



## HUMAN RESOURCES & COMPENSATION COMMITTEE MANDATE

The Human Resources & Compensation Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Encana Corporation (“Encana”). For purposes of this mandate, reference to the “Corporation” collectively refers to Encana and its respective affiliates and subsidiaries.

### **PURPOSE**

#### **1. Objectives**

The Committee is responsible for performing the duties delegated to it by the Board, to enable the Board to fulfill its responsibilities in relation to strategic oversight of the Corporation’s human resources policies and practices, including the compensation of the President & Chief Executive Officer (“CEO”) and the Corporation’s Executive Vice-Presidents (“EVPs”).

### **CONSTITUTION**

#### **2. Composition**

The Committee shall consist of only duly elected directors of the Corporation, none of whom is either an officer or employee of the Corporation or any of its subsidiaries.

The Committee shall be comprised of not less than three and not more than five directors, each of whom shall qualify as independent directors pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time). The non-executive Board Chairman shall serve as a non-voting member of the Committee (see “Quorum” for further details).

At the invitation of the Committee, certain members of the Corporation’s senior management and/or others may attend Committee meetings on either an ad hoc or regular basis, as required.

**3. Reporting**

The Committee shall report to the Board, which shall be kept informed of Committee activities by way of a report to the Board following each Committee meeting.

**4. Appointment of Committee Members**

Committee members shall be appointed from time to time by the Board, and may be removed or replaced at any time by the Board and shall, in any event, cease to be a Committee member concurrently with their ceasing to be a director.

**5. Vacancies**

Where at any time a vacancy occurs in the membership of the Committee, it may be filled by the Board. Without limiting the generality of the foregoing, the Board shall fill a vacancy whenever necessary to maintain a Committee membership of at least three directors.

**6. Committee Chair**

The Committee Chair shall be recommended by the Nominating and Corporate Governance Committee ("NCG Committee") to the Board for approval. The Board shall appoint the Committee Chair.

If the Committee Chair is not present at any meeting of the Committee, the Committee Chair shall appoint another Committee member to chair the meeting, failing which the other Committee members present at the such meeting shall, by majority, select a Committee member to preside at the meeting. The Committee Chair, presiding at any meeting of the Committee, shall have a casting vote.

The items in this section pertaining to the Committee Chair should be read in conjunction with the Committee Chair section of the Chair of the Board of Directors and Committee Chair General Guidelines.

**7. Secretary**

The Committee shall appoint a Secretary who need not be a Committee member or a director of the Corporation. The Secretary shall keep minutes of each Committee meeting.

**8. Committee Meetings**

The Committee shall meet at least semi-annually at the call of the Committee Chair. The Committee Chair may call additional meetings as required. In addition, a meeting may be called by the non-executive Board Chairman, the President & CEO, or by any member of the Committee.

Committee meetings may be held in person, by video conference, by means of telephone or by combination of any of the foregoing.

The Committee shall ordinarily hold an in-camera session prior to the conclusion of each meeting.

**9. Notice of Meeting**

Notice of the time and place of each Committee meeting may be given orally, or in writing, or by facsimile, or by electronic means, to each Committee member at least 24 hours notice prior to the time fixed for such meeting.

A Committee member may in any manner waive notice of the meeting. Attendance of a Committee member at a meeting shall constitute waiver of notice of the meeting, except where a Committee member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

**10. Quorum**

A majority of Committee members, present in person, by video conference, by telephone or by a combination thereof, shall constitute a quorum. In addition, if an ex officio, non-voting Committee member's presence is required to attain a quorum of the Committee, then the said member shall be allowed to cast a vote at the meeting.

**11. Attendance at Meetings**

The President & CEO is expected to be available to attend Committee meetings or portions thereof, as requested by the Committee, however may not be present during Committee deliberations or voting regarding the determination of his or her compensation.

The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee. Directors who are not Committee members may attend Committee meetings, on an ad hoc basis, upon prior consultation of and approval by the Committee Chair or by a majority of the Committee members.

The Committee may retain and have in attendance at Committee meetings or portions thereof an independent external compensation consultant and may, by specific invitation, have other resource persons in attendance.

**12. Minutes**

Minutes of Committee meetings shall be taken by the Secretary and provided to all Committee members.

**13. Mandate**

The Committee shall review its mandate on a periodic basis and where appropriate, recommend changes to same to the NCG Committee, which will review and recommend final changes to the Board for approval.

**14. Functions and Responsibilities**

In carrying out its mandate, the Committee is expected to act in an advisory capacity to the Board and shall perform the following functions:

***Compensation:***

- a) oversee the development of and recommend to the Board for review and, if appropriate, approval of the Corporation's compensation philosophy, policies and/or programs to support the execution of its business strategy and overall corporate objectives;

- b) on an annual basis, recommend to the Board for review and, if appropriate, approval: (i) annual corporate goals and individual objectives relevant to compensation for the President & CEO; and (ii) associated performance outcomes in respect of such goals and objectives;
- c) recommend to the Board for review and, if appropriate, approval, annual compensation for the President & CEO including, without limitation, annual base salary; annual incentive (or "Bonus") award (in light of prior year performance relative to approved corporate goals and individual objectives); and annual long-term incentive ("LTI") grant under the Corporation's respective LTI plans;
- d) on an annual basis, review the recommendations of the President & CEO regarding: (i) annual corporate goals and individual objectives for each EVP, and (ii) associated performance outcomes against these goals and objectives.
- e) develop and recommend to the Board for review and, if appropriate, approval, annual compensation for each EVP, including base salary, annual Bonus award (based on prior year performance) and annual LTI grant;
- f) on an annual basis, review and recommend to the Board for review and, if appropriate, approval, the annual compensation budget for employees (excluding the President & CEO and EVPs), consisting of aggregate annual: (i) base salaries; (ii) Bonus awards; and (iv) estimated LTI grant value (grant date expected value);
- g) review and approve the compensation peer group(s) used by the Committee to assess the market competitiveness of the Corporation's executive compensation program;
- h) review the market competitiveness of the executive compensation program including, without limitation, relative to the Corporation's compensation philosophy and compensation peer group;
- i) upon appointment or promotion of an individual to an EVP role, recommend to the Board, for review and, if appropriate, approval, annual compensation for such individual in his or her capacity as an EVP. Where such appointment or promotion occurs between Committee meetings, such authority shall be delegated to the Board Chairman and the Committee Chair, or such other committee of directors as may be selected by the Board, with such approved compensation to be communicated to the Committee at the next scheduled meeting;
- j) annually review and recommend to the Board, for review and, if appropriate, approval, the Corporation's executive compensation disclosure, for purposes of the Corporation's annual management proxy circular;
- k) oversee the Corporation's Incentive Compensation Clawback Policy and recommend to the Board any material amendments thereto or any actions to be taken thereunder;
- l) review the Corporation's compensation programs and practices to ensure they do not encourage excessive or inappropriate risk taking among its executive

officers, and conduct, at least annually, a risk assessment in respect of such programs and practices;

### ***Incentive Plans and Programs***

- m) review and recommend to the Board, for review and, if appropriate, approval, subject to shareholder and/or regulatory approval (as required), the adoption of any new cash-based or share-based incentive compensation plans or any significant amendments thereto including, without limitation, the Employee Stock Option Plan, Employee Stock Appreciation Rights Plan, Performance Share Unit Plan, Restricted Share Unit Plan, and/or Deferred Share Unit Plan for Employees, as required;
- n) review and recommend to the Board, for review and, if appropriate, approval, performance criteria (including, without limitation, performance targets and/or thresholds) applicable to the Corporation's performance-based incentive compensation plans and, following completion of the respective performance cycle, the results of the Corporation's performance relative to such criteria for purposes of determining vesting eligibility under such plans;
- o) review and recommend to the Board, for review and, if appropriate, approval, the reservation of shares for the Corporation's security-based compensation plans, or any changes thereto, subject to shareholder and/or regulatory approval, where required;

### ***Pension and Retirement Plans***

- p) by way of written mandate, delegate certain duties and responsibilities to the Corporation's Management Pension Committee ("MPC"), in accordance with the Corporation's governance structure for pension and investment matters,
- q) approve the mandate and material policies of the MPC or any material amendments thereto;
- r) ratify the appointment of a Chairperson for the MPC, as required;
- s) on an annual basis, and as otherwise required, review the activities of the MPC, including without limitation, by way of review of written reports of the MPC, which shall include such actuarial reports as may be prepared by the Corporation's actuary, regarding the status of the Corporation's pension plans;
- t) in respect of the activities of the MPC, review and recommend to the Board, for approval, the following:
  - (i) material amendments to the Corporation's pension and/or retirement plans including, without limitation, those impacting executive compensation and/or having broad funding and/or plan design implications (which would exclude, without limitation, amendments of a housekeeping or administrative nature), as required; and
  - (ii) funding levels to the Corporation's pension and retirement plans.

***Other:***

- (u) on an annual basis, review and recommend to the Board for review and if appropriate, approval, the succession plan for EVP roles;
- (v) on an annual basis, monitor and report to the Board the status of participant compliance under the Corporation's Share Ownership Guidelines;
- (w) as required, review and make recommendations to the Board on matters related to executive compensation or human resources as may be specifically delegated to the Committee by the Board from time to time;
- (x) review developments in respect of compensation governance to ensure the Corporation continues to align its approach with recognized best practices.

**15. Miscellaneous**

The Committee may engage such outside resources if deemed advisable including, without limitation, an external independent compensation consultant or other service provider. Such external compensation consultant shall be retained by the Committee following its consideration of all factors relevant to assessing such consultant's independence.

The Committee shall have sole authority to retain, instruct and terminate any independent external compensation consultant or other service provider retained to provide assistance to the Committee, including, without limitation, to assist in the evaluation of compensation for the President & CEO, EVPs or any other senior corporate officer, and to approve the terms of engagement of such consultant and any applicable service fees. Once engaged, consultants will be subject to annual performance reviews and re-engagement.

Upon approval by a majority of Committee members, the Committee may delegate its duties and responsibilities to subcommittees of the Committee.

**The duties and responsibilities of a member of the Committee are in addition to those duties set out for a member of the Board of Directors.**

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