

# Securities Trading and Insider Reporting Policy

Securities law generally prohibits trading or dealing in the **securities** of a company on the basis of **undisclosed material information**. Anyone violating these laws is subject to personal liability and could face criminal penalties.

This Securities Trading and Insider Reporting Policy is intended to safeguard against such trading or dealing, and against the appearance of such trading or dealing, by (i) restricting the trading activities of **employees**, **contractors** or directors that may know, or be presumed to know, of undisclosed material information, (ii) prohibiting derivative transactions by directors and officers and (iii) requiring **reporting insiders** to comply with the reporting requirements applicable to certain trading activities as required by securities laws.

## Scope

Each **insider** of **Encana** Corporation and/or its **subsidiaries** (collectively, “Encana”) must comply with the applicable insider trading and disclosure requirements of the various provinces and territories of Canada, the United States securities authorities, and the Toronto and New York stock exchanges. Employees and contractors are also considered insiders when they receive or have access to undisclosed material information.

In order to assist an insider in complying with the various laws and regulations, this Policy has been established to provide guidance on timing of insider trading and reporting requirements. This Policy, however, in no way reduces the personal obligations imposed by law on an insider.

Compliance with the insider trading and disclosure requirements remains the personal responsibility of each insider. Insiders are encouraged to seek independent legal advice for matters other than routine reporting. The Corporate Secretary (or their delegate) is also available to assist in the reporting process on request.

## Insider Information and Disclosure

An underlying principle of securities legislation is that the public should have the opportunity to decide whether to buy or sell securities on the basis of information equally available to all market participants. Public confidence in the securities’ regulatory system is essential in order to maintain the integrity of the system and the continued confidence of the investment community.

Employees and contractors are considered insiders when they receive or have access to undisclosed material information and, as such, are prohibited from trading in securities of Encana while such information is undisclosed.

The same trading prohibitions apply to using undisclosed material information about another party that insiders of Encana may learn in the course of a proposed or pending transaction. For example, knowledge of a large contract between Encana and a small publicly traded company

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could constitute **material information** relating to such company and could not be used by employees, contractors or directors or disclosed to any other person to allow such person to purchase shares of the small publicly traded company on the expectation of greater cash flows for such company arising from the awarding of such a contract.

When disclosure of material information is thought to be required, it is the responsibility of the appropriate officer, with executive responsibility for the matter, to promptly contact the Executive Vice-President & General Counsel or another member of the Disclosure Committee in accordance with the Disclosure Policy to determine the appropriate action to be undertaken.

If the prompt disclosure of a material development of Encana would be unduly detrimental to Encana's interests (e.g. financial results, negotiations, information which would benefit competitors and premature disclosure of acquisitions), confidentiality should be carefully maintained by employees, contractors or directors entrusted with this information in accordance with the Confidentiality Policy. The confidential information must not be disclosed to any other employee, contractor or director of Encana or any outside party, except as necessary in the course of business. If it is unclear as to whether something is a necessary part of the course of business, the matter should be discussed with the Corporate Secretary (or their delegate).

## Securities of Insiders

Trading of securities of Encana, owned beneficially, either directly or indirectly, or over which an insider (whether a reporting insider or **non-reporting insider**) has control of or direction over, is subject to insider trading rules.

Any of the below described interests in securities of Encana which are held or acquired or disposed of or otherwise altered must be reported by reporting insiders:

- a) Direct beneficial ownership is when the insider holds securities in their name, or holds securities through a nominee such as a broker, or through a book-based depository, such as the shares held in Encana's various savings plans.
- b) Indirect beneficial ownership is when the insider is a beneficial owner of securities but such securities are held through a family trust, a third person, an **issuer**, an affiliate or other legal entity such as a RRSP, or a holding company that the insider controls. An insider will be considered to have an indirect interest in securities held in a trust where the insider (i) has or shares a beneficial interest in securities held by the trust and has or shares investment power over such securities or (ii) has legal ownership of securities in the trust and has or shares voting or investment power over such securities held in trust.
- c) Having control or direction over securities is when the insider, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote, or direct the voting of, securities, or investment power, which includes the power to buy or sell, or to direct the purchase or sale of such securities. This would generally include securities held by a spouse or children who live in the insider's household, and securities held by estates or trusts over

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which the insider exercises control. It is recognized that there may be situations where persons living in the same household with an insider could own or trade in Encana securities as a part of their professional responsibilities or endeavours. In such cases, additional care should be exercised by all insiders who have such relationships in which any disclosure of confidential information could be particularly troublesome.

- d) Interest in, or right or obligation associated with, a related financial instrument involving a **security** which includes, but is not limited to, forward contracts, future contracts or stock purchase contracts or similar contracts involving securities of Encana and stock-based compensation instruments including phantom stock units, deferred share units, restricted share awards, performance share units, stock appreciation rights and similar instruments.
- e) Changes to a reporting insider's economic exposure to the issuer by means of entering, materially amending or terminating any agreement, arrangement or understanding which involves, directly or indirectly, an Encana security or a related financial instrument. This includes sophisticated tax planning arrangements such as **equity monetization transactions**.

## Restrictions on Trading

Insiders may trade in Encana securities, either directly or indirectly, or may exercise direction or control over the trading of its securities, except as follows:

- a) Insiders who may receive or have access to undisclosed material information must not trade in Encana securities or securities of another publicly-traded party (where the context demands) or divulge such information until after one (1) full trading day ("Trading Day") following a public announcement disclosing such information has been made.

Any applicable officers must advise the Corporate Secretary (or their delegate) that material information is being kept confidential in order for the Corporate Secretary (or their delegate) to be in a position to provide direction to reporting insiders, as applicable, and otherwise facilitate compliance by Encana of its legal obligations.

- b) The Disclosure Committee determines blackout periods with respect to trading of Encana securities. Trading restrictions and blackouts do not apply to all employees, but do apply to all applicable insiders ("Blackout Insiders"). The following blackout periods shall apply:

### Annual and Quarterly Financial Results' Blackout Period

Trading by Blackout Insiders should not take place until after one (1) full Trading Day following a broadly disseminated news release of any material information.

No trading of Encana securities should take place by Blackout Insiders commencing on the date on which senior management is ordinarily expected to receive draft financial information in respect of the immediately preceding fiscal year or fiscal quarter and

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ending after one (1) full Trading Day has elapsed following the issuance of a news release disclosing the annual or quarterly financial results. The Corporate Secretary (or their delegate) shall prepare, disseminate and update, as necessary, the annual calendar of regularly scheduled blackout periods relating to the preparation of annual and quarterly financial results. Such annual calendar of regularly scheduled blackouts may include blackout periods relating to the preparation and dissemination of information relating to other recurring and potentially material matters, such as the annual budget for the forthcoming year.

If material information regarding write-downs or other events likely to, positively or negatively, affect current or future earnings or cash flow becomes known to an insider, the procedures in paragraph (a) above must be followed.

A trading prohibition will also apply to employees and contractors who receive or have access to material undisclosed draft financial information during periods when financial statements are being prepared but results have not yet been publicly disclosed, which trading prohibition will continue during the period referenced above.

Where the issuance of a news release disclosing the quarterly or annual financial results, or other potentially material information, occurs prior to markets opening on any Trading Day, the blackout period shall expire following the close of trading on such Trading Day. Where any such news release is issued during market trading hours, the blackout period shall expire following the close of markets on the next subsequent Trading Day.

The Corporate Secretary (or their delegate) will ordinarily inform all Blackout Insiders to whom any such blackout shall automatically apply, via email, of the beginning and ending of a blackout period and a copy of the annual calendar of regularly scheduled blackout periods shall be posted to Encana's internal website. Notwithstanding that such a notice has not yet been sent and/or a copy of the scheduled financial results' blackout periods have not been posted internally, blackout periods will still apply to those employees and contractors who receive or have access to material undisclosed draft financial or other information until such time as the information has been publicly disseminated.

### Other Designated Blackout Periods

Blackout periods may also be prescribed from time to time by the Disclosure Committee as a result of special circumstances relating to Encana, pursuant to which Blackout Insiders would be precluded from trading in Encana securities or securities of another publicly-traded party (where the context demands). All parties with knowledge of such special circumstances shall be covered by the blackout, whether or not such parties are specifically identified as Blackout Insiders. Such parties may include external advisors such as legal counsel, investment bankers and counter-parties in negotiations of potential material transactions.

The Corporate Secretary (or their delegate) shall work with the appropriate senior management team member (or an alternate) to ensure that all Blackout Insiders (which may include other relevant people, who are deemed to be insiders for a specific project

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under a designated blackout period), are advised of the trading restrictions and blackout periods on Encana and/or another party's securities.

- c) In circumstances where Encana is contemplating a major transaction or activity that could raise Encana's profile in the marketplace or otherwise reasonably be expected to significantly affect the market price or value of Encana securities, the Corporate Secretary (or their delegate) may, in consultation with the Disclosure Committee, determine that the disclosure of the transaction or activity, if consummated, would constitute material information and will, in such circumstances, advise all reporting insiders and applicable insiders to refrain from trading.
- d) If a director, officer, employee or contractor is uncertain as to their *insider* status, or whether it is not advisable to enter into any transaction, they should inquire with the Corporate Secretary (or their delegate) as to the existence of any potential trading restrictions before entering into a transaction.
- e) Insiders must not, at any time, enter into a sale of Encana securities where the insider does not own or has not fully paid for the Encana securities being sold unless such insider owns another Encana security that is convertible into the Encana securities being sold (i.e. an insider can exercise an option for Encana shares and have concurrently forward sold such shares resulting from the option exercise; an insider, however, cannot sell Encana common shares if the insider does not own such shares or is not exercising any options to acquire common shares).
- f) All Encana employees, contractors and directors are prohibited, at any time, from:
  - entering into a sale of Encana securities that they do not own or have a right to own (a speculative practice, called "selling short", which is done in the belief that the price of a stock is going to fall and the seller will then be able to cover the sale by buying the stock back at a lower price); and
  - selling a "call option" or buying a "put option" in respect of any Encana securities (as such persons could profit from Encana's stock price falling).

Employees, contractors and directors are not prohibited from selling a "put option" or purchasing a "call option", where they would profit only if the value of Encana securities increases (meaning there would be no direct conflict with the interest of Encana or its shareholders). As "puts" and "calls" constitute Encana securities, both are subject to the usual restrictions on trading with knowledge of undisclosed material information.

- g) Insiders must not enter into any brokerage arrangements which might result in a sale of Encana securities at a time when the insider is not permitted to trade. Such arrangements could include automated trade execution arrangements, or arrangements

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where Encana securities might be traded in connection with a margin call.

- h) Encana insiders must not participate in **EMT** involving any Encana securities that are part of Encana's long-term incentive programs which have not vested or Encana common shares that constitute part or all of Encana's requirements under the **Minimum Share Ownership Guidelines**. Employees, contractors and directors are also strictly prohibited from entering into any EMT that is the equivalent of "selling short". In order to ensure EMT are not used to circumvent the trading prohibitions of this Policy, insiders must treat all EMT of Encana securities similarly to the sale of Encana securities.

## Insider Liability

Each insider who fails to comply with insider trading laws is exposed to civil liability to third parties, a fine based on the amount of the profit made or loss avoided, and/or imprisonment, in addition to general embarrassment and damage to their reputation. Further, Encana's reputation may be damaged, and it may be exposed to liability.

Under U.S. securities laws, each insider who purchases or sells securities while in possession of material, non-public information may be exposed, in addition to imprisonment and other criminal penalties, to (i) civil penalties of up to three times the profit gained or loss avoided as a result of his or her trading while in possession of such information, as well as to (ii) liability to market participants who traded the same class of securities "contemporaneously" with and on the opposite side of the market from the insider trader. Moreover, the U.S. Securities and Exchange Commission has the power to impose civil fines, cease and desist administrative orders and accounting and disgorgement orders for violations of U.S. securities laws.

## Reporting Insider Filing Requirements

All reporting insiders' transactions must be filed via the System of Electronic Disclosure by Insiders ("SEDI"). Reporting insiders may use an agent to file insider reports on SEDI or the reporting insider must register directly as a SEDI user.

There are specific guidelines for completing insider reports on SEDI. Reporting insiders may wish to contact "Insider Reporting Team" (located in the Global Address List of Microsoft Outlook), to discuss insider reporting generally.

- a) Initial reporting insider Report

The Corporate Secretary (or their delegate) will advise employees of their reporting insider status as a result of being appointed as a Divisional or Corporate Group officer, or if their appointment as a director or officer or similar function of a **subsidiary** requires them to be a reporting insider.

Securities regulations stipulate that within ten (10) calendar days of becoming a reporting insider, a reporting insider must file an initial insider report via SEDI. Reporting insiders should be aware of the following:

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- The obligation to file insider trading reports is the responsibility of the individual. Encana does not file insider reports on behalf of reporting insiders unless the reporting insider has specifically instructed the Corporate Secretary (or their delegate) to file on their behalf and has executed a Power of Attorney authorizing such filings. The Power of Attorney Form is available from the Corporate Secretary (or their delegate); and
- Nil reports are not required but as most reporting insiders participate in one of Encana's savings plans ("automatic securities purchase plan"), an initial report typically must be filed, detailing "all holdings" of Encana securities.

b) Subsequent reporting insider Reports

Subsequent reporting insider reports must be filed within five (5) calendar days of the transaction date (not the settlement date). This includes transactions concerning the grant or exercise of stock options, a change in the nature of ownership (e.g. transferring shares to a spouse, rolling into an RRSP, etc.) or an acquisition/withdrawal of Encana shares in an automatic securities purchase plan.

There are additional deadlines regarding the annual reporting of the automatic securities purchase plans shares. Reporting insiders should contact the Corporate Secretary (or their delegate) if they do their own insider filings or have questions.

c) Late or Misleading Filings by reporting insiders

Following the implementation of SEDI, the Ontario Securities Commission ("OSC") has advised that "For reports filed late on or after August 1, 2003, the OSC will apply late filing fees of \$50 per report per day (up to a specified cap)". The "specified cap" is a maximum of \$1,000 per reporting insider for each issuer within one financial year.

The names of late filers are published weekly on the internet by the Alberta Securities Commission.

The Canadian Securities Administrators have further indicated that where a reporting insider fails to file an insider report in a timely manner or files an insider report that contains information that is materially misleading, such actions may additionally result in the issuance of a cease trade order prohibiting the reporting insider from trading or acquiring securities for a period of time and may, in appropriate circumstances, initiate enforcement proceedings against such reporting insider.

Repeated non-compliance by directors and officers may have negative consequences to Encana in the context of a prospectus review or a continuous disclosure review.

(d) Power of Attorney Form Provided by reporting insiders

If reporting insiders have provided a Power of Attorney Form to the Corporate Secretary (or their delegate) authorizing filing of insider reports on their behalf, Reporting insiders must provide the Corporate Secretary (or their delegate) with transaction details the

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same day of their transaction in order that the filings can be completed within the required five (5) calendar day period.

It is a recommended best practice for all reporting insiders to give the Corporate Secretary (or their delegate) immediate notice by e-mail to “^Insider Reporting Team” once an option is exercised or transaction completed.

For transactions occurring on the open market or through a reporting insider’s brokerage account, the reporting insider is responsible for providing “^Insider Reporting Team” the specific transaction details the same day the transaction occurred so a SEDI report can be filed within five (5) calendar days of the transaction.

## Violations of the Securities Trading and Insider Reporting Policy

Violations of this Policy or relevant laws may result in disciplinary action up to and including termination of employment or contract, as applicable. Encana may refer violations of this Policy or relevant laws to the appropriate regulatory authorities.

Actions that violate or appear to violate this Policy must be reported in accordance with the Investigations Practice.

## Further Information

Any questions concerning general insider trading matters should be directed to the Corporate Secretary (or their delegate) or the “^Insider Reporting Team”. Any other questions about the interpretation or implementation of this Policy should be directed to the Corporate Secretary (or their delegate).

Employees, contractors and directors who are unsure whether they possess undisclosed material information should not disseminate such information to anyone outside Encana until consulting with the Corporate Secretary (or their delegate).

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