in the U.S. that aligns with the current program being delivered in Canada

COMMUNITY INVESTMENT create awareness of new community investment areas of focus: Environment, Education and Community Life through internal and external communications / enhance efforts to leverage existing community partnerships to increase both community impact and awareness / increase staff engagement in more of our community-focused partnerships as well as in the Encana Cares employee programs / provide partners with information on how the use of natural gas is cleaner for the environment and less expensive as a transportation fuel

SAFETY expand divisional initiatives such as motor vehicle incident reductions and young worker monitoring across the company / continue to deliver our comprehensive Safety Essentials training program across the company and evaluate its success / adopt and integrate the International Association of Oil & Gas Producers Land Transportation Safety recommended practice through the Drive Safe Team / combine the various in-vehicle monitoring systems in the Canadian Division into one program

ENGAGEMENT review Courtesy Matters with key stakeholders to measure impact and find improvements in revised strategy / continue to facilitate two-way communication through consultation and fostering dialogue on issues key to our stakeholders such as hydraulic fracturing, environmental protection, market volatility and company strategy / build upon meaningful relationships with stakeholders to collaborate and foster innovation particularly in areas key to our business