



reduce | reuse | recycle | recover

# Recovering energy from waste is an important alternative to how we manage waste today.

Waste management is not an everyday topic of conversation. Yet it is an everyday problem whose solution is typically taken for granted.

The items depicted on the front cover of this report represent a wide range of household items that have met their intended purpose and are at the end of their useful life. We are thus faced with the question: What is the most sustainable solution for managing this diverse universe of items—and is there only one correct answer?

In the past, when waste was simply considered to be waste, the most common answer was to throw it away in a landfill. Landfilling waste, however, ignores the significant resource potential of this material, including its complement of potentially recyclable components and inherent energy content. Landfilling also poses significant environmental challenges, such as the release of methane gas (a potent greenhouse gas), air toxics, and leachate. Long-term liability is a significant concern, because the trash buried in landfills doesn't really ever go away.

An increasing array of alternative options exists to handle waste. These include single or dual stream recycling, composting, anaerobic digestion, and Energy-from-Waste (EfW) processes, among others—each with its own set of challenges and benefits. International regulatory agencies and the United States Environmental Protection Agency (U.S. EPA) advocate the use of lifecycle analysis to determine the optimum long-term solution for waste disposal, including consideration of energy requirements, emissions, water use, secondary solid waste, and wastewater implications. We agree that a quantitative, science-based methodology is necessary in evaluating and selecting options for sustainable waste management.

Covanta designs and operates modern EfW facilities that recover energy and metals from waste that has not been recycled. We have been expanding into related waste management services and continue to advance the technology that makes EfW a clean and reliable source of energy. This report identifies how we advanced our sustainability program in 2010 and 2011, our progress to date, and the goals we have set to define future performance. We hope that the report inspires readers to consider the complex range of available options for waste management and the disposal choices we make each and every day.

# Contents

<b>3</b>	<b>5</b>	<b>17</b>	<b>27</b>	<b>37</b>	<b>46</b>
<b>INTRODUCTION</b>	<b>ABOUT COVANTA</b>	<b>ENERGY AND ENVIRONMENT</b>	<b>EMPLOYEES</b>	<b>COMMUNITIES</b>	<b>PERFORMANCE</b>
3 Message from the CEO	6 Our mission: clean energy from waste	18 Managing our environmental performance	29 Safety first	38 Partnering with our communities	46 Focus on materiality
	8 Integrating sustainability into strategy and operations	21 Tackling the climate challenge	32 Building a strong and engaged workforce	40 Championing Environmental Justice	48 Sustainability goals and targets
	11 Covanta around the world	23 Recovering metals and materials	36 Maintaining good labor relations	41 Engaging with municipal clients	55 Performance data
	12 The EfW process	25 Optimizing plant operations	36 Promoting workforce diversity	42 Measuring community economic impact	56 Awards and recognition
	13 Growing the business: challenges and opportunities			43 Implementing community programs	56 About this report
	15 Investing in research and development				57 Cautionary note regarding forward-looking statements
	16 Governance and ethics				58 GRI index

## To our stakeholders:

Covanta is a company of problem solvers. Since our founding, we've looked to the creativity of our employees to bring ideas to life—new and better ways of working, the development of groundbreaking technologies and processes, and the identification of opportunities to become an even more sustainable company. This drive to innovate has made our facilities safer and more efficient and has strengthened our relationships with partners, clients, and communities.



**Anthony Orlando**  
President and CEO

Energy-from-Waste (EfW), the process at the core of our operations, is itself an innovative solution to two seemingly intractable problems:

- the reliable generation of clean, renewable energy; and
- the responsible disposal of waste following reuse and after individual components have been separated for recycling.

By processing municipal solid waste (MSW) in EfW facilities, we reduce greenhouse gas (GHG) emissions, lower the risk of groundwater contamination, and conserve land. Simultaneously, we generate clean, reliable energy from a renewable fuel source, thus reducing dependence on fossil fuels.

Despite the urgent need for sustainable waste solutions and renewable energy, one of the challenges we face in the United States is the lack of a national renewable energy policy. Covanta's existing U.S.-based EfW facilities are running at full capacity; however, the current regulatory climate and market conditions do not support widespread construction of new facilities. We are therefore working with policymakers and regulators to build greater support for EfW.

### Investing in our future

Covanta's Clean World Initiative (CWI) represents a continuing investment in our future that enhances stockholder value by making our business more sustainable; economically, environmentally, and socially. We proudly celebrated the 5th anniversary of CWI in 2012, and look forward to many more years of success under its auspices.

Outside of the United States, many countries are looking for more sustainable alternatives to landfilling waste and have implemented regulatory drivers to promote change in waste generation and management practices. Many countries in the European Union, including the United Kingdom, have instituted steep fees for landfill disposal while China has announced a goal to increase the volume of waste sent to EfW facilities from one percent in 2005 to 30 percent in 2030. A government subsidy is being used in China to improve the economics of EfW and enhance the ability of EfW to compete with low cost landfills.

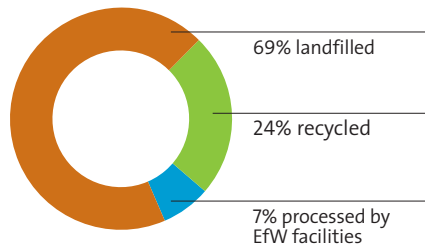
These policies have enabled us to actively pursue the development of new Energy-from-Waste facilities in the Chinese and European markets, so that we can be a bigger part of the "zero-landfill" solution globally. Our innovation efforts have also yielded the first commercially demonstrated and available gasification process in the United States (CLEERGAS) which we hope will create new growth prospects around the world.

## A sustainable solution

The United States generates approximately 390 million tons of waste annually, which amounts to more than 1.2 tons of waste for every person in the country. Of that amount, approximately 24 percent is recycled and 69 percent is landfilled. Only seven percent of MSW is processed by EfW facilities, two-thirds of which are operated by Covanta.

Management of MSW as a resource by further diverting MSW from landfills would increase recycling rates, recover and save energy, and reduce our dependence on landfills for waste disposal.

### Waste disposal in the United States



Across all our global operations, we follow the precepts of Covanta’s Sustainability Policy and the objectives set forth in our Clean World Initiative (CWI). CWI helps us to maximize the long-term value of our EfW portfolio by:

- continuously improving safety, health, and environmental performance;
- working in partnership with our client communities;
- investing in research, development, and innovation;
- exploring complementary services to our EfW projects; and
- influencing public policy decision-making related to our business.

In this sustainability report, we identify for the first time a set of goals related to CWI objectives. Many of these goals are related to the adoption of zero landfill policies by our municipal, commercial, and industrial clients. This new behavior is creating opportunities around our core competency, EfW; related variations including gasification; and waste management services including recycling, electronic waste, and others.

We also begin to illustrate the explicit connection of performance against our goals to the financial success of our business. For example, our investment of capital to increase the metals recovery rate at EfW facilities will certainly increase our revenues—but it will also promote valuable environmental benefits such as avoiding impacts of mining and processing of virgin ore, and realizing energy savings that reduce GHG emissions while preserving natural resources. Similarly, our continued investment in safety programs has yielded not only lower accident and injury rates, but also fostered a more engaged and healthy workforce, while also enhancing productivity and reducing costs.

Finally, we continued to strengthen the relationships of trust and collaboration established with our local communities. In 2011, we formalized our approach to community engagement through the release of a new Community Outreach and Environmental Justice Policy. The policy was prepared in response to the need to ensure that all communities, especially communities which are disadvantaged, have a fair and just opportunity to participate in the decision-making process in matters impacting their local environment. The policy is a reflection of Covanta’s dedication to full engagement with our communities.

This report contains many more examples of the ways we are innovating towards sustainability. As always, I invite you to join us by sharing your ideas, comments, and concerns.

Sincerely,

Anthony Orlando

*President and Chief Executive Officer*

# ABOUT COVANTA



# Our mission: clean energy from waste

Covanta's mission is to be the world's leading EfW company. We believe that waste is a valuable resource that can be a source of clean, safe, and renewable energy and environmental, social, and economic benefits. EfW enables us to get closer to being a zero waste society by taking what's left over after source reduction, reuse, and recycling and using this material to build value for all stakeholders.



Covanta SECONN in Preston, Connecticut safely disposes of approximately 690 tons of municipal solid waste a day while producing 18.4 MW of renewable energy.

## Covanta's mission is to be the world's leading EfW company

In pursuing our mission we will:

- Employ outstanding people with the highest ethical standards
- Provide world class service to all our client communities
- Maintain our facilities in a superb condition
- Advance our operational expertise
- Capitalize on growth opportunities
- Focus on long-term results

We also work to protect and preserve the health and safety of our employees and the well-being of our local communities in all that we do.

## Strategic approach

Covanta's goal is to grow so that it can expand its positive impact on the environment and deliver benefits to shareholders, employees, and the communities where it operates. The Company's growth is based on a strong business model where Covanta provides win-win solutions for municipal, industrial, and commercial client partners on a consistent and reliable basis. Key components of our strategic approach include:

### Grow the value of our existing portfolio

We intend to maximize the long-term value of our existing portfolio infrastructure, especially in the United States and Canada. As part of this objective, we plan to:

- Increase the recovery rates of ferrous and nonferrous metals through improvements in existing systems and addition of new ones. This investment translates to increased revenues from metal sales and a reduction in energy usage and GHG emissions.
- Provide reliable management of nonhazardous solid and liquid waste for commercial and industrial operations. This service is in high demand because it enables companies to achieve their zero waste to landfill goals while also promoting energy recovery and ensuring that pharmaceutical and other potentially sensitive or confidential waste is completely destroyed through combustion.
- Improve facility performance through dedicated projects for increasing the efficiency and performance of specific unit operations.

### Grow through development and/or acquisitions in selected attractive markets

We plan to explore acquisitions and other opportunities to expand our operations through:

- Continued growth in European and Asian markets
  - We believe that the U.K. and China are prime markets for developing new EfW plants given a favorable regulatory climate. We are pursuing several opportunities in these geographies.
  - With our joint venture partner, we have successfully started up two new facilities in China and now hold equity interest in the operation of four EfW facilities outside North America.
- Potential "tuck-in" acquisitions, primarily in the United States and Canada. These may include EfW facilities, transfer stations, and other smaller projects that supplement existing operations and enable us to become a more vertically integrated company.

### Develop and commercialize new technology

We continue to invest in research and development (R&D) and innovation projects across our business. We believe that Covanta's business expansion will be enhanced by the development of additional technologies in fields such as emission controls, residue disposal, alternative waste treatment processes, waste gasification, and combustion controls.

### Advocate for public policy favorable to EfW

We seek to engage with policymakers and regulators to ensure that new policies or regulations appropriately reflect the environmental, economic, and societal benefits of EfW.

### Allocate capital efficiently

We allocate capital to those projects and investments that will maximize stockholder value and enable our sustainable success into the future. While we believe that investing in the business for high return growth is the best use of capital, we also remain committed to returning excess capital to shareholders in the form of cash dividends and share repurchases.



# Integrating sustainability into strategy and operations

Covanta's business strategy focuses on several key initiatives. The design and performance of each is driven by Covanta's Clean World Initiative (CWI)—a set of policies and overarching objectives directing continuous improvement and innovation in our environmental, health, and safety; research and development; public policy; and community outreach efforts. In 2012, Covanta celebrates the fifth anniversary of CWI, a testament to the continued relevance and usefulness of CWI objectives to the company's long-term business success.

Covanta also uses our Sustainability Policy in tandem with our other policies (Environmental, Health and Safety, and Community Outreach and Environmental Justice) to guide our day-to-day decision-making.

## CWI objectives

- Invest in the research and development of new technologies to enhance existing operations and create new business opportunities in renewable energy and waste management;
- Explore and implement processes and technologies at our existing facilities to improve efficiency, lessen environmental impacts, and continuously improve on health and safety performance;
- Add complementary services to enhance existing processes and improve the local environmental profile of our operations; and

- Partner with governments and non-governmental organizations to pursue sustainable programs, reduce the use of environmentally harmful materials in commerce, and communicate the benefits of EfW.

CWI is central to our strategic outlook and tactical approach; it aligns clearly with our company's growth strategy and reflects the issues we have identified as most material to our stakeholders. Our progress in meeting CWI objectives improves our overall financial success and long-term sustainability as a business. In short, CWI represents a vital investment in our future.



Covanta Onondaga cleaned up the local community on Earth Day as part of the Clean World Initiative.

## A commitment to innovation

Our corporate and facility culture promotes the development of innovative solutions that benefit our client communities, commercial and industrial clients, and society at large through the consistent and reliable supply of clean and renewable energy. Our innovative spirit is a core element of our approach to implementing our CWI objectives. Indeed, for many years, we have focused on continuous improvement in existing processes and have initiated creative solutions to expand the capabilities of our existing business, all with the goal of maximizing long-term stockholder return and overall sustainability performance. These efforts are yielding organic growth opportunities including:

- investing in enhanced metals recycling processes and technologies,
- expanding services into new sectors including e-waste,
- expanding services at existing facilities to help communities with their recycling programs, and
- expanding our specialty waste disposal services.

## Waste = Resource

EfW promotes a sustainable solution for tapping into the embedded value of non-recycled business waste and household items that are at the end of their useful life. Rather than viewing waste that cannot be recycled as “trash”, we see it as a valuable resource—in fact, this is the basic input for our business model. Our EfW facilities earn revenue from both the disposal of waste and the generation of electricity and steam, as well as from the sale of metal recovered during the EfW process.



## Covanta and the waste hierarchy

The best way to reduce the amount of waste that requires management programs is to avoid or minimize the amount that we generate. Once waste is created, however, waste management should progress through reuse and recycling. Unfortunately, this progression is not typical in the United States, where approximately 390 million tons of MSW were generated in 2010, of which only 24 percent was recycled and seven percent managed at EfW facilities. The majority, or approximately 69 percent, was landfilled.

After reuse and recycling, the waste hierarchy encourages recovery over disposal. The EfW process meets this objective by recovering embedded energy through the conversion of non-recycled waste into usable electricity or steam and recovering ferrous and nonferrous metals for recycling.

Studies of waste management from the European Union and the United States consistently show that high rates of recycling and energy recovery can readily coexist. What this means in practical terms is that even if an EfW facility is sited in a local community, recycling rates will remain high, with EfW contributing towards a zero-landfilling solution.

The least desirable option for managing waste is disposal—which means burial in a landfill. Landfills have historically received the majority of MSW generated in the United States, and in 2009, they were the third-largest source of human-related methane emissions.

The trend to divert MSW to more sustainable waste management options is appealing to both municipal governments and commercial and industrial generators. The consequence of diversion is the preservation of natural resources, increased availability of open space that can be used as natural habitat or a park for communities to enjoy, avoidance of emissions (criteria pollutants, air toxics, and methane) from the decomposition of waste in landfills, and significant recovery and saving of energy.

## Benefits of EfW: Realizing the value of waste

At the same time as our Company prospers through increased sales of clean, renewable energy and recycled metals derived from the EfW process, we deliver benefits to the environment, to our surrounding communities, to local and regional economies, and to society at large. The Company's investment in research and development has led to the implementation of innovative solutions that minimize air emissions and create the foundation for an excellent compliance record, all while helping Covanta maximize energy generation and metals recovery.

The EfW process provides a sustainable solution to several of society's biggest challenges:

### Disposal of waste left over after material reuse and recycling

- Homes and businesses can be confident in knowing that EfW is a reliable management option for MSW that is not recycled, either because generators don't separate recyclable materials from the waste, or because certain materials cannot be effectively recycled given current technological constraints.
- Covanta operates efficiently using the "proximity principle", meaning that our EfW facilities typically make use of waste from the local area, rather than waste hauled in from hundreds of miles away. The resulting electricity or steam is similarly distributed back to the local grid or a nearby steam client. As a result, we minimize the environmental impacts and fossil fuel use associated with the delivery of waste to EfW facilities as well as the line losses in delivering electricity or steam back to the end user.

### Recovery of valuable metals

- On average, each ton of waste processed at existing Covanta facilities yields approximately 50 pounds of recycled metal.

### Reduction of GHG emissions and conservation of fossil fuels

- Our EfW facilities reduce the amount of waste going to landfills, which preserves land while also reducing fossil fuel consumed for the transport of waste. By reducing the amount of landfilled waste, we're also reducing the amount of methane emitted by landfills.
- MSW is a solid fuel that can be combusted for energy generation instead of burning another solid fuel such as coal. The steam and/or electricity generated by EfW facilities can be used by the homes and business that generated the waste, thus creating a closed-loop system. Use of MSW as a source of energy preserves natural resources for future generations.

### Generation of clean, renewable energy

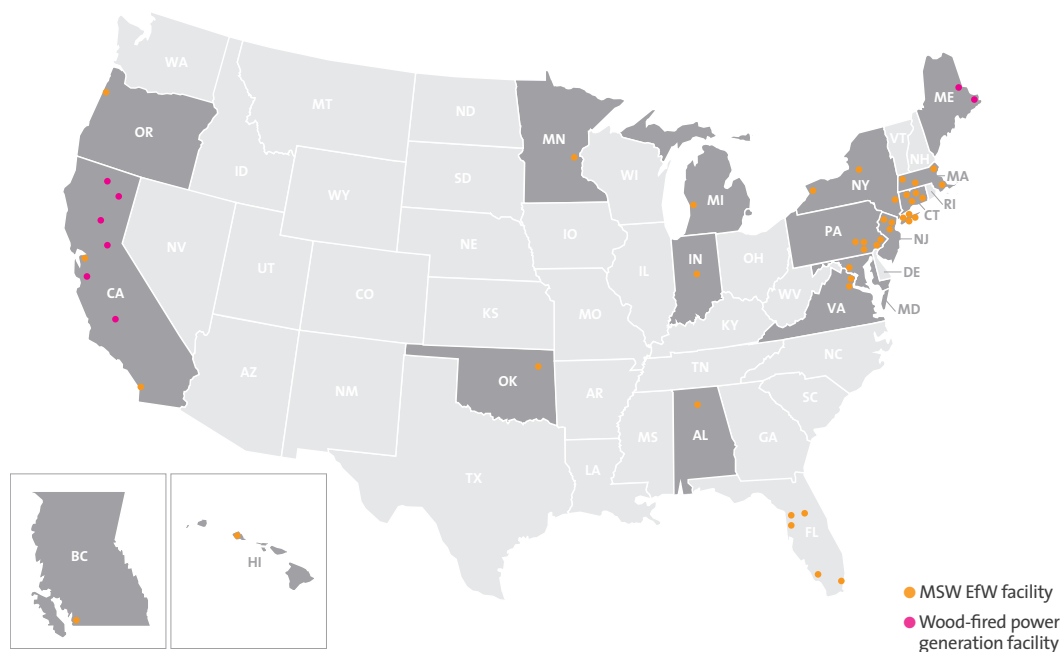
- Energy from waste facilities are defined as renewable in 31 states, the District of Columbia, and by the federal government in the American Recovery and Reinvestment Act of 2009 and the Energy Policy Act. Both Europe and China classify EfW as a source of renewable energy. While this classification is controversial in some circles, it reflects a general consensus that EfW should be prioritized among the higher waste management options under the waste hierarchy.
- Each ton of waste processed at Covanta EfW facilities yields approximately 500 to 550 kilowatt hours of electricity as a national average.

### Creation of local green jobs

- Covanta's EfW and other energy generation facilities employ a wide variety of professions during both construction and operation, providing direct and indirect economic stimulus to local economies.

# Covanta around the world

Covanta Energy is a wholly owned subsidiary of the publicly traded company Covanta Holding Corp. It is one of the world's largest owners and operators of infrastructure for the conversion of waste to energy, as well as other waste disposal and renewable energy production businesses. In 2011, Covanta had operating revenues of \$1.65 billion and approximately 3,700 full-time employees. The majority of Covanta employees are based in the United States.



Our main business unit is our “Americas” segment. At the end of 2011, we owned, had equity investments in, and/or operated 72 projects in this segment:

- 41 EfW operations (1,481 megawatts (MW) in total capacity)
- 8 wood waste (biomass) energy projects (191 MW in total capacity)
- 4 water (hydroelectric) energy projects (48 MW in total capacity)
- 1 landfill gas project (1.6 MW in total capacity)
- 13 transfer stations
- 4 ash landfills
- 1 electronic waste recycling facility

Through the activities of the Americas segment, we process approximately 19 million tons of solid waste annually, representing approximately five percent of the solid waste generation in the United States. We also produce over 9.5 million megawatt hours of baseload electricity annually, representing over five percent of the nation's total non-hydroelectric renewable power (wind, solar, geothermal, etc.).

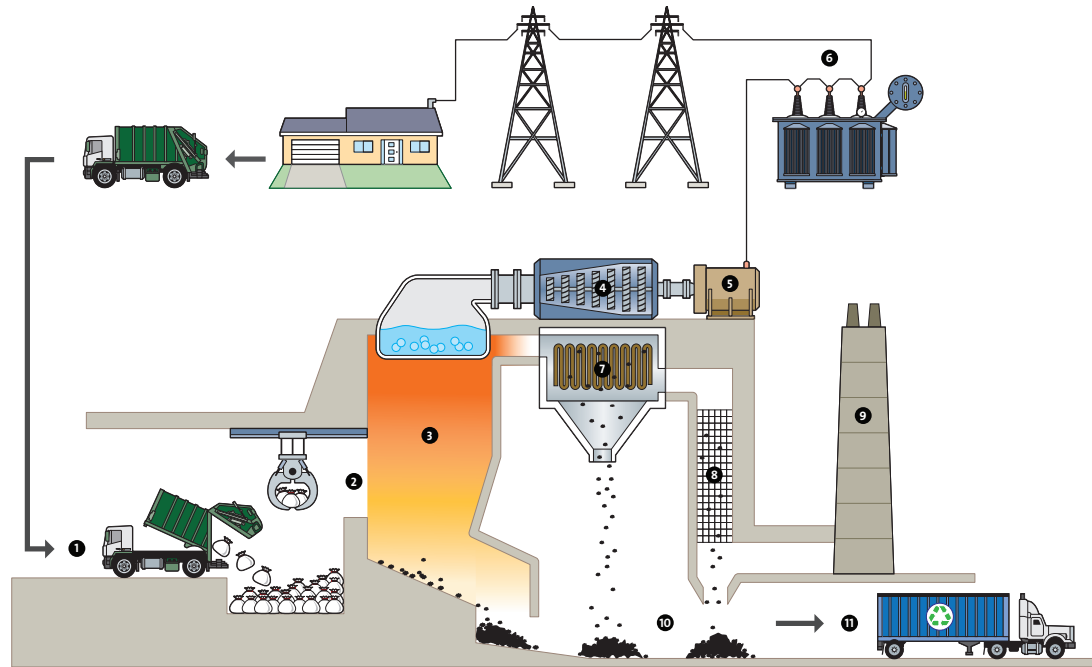
Through these energy projects, Covanta provides waste disposal services and energy in the form of electricity or steam for municipalities and commercial and industrial operations. We do not sell electricity directly to consumers, but through intermediaries. We also operate waste management projects complementary to our core EfW business including waste transfer stations and secure ash residue disposal sites. Examples include Covanta 4Recovery, L.P., our waste services and procurement business and ECOvanta, a recycling business that handles computers, TVs, and other electronic waste. Our business does not include garbage hauling or other waste collection operations.

[View](#) our American and Canadian EfW and wood-fired facilities by type and location.

# The EfW process

In our international operations outside of the Americas, we operate and/or own in whole or in part four additional EfW facilities. Our divestiture of two fossil fuel-based electricity generating facilities helped us provide greater focus on our strategy of linking waste disposal with recovery of energy, metals, and other commodities. Our partially owned EfW facilities in China and Italy have a total 132 MW capacity. We are pursuing additional growth opportunities in parts of Europe, primarily in the United Kingdom. In these locations, market demand, the regulatory environment, and other factors encourage technologies such as EfW to reduce dependence on landfilling for waste disposal and a movement away from fossil fuels for energy production in order to reduce GHG emissions.

Covanta also has four EfW projects in Ireland and the U.K. in different phases of regulatory approval. If approved and completed, these projects will have the capacity to provide the U.K. and Ireland with approximately 2.4 million MW hours of sustainable energy (electricity and combined heat and power) annually. They will also result in the diversion of approximately 2.2 million metric tons of waste away from landfills every year.



**EfW facilities produce energy through the combustion of non-hazardous MSW in specially designed power plants. Most of our facilities are “mass-burn” facilities, meaning that MSW is combusted without any pre-processing such as shredding or sorting.**

- 1 In a typical mass-burn facility, waste collection trucks deliver waste to the facility, where it is dumped into a concrete storage pit,
- 2 then loaded by an overhead crane into a feed chute leading to a furnace.
- 3 The waste is combusted in a self-sustaining process at temperatures greater than 2,000 degrees Fahrenheit.
- 4 Heat from the combustion process converts water into steam inside steel tubes that form the furnace wall and boilers.
- 5 A superheater further heats the steam before it is either sent to a turbine generator to produce electricity (in most facilities),
- 6 or sold directly to industrial or commercial users.
- 7 From the boiler, the cooled combustion gases enter an advanced air pollution control system, where scrubbers neutralize any acid-forming gases
- 8 and a high-efficiency fabric baghouse captures more than 99 percent of particulate matter.
- 9 Emissions of criteria pollutants are continuously monitored by certified instruments, with other emissions tested by independent third party engineering firms.
- 10 The process reduces the waste to an inert ash that is only about 10 percent of its original volume.
- 11 In addition, ferrous and nonferrous metals are removed during the process for subsequent recycling.

## Environmental benefits

- Avoids GHG emissions
- Avoided use of fossil fuels
- Controlled air emissions
- Land conservation through less landfilling

## Economic and social benefits

- Safe disposal of waste
- Green job creation
- Tax contribution
- Community programs
- Indirect economic impact
- Dialogue with communities and governments
- Site selection and permitting
- Environmental Justice
- Sustainable energy policy

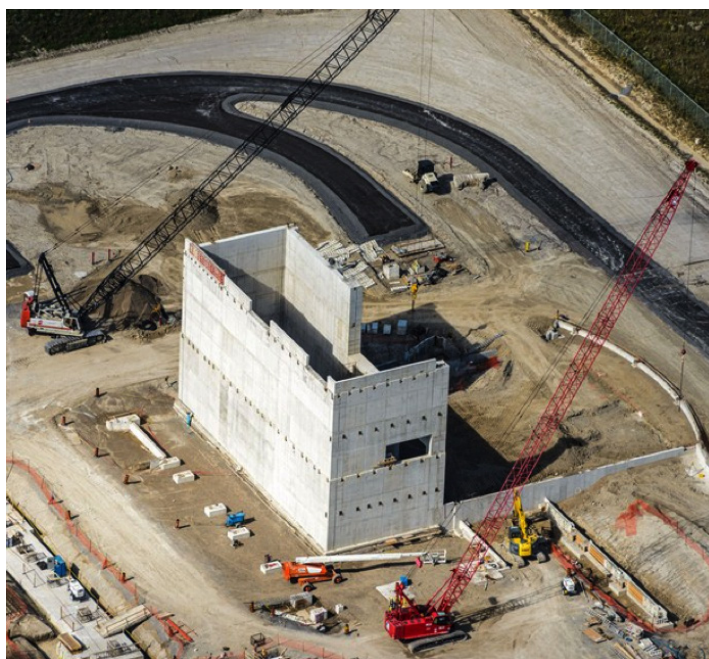
# Growing the business: challenges and opportunities

Economic conditions and public policy developments around the globe affect Covanta's ability to site new facilities, renew contracts, and grow the business. Given that EfW is a highly regulated business, we believe that it is critically important for us, as an industry leader, to play an active role in the debates surrounding potential policy developments that could impact our operations and future business success.

Business activity in the 2010-2011 reporting period includes construction at two new EfW facilities in North America; namely, the expansion of Covanta Honolulu to reduce the island of Oahu's dependence on imported oil, and the Durham York Energy Centre located outside of Toronto that is the first large-scale greenfield EfW project in North America in over 15 years. These projects are examples of how communities are moving forward with sustainable waste management even in the absence of a broader federal policy.

## Public policy developments in the Americas

Since our last sustainability report, the economic, legislative, and regulatory environment in the United States remains disappointing. Prices for natural gas and waste disposal are low. In the absence of a national energy policy in the United States and little political will to undertake significant energy reform, there is no major change apparent in the near term. Implementation of a national policy would create opportunities to site new facilities in the United States. At the same time, our existing plants are running at full capacity. In this situation, we see opportunities to pursue innovations that maximize the efficiency of our facilities. For example, we are focused on reducing our own facilities' energy use and water use, while increasing the efficiency of our facilities.



Construction of Durham York Energy Centre near Toronto, Canada.

These actions in turn help us maintain reasonable waste management and electricity pricing to customers.

Covanta believes that the United States' economic and regulatory environments will improve in the future. In order to prepare for new business opportunities, we are actively engaged in the current discussion among policy makers in the United States regarding the benefits of EfW and the reduction of our dependence on landfilling for waste disposal and fossil fuels for energy. We believe that the construction and permanent jobs created by additional EfW development represent the type of "green jobs" that have been the express hope of many in these tough economic times.

## Transitioning away from fossil fuel-based power generation

We continued to implement our plan, adopted in 2010, to sell our interests in our fossil fuel independent power production facilities in the Philippines, India, and Bangladesh. In 2011, we completed the sale of our interests in a 510 MW coal-fired electric power generation facility in the Philippines and two 106 MW heavy fuel-oil fired electric power generation facilities in Tamil Nadu, India. In 2012 we sold a barge-mounted 126 MW diesel/natural gas-fired electric power generation facility located near Haripur, Bangladesh. We are confident in our strategy to divest of fossil fuel-based power generation facilities given the continuing pressures on existing landfill capacity, international regulations, and policies that encourage EfW projects, and the fact that waste disposal will continue to be an essential service well into the future.

## Opportunities in European and Asian markets

We have turned to international markets as a more fruitful avenue with regard to building new EfW plants. Europe, particularly the U.K. and Ireland, represents Covanta's most active growth market. The European regulatory climate is more favorable than in the United States, exemplified by regulations such as the European Union's Landfill Directive. This Directive mandates a 65 percent reduction of biodegradable waste in landfills by the year 2020. In response to this Directive and in furtherance of its policies to reduce GHG emissions, the United Kingdom now imposes taxes on landfilling of waste: £48/metric ton in the 2010/11 tax year, increasing annually by £8/metric ton to £80/metric ton in 2014/15<sup>1</sup>. Similarly in Ireland, the obligation to divert biodegradable waste from landfill, in accordance with the Landfill Directive, has led to policies that promote EfW facilities over landfill, including a per metric ton landfill levy<sup>2</sup> and proposed stringent operating conditions in the permits for landfilling. The effect of this and related legislation is to promote the application of EfW technology in European Union countries.

We are also pursuing growth opportunities in China. China's Ministry of Housing and Urban-Rural Development has announced a policy to divert 30 percent of MSW from landfills by 2030, up from one percent in 2005. The country also offers preferential electricity rates for power generated through EfW operations in order to decrease waste going to landfills and to minimize the air pollution associated with trucking MSW away from cities.

Over the long term, we believe that waste reduction and clean energy production will be essential to building a sustainable future. We stand ready to respond to positive developments in the clean energy regulatory and policy space across the globe.

1. At time of publication, these taxes are equivalent to approximately \$77/metric ton in the 2010/11 tax year, increasing annually by approximately \$13/metric ton to approximately \$128/metric ton in 2014/2015.
2. In the European Union, landfill levy rates are country specific with an average \$50 U.S./ton and a maximum of \$140 U.S./ton in 2011.



Chengdu Jiujiang Environmental Power Generation Co., Ltd.



Termovalorizzatore di Trezzo sull'Adda (Trezzo) EfW facility located in Province of Milan.

# Investing in research and development

We have maintained a strong focus on innovation over the years, with our research and development (R&D) efforts geared towards the creation and implementation of technologies to enhance our competitive position and to generate additional environmental and social benefits. The importance we place on R&D is exemplified by the level of oversight and attention it receives—our chief technology officer, who reports directly to the CEO, supervises the R&D department.

Our extensive experience in designing, building, and operating EfW facilities means that we are able to select from a wide range of technologies, and choose the most environmentally sound, energy efficient, and operationally productive one for our facilities and projects. During the R&D stage of product development, we also assess the potential health and safety impacts of project concepts, so that safety and environmental concerns are evaluated and factored in well before construction or implementation begins.

Our efforts to expand our business will be enhanced by the development of additional technologies in such fields as emission controls, residue disposal, alternative waste treatment processes, gasification, and combustion controls. We have developed new and cost-effective technologies that represented major advances in controlling nitrogen oxide (NOx) emissions. These technologies, for which patents are pending, have been tested at existing facilities, and we are now operating or installing such systems at ten of our facilities. We plan to install NOx control systems at two additional facilities that are currently under construction.

## RESEARCH and Development

Covanta seeks to use technology as a key driver for corporate growth and differentiation. Alternative thermal treatment technologies are in demand by communities in North America and abroad. By having a commercially demonstrated facility with new technologies in place, Covanta shows that it is prepared to offer innovative technologies and can effectively compete in this evolving market.

A recent and significant development was the full scale launch of our Covanta Low Emissions Energy Recovery Gasification (CLEERGAS) platform, a modular design that is a scalable waste management solution for small and mid-size municipalities and industrial clients. CLEERGAS is a unique development in the field of gasification because it does not require upstream processing of MSW. It has demonstrated high availability on a commercial scale and provides inherent improvements in controlling certain emissions while also enabling improved energy recovery.

GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Evaluate thermal alternatives to conventional mass burn and refuse-derived fuels technology.	Completed commercial scale demonstration of MSW gasification with syngas combustion for the purpose of improved energy recovery and reduced environmental impact.	Secure contracts for supply of three CLEERGAS units by 2015. Implement MSW gasification with syngas recovery for combined cycle power production by 2020.



Additional R&D initiatives include:

- The development of a proprietary process to improve the handling of ash residue from our EfW facilities.
- Agreements with multiple partners to invest in the development, testing, or licensing of new technologies related to the transformation of waste materials into renewable fuels or the generation of energy, as well as improved environmental performance.
- Contracts with a development partner to site, build, and operate a compressed natural gas (CNG) fueling station for use by public and private municipal waste haulers who have converted their diesel vehicle fleets to cleaner, more economical, and more efficient compressed natural gas vehicles.



# Governance

Covanta's Board of Directors comprises ten members, eight of whom are independent according to rules promulgated by the New York Stock Exchange. Director independence is assessed annually under these rules. Chief Executive Officer, Anthony Orlando and Chairman of the Board, Samuel Zell are the only non-independent directors. Two of the board members are female and one is African American.

The board has six committees:

- Audit
- Compensation
- Finance
- Nominating and Governance
- Public Policy
- Technology

Each committee has its own charter outlining key responsibilities. Full committee charters and the composition of each committee can be found on Covanta's website under the Governance link. In addition to these charters, Covanta has various policies related to governance and ethics, all of which are also available on our [website](#), including:

- the [Corporate Governance Guidelines](#),
- a [Policy of Business Conduct](#),
- a [Code of Conduct and Ethics for Senior Financial Officers](#), and
- [Audit Committee Key Practices](#).

The Nominating and Governance Committee reviews and assesses these policies annually and makes recommendations to update them as necessary. This committee also conducts an annual review of the board's and managements' performance, identifying areas for improvement and developing action plans to implement changes. Additionally, this committee is responsible for identifying candidates to the board who have the appropriate experience and knowledge to provide proper oversight and guidance to management.

## Our approach to board and executive compensation

Our board is compensated with annual fees plus additional fees for committee service, along with equity grants in the form of restricted stock which vest over time. Board members' compensation is not linked to Covanta's performance, other than its stock performance.

Senior management is compensated with a base salary, a cash bonus dependent on performance (including sustainability performance) during the prior year, and equity grants in the form of restricted stock and/or options, which vest over time. Senior management compensation can vary based on the achievement of environment, health, and safety goals.

## Board oversight of sustainability performance

With regard to sustainability oversight, Covanta's board of directors focuses on Covanta's Clean World Initiative objectives and related issues and performance.

The Public Policy Committee is responsible for directing Covanta's performance related to sustainability, health and safety, and environmental and renewable energy policies. It also oversees charitable and political giving and government, customer, and community relations. Linda Fisher, Vice President – DuPont Safety, Health & Environment and Chief Sustainability Officer, chairs the Public Policy Committee. Covanta's Chief Sustainability Officer is the primary senior management contact for this committee.

Ronald Broglio chairs the Technology Committee responsible for oversight of technology development for Covanta's renewable energy and waste businesses. Covanta's Chief Technology Officer is the primary senior management contact for this committee, working closely with Covanta's Chief Sustainability Officer.

# Ethics

Covanta's [Policy of Business Conduct](#) outlines the company's expectations for ethical and responsible action on the part of employees and managers. The policy provides guidance to employees in making good decisions and in adhering to high standards of integrity in all they do. Specifically, the policy provides guidance on topics including safety, dealing with public officials, trading in Covanta securities, conflicts of interest, privacy, discrimination, anti-corruption, and other issues. Covanta requires that employees annually certify their commitment to comply with this policy, and performance against the policy is regularly reported to the Board of Directors.

Covanta has established processes for employees to raise concerns to their immediate managers and other contacts within the organization. Employees can make anonymous calls to a hotline administered by The Network, a third party. Details regarding this hotline are provided in the Policy of Business Conduct, prominently displayed at business locations, and made available via the company's intranet. Employees can also contact the Board directly, anonymously if they wish, and are encouraged to discuss issues with supervisors, managers, or members of the senior management team. The Network is accessible on a toll-free basis to both domestic and international employees, with all calls reviewed by the Audit Committee.

# ENERGY AND ENVIRONMENT



# Managing our environmental performance

Covanta is committed to continuous innovation and leadership with regard to responsible operation and the wise management and use of natural resources. We have developed and implemented Environmental and Sustainability Policies that set high expectations and provide guidance for our actions. All Covanta employees and contractors, whether working on the facility floor or in the executive suite, are held accountable to the principles outlined in these policies. To ensure accountability, we have embedded performance requirements into both employee and managers' performance plans, and a portion of compensation is tied to the achievement of environmental goals and targets.

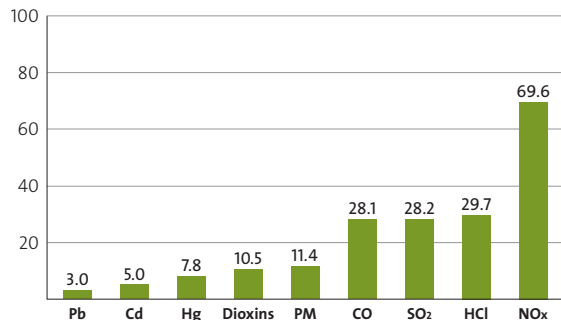


## Sustainability oversight

Covanta's Sustainability Department, led by a Chief Sustainability Officer, coordinates efforts and promotes sustainability initiatives throughout the company to help Covanta meet its CWI objectives. The Chief Sustainability Officer reports to the COO, chief legal counsel and the board of director's public policy committee. He oversees the areas of Environmental Quality Management (EQM) Testing and Continuous Emission Monitoring; Environmental Science & Community Affairs; Sustainability; Health & Safety; Corporate Communications; and Government Affairs.

Covanta's Environmental Management Information System (EMIS) in the United States is implemented and monitored by our EQM department. EQM's corporate and facility personnel evaluate facility performance and assess and correct any exceedance of permit conditions. At the facility level, trained operators manage automatic combustion control systems, air pollution control systems, and continuous emission monitoring systems to ensure that operating conditions comply with all regulatory requirements.

Covanta EfW facility average emissions as a percentage of federal standards for 2010 and 2011



When our facilities are on-line, they achieve a nominal compliance rate of over 99.9 percent, with emissions well below established legal limits.

## Maintaining environmental compliance

For Covanta, compliance with environmental regulations is not only the right thing to do—it is an essential part of building trust in the communities where we operate. Our emphasis on compliance through our CWI objectives, along with a direct linkage to employee compensation, has created a culture where 100 percent compliance is the corporate expectation at all facilities and the corporate office. Employees understand that it takes a team effort to achieve full compliance and can readily access corporate training materials and technologies, as well

as communicate with management if there are questions or concerns to be resolved.

We strive to go beyond compliance to demonstrate our ongoing attention to stakeholder concerns and our drive to apply innovative technologies to be ever more protective of the environment. This approach reflects our application of the precautionary principle, in that the modern EfW facilities we operate have low emissions that have been determined by independent third parties to be protective of human health and the environment. Regulatory standards applied by Covanta in the

European Union directly consider the precautionary principle, with Canadian and U.S. standards being consistent with EU standards.

In the rare event our emissions are higher than our permits allow, facility personnel work with Covanta’s management team to analyze the cause of the exceedance. This analysis allows us to create and implement appropriate solutions to prevent recurrence. Finally, “lessons learned” are shared with all facilities to assure that personnel are effectively learning from each other.

## COMPLIANCE

Covanta views full and continual compliance with all applicable laws, regulations, and permits to be a basic precept of responsible operation. By demonstrating full compliance and committing to reduce all emissions, including those considered most important by communities, Covanta enhances its reputation as a responsible operator which helps in contract renewals and the development of new facilities.



	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
<b>Compliance</b>	100 percent compliance with air emissions tests and continuous emissions monitoring (CEM) data.	100 percent compliance with stack test standards and over 99.9 percent compliance with all CEM reporting periods, with actual reported emissions well below permit limits in 2011.	Achieve and maintain 100 percent compliance for all reportable periods by 2015, including those currently exempt during startup and shutdown.
<b>Emissions</b>	Reduce overall emissions associated with EfW facilities, and specifically with regard to dioxin and mercury.	Our nationwide average continued to go down, with mercury and dioxin results in the low range of emissions (equivalent to the performance of new units).	By 2015, all units will have results below existing compliance limits set for new EfW units.
<b>Technology</b>	Develop technology for improved environmental performance.	Implemented full-scale retrofits to evaluate alternative methods of lowering emissions and analyze options for complying with future regulatory standards.	Continuous verification of compliance options.

## Meeting air emissions standards

We know that stakeholders are particularly concerned with air emissions associated with EfW operations. Our collective efforts have yielded significant improvement with our compliance history when considering pollutants monitored by Continuous Emissions Monitors (CEM), including SO<sub>2</sub>, NO<sub>x</sub>, CO, and particulate matter, and those periodically measured by approved stack test methods.

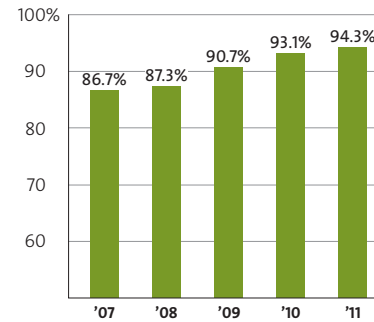
Covanta's goal to decrease emissions at all facilities has shown considerable success due to the implementation of CWI and related efforts. Trends for both mercury and dioxin demonstrate a year-by-year improvement, where the majority of results are in the low end of the range. The U.S. EPA regulatory limit for dioxin (PCDD) is 30/ng/dscm. By 2011, more than 94 percent of monitoring results showed emissions at less than one third of the standard and there were not any exceedances of the standard. For mercury, the U.S. EPA regulatory limit is 50 ug/dscm. By 2011, 95 percent of monitoring results showed emissions at less than one fifth of the standard and there were not any exceedances of this or more stringent state standards. These consistently good results are the

outcome of long-term, dedicated programs to address equipment design and an optimized set of operation and maintenance procedures.

Compliance with stack test requirements was 100 percent in 2011. The stack test fines in 2007 and 2010 were attributable to a single event each time, at the same facility, with both events being from a different cause. The 2010 setback was due to the failure of one unit in Wallingford, Connecticut to comply with a stack dioxin limit. A root cause analysis found that the elevated emission was attributable to an equipment malfunction; specifically, a reagent lance inside the ductwork was not connected properly. Quarterly testing over the subsequent five quarters has verified that the malfunction has been successfully resolved with performance returned to normal. Aside from this singular event, the general trend is fewer events with lower overall monetary fines.

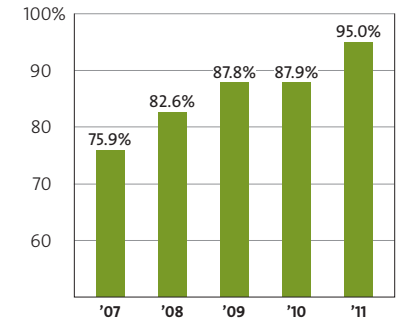
## Continuous improvement in reducing dioxin emissions

Frequency of PCDD results being less than 10 ng/dscm



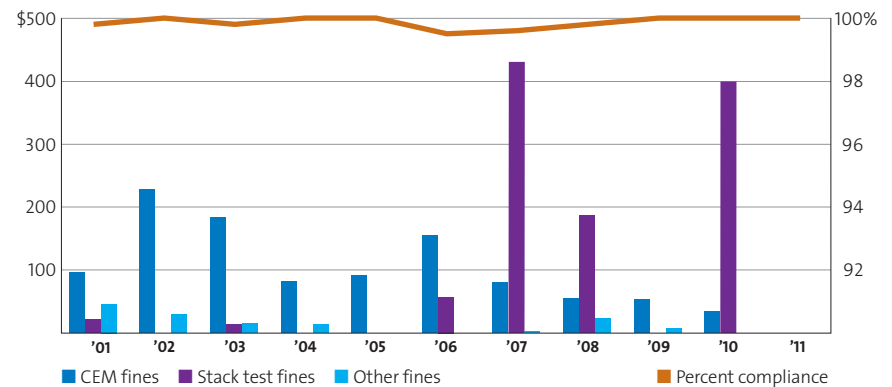
## Continuous improvement in reducing mercury emissions

Frequency of mercury results being less than 10 ug/dscm



## Monetary fines and compliance frequency\*

(dollars in thousands)



\*Monetary penalties are allocated to the time period during which an event occurred (most events are themselves only minutes to several hours in duration). Fine levels are location-specific and are not indicative of risk to human health or the environment. Compliance percent identifies how often we complied with the test requirement. Our goal is 100% compliance at all times.

The above chart demonstrates the improvements of Covanta's environmental compliance record over the past ten years due to the company's continued attention and commitment to its environmental performance. Monetary fines attributable to CEM and other general events have trended downward—no fines or penalties with relation to either CEM or stack tests were levied against Covanta in 2011. Compliance as a frequency with CEM standards demonstrates that we are complying with standards during 99.99 percent of all normal operating hours.

# Tackling the climate challenge

There is general global agreement that releases of GHGs such as carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>) related to human activities are causing changes to the Earth's climate. All combustion processes including cars, home furnaces, coal fired and natural gas fired electric generating units, landfills, recycling processes, and EfW emit CO<sub>2</sub>.

The EfW process has been extensively modeled through lifecycle assessments and is internationally recognized as creating net reductions in GHG emissions, because it:

- avoids CO<sub>2</sub> emissions from fossil fuel power plants that would have produced equivalent power;
- avoids methane emissions from landfills; and
- avoids GHG emissions from mining ore and processing virgin metal.

EfW facilities manage MSW as a resource by converting its inherent calorific value to steam and/or electricity. By using MSW as a locally derived source of energy, the EfW process preserves land and reduces fossil fuel consumption and air emissions associated with long-haul transportation of waste to landfills. Customers are also looking to Covanta to deliver renewable energy that helps them meet their GHG emission reduction goals.

In 2010, we adopted a plan to sell our interests in our fossil fuel fired independent power production facilities in the Philippines, India, and Bangladesh. During 2011, we completed the sale of our interest in the facilities in the Philippines and India. The sale of our interest in these assets allows us to focus more closely on our core business of developing and operating EfW facilities, and has resulted in a significant reduction in the direct GHG emissions from our operations.



## Avoiding GHGs, conserving fossil fuels

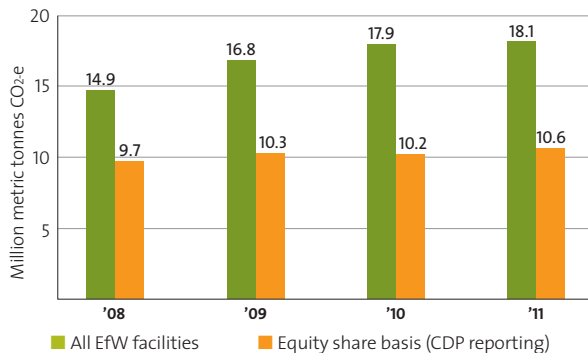
Based on estimates using the U.S. EPA's Decision Support Tool, approximately one ton of CO<sub>2</sub>-equivalent is reduced relative to landfilling for every ton of waste processed at an EfW facility. In addition, each ton of waste processed eliminates the need to consume approximately one barrel of oil or one-quarter ton of coal in order to generate the equivalent amount of electricity at a fossil fuel fired facility.

## Covanta recognized for climate innovation

In recognition of Covanta's response to the climate change challenge, we were named among the top 11 U.S. companies in the Maplecroft Climate Innovation Indexes (CIIs) in early 2012. The CIIs is the single most exhaustive study of how U.S.-based multinational corporations manage and adapt to climate change, with a special focus on innovation. Out of 360 large U.S. companies rated on CIIs, Covanta was ranked number one for *energy:alternate sources* and 11th overall.



Global EfW net GHG avoided



Globally, Covanta's EfW operations avoided approximately 18.1 million metric tonnes of carbon dioxide-equivalents (CO<sub>2</sub>-e) in 2011 by diverting waste from landfills.

EfW is the only MSW management option that is a source of electrical generation that has a negative GHG footprint, even when CO<sub>2</sub> emissions from the combustion of fossil-based materials in the waste (such as plastics and synthetic rubber) are included in the assessment. The negative GHG footprint means that Covanta's EfW operations actually reduce GHG emissions relative to the practice of landfilling post-recycled waste. The resultant net GHG emissions inclusive of all of Covanta's global operations in 2011 was a negative 17.3 million metric tonnes of CO<sub>2</sub>-e.

of the Lee and Hillsborough County facilities in Florida qualify under this standard. As of the end of 2011, the two facilities have generated 262,000 metric tonnes of carbon offset credits in the voluntary market, verified by an independent third-party auditor. The revenue from the sale of these credits is a direct benefit to the communities who own the EfW facility. In China, the Chengdu facility was registered as a Clean Development Mechanism (CDM) project under the Kyoto Protocol in 2011, paving the way for the generation of CDM credits.

More detailed information on Covanta Energy's GHG emissions and climate change management can be found in [our responses to the Carbon Disclosure Project](#). Covanta has been reporting to the CDP since 2007.

At two Covanta-operated North American facilities, this GHG reduction has been translated into carbon offset credits through the Verified Carbon Standard (VCS). Program rules limit eligible facilities to those with recent capacity additions, so the recent expansions



## Covanta's new headquarters achieve LEED Gold Certification

In addition to ensuring that our plants run as efficiently as possible, we also strive to decrease the environmental footprint of our corporate offices. In 2011, we achieved U.S. Green Building Council LEED® Gold Certification at our new headquarters in Morristown, New Jersey. During the construction of this office space, we incorporated high-efficiency lighting, ENERGY STAR rated equipment and appliances, and highly efficient heating and cooling systems. We also purchased two years of solar renewable energy credits. We currently meter our energy consumption throughout the building to better manage and identify areas for further improvement.



## Greenhouse gas emissions

(Thousand t CO<sub>2</sub>-e)

	2011	2010	2009
Total direct emissions	7,942	11,824	10,225
Total indirect emissions	51	120	43
Total GHG emissions	7,993	11,944	10,269
Net GHG emissions, all operations	-17,381	-13,446	-12,888

## GHG Emissions

In addition to yielding direct revenues for our clients from the sale of carbon credits, Covanta's participation in the carbon offset market enhances its reputation as an active player in reducing GHG emissions and in communicating the importance of climate change mitigation and adaptation.

GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Develop carbon offset projects at all eligible facilities.	Two EfW facilities are actively generating carbon offsets under the Verified Carbon Standard.	Complete the validation of all eligible EfW facilities by 2015 to generate and sell carbon credits.**
		** Due to ownership arrangements, Covanta may not be able to claim carbon credit generation at all eligible facilities.

# Recovering metals and materials

Covanta has been recovering ferrous metals for decades, with the number of facilities capable of engaging in metals recovery steadily increasing over time. Most recently, facilities have been adding nonferrous (i.e., aluminum, copper, brass, etc.) recovery systems to augment existing ferrous recovery systems. These recovered metals are sold with proceeds providing a direct positive impact to the Company's revenues.

In 2011, we recovered approximately 430,000 tons of metal with about four percent of this amount comprising high-value nonferrous

metals. We were able to recover significantly more metals in 2011 due to both an increase in the number and quality of systems separating metal at EfW plants. We plan to continue to increase total quantities of metals recovered by implementing a dedicated capital campaign to improve existing systems and to install additional new metal projects in 2013 and 2014. This long-term program will be implemented over several years with initial efforts being focused on opportunities providing the maximum return on investment.



The mining and the production of raw metal material necessary for the production of steel is a very carbon intensive process. Covanta's current metals recycling efforts prevent over 800,000 tons of CO<sub>2</sub> from being released annually.

## METALS Recovery



The recovery of metals provides Covanta with a growing revenue stream while providing important environmental benefits from the reuse of metals as compared to the mining and processing of virgin ore.

Our 2013 goal will avoid nearly one million tons of GHG's as CO<sub>2</sub>-e, equivalent to removing 170,000 cars from the road, and enough energy savings to supply 100,000 homes on an annual basis.

GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Increase the amount of ferrous and nonferrous metal recovered at Covanta's EfW facilities.	Increased the total tons of metals recycled from 390,000 tons in 2010 to 430,000 tons recycled in 2011.	By the end of 2013, increase total recovered ferrous by 50,000 tons and nonferrous metals by 10,000 for a total of 490,000 tons.



From the perspective of local communities, our metal recovery efforts offer significant benefits:

- The lifespan of landfills or ash monofills used by the community are extended through a reduced quantity of waste and improved density of residue
- An increase of revenue from the sale of metals can increase income to those communities with whom Covanta splits revenue
- Operation of metals recovery equipment can lead to an increase in local green jobs and the growth of complementary businesses

In addition to metals recovery, Covanta’s transfer stations also contribute to the recycling effort. In 2011, over 18,000 tons of materials were separated at these facilities for recycling, including plastics, glass, cardboard, paper, and building materials.

In 2011, Covanta added e-waste collection to our recycling portfolio with the launch of our ECOvanta division. Over 280,000 pounds of e-waste such as televisions, monitors, CPUs, and computer accessories were recycled in 2011.



## ZERO-LANDFILL Solutions

Covanta seeks to be an integral part of the zero-landfill solution. We recognize that materials reuse, recovery, and recycling are essential components in managing waste and are expanding our services to include a range of zero-landfill solutions. Each process addressed in our goals is a form of recycling that reduces natural resource use, energy needs (and associated fossil fuels use), GHG emissions, and both secondary solid waste and waste water discharges. Locating waste management services at or near the point of generation further minimizes energy and environmental impacts associated with long-hauling waste while creating jobs in the local community.

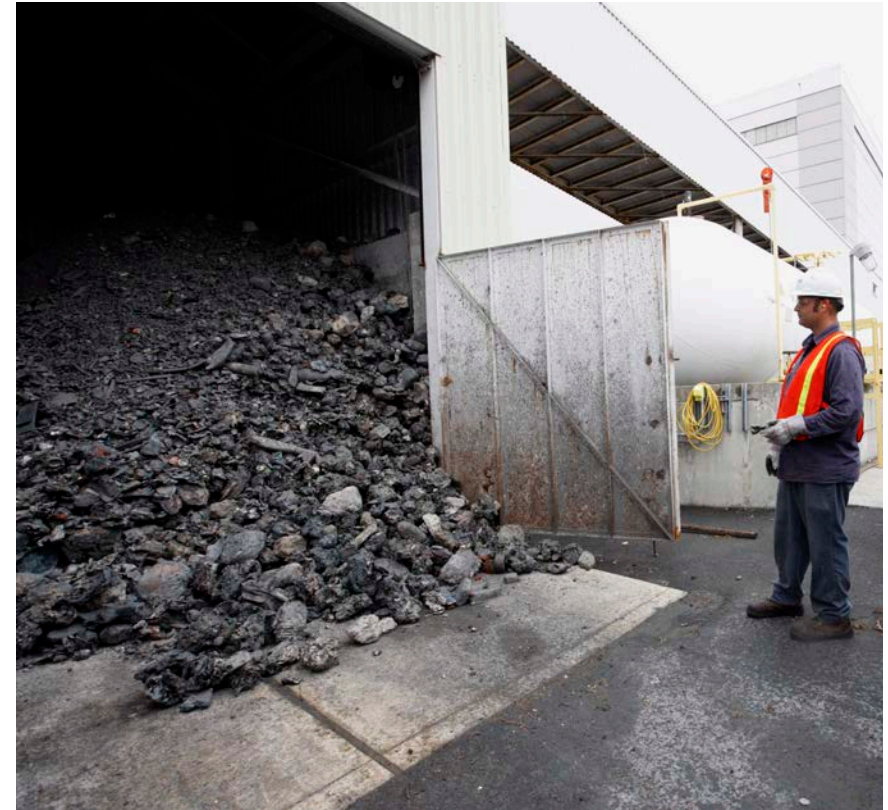
	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
<b>Recycling</b>	Improve recycling options at both merchant EfW facilities and transfer stations.	Offered recycling at five transfer stations and a new e-waste recycling center as well as new recycling services to communities in New England.	Expand recycling options at more than 50% of EfW facilities.
<b>Liquid Waste Disposal</b>	Offer an energy- and cost-effective method to dispose of liquid waste.	Increased the number of EfW plants that can accept liquids for direct injection from one to two plants.	By 2015, increase from two to four facilities that can manage liquid waste.
<b>Commercial/Industrial Waste Disposal</b>	Increase the amount of non-hazardous commercial and industrial waste processed to meet clients’ goal of zero landfill.	Increased total tonnage of commercial and industrial waste processed from 450,000 tons in 2010 to 490,000 tons in 2011.	By 2015, increase the total tons of commercial and industrial waste processed to 1,000,000 tons.

# Optimizing plant operations

Covanta's business model centers on the efficient and sustainable management of resources. In 2010 and 2011, Covanta's

- EfW plants managed approximately 19 million tons per year of MSW in North America
- Biomass facilities generated roughly one million MWh of electricity from sustainable biomass<sup>1</sup>

In contrast to the intermittent generating power of traditional sources of renewable energy such as wind or solar, each of our EfW facilities is on-line more than 99 percent of the time to provide reliable waste management and consistent power generation for our client communities. We have maintained steady reliability even as the size of the company, and the amount of waste that we process, has increased over time.



## Managing ash from the EfW process

Combined ash is the residue remaining after MSW is combusted for energy production and represents approximately 10 percent of the MSW's original volume and 25 percent of its original mass. Testing of combined ash since 1994 has demonstrated that it has never exhibited a hazardous waste characteristic, and thus is managed as a nonhazardous waste—frequently as daily cover for landfills and road base in landfills.

1. We define biomass facilities as those that combust wood waste in a controlled combustion system with emissions controls and a turbine for converting steam to electricity that is then distributed to the grid.

## Water use and conservation

With climate change intensifying, water shortages are more and more likely to occur. Businesses must use water responsibly in order to be part of the solution to water shortages. Water is instrumental for Covanta's waste to energy process. Specifically, water facilitates the conversion of MSW to energy: water passes around the EfW heat-exchange equipment, transforms to steam, and then the steam passes through a turbine to generate electricity. Accordingly, we conserve and reuse water across our global facilities so as to optimize its use.

## Covanta Indianapolis achieves water savings

Covanta's facility in Indianapolis, Indiana processes 2,175 tons of MSW per day, producing steam to power the downtown heating loop that services nearly all downtown businesses, Indiana University, Purdue University's Indianapolis campus, and Eli Lilly, the area's largest pharmaceutical manufacturer. These operations require a significant amount of water. Over the past five years, Covanta Indianapolis has implemented several water savings projects to reduce both the amount of potable water consumed, and waste water generated, by its operating processes. For example, a reverse osmosis process is

saving approximately 44 million gallons of potable water per year. A supplemental concentrate reverse osmosis recovery system reduces the amount of waste water generated by 60 percent, or 12 million gallons per year. These investments constitute sustainable solutions as they lower water consumption (thus preserving a natural resource) and reduce wastewater discharge (thus lowering the burden on city infrastructure). Both water savings projects also translate to reduced chemical usage, which is protective of the environment and reduces waste generation.



## WATER Conservation

Reduced use of potable water and increased use of grey water minimizes operating costs. Water conservation efforts also reduce the burden on existing municipal systems and associated chemical and power demands.

GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Implement projects that reduce total water demand and allow facilities to use lower-quality water.	Implemented projects to reduce in-house demand and use grey water instead of potable water.	Implement projects that reduce total water demand and allow facilities to use lower-quality water.

# EMPLOYEES





Covanta employees share the company's vision of sustainability and are inspired by its mission to be the world's leading EfW company. We have learned that employees feel that by working at a responsible company that is tackling sustainability challenges head-on, they are making a difference that extends far beyond their individual job responsibilities.

## Engaging our employees

At Covanta, we know that our business depends upon the professionalism, innovation, and hard work of our employees. We therefore seek to encourage a high level of employee engagement by providing a safe, diverse, and stimulating work environment where employees can develop both personally and professionally.

We are fortunate to employ highly qualified employees at all levels of our organization. Our talent-management and local-hiring policies allow us to continue to attract high caliber employees, no matter where we operate around the world.

As of December 31, 2011, we employed approximately 3,700 full-time employees worldwide, the majority of which were based in the United States.

### 2011 global headcount

Location	Total headcount
Total Americas	3,261
Total Asia	352
Total Europe	52
<b>Total</b>	<b>3,665</b>

### U.S. employees

Region	Salaried	Hourly	Total
Mid-Atlantic	101	344	445
West	95	316	411
New England	135	408	543
NY/NJ	116	338	454
South	115	357	472
Great Lakes	107	309	416
Covanta field services	16	116	132
Corporate headquarters	322	5	327
<b>Total</b>	<b>1,007</b>	<b>2,193</b>	<b>3,200</b>

Employment category	Total # of employees
Executives	32
Managers	608
Professionals/ administrative	789
Hourly	1,771

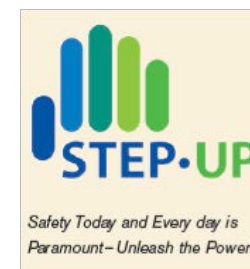
# Safety first

Safety is our first priority, and we maintain comprehensive health and safety programs at all of our facilities and operations. We have enrolled 41 U.S. locations in the U.S. Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) STAR program. The STAR program designation is awarded by OSHA for exemplary worksites with comprehensive and successful safety and health management systems. This level of achievement places us among the top seven companies in the United States to enter the majority of our operating locations into the program.

Through our companywide safety program, Step Up (Safety Today and Every day is Paramount—Unleash the

Power!), we have developed strong health and safety training requirements for our employees, contractors, and subcontractors. Employees are trained as new hires and receive ongoing training on both skills-based and leadership-based safety practices.

In 2010 and continuing in 2011, Covanta partnered with a third-party training company to develop training scripts and filmed material at Covanta locations, featuring Covanta employees. The training material spanned topics including near-miss reporting, behavioral-based safety, and technical topics such as locking out machinery and equipment and proper procedures for confined space entry.



## EMPLOYEE Safety

Covanta believes that by ensuring a safe workplace, employees can be more productive and engaged. With continued vigilance to workplace safety, Covanta can avoid expenses associated with accidents and injuries including fines, lost productivity, and potential loss of company reputation. An additional benefit is that safe practices at work also translate to safe practices at home.



	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
<b>Injury-free workplace</b>	Achieve an injury-free workplace as measured with regard to injury frequency (Total Case Incident Rate; TCIR); severity (Days Away, Restricted, and Transfer Rate; DART); and via Covanta's Incident Index (II) which combines frequency and severity into a single metric.	All three metrics showed improvement from 2010 to 2011:  TCIR fell by nearly 25%, decreasing from 1.51 to 1.14  DART fell by 19%, decreasing from 0.69 to 0.56  The Incident Index rate fell by 17%, decreasing from 14.35 to 11.99	Continue to reduce injury rates and advance the goal of achieving zero accidents and injuries in the workplace.
<b>Elimination of unsafe practices</b>	Use a "near-miss" reporting system to incentivize safe behavior by identifying and eliminating unsafe practices or behavior that could lead to accidents.	Covanta implemented a near-miss program in 2011 to identify, analyze, and promulgate new methods of action for unsafe behaviors. The company saw a corresponding improvement in overall safety performance of approximately 17-25%.	Through the near-miss program, continue to develop employee confidence in reporting, controlling, and eliminating unsafe conditions or behaviors.



## Safety oversight and performance

Every Covanta facility has a health and safety committee, run by hourly employees, with feedback and collaboration from facility and regional safety leads, as well as the Covanta Safety Management team. In 2011, health and safety committees focused on analyzing near misses to identify and address practices of unsafe behavior (such as brute force injuries) to prevent future accidents from occurring. As a result of this focus, overall safety performance improved by approximately 25 percent.

Covanta also participates in safety associations and has one Health and Safety employee on the Voluntary Protection Program Participants Association (VPPPA) Region 1 Board of Directors and 33 employees who serve as Special Government Employees (SGEs) to OSHA. The SGE Program was established to allow industry employees to work alongside OSHA during VPP on-site evaluations. Not only does this innovative program benefit OSHA by supplementing its on-site evaluation teams, but it gives industry and government an opportunity to work together and share views and best practices.

Our proactive approach to safety management is reflected in improved performance along all three of our major safety indicators—DART, TCIR, and our Incident Index. We attribute these achievements to the rollout and continuous refinement of our Step Up safety program, first launched in 2009, which focuses on evaluating leading indicators of safety—such as near misses—in addition to traditional lagging indicators like accidents and injuries. We believe that these efforts make a meaningful impact on the culture of safety at Covanta, and tangibly contribute to the safe working environment that our employees deserve.

## OSHA VPP recognition

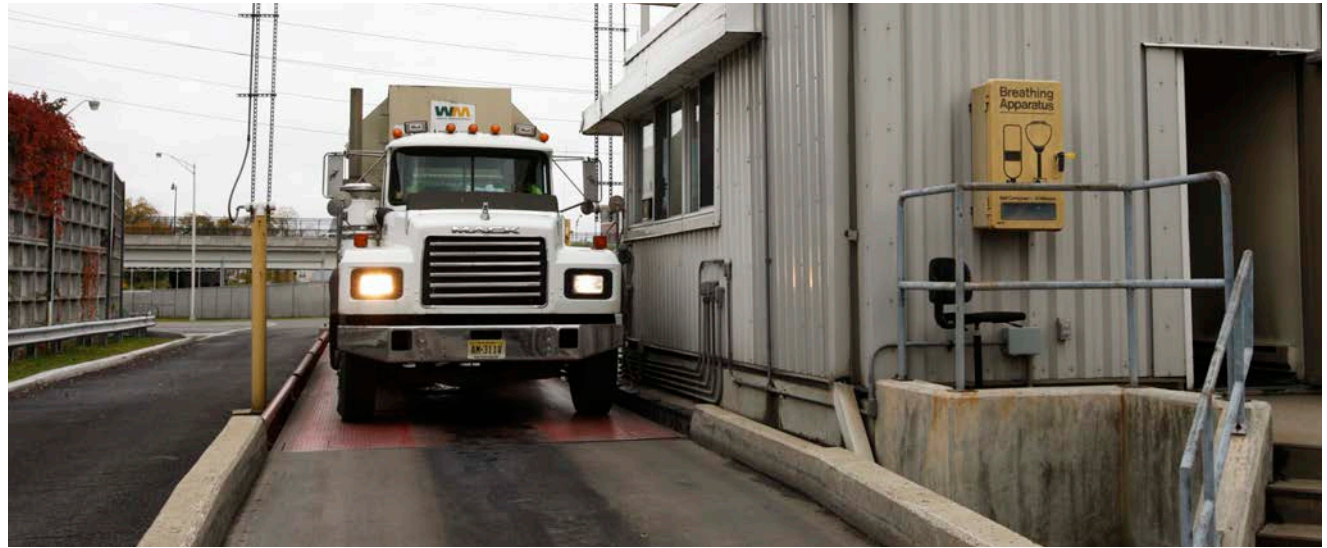
Covanta's participation in the OSHA VPP continues to be a cornerstone of its success in safety performance. The number of Covanta VPP STAR sites rose to 41 locations in 2011, demonstrating the commitment of all employees to continuous improvement. Employee driven best practices are evidenced regularly at Covanta's locations everywhere. Employees are leading safety meetings, writing work orders, finding and resolving near misses, and demonstrating genuine interest in improving and maintaining workplace conditions. OSHA VPP serves as a solid platform upon which management leadership and employee involvement are strengthened with overall results being extremely positive.

## Contractor safety

Though Covanta does not have a significant contractor base or seasonal variation in contractor employment, the contractors and subcontractors we do work with are held to the same safety standards as Covanta employees. To qualify to work at a Covanta location, each contractor's safety policies and programs, training, insurance, and safety statistics are evaluated and approved by a third party based on Covanta criteria. All contractors and subcontractors receive pre-job task briefings to ensure that everyone working on our premises understands health and safety risks and how to mitigate them.

In 2011, we included contractors in several different "Safety Standdowns," broadcast to all sites by our CEO and Senior Vice President of Operations to discuss safety topics and objectives for improvement, as well as to congratulate all parties for their successes.

Contractors are required to join accident calls hosted at the corporate office when they have had an employee involved in either a serious near miss or injury. Employees of subcontractors are held to the same standards as stated for employees of contractors.



## CONTRACTOR Qualifications and Safety

Better qualified contractors are able to achieve higher standards of performance and to work more efficiently and effectively—delivering a cost-effective solution for Covanta in situations where contractor expertise or support is required. By demanding and investing in high safety standards for all workers, Covanta also reduces safety costs overall, increases contractor well-being, and contributes to the achievement of business goals.



	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
<b>Contractor qualifications</b>	Improve contractor screening processes to ensure that all contractors comply fully with regulations and possess required expertise.	Covanta uses the ISNetWorld system to pre-qualify contractors. The number of contractors qualified via the ISN system increased from 2010 to 2011 by 141% (from 287 to 691). Contractors with A grades increased from 16% in 2010 to 40% in 2011.	By 2012, all contractors hired by Covanta are expected to be integrated into the ISN system. Only contractors with an ISN A grade will be permitted to perform work at Covanta facilities.
<b>Contractor safety</b>	Establish and maintain a contractor injury reporting and safety management system.	Contractor accidents were reported through the "Power UP with Safety Report" in 2010 and 2011.	Continue to improve contractor injury tracking and reporting by implementing the new SafetyStat-3 database in 2012. Begin to report indices (TCIR and DART) for contractors that work more than 1,000 hours per quarter.



# Building a strong and engaged workforce



We encourage and reward our employees with competitive compensation, comprehensive benefits, and professional development opportunities. At locations with 60 or more employees our entry level pay is three to four times higher than the state and federal mandated minimum wage.

Covanta's benefits program for full-time employees includes medical, dental, and vision care. Covanta offers a 401(k) retirement benefit, providing a maximum company match of four percent, as well as a company contribution of three percent of eligible earnings for all eligible employees, and other benefits such as life insurance, AD&D insurance, short- and long-term disability plans, supplemental insurance plans, an employee assistance program, a financial planning and assistance plan, a health advocacy program, and an optional legal assistance plan.

Covanta specifically rewards performance that advances our sustainability goals, with a compensation structure that encourages our employees to be proactive about safety. Up to half of our hourly Safety, Health, and Environment (SHE) employees' bonuses are based on sustainability performance.

Workforce members also receive education and training regarding serious diseases through safety program material. Covanta retains an occupational physician group with doctors and nurses on staff to answer questions for employees at any time, day or night. Additional health services, available through employee benefit programs, extend health information resources to employees' family members as well.

## EMPLOYEE Well-being

Employee productivity is linked to overall health and well-being. In addition to lowering health-care costs for society overall, a healthy employee base is more productive, engaged, and motivated to contribute to Covanta's success.

GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Explore health and wellness initiatives in support of employee well-being.	Health Assessments were promoted for all employees covered under Covanta's medical plans. Assessments were used to identify targeted initiatives to address health risk factors.	In partnership with external health organizations, launch a company-wide Wellness Strategy in the areas of Smoking Cessation and Weight Management in 2012.



## Employee training programs

We invest in our people and provide opportunities for training and skills development. The number of hours and types of training depend on the employee's category. Covanta offers core, professional, and management/supervisory training programs to strengthen communication, interpersonal, and management skills. Human resources compliance training programs are offered to strengthen employee relations and to promote a work environment that is free of harassment and discrimination. Employees are also able to attend trainings outside of Covanta that fit with their personal development plans.

Full-time employees receive regular performance reviews which are the basis of individual employee development plans. Employee development is facilitated through Covanta's year-long Performance Management process whereby managers and employees work together to establish and monitor performance criteria, share feedback on employee performance, and determine performance strengths and development opportunities.

Individual Development Plans (IDP) are then created—based upon employees' identified competencies—to support personal success, professional growth, and career planning. In addition to the Performance Management process, Covanta has established a Performance Development Policy and Formal Discipline process when coaching has failed to produce the required improvement in performance or is inappropriate to deal with specific performance problems.

We expanded our training tracking system in 2011 to log all hours of training provided at both the corporate and facility levels. Between 2009 and 2011, hourly employees who received training, benefited from 2.62 hours on average, while management/professional employees received 7.01 hours on average.



## TRAINING

Training of newly hired and/or newly promoted supervisors decreases ramp-up time and allows the realization of greater efficiencies and productivity. Training also supports increased job satisfaction related to having the necessary skill set for career advancement.

GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Design a training program for newly hired First Line Supervisors.	Successfully completed content development and design for the First Line Supervisor training program. Completed company standard for all employees to receive training for improved performance and to create opportunities for career growth.	Deliver inaugural program for newly hired and/or newly promoted First Line Supervisors in 2012, with plans to offer the program multiple times per year in the future.



## Qualification programs

Covanta Energy relies on its industry leading operator and maintenance qualification programs to ensure its employees are well equipped to perform at the highest levels of safety and operational efficiency. These programs provide a method for qualification that uses both self-study as well as collaborative learning scenarios. Areas of focus include:

- Electrical Qualification Training—qualifies trainees to safely operate electrical switchgear, perform maintenance, and apply troubleshooting techniques;
- Boiler Operations—focuses on combustion, steam and electrical generation, and air pollution control;
- Operations and Maintenance Procedure generation and execution; and
- Power Generation Fundamentals—from watch standing techniques through basic thermodynamics.

Covanta's Qualification Training programs provide a company standard that establishes a clear and consistent path to personal development and career advancement for employees. These programs also guide management efforts to ensure that we meet collective local, state, and federal certification requirements.



Our turnover rate is within the normal range or slightly better than average for companies in our industry. We monitor turnover on a quarterly basis by region, job category, age, gender, and race. Weekly staffing reports allow us to detect irregularities and identify issues.

### U.S. employee turnover statistics

Diversity	Salaried	Hourly	Total	Average service (yrs)	Total # of separations	Average service (yrs) for terminations	Turnover rate (%)
Total	1,007	2,193	3,200	9	320		10.0
Female	182	139	321	9	32	4	10.0
Male	825	2,054	2,879	10	288	7	10.0
Age less than 30	48	327	375	3	56	2	14.9
Age 30-50	587	1,228	1,815	9	156	5	8.6
Age over 50	372	638	1,010	14	108	12	10.7

U.S. Department of Labor Total Separations Rate	Turnover rate (%)
Total Trade, Transportation & Utilities	36.8
Covanta Energy	9.11

## Leadership development

Covanta offers a variety of training and development opportunities designed to help employees strengthen their core competencies, enhance supervisory and managerial skills, and develop leadership capabilities. For example:

- Over the past five years, Covanta leaders have completed 13 workshops in the areas of coaching, managing performance, interpersonal skills, and enhancing team productivity.
- Covanta offers a four-day workshop for front line leaders designed to ensure they successfully shift from team member to team leader.
- Covanta's signature Leadership Development Program provides a formalized developmental experience to its future leaders. Participants are introduced to leadership and business principles through a combination of learning approaches including both classroom and action learning.

Additionally, Covanta offers an education assistance program to financially support employees who desire to broaden their knowledge base and prepare for other positions within Covanta. In 2010, this program supported 41 beneficiaries. There were 43 beneficiaries in 2011. Together, these efforts support the development of leadership qualities among Covanta employees, while helping to drive the overall performance of our organization.

## Succession/transition planning

With approximately 19 percent of our U.S. workforce aged 55 or older, we have developed strong succession plans with associated training to ensure that employees preparing to retire are well equipped for the change, and do not leave knowledge or employment gaps. Financial planning services are available, free of charge, to assist active employees in retirement planning, and we also offer an employee assistance program to help employees prepare for the overall transition to retirement.



## TALENT Retention

Our low attrition rate means that we retain qualified and talented individuals for continued success, preserve institutional memory, and avoid recruiting and training costs associated with new hires.



### Talent retention

GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Develop programs to attract and retain top talent and increase the retention of high-performing employees.	Maintained low attrition rates of high-performing employees. Participated in recruiting events targeted to attract qualified female candidates.	Maintain retention above 90% and continue to monitor, develop, and evaluate innovative programs to attract and retain top talent.

## Maintaining good labor relations

Covanta recognizes employees' rights to be represented by a union. Of our employees in the United States and Canada, approximately 10 percent are represented by organized labor. In some facilities, union arrangements have been in place for decades, and we have been able to repeatedly negotiate fair contracts.

Covanta is currently party to eight collective bargaining agreements. Covanta gives a minimum notice period of 10 to 30 days—or as required by the Worker Adjustment and Retraining Notification (WARN) Act requires—when there will be significant operational changes, as specified in collective agreements.

We support workers' rights to freedom of association and collective bargaining by responding in a timely fashion to unions' notice of contract renewals and arranging mutually convenient times and places to negotiate. During the course of contract renewal negotiations, each facility that is the subject of renegotiations with a union is required to prepare a "strike contingency plan" to ensure operational integrity in the event of a labor interruption, whether it be a strike or lockout.

## Promoting workforce diversity

Covanta's goal is to renegotiate all collective bargaining agreements immediately prior to expiration and avoid labor disruptions at each respective location involved in the process. Our policy is to hold ethical negotiations with all unions and maintain a direct working relationship with all employees.

At Covanta, we believe that diversity of thought, orientation, and heritage play an important role in ensuring the inclusiveness and adaptability of our company culture. Our efforts to hire locally result in diversity statistics reflective of the communities which we operate. We acknowledge the unbalanced male to female employee ratio at Covanta and believe it is primarily due to the physical nature of our work. We are working to minimize the gap by attending job fairs and using recruitment sources that target women.



The Women's Forum of New York recognized Covanta for having at least a 20 percent female representation on its board of directors.

Diversity by EEO Category as of YTD 2011 (%)

EEO Category	Race/Ethnicity								Age			Sex			
	Black	White	Hispanic	Asian	Pacific Islander	Native American	Two or More Races	Total	< 30	30-49	> 50	Total	Men	Women	Total
Executives	0.03%	0.84%	0.00%	0.09%	0.00%	0.00%	0.00%	0.96%	0.00%	0.37%	0.59%	0.96%	0.87%	0.09%	0.96%
Managers	0.71%	15.00%	0.75%	0.53%	0.03%	0.09%	0.03%	17.15%	0.16%	10.16%	7.15%	17.46%	15.75%	1.71%	17.46%
Professionals/administrative	0.56%	7.83%	0.56%	0.93%	0.03%	0.03%	0.09%	10.03%	1.18%	5.19%	3.95%	10.31%	7.52%	2.80%	10.31%
Hourly*	9.47%	47.72%	7.92%	4.04%	0.65%	0.16%	0.43%	70.39%	11.09%	37.34%	22.83%	71.26%	65.73%	5.53%	71.26%
Total	10.78%	71.39%	9.23%	5.59%	0.71%	0.28%	0.56%	98.54%**	12.43%	53.06%	34.51%	100.00%	89.87%	10.13%	100.00%

\*Hourly = Technicians/Sales Workers/Admin Support Workers/Craft Workers/Operatives/Laborers/Helpers

\*\*1.46% of employees elected not to self-identify

# COMMUNITIES



# Partnering with our communities

Covanta views strong positive relationships with its local communities as an integral part of sustainable operation. We know that acceptance by community members leads to productive partnerships with local municipalities and facilitates the process of obtaining operating permits and authorizations. Covanta's track record of high community acceptance also favorably positions the company as a responsible operator and preferred candidate for taking on new projects.

Our corporate and facility personnel are engaged with communities through ongoing programs that promote open and frank dialogue about sensitive issues, including environmental justice and potential facility impacts on the environment. Covanta has taken the important step of formalizing its approach to community relations over the past two years by developing and implementing a new Community Outreach and Environmental Justice Policy.

In order to ensure that Covanta is effectively interacting with its communities, the company incorporates elements of the new Environmental Justice Policy into 2012 Community Outreach Plans. Additionally, Covanta is embedding expectations for high levels of community acceptance into managers' goals and objectives. This action of tying personal goals to measurable community-related performance objectives follows the model Covanta has already developed for ensuring accountability for corporate safety and environmental goals.



Cub Scouts and volunteers at Covanta Warren's Earth Day habitat restoration prepare to head out into the fields surrounding the Covanta Warren EfW facility to plant trees and shrubs.

## Ensuring sustainable operations

At most of Covanta's North American EfW facilities, we have been the operator of the facility for many years. Prior to our taking control of a plant as an owner or operator, each facility is subject to a development plan. The degree of engagement with the community on potential environmental and community impacts has varied over time and on a facility-specific basis.

With the rollout of our Community Outreach and Environmental Justice Policy we have standardized the community engagement processes at all EfW facilities through facility-specific Community Outreach Plans (COPs). In addition, several of our non-EfW facilities have established a COP or equivalent plan that is incorporated into standard operating procedures at that facility.

Under the COPs, each EfW facility holds public programs and meetings. At certain sites, an elevated level of engagement is sometimes necessary to help navigate complex environmental challenges or concerns, particularly in communities with a history of extensive industrial operations without effective zoning and consideration of cumulative impacts (see Chester, Pennsylvania case study on page 41).

As we work to expand our operations, we continue to seek community input into and acceptance of our projects. Covanta implements community outreach before obtaining the site agreement and necessary local, regional, and national permits for operation when Covanta is the site developer (we cannot, however, usurp that role when a municipality is the lead on developing a project). During this time, we inform the community about the basic scope, objectives, and operational aspects of the project. For example, we may discuss architectural aesthetics, site considerations, facility size, waste sources, emissions controls, traffic impacts, energy types, and the economic benefits to the community. We know that the siting of any new facility can be a matter of concern to local communities, individuals, and local businesses. We make ourselves available to respond to community questions and also exchange information with leading local civic groups, homeowner groups, and individuals long before procedurally mandated public hearings are required.

## Protecting community health and safety

All Covanta facilities have Emergency Action Plans (EAPs) to ensure the safety of local community members and facility employees in the event of an emergency. These EAPs are developed during the permitting process prior to beginning operation at any facility, and define a rigorous set of procedures to be applied in response to operational malfunctions or other problems. The plans are written to comply with all applicable regulations, including, among others, OSHA safety regulations, and U.S. EPA environmental regulations.

We train and evaluate our facility staff and contractors on their understanding and awareness of EAP provisions on an annual basis. Each facility works closely with local emergency responders and community officials to communicate and test the plans and ensure a common understanding of EAP procedures. Plans are also available for review upon request by local community members.



This renewable energy dashboard is an initiative of the Lancaster County Solid Waste Management Authority (LCSWMA). The dashboard features all of LCSWMA's renewable energy projects, including the Waste-to-Energy Facility in Bainbridge, Pennsylvania, which is operated by Covanta Lancaster, Inc.



# Championing Environmental Justice

Environmental Justice (EJ) is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations and policies. Covanta recognizes this definition of EJ, as promulgated by the U.S. EPA in 1992, as the basis of the company's understanding of local issues and impacts associated with the siting and permitting of EfW facilities.

We strongly believe that EJ must be a constant consideration in owning and operating energy-generating facilities; therefore, we have taken the step of codifying our approach to EJ and Community Outreach with the development and implementation of a formal policy. Stated simply, the policy seeks to provide early knowledge and meaningful involvement for communities in which we operate, or may operate.

This policy is an expression of our continued attention to EJ issues, extending from the early 1990s till today. In past assessments, detailed in our 2009/2010 Sustainability Report, we found that certain of our facilities may have been at a higher risk for potential environmental injustices during the original site selection process. Although Covanta as a facility operator was not involved in site selection, we acknowledge the need to remain sensitive to legacy issues at these facilities.

Covanta has also worked with the U.S. EPA to encourage an approach to siting and permitting that takes EJ into account. Formal suggestions have included:

- A scientific approach to impact analyses, and subsequent permit conditions focused on the specific threats associated with proposed projects
- Attention to applicants' pre-application involvement with the community
- Enhanced Public Participation Plans, requiring deeper levels of community engagement, such as support of local skills training programs related to the long-term needs of proposed projects

## Covanta Community Outreach and Environmental Justice policy

Covanta Energy Corporation is committed to engage with and support the communities in which it has or will have facilities. Covanta believes in the meaningful opportunity for all people, regardless of race, ethnicity, color, income, national origin, or education level to be knowledgeable and have the right to participate in public decisions and actions which have an impact on their environment and neighborhoods. To implement this policy, consistent with its sustainability objectives, Covanta commits:

- To reduce discharges and minimize emissions from our facilities and to reduce other potential impacts of our operations, taking into account cumulative impacts.
- To identify and engage with individuals and organizations in the communities in which we operate, or in which we may operate, that are interested in our operations.

- To have open, two-way communication with communities on issues which may be of interest or concern to them, including environmental and quality of life issues in the community. Such communication shall include participation in meetings with community members or affected groups.
- To have an enhanced public participation strategy with communities on major facility permit actions and engage in substantive conversations with community members during the early stages of the permitting process.
- To work diligently to respond to issues identified by communities in which we operate.
- To promptly and effectively notify the community in the event of situations that may adversely impact the environment or their health.

## ENVIRONMENTAL JUSTICE & Community Outreach

Strong community relationships of mutual trust and understanding facilitate discussions around new and continuing permits and approvals. In the event of a noncompliance or other unforeseen event, existing relationships provide us with avenues to quickly and collaboratively address issues with minimal disruption to our operations.

GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Formalize Covanta's community relations and Environmental Justice programs and policies and conduct locally based stakeholder engagement.	Finalized EJ policy and established Community Outreach Programs (COPs) at all facilities; held at least one meeting of local stakeholders at 28 of 41 facilities.	Implement activities related to each EfW facility's COPs and hold at least one meeting at all facilities.





## Chester, Pennsylvania—bridging the gap between company and community

Exemplifying Covanta’s efforts to collaborate with designated EJ communities are the successful efforts to engage the community near an EFW plant in Chester, PA. This experience has cemented Covanta’s commitment to the principles of EJ and distinguished the company to this day as a leader in community engagement.

In the years immediately preceding Covanta’s acquisition of the Delaware County Resource Recovery Facility, relations in the community and with the Pennsylvania Department of Environmental Protection (DEP) were particularly strained. A subsequent lawsuit by Chester Residents Concerned for Quality Living (CRCQL) asserted that the heavy concentration of municipal waste facilities in a small city, comprised primarily of African American residents, represented a discriminatory matter of environmental injustice, but the case was overturned before reaching the Supreme Court. Nonetheless, the case influenced the DEP to create stricter mandates for community engagement during environmental permitting processes, which ultimately became Covanta’s charge upon entering the community.

In 1997, having acquired the Resource Recovery Facility, Covanta’s legacy company worked closely with the DEP to build a working relationship with community leaders, academics, and advocacy groups—including CRCQL—with specific attention to the issues of greatest local concern. Improving the facility’s emissions performance, odor controls, truck routing, and safety monitoring were among Covanta’s very first actions to garner community support, and were soon supplemented with sponsorship of a range of local environmental and social initiatives.

Since that time, Covanta has successfully obtained—and renewed—all necessary permits for the operation of its Chester, PA EFW plant with the full support of the community. In 2000, Covanta and the CRCQL received the Governor’s Award for Environmental excellence, recognizing their collaborative efforts to ensure a socially and environmentally beneficial solution to the community’s MSW disposal needs.

Today the Chester facility processes more than 3,000 tons of waste each day; it serves as a model for robust collaboration between industry, community, and regulators, and provides ongoing guidance for the development of Covanta’s EJ efforts.

## Engaging with municipal clients

The successful performance of EFW facilities has helped Covanta to maintain positive relationships with municipalities, with each facility having an on-site business manager with responsibility for interfacing with client communities on a regular basis. The business manager is responsible for implementing the COP and uses expertise available from the corporate office for designing and implementing these programs.

Covanta has held an annual Partner’s conference annually since 1986 as an additional way to engage directly with its client municipalities. These conferences are an opportunity to sit down with municipal leaders, assess satisfaction with a variety of performance criteria, and engage on current topics of concern. A Partner survey administered in 2011 in conjunction with the annual conference revealed a high level of satisfaction with Covanta’s EFW facility operations. For example, more than 95 percent of respondents to the survey agreed that Covanta complies with contractual obligations, follows through on proposals, and provides appropriate access to senior managers. Covanta’s scores improved from 2010 to 2011 with regard to responsiveness and effective communication about plant impacts on the community and the partner itself.

Partners also identified areas of concern for continued attention, including air emissions and community health, and indicated interest in programs that Covanta could offer with regard to beneficial ash reuse and electronic waste recycling and disposal.

# Measuring community economic impact



## Creating jobs in Honolulu

In 2011, we continued the expansion of our Honolulu facility, with total construction employment peaking at 300 workers during the year. When this project is finished in 2012, we will hire permanent employees for operating the facility which will produce over six percent of Oahu's electricity, a sustainable solution that supports local businesses by reducing the island's dependence on imported oil.

Covanta's presence in the community provides both direct and indirect economic benefits to the immediate municipality and surrounding region. Respondents to Covanta's Partner survey cited reliable waste disposal and economic impact as two of the key benefits. From a quantitative perspective, in addition to the value of waste disposal services, a 1,500 ton per day EfW facility has the potential to generate approximately \$1 billion in direct and indirect economic activity, providing up to 1,000 jobs during development and construction and as many as 100 permanent jobs once the plant is operational.

Covanta's approach to sourcing and procurement encourages the use of local suppliers when appropriate. Our interim Supply Chain Policy, applicable to purchases made by operations in North America, follows our procurement guidelines for parameters such as cost, legal and environmental compliance history, and governance. We use a variety of nationwide contracts that have local distributors or licenses, enabling us to obtain optimum pricing while delivering local service. A portion of Covanta's nationwide budget is also assigned to local suppliers to help support the local economy while also establishing local infrastructure for supply of critical services and equipment.



## Covanta's interim supply chain policy

Covanta's sustainability policy establishes our commitment to sustainability and outlines our expectation that suppliers conduct their operations in a socially and environmentally responsible manner. We work to develop and maintain relationships with all businesses to ensure that the best and broadest possible supplier base is included in our procurement processes. As such, our businesses support the local supply base to the extent possible, while seeking to effectively fulfill our procurement policy requirements.

At Covanta, we work collaboratively with our suppliers to encourage compliance with the following principles:

- **Legal and Regulatory Compliance**  
Suppliers are to ensure their operations and the products and services supplied to Covanta comply with all national and other applicable laws and regulations.
- **Environmental Performance**  
Suppliers are expected to include programs that promote efficient use of energy and other resources, minimize the use of hazardous materials, promote reuse and recycling, and reduce emissions to air, soil, and water.
- **Management Systems**  
Suppliers are to maintain effective management systems that integrate environmental, occupational health and safety, human rights and labor policies, and ethics into their business and decision-making processes.

Community consultation in Ireland.

# Implementing community programs

Each Covanta facility engages in local community activities and supports local charities in addition to running company-wide philanthropic programs. Covanta donated approximately \$1.8 million per year in 2010 and 2011 in support of local initiatives.



Susan Ryan, Administrative Assistant at Covanta, and Marla Drury, of the Morristown Soup Kitchen of New Jersey, at Soup'er Bowl Celebration where 1,187 cans were collected.



Covanta Union, in Rahway, NJ, donates rescue equipment to local fire department.



Ana Ward, with boxes of toys, pens, writing material and toiletries to be sent to disadvantaged children all over the world who otherwise would not have received a present.

## COMMUNITY Engagement

Covanta has been investing in its community outreach programs for more than two decades. Company efforts have become more organized and uniform through Covanta's Clean World Initiative and the rollout of our new community and Environmental Justice outreach programs.

Our goal is to be a valued member of the community, not only through the provision of valuable services, but also through the establishment of more personal relationships—for example, through our monetary and individual support of local causes and initiatives. The result of this comprehensive outreach is a more open and transparent dialogue that translates to improved business opportunities, including renewal of existing contracts; strong relationships; and better operational standing.

	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET
Community support	Sponsor and participate in local events	80% of plants held an Earth Day event in 2011.	In 2012 and beyond, all facilities will sponsor an Earth Day or comparable event.
Public service	Help to minimize toxics such as mercury and unused pharmaceuticals in the waste stream through donation of EfW services.	<ul style="list-style-type: none"> <li>Implemented a toxics reduction program in 30 of 41 facilities. The program removed 588 lbs. of mercury in 2010 and 282 lbs. in 2011.</li> <li>Launched the Rx4Safety program in 2010 and disposed of 30,000 lbs. of pharmaceuticals; 212,000 lbs. of waste pharmaceuticals were eliminated in 2011.</li> <li>Implemented Call2Recycle pilot in 2011 that recovered over 1,000 lbs. of batteries</li> </ul>	By 2015, expand toxics reduction program to all facilities where communities are supportive of these efforts.





Some of the prescription drugs collected at drop-off points around the state of Oklahoma are pushed into the pit at the Walter B. Hall Resource Recovery Facility for proper disposal and energy recovery.

## Rx4Safety

Introduced in 2010, Covanta's Prescription for Safety (Rx4Safety) program was developed to help reduce the misuse and improper disposal of expired and unwanted prescription drugs.

Medications that are flushed down the drain or sent to landfills have the potential to contaminate water sources, as traditional wastewater and leachate treatment plants are not equipped to remove these types of chemical compounds. The harmful effects of drug-contaminated water have been seen in both human and fish populations, and formal research into the issue has only just begun.

To help mitigate these environmental impacts and prevent abuse of unused pharmaceutical drugs, Covanta's Rx4Safety program gives the organizers of drug take-back events an option for secure disposal of drugs, with the added benefit of creating clean electricity in the process. The disposal and paperwork requirements are provided free of charge to these communities.

Since 2010, more than 240,000 pounds of pharmaceutical drugs have been converted to energy in Covanta's EfW plants, and increased collaboration with municipalities and organizations such as the U.S. Drug Enforcement Agency is fostering rapid growth of the program.



Volunteers sort through netting collected from the waters near Miami, Florida to be safely recycled and/or disposed of at Covanta Dade Renewable Energy.

## Fishing for energy

Covanta has partnered with the National Fish and Wildlife Foundation, the National Oceanic and Atmospheric Administration Marine Debris Program, and Schnitzer Steel Industries, Inc. to help fishermen dispose of used fishing gear and curb the accumulation of marine debris in its Fishing for Energy program. Covanta collects used fishing gear free of charge at more than 20 collection points in commercial fishing ports. Since 2008, the Fishing for Energy partnership has assisted 37 communities in nine states to collect over one million three hundred thousand pounds of fishing gear and marine debris.

Derelict fishing gear can threaten marine life, impact navigational safety, and have negative economic repercussions on fishing and shipping enterprises and coastal communities. Once waste gear is collected, it is processed into clean, renewable energy at Covanta EfW facilities. Each ton of gear processed produces enough electricity to power one home for 25 days.

The Fishing for Energy program is an award-winning example of cooperation between government, private, public and local organizations. In June 2010, the program received the Coastal America Partnership Award for outstanding efforts to protect, preserve, and restore the nation's coastal resources and ecosystems through collaborative action and partnership.



Kenneth Armellino, Covanta Director of Environmental Science and Community Affairs; Thomas Murphy, Covanta Hempstead Business Manager; and Kate Murray, Supervisor of the Town of Hempstead, New York (center) kick off their fourth year of mercury-collection partnership.

### Mercury disposal

In 2000, Covanta launched a nationwide campaign to educate America about the toxic effects of mercury and the importance of collecting and properly disposing of items that contain mercury. For example, blood pressure meters, thermometers, and compact fluorescent light bulbs contain mercury which, if released directly, can have damaging effects upon human health and the environment.

As a supporting partner of the Product Stewardship Institute, Covanta is an advocate for reducing and ultimately eliminating the use of mercury in consumer products. There is still, however, a great need to account for mercury laden products bound for disposal. To help prevent mercury from entering the municipal waste stream, Covanta sponsors educational and mercury collection events, which have contributed to the diversion of more than 1,400 pounds of mercury from MSW since 2010.



Covanta Chief Sustainability Officer, Paul Gilman (third from left), with President Clinton and other CGI members.

### Trash Free Seas Alliance

As an extension of our Fishing for Energy program and work with the Clinton Global Initiative, Covanta was invited to be a Founding Member of the Ocean Conservancy’s Trash Free Seas Alliance—an initiative to eliminate ocean trash. The Alliance unites industry, science, and conservation leaders who share a common goal for a healthy ocean free of trash. The Alliance provides a constructive forum focused on identifying opportunities for cross-sector solutions that drive action and foster innovation.



# PERFORMANCE

## Focus on materiality

### Identifying our key sustainability issues

In pursuing sustainability, we strive to focus on those issues that are of highest importance to our stakeholders and the success of our business, and that, properly addressed, will have the largest positive impact on our environmental, social, and governance performance. We have conducted a materiality analysis in order to effectively identify and prioritize these issues.

As discussed in our 2009/2010 Sustainability Report, we began our materiality analysis by determining common topics of stakeholder concern based on an initial set of potential issues. We analyzed sources of feedback including customer requirements, community concerns, competitor and peer disclosures, trade association position statements, sustainability reporting standards, and criteria used in sustainability ratings and rankings. Following this comprehensive review of publicly available documents, we convened a stakeholder advisory panel to provide direct input. (See page 15 of the 2009/2010 Covanta Sustainability Report for full details).

We deepened our analysis in 2011 by conducting an internal survey of company managers and executives to gather perceptions on the same set of issues. Survey respondents assessed and ranked issues according to several criteria, including potential impact on costs and revenues, brand and reputation, employee engagement, regulatory exposure, and customer service.

The updated Materiality Matrix illustrates the ranking of topics with the primary issues being:

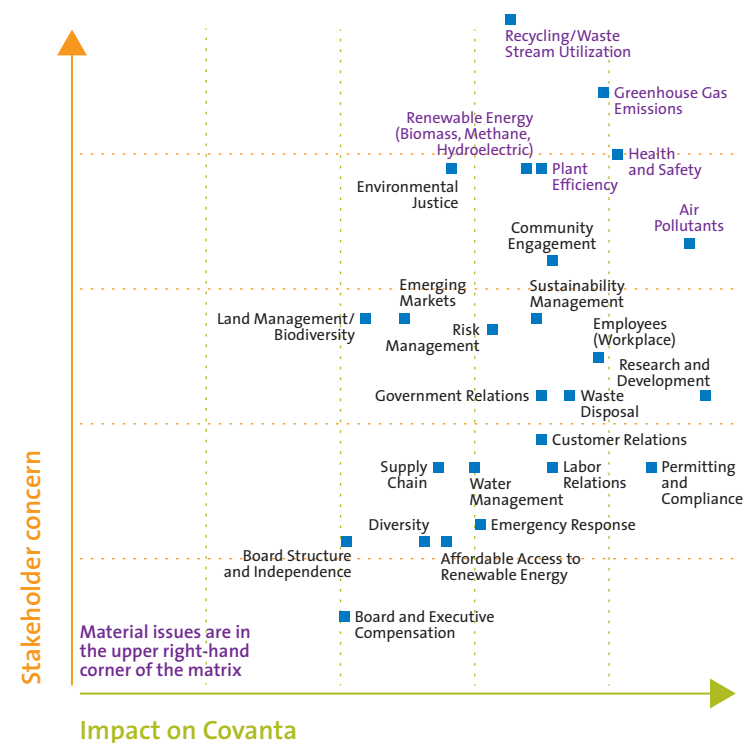
- Greenhouse Gas Emissions
- Recycling/Waste Stream Utilization
- Renewable Energy
- Plant Efficiency
- Health and Safety
- Air Pollutants

During our analysis, we found that several additional issues were highly rated either by stakeholders or by Covanta. Accordingly, these topics also receive full coverage within this report:

- Research and Development
- Environmental Justice
- Employee Engagement/Workplace
- Permitting and Compliance

## Result of materiality analysis

The results of the materiality analysis are shown in the following diagram, with material issues appearing in the top right corner. Covanta's sustainability efforts and this report focus on these material issues.





Anthony Orlando, Covanta's President and CEO, meets with employees in Morristown, New Jersey. Each month, senior managers hold town-hall style gatherings to update employees on recent business activities, answer questions, and recognize birthdays and achievements.

### Engaging with our stakeholders

We engage with our stakeholders to better understand and address their concerns. We also strive to reach out to those individuals, groups, and organizations that can help us achieve our mission of being the leading EfW company in the world.

We regularly interact with external stakeholders including:

- investors and shareholders in our business
- community members living near our facilities
- government regulators who oversee the development and implementation of laws and regulations related to our operations
- policymakers involved with shaping policy approaches to EfW and renewable energy
- non-profit and non-governmental organizations active in ensuring responsible environmental stewardship and social justice
- researchers investigating technologies to further reduce emissions and improve the efficiency of EfW processes
- industry groups such as the Energy Recovery Council (ERC), Danish

Competence Center on Waste (DAKOFA), and the Confederation of European Waste-to-Energy Plants (CEWEP). Within these groups, we play a leadership role in interfacing with state and federal agencies that work on energy, climate change, and other environmental programs.

We also engage internally with our employees, both formally through an annual employee engagement survey, and informally through team meetings and other daily interactions.

The extent and frequency of each stakeholder engagement depends on the stakeholder group involved and the parameters of the issue at hand. For example, engagement with industry groups may occur as part of regularly scheduled meetings throughout the year. Engagement with policymakers of necessity follows the pace of policy development, with opportunities to weigh in on new proposals occurring as part of scheduled comment periods or workgroup meetings.



## Sustainability goals and targets

We understand the importance of setting both quantitative and qualitative goals for the near and long term. This sustainability report lays out for the first time both long-term aspirational as well as immediately actionable goals and targets for our company. By committing ourselves to these goals, we aim to ensure accountability for our operations and provide a readily understandable scorecard to measure our success.

### Long-term goals

Covanta's long-term aspirational goals reflect our larger mission and connect us to the objectives of Covanta's Clean World Initiative:

- Achieve a zero accident and injury rate, inclusive of all employees and contractors.
- Reduce emissions to the point at which EfW becomes the cleanest source of energy available, as measured on a lifecycle assessment basis.
- Assist clients to achieve the most sustainable waste management solutions possible through greater adoption of recycling and recovery operations, including EfW.
- Support legislation and regulatory and policy development that promotes renewable energy and supports diversion of waste from landfills.

### Near-term goals and targets

Our short-term goals, as presented below, include a performance summary for the two reporting years (2010 and 2011) as well as future targets. We have also included qualitative descriptions of how progress towards our goals can impact Covanta's financial performance and position the company for long-term business success.

We have organized our goals into five major categories:

- Operations
- Sustainable materials management
- Environment
- Employees
- Communities

The first two categories, Operations and Sustainable materials management, are inter-related. Strong performance in both areas helps our municipal and commercial clients achieve their zero-landfill objectives, manage waste more sustainably, and conserve natural resources that would otherwise have been used to generate electricity. The Operations goals identify how we are improving performance at current facilities whereas the Sustainable materials management goals focus on new services that supplement existing operations.

The third goal category—Environment—demonstrates that waste can be managed in a responsible manner when a facility is designed and operated properly.

The fourth and fifth categories, Employees and Communities, demonstrate Covanta's efforts to promote sustainable programs and interactions with all personnel at our facilities and in surrounding communities.

## Operations

Covanta seeks to manage its facilities so as to maximize waste processing and energy generation capacity while continuously improving operating efficiencies. Our investment of time and revenues in our operation and maintenance program is an underlying example of how revenue reinvested in facility equipment, procedures, and personnel has a direct linkage to Covanta's financial performance. These same efforts also have additional sustainability benefits such as reduced water and natural resource use and lower GHG emissions.

	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET	FINANCIAL LINKAGE
<b>Waste management</b>	Increase the amount of waste managed throughout all EfW facilities and other integrated waste management operations.	20.5 million tons of EfW processed in 2010. 20.6 million tons of EfW processed in 2011.	By 2025, increase the total amount of waste managed by 20% from a 2011 baseline.	An increase in total quantity of waste managed and power generated will contribute additional revenue. Covanta's ability to provide a broader scope of services in an integrated waste management system will also create new opportunities for long-term full-service contracts.
<b>Energy generation</b>	Increase the total amount of net energy exported from Covanta EfW facilities.	EfW statistics: 9.1 million MWH and 10.7 billion pounds of steam in 2010. 9.1 million MWH and 9.3 billion pounds of steam in 2011.*	By 2025, increase net power generation by 20% from a 2011 baseline.	The recovery of metals provides Covanta with a growing revenue stream while providing important environmental and energy benefits from the reuse of metals vs. mining and processing of virgin ore. Recycling of metals reduces GHG emissions and other emissions associated with fossil fuel combustion.
<b>Metals recovery</b>	Increase the amount of ferrous and nonferrous metal recovered at Covanta's EfW facilities.	Increased the total tons of metals recycled from 390,000 tons in 2010 to 430,000 tons recycled in 2011.	By the end of 2013, increase total recovered ferrous by 50,000 tons and nonferrous metals by 10,000 tons for a total of 490,000 tons.	The recovery of metals provides Covanta with a growing revenue stream while providing important environmental and energy benefits from the reuse of metals vs. mining and processing of virgin ore. Recycling of metals reduces GHG emissions and other emissions associated with fossil fuel combustion.
<b>Efficiency improvements</b>	Implement projects that improve energy efficiency and energy recovery.	Continued to implement measures such as lighting motion sensors, high-efficiency lighting, and natural lighting.	Implement measures at all facilities where local communities support these efforts.	By efficiently managing facility energy use, EfW facilities can operate more efficiently and profitably.
<b>Water conservation</b>	Implement projects that reduce total water demand and allow facilities to use lower-quality water.	Implemented projects to reduce in-house demand and to use grey water instead of potable water.	By 2020, expand water reduction efforts at all facilities. Where supported by local communities, transition to the use of grey water instead of potable water.	Reduced use of potable water and increased use of grey water minimizes operating costs. Water conservation efforts also reduce the burden on existing municipal systems and associated chemical and power demands.

\*Reduced energy generation due to expiration of Detroit operating contract.



## Sustainable materials management

Covanta seeks to be an integral part of the zero-landfill solution. We recognize that materials reuse, recovery, and recycling are essential components in managing waste. Each process described is a form of recycling or recovery that reduces natural resource use, energy needs (and associated fossil fuels use), GHG emissions, and both secondary solid waste and waste water discharges. Locating waste management services at or near the point of generation further minimizes energy and environmental impacts associated with long-hauling waste while creating jobs in the local community.

	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET	FINANCIAL LINKAGE
<b>Commercial/industrial waste disposal</b>	Increase the amount of non-hazardous commercial and industrial waste processed to meet clients' goal of zero landfill.	Increased total tonnage of our commercial and industrial waste processed from 450,000 tons in 2010 to 490,000 tons processed in 2011.	By 2015, increase the total tons of commercial and industrial waste processed to 1,000,000 tons.	Existing and new clients pay a premium to divert waste from landfills to EfW for thermal destruction of sensitive waste and to help achieve their zero landfill initiatives. Covanta's commercial and industrial services generate additional revenue (which has been increasing at a nominal 10% rate every year), while also improving customer relationships.
<b>Recycling</b>	Improve recycling options at both Covanta owned EfW facilities and transfer stations.	Offered recycling at five transfer stations and a new e-waste recycling center as well as new recycling services to communities in New England.	Expand recycling options at more than 50% of EfW facilities.	By providing options for communities and other stakeholders to improve recycling, Covanta's value to the community increases as a sole provider of sustainable solutions for the challenges of waste management.
<b>EfW process innovation</b>	Evaluate thermal alternatives to conventional mass burn and refuse-derived fuels technology.	Completed commercial scale demonstration of MSW gasification with syngas combustion for the purpose of improved energy recovery and reduced environmental impact.	Secure contract for supply of three CLEERGAS units by 2015.  Implement MSW gasification with syngas recovery for combined cycle power production by 2020.	Alternative thermal treatment technologies are in demand by communities in North America and abroad. By having a commercially demonstrated facility with new technologies in place, Covanta demonstrates that it is prepared to offer innovative technologies and effectively compete in this evolving market.



## Environment

Covanta's proactive compliance strategy is designed to prevent noncompliant events; learn from any such events; and to develop technology, operating standards, and personnel training to ensure continuous improvement. The financial benefits of this proactive approach include direct savings from the avoidance of fines and penalties. More important, however, are the greater intangible benefits of achieving consistently low and declining emissions and demonstrating that our facilities provide clean and renewable energy.



	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET	FINANCIAL LINKAGE
<b>Compliance</b>	100 percent compliance with all discharge limits.	100 percent compliance with stack test standards and over 99.9 percent compliance with all CEM reporting periods, with actual reported emissions well below permit limits in 2011.	Achieve and maintain 100 percent compliance for all reportable periods by 2015 including those currently exempt during startup and shutdown.	Covanta views full and continual compliance with all applicable laws, regulations, and permits to be a basic precept of responsible operation. Covanta also builds its reputation and garners intangible value as a responsible member of the local community by demonstrating full compliance.
<b>Emissions</b>	Reduce overall emissions associated with EfW facilities specifically with regard to dioxin and mercury.	Our nationwide average continued to go down, with mercury and dioxin results equivalent to the performance of new units.	By 2015, all units will have results below the existing compliance limits set for new EfW units.	By committing to reduce all emissions, including those considered most important by communities, Covanta enhances its reputation as a responsible operator which helps in contract renewals and the development of new facilities.
<b>Greenhouse gas emissions</b>	Develop carbon offset projects at all eligible facilities.	Two EfW facilities are actively generating and selling carbon offsets under the Verified Carbon Standard.	Complete the certification of all eligible EfW facilities by 2015 to generate and sell carbon credits.	Revenues from carbon offset sales may go to Covanta, our client, or both in a sharing arrangement. Covanta's leadership in the carbon offset market enhances its reputation as an active player in reducing GHG emissions and in communicating the importance of EfW relative to climate change mitigation and adaptation.
<b>Technology</b>	Develop technology for improved environmental performance.	Implemented full-scale retrofits to evaluate alternative methods of lowering emissions and to analyze options for complying with future regulatory standards.	Continuous verification of compliance options.	Covanta's history of innovative technological solutions have enabled the company to differentiate itself from competitors while also providing a successful compliance record. Investment today in technology for the future will ensure that new facility designs provide a competitive advantage.

## Employees

Covanta has various initiatives in place to improve the quality of life for its employees, contractors, and host communities. For example, our investment in the health and safety of our employees and contractors is a cost-effective solution that provides both short- and long-term benefits. Training, mentorships, and personal development programs also facilitate personal growth and low turnover rates, which allow for continuity and continuous improvement in facility performance.

	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET	FINANCIAL LINKAGE
<b>Injury-free workplace</b>	Achieve an injury-free workplace as measured with regard to injury frequency (Total Case Incident Rate; TCIR); severity (Days Away, Restricted, and Transfer Rate; DART); and via Covanta's Incident Index (II) which combines frequency and severity into a single metric.	All three metrics showed improvement from 2010 to 2011: <ul style="list-style-type: none"> <li>• TCIR fell by nearly 25%, decreasing from 1.51 to 1.14.</li> <li>• DART fell by 19%, decreasing from 0.69 to 0.56.</li> <li>• The Incident Index rate fell by 17%, decreasing from 14.35 to 11.99.</li> </ul>	Continue to reduce injury rates and advance the goal of achieving zero accidents and injuries in the workplace.	Covanta believes that by ensuring a safe workplace, employees can be more productive and engaged. Furthermore, Covanta can avoid expenses and lost productivity associated with accidents and injuries.
<b>Elimination of unsafe practices</b>	Use a "near-miss" reporting system to incentivize safe behavior by identifying and eliminating unsafe practices or behavior that could lead to accidents.	Covanta implemented a near-miss program in 2011 to identify, analyze, and promulgate new methods of action for unsafe behaviors. The company saw a corresponding improvement in overall safety performance of approximately 17-25%.	Through the near-miss program, continue to develop employee confidence in reporting, controlling, and eliminating unsafe conditions or behaviors.	The near-miss program is a proactive effort to identify unsafe conditions or behaviors and allows Covanta to eliminate hazards before an accident or injury occurs. The program eliminates damage to personal health and safety, costs related to fines and penalties, and loss of operational time.
<b>Contractor safety</b>	Establish and maintain a contractor injury reporting and safety management system.	Contractor accidents were reported through the "Power UP with Safety Report" in 2010 and 2011. In 2011, 81 contractor incidents (inclusive of first aid as well as recordable events) were reported, as compared to 89 in 2010.	Continue to improve contractor injury tracking and reporting by implementing the new SafetyStat-3 database in 2012. Begin to report indices (TCIR and DART) for contractors that work more than 1,000 hours per quarter.	By demanding and investing in high safety standards for all workers, Covanta reduces safety costs overall, increases employee and contractor well-being, and contributes to the achievement of business goals.
<b>Contractor qualifications</b>	Improve contractor screening processes to ensure that all contractors comply fully with regulations and possess required expertise.	Covanta uses the ISNet-World system to pre-qualify contractors. The number of contractors qualified via the ISN system increased from 2010 to 2011 by 141% (from 287 to 691). Contractors with A grades increased from 16% in 2010 to 40% in 2011.	By 2012, all contractors hired by Covanta are expected to be integrated into the ISN system. Only contractors with an ISN A grade will be permitted to perform work at Covanta facilities.	Better qualified contractors are able to achieve higher standards of performance and to work more efficiently and effectively—delivering a cost-effective solution for Covanta in situations where contractor expertise or support is required.



## Employees (continued)

	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET	FINANCIAL LINKAGE
<b>Training design</b>	Design a training program for newly hired First Line Supervisors.	Successfully completed content development and design for the First Line Supervisor training program. Completed company standard for all employees to receive training for improved performance and to create opportunities for career growth.	Deliver inaugural program for newly hired and/or newly promoted First Line Supervisors in 2012, with plans to offer the program multiple times per year in the future.	Training of newly hired and/or newly promoted supervisors decreases ramp-up time and allows the realization of greater efficiencies and productivity. Training also supports increased job satisfaction related to having the necessary skill set for career advancement. Better trained supervisors and a skilled workforce improves overall efficiency and productivity.
<b>Talent retention</b>	Develop programs to attract and retain top talent and increase the retention of high-performing employees.	Maintained low attrition rates of high-performing employees. Participated in recruiting events targeted to attract qualified female candidates.	Maintain retention above 90% and continue to monitor, develop, and evaluate innovative programs to attract and retain top talent.	Our low attrition rate means that we retain qualified and talented individuals for continued success, preserve institutional memory, and avoid recruiting and training costs associated with new hires.
<b>Employee well-being</b>	Explore health and wellness initiatives in support of employee well-being.	Health Assessments were promoted for all employees covered under Covanta's medical plans. Assessments were used to identify targeted initiatives to address health risk factors.	In partnership with external health organizations, launch a company-wide Wellness Strategy in the areas of Smoking Cessation and Weight Management in 2012.	Employee productivity is linked to overall health and well-being. In addition to lowering health-care costs, a healthy employee base is more productive, engaged, and motivated to contribute to Covanta's success.

## Communities

Covanta has been investing in its community outreach programs for more than two decades. Company efforts have become more organized and uniform through Covanta's Clean World Initiative and the rollout of our new Environmental Justice and Community Outreach Programs. Our constant goal is to be a valued member of the community, not only by providing valuable services, but also by establishing more personal relationships—for example by our monetary and individual support of local causes and initiatives. The result of this comprehensive outreach is a more open and transparent dialogue that translates to improved business opportunities, including renewal of existing contracts; strong relationships; and better operational standing.

	GOAL	PROGRESS IN 2010/2011	FUTURE TARGET	FINANCIAL LINKAGE
<b>Community support</b>	Sponsor and participate in local events.	80% of facilities held an Earth Day event in 2011.	In 2012 and beyond, all facilities will sponsor an Earth Day or comparable event.	Covanta cements its relationship and reputation with the local community through sponsorship of local programs and continued dialogue. A well-informed community understands the value of the company's sustainable solutions and can help identify new opportunities.
<b>Public service</b>	Help to minimize toxics such as mercury and unused pharmaceuticals in the waste stream through donation of EfW services.	<ul style="list-style-type: none"> <li>Implemented a toxics reduction program in 30 of 41 facilities. The program removed 588 lbs. of mercury in 2010 and 282 lbs. in 2011.</li> <li>Launched the Rx4Safety program in 2010 and disposed of 30,000 lbs. of waste pharmaceuticals; 212,000 lbs. of waste pharmaceuticals were eliminated in 2011.</li> <li>Implemented Call2Recycle pilot in 2011 that recovered over 1,000 lbs. of batteries.</li> </ul>	By 2015, expand toxics reduction program to all facilities where communities are supportive of these efforts.	Covanta's overall reputation and capabilities validates our existing outreach systems and provides confidence in future opportunities. Our investment in "pollution prevention" and toxics reduction provides a healthier environment for its community members.
<b>Environmental Justice and Community Outreach</b>	Formalize Covanta's community relations and EJ programs and policies; and conduct locally based stakeholder engagement.	Finalized EJ policy and established Community Outreach Programs (COPs) at all facilities; held at least one meeting of local stakeholders at 28 of 41 facilities.	Implement activities related to each EfW facility's COP and hold at least one meeting at all facilities.	Strong community relationships of mutual trust and understanding facilitate discussions around new and continuing permits and approvals. In the event of a noncompliance or other unforeseen event, existing relationships provide us with avenues to quickly and collaboratively address issues with minimal disruption to the community and our operations.



## Performance data

### Economic\*

(data for Covanta Holding Corp., including all global operations, in millions USD)**	2011	2010	2009
<b>Operating Revenue</b>			
Waste and service revenues	1,082	1,036	916
Electricity and steam sales	400	420	417
Other operating revenues	168	127	51
<b>Total operating revenues</b>	<b>1,650</b>	<b>1,583</b>	<b>1,384</b>
<b>Operating Expenses</b>			
<b>Total operating expenses</b>	<b>(1,432)</b>	<b>(1,428)</b>	<b>(1,220)</b>
<b>Income tax</b>			
Income tax expense	(28)	(24)	(42)
<b>Net Income</b>			
<b>Net income attributable to Covanta Holding</b>	<b>219</b>	<b>62</b>	<b>102</b>
<b>Employees</b>			
<b>Total employees, as of December 31</b>	<b>3,700</b>	<b>4,100</b>	<b>4,100</b>

\*For complete information, please refer to Covanta's [2011 10-K](#).

\*\*For the years ended December 31.

### Operating

(U.S. and Canada EfW plants)	2011	2010	2009
<b>Number of EfW facilities</b>	41	41	41
<b>MSW processed (million tons)</b>	19	19	17
<b>Net electricity exported to the grid (million MW hours)</b>	8.6	8.7	7.9
<b>Steam exported (billion lbs)</b>	9.3	10.7	9.9
<b>Metal recovery (thousand tons)</b>	430	436	430
<b>GHG emissions avoided (million tons)</b>	16.8	16.8	15.7
<b>R&amp;D Expenses (Capital expenditures associated with technology development, in millions USD)</b>	6	6	5

### Social

(data for U.S. only)	2011	2010	2009
<b>Employees</b>			
<b>Total employees</b>	3390	3341	3484
<b>Salaried</b>	1036	1036	1044
<b>Hourly</b>	2354	2305	2440
<b>Turnover rate (%)</b>	9.1	11	7.3
<b>Health &amp; Safety</b>			
<b>DART (Days Away/Restricted/Transfer Rate)</b>	0.56	.69	1.01
<b>TCIR (Total Case Incident Rate)</b>	1.14	1.51	2.13
<b>Covanta Incident Index</b>	11.99	14.35	36.58
<b>Number of sites in OSHA VPP program</b>	41	39	38
<b>Diversity</b>			
<b>Women (% of total workforce)</b>	10	10	10.2
<b>Minorities (% of total workforce)</b>	30	29	26.4



## Awards and recognition

Covanta is honored to be recognized for significant sustainability achievements in 2010/2011. To view a full list of awards, please visit <http://www.covantaenergy.com/about-covanta/awards.aspx>.

- The American Society of Mechanical Engineers awarded Covanta's Alexandria/Arlington facility the Energy-from-Waste facility of the year in recognition of its strong environmental and safety performance record.
- Covanta's Corporate Headquarters received LEED® Gold Certification from the U.S. Green Building Council.
- The President of the United States gave the Coastal America Partnership Award to Covanta Energy and its partners in the Fishing for Energy program for outstanding collaborative efforts to protect, preserve, and restore the nation's coastal resources and ecosystems.
- The Women's Forum of New York recognized Covanta for having at least a 20 percent female representation on its board of directors.
- Tulsa—Statewide Sustainability Award  
[Tulsa World: Tulsa's Covanta Energy is 2012 Henry Bellmon Sustainability Award Winner](#)  
[Covanta Tulsa Receives Prestigious Bellmon Sustainability Award \(video\)](#)
- SWANA Awards—3 Covanta Facilities were honored in 2012  
[Covanta Energy Sweeps SWANA's 2012 Excellence Awards for Waste to Energy](#)  
[Covanta Onondaga Awarded Top Waste to Energy Honors in SWANA's 2012 Excellence Awards](#)
- Maplecroft Ranking  
[Leading Climate Innovation Indexes Rank Covanta as Top Energy Company, 11th Overall](#)
- HPower ASME Top Plant Award  
[Honolulu.gov: City's H-Power Plant Wins Top Award](#)
- Hillsborough Sustainability Award  
[Hillsboroughcounty.gov: Hillsborough County, Covanta Honored For Partnership In Energy Project](#)

## About this report

This is Covanta's second sustainability report. The report covers the 2010 and 2011 calendar years and incorporates information from our Americas segment as well as our international operations. Our objective is to be as comprehensive as possible in our disclosures. We therefore report fully our facility information (i.e., amount of waste processed, energy output, fines and penalties, etc.) even if we are only a partial owner or have a less than a majority of equity interest. The exception to this approach is with regard to our reporting to the Carbon Disclosure Project; data compiled for the CDP are calculated on an equity share basis. To the degree that certain data are only available for the Americas segment, we have footnoted that information in relevant charts and tables.

### Feedback

We invite you to send us questions or comments on this report and our sustainability performance. Please contact:

Brian Bahor, QEP

Vice President, Sustainability

Covanta Energy Headquarters

445 South Street

Morristown, New Jersey 07960

bbahor@CovantaEnergy.com

## Cautionary note regarding forward-looking statements

Certain statements in this report may constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) or in releases made by the Securities and Exchange Commission (“SEC”), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Covanta and its subsidiaries, or general industry or broader economic performance in global markets in which Covanta operates or competes, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “will,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act,

the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Covanta cautions investors that any forward-looking statements made by Covanta are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Covanta, include, but are not limited to, the risk that Covanta may not successfully close its announced or planned acquisitions or projects in development and those factors, risks and uncertainties that are described in periodic securities filings by Covanta with the SEC. Although Covanta believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any forward-looking statements. Covanta’s future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward looking statements contained in this report are made only as of the date hereof and Covanta does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.



## Statement GRI Application Level Check

GRI hereby states that **Covanta Energy Corporation** has presented its report “Covanta Sustainability Report 2010/2011” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 22 November 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 14 November 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

# Global Reporting Initiative (GRI) Content Index

● = fully reported | ◐ = partially reported | ○ = not reported

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>1. Strategy and Analysis</b>			
1.1	Statement from the most senior decision-maker of the organization.	●	CEO letter, pages 3-4
1.2	Description of key impacts, risks, and opportunities.	●	CEO letter, pages 3-4 About Covanta, pages 7-8, 10, 13-15 Focus on Materiality, pages 46-47 Performance Data, page 55 Sustainability Goals and Targets, pages 48-54 2011 10-K Risk Factors, pages 27-36 Communities, page 40
<b>2. Organizational Profile</b>			
2.1	Name of the organization.	●	About Covanta, page 11
2.2	Primary brands, products, and/or services.	●	About Covanta, pages 11-12 We do not engage in any significant outsourcing.
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	About Covanta, pages 11-12 2011 10-K, pages 7-14
2.4	Location of organization's headquarters.	●	445 South Street Morris Township, New Jersey 07960
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	Seven: United States, China, Italy, Canada, UK, Ireland, and Bangladesh
2.6	Nature of ownership and legal form.	●	Covanta Energy is wholly owned by Covanta Holding Corporation, which is listed and publicly traded on the New York Stock Exchange under the ticker symbol CVA.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	About Covanta, pages 11-12 2011 10-K, pages 4, 7 <a href="#">Interactive facilities map on Covanta website</a>
2.8	Scale of the reporting organization.	●	Employees, page 28 About Covanta, page 11 2011 10-K, pages 7, 10, 14, 39, 40

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	Sale of fossil fuel assets (About Covanta, page 13) 2011 10-K, pages 13, 89-90 No changes to share capital structure.
2.10	Awards received in the reporting period.	●	Awards and Recognition, page 56 <a href="#">Awards page on Covanta website</a>
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	●	2011 10-K, pages 11-12, 14 About Covanta, pages 11-12 The primary fuel for Covanta facilities is Municipal Solid Waste. Small amounts of auxiliary fuel (typically <1%) such as Fuel Oil or Natural Gas are used for startup and combustion stabilization.
EU2	Net energy output broken down by primary energy source and by regulatory regime.	●	Performance Data, page 55 About Covanta, pages 11-12 In each of years 2010 and 2011, Covanta's facilities managed over 18.9 million tons of MSW in North America, 1 million tons of wood waste, and 1 billion cf of landfill gas to generate the equivalent of over 10 million megawatt hours (MWh) of power for distribution to the grid—enough to power 875,000 homes for a year.
EU3	Number of residential, industrial, institutional and commercial customer accounts.	○	Not reported (not applicable). Covanta is not a distributor of electricity.
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	○	Not reported (not applicable). Covanta does not have above or underground circuits.
EU5	Allocation of CO <sub>2</sub> -e emissions allowances or equivalent, broken down by carbon trading framework.	●	Energy and Environment, pages 21-22 Covanta operates two units subject to the Regional Greenhouse Gas Initiative (RGGI) at its Niagara Falls facility. The units predominately serve as a back-up to the EfW units installed at the facility and provide steam to the local industrial clients should the EfW units be taken off-line for maintenance or repairs.

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>3. Report Parameters</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	2010 and 2011
3.2	Date of most recent previous report (if any).	●	2010
3.3	Reporting cycle (annual, biennial, etc.)	●	Biennial
3.4	Contact point for questions regarding the report or its contents.	●	Brian Bahor, QEP Vice President, Sustainability bbahor@CovantaEnergy.com 862.345.5113
3.5	Process for defining report content.	●	Focus on Materiality, pages 46-47 Our materiality process reflects the key elements of GRI Guidance Document on Defining Report Content (Sustainability Context, Materiality, Completeness, and Stakeholder Inclusiveness). We believe that employees, government officials, NGOs, and communities surrounding our facilities will be the primary readers of this report.
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	This report incorporates international information to the degree possible, including international operations. For these facilities, data is incorporated as available, including for joint ventures in China and operations in Italy, Ireland, and the UK.
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	No specific limitations.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	Our objective is to be as comprehensive as possible in our disclosure. We therefore report fully our facility information (amount of waste processed, energy output, fines and penalties, etc.) even if we are only a partial owner or have a less than majority equity share. The exception to this reporting approach is with regard to our reporting to the Carbon Disclosure Project (CDP); data compiled for the CDP are calculated on an equity share basis.

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	Energy and Environment, pages 20-22 Covanta's GHG inventory for its EfW operations in the United States is based on the MSW Decision Support Tool (MSW-DST), a lifecycle analysis methodology developed by the US EPA. Covanta has also been reporting its global GHG emissions, calculated on an equity share basis, to the Carbon Disclosure Project (CDP) since 2006. The equity share basis attributes GHG emissions and net savings based on Covanta's ownership share of its facilities.
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	No restatements were made.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	Inclusion of international operations, as possible.
3.12	Table identifying the location of the Standard Disclosures in the report.	●	GRI Index, pages 58-71
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	We currently do not assure our sustainability report; we may consider seeking external assurance for specific indicators in the future.
<b>4. Governance, Commitments, and Engagement</b>			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	Governance, page 16 <a href="#">Covanta corporate governance website</a>
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	Governance, page 16 <a href="#">Covanta management structure website</a>

## GRI Content Index (continued)

● = fully reported | ◐ = partially reported | ○ = not reported

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	Governance, page 16 <a href="#">Covanta corporate governance website</a> Covanta posts its independence standards in Attachment A to the Corporate Governance Guidelines and further clarifies that the Corporation meets the director independence requirements of the New York Stock Exchange in its annual Proxy Statement.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	<a href="#">Covanta corporate governance website</a> As per the Proxy Statement, stockholder proposals can be directed to the Secretary of the Corporation at the corporate headquarters. Each year, in the Corporation's Proxy Statement, instructions are provided to stockholders for submitting proposals for consideration at the following year's annual meeting. Covanta has established processes for employees to voice ethics concerns. Anonymous calls can be made to a hotline at a number provided in the Policy of Business Conduct. All other issues can be discussed with supervisors, managers or members of the senior management team.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	Governance, page 16 Other than the performance of our stock, the board's compensation is not linked to Covanta's performance. Senior management compensation is comprised of (1) a base salary, (2) a cash bonus payable based on performance during the prior year, and (3) equity grants in the form of restricted stock and/or option, which vest over time. A portion of the cash bonus is based on corporate performance on health and safety and environmental objectives.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	Governance, page 16

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	●	Governance, page 16
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	Governance, page 16 About Covanta, page 8 Policies apply to all global operations and are not explicitly based on any international protocols or standards.
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	Governance, page 16 Covanta's board assesses the organization's sustainability performance every quarter where certain (but not all) sustainability metrics are considered.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	Governance, page 16 Our board, under the direction of our nominating and governance committee, conducts annual self-assessments of the full board and each of its committees, and discusses the results and further actions to be taken where improvement is needed.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	Energy and Environment, page 19 About Covanta, pages 14-15
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	Covanta does not subscribe to or endorse any externally developed sustainability charters or principles; however, Covanta does participate in the Clinton Global Initiative/Project Kaisei, a voluntary initiative entered into in 2009 that is based in the United States.

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> <li>• Has positions in governance bodies;</li> <li>• Participates in projects or committees;</li> <li>• Provides substantive funding beyond routine membership dues; or</li> <li>• Views membership as strategic.</li> </ul>	●	<p>We are members of the Energy Recovery Council (ERC). Covanta plays a leadership role at ERC in interfacing with state and federal agencies that work on energy, climate change, and other environmental programs.</p> <p>We are members of the European equivalent of ERC, the Confederation of European Waste-to-Energy Plants (CEWEP) and ERC's Canadian equivalent, Canadian Energy from Waste Coalition.</p> <p>Covanta has one employee represented on the Voluntary Protection Program Participants Association (VPPPA) Region 1 Board of Directors. The VPPPA is the leading organization dedicated to cooperative occupational safety, health, and environmental management systems.</p> <p>Covanta also has 33 employees who serve as Special Government Employees (SGEs) to OSHA. The SGE Program was established to allow industry employees to work alongside OSHA during Voluntary Protection Programs' (VPP) onsite evaluations.</p>
4.14	List of stakeholder groups engaged by the organization.	●	Focus on Materiality, page 47
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	<p>Communities, pages 40-41</p> <p>Focus on Materiality, page 47</p> <p>We engage with our stakeholders to better understand and address their concerns. We also strive to reach out to those individuals, groups, and organizations that can help us refine and enhance our approach to achieving our mission of being the leading EfW company in the world.</p>
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	<p><a href="#">Covanta stakeholder engagement table</a></p> <p>Communities, pages 38-41, 43</p> <p>Focus on Materiality, page 47</p> <p>No stakeholder engagement was undertaken specifically as part of the report development process.</p>
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	<p>Focus on Materiality, pages 46-47</p> <p>Communities, pages 40-41</p> <p>About Covanta, pages 10, 13-14</p>

DMA#	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Disclosures on Management Approach (DMAs)</b>			
<b>DMA EC Disclosures on Management Approach EC</b>			
Aspects	Economic performance	●	2011 10-K, pages 4-37 About Covanta, pages 7, 11-15 Performance Data, page 55
	Market presence	●	2011 10-K, pages 4-37 About Covanta, pages 11-15 Performance Data, page 55
	Indirect economic impacts	●	2011 10-K, pages 4-37 About Covanta, pages 11-15 Performance Data, page 55 Communities, pages 38, 42-43
	Availability and reliability	○	Not applicable
EU6	Management approach to ensure short- and long-term electricity availability and reliability	○	Not applicable
	Demand-side management	○	Not applicable
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs	○	Not applicable
	System efficiency	●	About Covanta, page 15 Energy and Environment, pages 25-26 Sustainability Goals and Targets, pages 49-50
	Research and development	●	About Covanta, page 15 Sustainability Goals and Targets, pages 49-50 Performance Data, page 55
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	●	About Covanta, page 15 Performance Data, page 55
	Plant decommissioning	○	Not applicable
EU9	Provisions for decommissioning of nuclear power sites	○	Not applicable

## GRI Content Index (continued)

● = fully reported | ◐ = partially reported | ○ = not reported

DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>DMA EN</b>	<b>Disclosures on Management Approach EN</b>		
<b>Aspects</b>	<b>Materials<sub>COMM</sub></b>	●	Energy and Environment, pages 18, 23-24 About Covanta, pages 8-10 Sustainability Goals and Targets, pages 49-50 Performance Data, page 55
	<b>Energy</b>	●	Energy and Environment, pages 18, 21-22, 25 Sustainability Goals and Targets, page 49 Performance Data, page 55
	<b>Water<sub>COMM</sub></b>	●	Energy and Environment, pages 18, 26 Sustainability Goals and Targets, page 49
	<b>Biodiversity<sub>COMM</sub></b>	○	Not material
	<b>Emissions, effluents and waste<sub>COMM</sub></b>	●	Energy and Environment, pages 18, 20-22, 25 Sustainability Goals and Targets, page 51
	<b>Products and services</b>	●	Energy and Environment, page 18 Sustainability Goals and Targets, pages 49-51 Performance Data, page 55
	<b>Compliance</b>	●	Energy and Environment, pages 18-20 Sustainability Goals and Targets, page 51
	<b>Transport</b>	○	Not material
	<b>Overall</b>	●	Energy and Environment, page 18 Sustainability Goals and Targets, pages 48-51 Performance Data, page 55
<b>DMA LA</b>	<b>Disclosures on Management Approach LA</b>		
<b>Aspects</b>	<b>Employment</b>	●	Employees, page 28 Sustainability Goals and Targets, pages 52-53 Performance Data, page 55
<b>EU14</b>	Programs and processes to ensure the availability of a skilled workforce	◐	Employees, pages 32-36
<b>EU15</b>	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	●	<a href="#">Covanta retirement age spreadsheet</a>

DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>EU16</b>	<b>Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors</b>	●	Employees, pages 29-31
	<b>Labor/management relations</b>	●	Employees, page 36
	<b>Occupational health and safety</b>	●	Employees, pages 29-31 Sustainability Goals and Targets, pages 52-53 Performance Data, page 55
	<b>Training and education</b>	●	Employees, pages 32-35 Sustainability Goals and Targets, pages 52-53 Performance Data, page 55
	<b>Diversity and equal opportunity</b>	●	Employees, page 36 Performance Data, page 55
<b>DMA HR</b>	<b>Disclosures on Management Approach HR</b>		
<b>Aspects</b>	<b>Investment and procurement practices</b>	●	Communities, page 42 Covanta does not have a specific management approach to human rights with regard to investment and procurement practices at this time. We are in the process of developing a supply chain policy.
	<b>Non-discrimination</b>	●	Employees, page 36
	<b>Freedom of association and collective bargaining</b>	●	Employees, page 36 See response to indicator HR5
	<b>Child labor</b>	○	See response to indicator HR6
	<b>Forced and compulsory labor</b>	○	See response to indicator HR7
	<b>Security practices</b>	○	Not applicable
	<b>Indigenous rights</b>	○	See response to indicator HR9
<b>DMA SO</b>	<b>Disclosures on Management Approach SO</b>		
<b>Aspects</b>	<b>Community</b>	●	Communities, pages 38-39 Sustainability Goals and Targets, page 54
<b>EU19</b>	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	●	Communities, pages 38-41 Covanta commits to have an enhanced public participation strategy with communities on major facility permit actions and engage in substantive conversations with community members during the early stages of the permitting process.

## GRI Content Index (continued)

● = fully reported | ◐ = partially reported | ○ = not reported

DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
EU20	Approach to managing the impacts of displacement	○	Not applicable
	Corruption	●	Ethics, page 16
	Public policy	●	2011 10-K, pages 5-6, 22-24 About Covanta, pages 13-14
	Anti-competitive behavior	●	Ethics, page 16
	Compliance	●	Ethics, page 16
	Disaster/Emergency planning and response	●	Communities, pages 38-39
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	◐	Communities, page 39
<b>DMA PR Disclosures on Management Approach PR</b>			
Aspects	Customer health and safety	●	See response to indicator PR1
	Product and service labelling	●	Communities, pages 38, 40-41 Sustainability Goals and Targets, page 54
	Marketing communications	○	Not applicable
	Customer privacy	○	Not applicable
	Compliance	○	Not applicable
	Access	○	Not applicable
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	○	Not applicable
	Provision of information	○	Not applicable
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	○	Not applicable

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Economic</b>			
<b>Economic performance</b>			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	Communities, page 43 2011 10-K, pages 40, 63, 68, 77, 78, 121 2011 Annual Report, page 5
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	2011 10-K, pages 15, 20, 22-25 CDP response



## GRI Content Index (continued)

● = fully reported | ◐ = partially reported | ○ = not reported

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
EC3	Coverage of the organization's defined benefit plan obligations.	●	<p>Covanta provides a 401(k) plan, with a company match. For the 401(k) plan, employees may contribute up to 20% of eligible earnings. The company match is up to 4% of eligible earnings. The non-contributory company contribution is 3% of eligible earnings. Since the 401(k) plan includes the company contribution, 100% of employees are active participants. Approximately 80% of employees elect to defer to the 401(k).</p> <p>Covanta also has a defined benefit plan that was frozen as of 12/31/2005—the Covanta Energy Pension Plan. Employees had to be active Covanta employees by 12/1/2004 to participate (1st of month following 1 year of employment). Approximately 30% of our active employees are participants in this plan. Covanta has filed for a determination to terminate this plan. The defined benefit plan has assets of \$87M and liability of \$96M. In addition there is an unfunded non-qualified pension plan with liability of approximately \$6.5M and unfunded retiree medical program with liabilities of \$6.5M.</p> <p>The defined benefit plan will be fully funded at the time the assets are distributed. The non-qualified benefit is paid as a lump sum with company assets when the participant is eligible to receive. This benefit is subject to the general solvency of the company. There are no employee contributions in this plan.</p>

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
EC4	Significant financial assistance received from government.	●	<p>During 2011, Covanta received approximately \$1.5 million in US federal government research and development grant funds. These funds were provided as contemplated by a cooperative agreement executed in 2009 between Covanta Energy and the US Army Corps of Engineers. The total funding contemplated under the grant was more than \$3.7 million, covering a variety of scopes related to the conversion of municipal solid waste to renewable diesel fuel.</p> <p>Covanta did not receive a significant amount of government financial assistance in any other form during the reporting period, and no government entity is a shareholder.</p>
<b>Market presence</b>			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	●	Employees, page 32
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	●	Communities, page 42 Policy applies to purchases for operations in North America. Local refers to municipalities and regions surrounding Covanta facilities.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	○	
<b>Indirect economic impacts</b>			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	About Covanta, pages 7-8, 10 Communities, pages 38-40, 42 2011 10-K, pages 7, 11-12 Covanta facilities, themselves, represent commercial infrastructure investments.

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>EC9</b>	Understanding and describing significant indirect economic impacts, including the extent of impacts.	◐	Communities, pages 42, 44-45 Indirect impacts associated with safe disposal of toxics, pharmaceuticals, and other materials advances the priorities of local community members (stakeholders) and many recognized sustainability principles and agendas. Indirect economic benefits also assist in community economic development.
<b>Availability and reliability</b>			
<b>EU10</b>	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	○	
<b>System efficiency</b>			
<b>EU11</b>	Average generation efficiency of thermal plants by energy source and regulatory regime.	○	
<b>EU12</b>	Transmission and distribution losses as a percentage of total energy.	○	Not applicable

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Environmental</b>			
<b>Materials</b>			
<b>EN1<sub>COMM</sub></b>	Materials used by weight or volume.	●	Performance Data, page 55 Energy and Environment, page 25 About Covanta, page 11 Covanta does not use a material quantity of solid and liquid high level and low level PCBs in its equipment.
<b>EN2</b>	Percentage of materials used that are recycled input materials.	○	Not applicable
<b>Energy</b>			
<b>EN3</b>	Direct energy consumption by primary energy source.	○	
<b>EN4</b>	Indirect energy consumption by primary source.	○	
<b>EN5</b>	Energy saved due to conservation and efficiency improvements.	○	
<b>EN6</b>	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	○	
<b>EN7</b>	Initiatives to reduce indirect energy consumption and reductions achieved.	●	Energy and Environment, page 22 Through our corporate travel initiatives and parameters we've offset approximately 1,667 tons of CO <sub>2</sub> . This figure was provided to us by our corporate travel vendor, Direct Travel.
<b>Water</b>			
<b>EN8<sub>COMM</sub></b>	Total water withdrawal by source.	○	
<b>EN9</b>	Water sources significantly affected by withdrawal of water.	○	

## GRI Content Index (continued)

● = fully reported | ◐ = partially reported | ○ = not reported

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
EN10	Percentage and total volume of water recycled and reused.	○	
<b>Biodiversity</b>			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	○	Not material
EN12 <sub>COMM</sub>	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	○	Not material
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas	○	Not material
EN13	Habitats protected or restored.	○	Not material
EN14 <sub>COMM</sub>	Strategies, current actions, and future plans for managing impacts on biodiversity.	○	Not material
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○	Not material
<b>Emissions, effluents, and waste</b>			
EN16 <sub>COMM</sub>	Total direct and indirect greenhouse gas emissions by weight.	◐	Energy and Environment, pages 21-22
EN17	Other relevant indirect greenhouse gas emissions by weight.	○	
EN18 <sub>COMM</sub>	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	Energy and Environment, pages 21-22
EN19	Emissions of ozone-depleting substances by weight.	○	Not material

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
EN20 <sub>COMM</sub>	NOx, SOx, and other significant air emissions by type and weight.	◐	Energy and Environment, page 20
EN21 <sub>COMM</sub>	Total water discharge by quality and destination.	○	
EN22 <sub>COMM</sub>	Total weight of waste by type and disposal method.	○	
EN23	Total number and volume of significant spills.	○	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○	Not material
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	○	Not material
<b>Products and services</b>			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	About Covanta, pages 8-10, 15 Energy and Environment, pages 20, 23-26 Communities, pages 39-40 (Note: Effluents and Noise are not material issues for Covanta.)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	○	Not applicable

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Compliance</b>			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	Energy and Environment, page 20 In 2010, we were assessed \$434,000 in fines and penalties for non-compliance with environmental laws and regulations. A significant contributor to this amount was a fine of \$400,000 related to a dioxin stack test failure at our facility in Wallingford, Connecticut. The incident was a result of an equipment malfunction and represents an atypical event. The equipment was immediately repaired/replaced and emissions levels at the facility are and have remained well below permit limits since the exceedance. No significant fines or penalties (monetary or non-monetary) were levied against Covanta in 2011. No cases were brought through dispute resolution mechanisms for non-compliance with environmental laws and regulations during the reporting period.
<b>Transport</b>			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	○	Not material
<b>Overall</b>			
EN30	Total environmental protection expenditures and investments by type.	○	

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Social: Labor Practices and Decent Work</b>			
<b>Employment</b>			
LA1 <sub>COMM</sub>	Total workforce by employment type, employment contract, and region.	◐	Employees, page 28
LA2 <sub>COMM</sub>	Total number and rate of employee turnover by age group, gender, and region.	●	Employees, page 34
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.	○	
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	◐	Employees, page 31
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	Part-time employees scheduled to work at least 24 hours per week may elect medical/dental coverage (but must pay 100% of the coverage). They may also elect the voluntary life coverages (i.e. supplemental life, spouse life, child life, supplemental AD&D, family AD&D), but they are not provided the 2X basic/2X AD&D coverage provided by the Company. Part-time employees may elect to participate in the 401(k) plan (and receive the company match). However, to receive the non-contributory company contribution, they must work 1,000 hours in the year and the contribution will be made in the following year.
<b>Labor/management relations</b>			
LA4 <sub>COMM</sub>	Percentage of employees covered by collective bargaining agreements.	◐	Employees, page 36
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	Employees, page 36

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Occupational health and safety</b>			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	◐	Employees, page 30
LA7 <sub>COMM</sub>	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	◐	Employees, page 29
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	◐	Employees, pages 30-32
LA9	Health and safety topics covered in formal agreements with trade unions.	○	
<b>Training and education</b>			
LA10	Average hours of training per year per employee by employee category.	●	Employees, page 33 <a href="#">Covanta employee training spreadsheet</a>
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	Employees, pages 33-35
LA12	Percentage of employees receiving regular performance and career development reviews.	●	Employees, page 33

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Diversity and equal opportunity</b>			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	Employees, page 36 Governance, page 16; One of the board members is in the age range 35-50, nine of the board members are in the age range of 51 and above.
LA14	Ratio of basic salary of men to women by employee category.	◐	Ratio of Basic Salary %: Men 50.22; Women 49.78 (not reported by employee category)
<b>Social: Human Rights</b>			
<b>Investment and procurement action</b>			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	●	None at this time.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	●	No screening is conducted at this time.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	●	Every 18 months we ask all (100% of) employees to participate in a sexual harassment and diversity awareness program: Civil Treatment for Employees: 3 hours; Civil Treatment for Managers: 6 hours; as well as Fit for Duty training.
<b>Non-discrimination</b>			
HR4	Total number of incidents of discrimination and actions taken.	●	Covanta complies with annual equal employment opportunity reporting requirements, affirmative-action planning and reporting standards and all state and federal posting rules. All employees undergo an annual sexual harassment, diversity, and civil-treatment training, and Covanta has not been adjudged or been found liable for unlawful discrimination against any employee because of race, gender, age, ethnicity, disability, or any other protected characteristic or status.

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Freedom of association and collective bargaining</b>			
HR5 <sub>COMM</sub>	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	●	Employees, page 36 There are no areas or operations at Covanta in which employees' rights to exercise freedom of association or collective bargaining are at risk.
<b>Child labor</b>			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	None. Covanta operations are not at risk of hiring children nor does the company operate in high-risk regions for child labor.
<b>Forced and compulsory labor</b>			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	●	None. Covanta policies, procedures and operations would not create the opportunity to engage in forced or compulsory labor, nor does Covanta operate in high-risk regions for forced/compulsory labor.
<b>Security practices</b>			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	○	Not applicable
<b>Indigenous rights</b>			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	None. The vast majority of Covanta's facilities are not sited among indigenous regions; for facilities interfacing with indigenous communities, relations are good and no violations have been reported (First Nations in Canada).

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Social: Society</b>			
<b>Community</b>			
SO1 <sub>COMM</sub>	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	Communities, pages 38-41 Due to the nature of Covanta's operations, the company's entering and exiting a community does not have a significant impact on 1) changes to social structures, 2) loss of global commons or significant changes to landuse, 3) changes to local infrastructure and access to services (other than increased access to waste disposal services), 4) changes to the aesthetics of the landscape, and there are no provisions for intervenor funding.
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.	○	Not applicable
<b>Corruption</b>			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	○	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	100%. All of our employees (management and non-management) are expected to read and comply with our Policy of Business Conduct. The policy covers topics such as financial reporting, corruption, copyrights, and environmental health and safety.
SO4	Actions taken in response to incidents of corruption.	○	
<b>Public policy</b>			
SO5	Public policy positions and participation in public policy development and lobbying.	●	About Covanta, pages 13-14 2011 10-K, pages 6, 16 There are no significant differences between public policy positions and lobbying efforts or sustainability priorities.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	○	

## GRI Content Index (continued)

● = fully reported | ◐ = partially reported | ○ = not reported

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Anti-competitive behavior</b>			
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	None.
<b>Compliance</b>			
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	There were no socially-related fines, penalties, or non-monetary sanctions in 2010 and 2011.
<b>Social: Product Responsibility</b>			
<b>Customer Health and Safety</b>			
PR1 <sub>COMM</sub>	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	We assess and improve the health and safety impacts of 100% of products and services during development of product concept in that safety considerations are factored in to assure early evaluation and consideration of concerns. Similar considerations are factored in during research and development, manufacturing, and production. All evaluations must be completed far before marketing and promotional materials are developed and thus, at this stage, safety considerations are embedded.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	○	
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	○	

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Product and service labeling</b>			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	○	Not applicable
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	○	Not applicable
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	Communities, pages 38, 40-41
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	○	Not applicable
<b>Marketing communications</b>			
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	○	Not applicable
<b>Customer privacy</b>			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	○	Not applicable
<b>Compliance</b>			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	○	Not applicable

## GRI Content Index (continued)

● = fully reported | ◐ = partially reported | ○ = not reported

PERFORMANCE INDICATOR	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
<b>Access</b>			
EU26	Percentage of population unserved in licensed distribution or service areas.	○	Not applicable
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	○	Not applicable
EU28	Power outage frequency.	○	Not applicable
EU29	Average power outage duration.	○	Not applicable
EU30	Average plant availability factor by energy source and by regulatory regime.	◐	Energy and Environment, page 25