

reduce | reuse | recycle | recover

2012

The year in numbers

Celebrated the fifth anniversary of Covanta's Clean World Initiative

Avoided approximately **18 million metric tonnes** of carbon dioxide equivalent (CO₂e) in our EfW operations

Named among the **top 3 percent** of U.S. companies evaluated in the Maplecroft Climate Innovation Indexes

Recycled **432,000 tons** of metal

Consistently operated at **less than 25 percent** of the emissions levels allowed by the U.S. Clean Air Act

40 locations recognized as OSHA VPP Star sites

Operated EfW facilities at **92 percent** boiler availability

Rx4Safety Program reached **600,000 lbs** milestone of consumer pharmaceuticals collected and destroyed

Successfully renewed **22 out of 23 contracts** over the last five years

What is **sustainability?**

At Covanta, we view sustainability as the simultaneous pursuit of economic prosperity, environmental stewardship, and social equity for the company and our stakeholders. We believe that our continued financial success and growth is inextricably tied to our ability to deliver environmentally superior solutions and innovation, just and fair operation in our communities, and excellent service to our clients.

Message from the CEO

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 pursuit of opportunities to become more sustainable.



This drive to innovate has made our facilities safer and more efficient and has strengthened our relationships with partners, clients, and communities. In fact, Energy-from-Waste (EfW), the process at the core of our operations, is itself an innovative solution to two seemingly intractable problems: reliably generating clean, renewable energy and responsibly disposing of waste following reuse and recycling.

By processing municipal solid waste (MSW) and other waste 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, while creating local, green jobs.

Sustainability is not new for Covanta. In 2012, we celebrated the fifth anniversary of our Clean World Initiative (CWI)—our commitment to bring sustainability to every facet of the company's business.

Under CWI, we seek to:

- **Invest in the research and development of new technologies** to enhance existing operations and create new business opportunities;
- **Explore and implement processes and technologies** to improve efficiency, minimize environmental impacts, and enhance health and safety performance;
- **Add complementary services** to augment 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 a perfect example of how sustainability is not only the right thing to do, but also the right thing for our business. We know that when we meet our CWI objectives, we improve our overall financial performance and long-term success as a company.

Our latest Corporate Sustainability Report, available on our website, contains many examples of the ways we are innovating towards sustainability and applying CWI across our operations. I invite you to read our full report, and to share your ideas, comments, and concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Orlando'.

Anthony J. Orlando
President and Chief Executive Officer

EfW: A sustainable solution

Waste is an important resource and a potential source of clean, safe, and renewable energy. When non-recycled waste is diverted to EfW facilities rather than to landfills, we can preserve natural resources; increase the availability of open space; avoid emissions; create local, green jobs; and recover significant amounts of energy and metals.

In fact, the most sustainable countries in the world achieve recycling rates of up to 65 percent—and then recover energy from the left-over trash at EfW plants. If this approach was adopted in the United States, we could supply over 5.5 million homes with electricity from trash every year.



**REDUCE
REUSE
RECYCLE
RECOVER**

The waste hierarchy

The waste hierarchy illustrates the preferred order of making the best use of waste, while minimizing the environmental and energy impacts from its management. By following the 4Rs (reduce, reuse, recycle, and recover) globally, we have the potential to reduce GHG emissions by a gigatonne of carbon per year. That's the equivalent of closing 1,000 large coal-fired power plants or building two million one-megawatt windmills!



OUR GOAL: Commercial and industrial waste disposal

By 2015, increase the total tons of directly contracted commercial and industrial waste processed to 1,000,000 tons from 490,000 tons in 2011.

Many Covanta clients choose EfW for assured destruction of sensitive waste and to help achieve their zero landfill initiatives. Our commercial and industrial services generate additional revenue, improve customer relationships, and help the environment.

Over **250 million tons** of trash are buried in U.S. landfills each year

In 2010, more than **\$11 billion** of recyclables were landfilled in the United States

The five European countries with the highest recycling and composting rates are virtually landfill free—recovering energy from **97 to 100 percent** of left-over MSW

Helping Subaru reach its zero landfill goal

In May of 2004, Subaru of Indiana Automotive, Inc. (SIA) became the first automotive assembly plant in the United States to achieve zero landfill status.

To achieve this goal, SIA evaluated opportunities to reduce consumption, eliminate unnecessary packaging, utilize reusable containers, and develop new markets for recycling of by-products. For the very small percentage of non-hazardous waste left over after these efforts to reduce, reuse, and recycle were

exhausted, SIA turned to Covanta for zero landfill disposal.

At Covanta's Indianapolis Resource Recovery Facility, SIA's non-hazardous waste is diverted from the landfill and used as fuel to create steam power for Indianapolis' downtown heating loop. Since 2000, SIA has reduced the amount of waste per vehicle produced by 52 percent and saved millions of dollars each year through the implementation of the waste management hierarchy.

“Covanta delivers a safe and environmentally friendly alternative to landfill disposal for our non-hazardous waste. This creates a real win-win solution for our operations and the environment.”

Denise Coogan

REM, CHMM Manager

Safety and Environmental Compliance
Subaru of Indiana Automotive, Inc.



Energy and environment

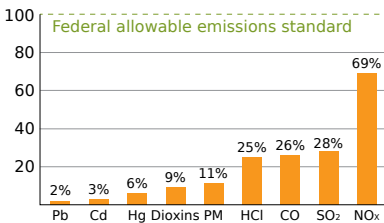


OUR GOAL: 100% compliance

Achieve and maintain 100 percent compliance for all reportable periods by 2015 including those currently exempt during startup and shutdown.

By demonstrating full and continual compliance, Covanta builds its reputation as a responsible member of the local community while also avoiding fines and penalties.

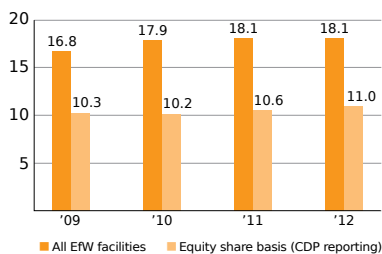
Covanta 2012 EfW emissions compared to federal standards



CWI achievements, 2007–2012:
5-year % reduction in emissions

Parameter	% Reduction
Particulate	36%
Hydrogen Chloride (HCl)	40%
Dioxins	48%
Lead	55%
Mercury	58%

Global EfW net GHG avoided
(CO₂e in million metric tonnes)



We seek to be on the leading edge of industry performance when it comes to responsible operation and the wise use of natural resources. Our Environmental and Sustainability Policies set high expectations for and provide guidance to Covanta employees and contractors, whether working on the facility floor or in the executive suite.

A beyond-compliance mindset

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. We are not satisfied with meeting minimum requirements, and over the years, have achieved a compliance rate of 99.9 percent with emissions well below established legal limits.

We know that some stakeholders are particularly concerned with air emissions associated with EfW operations. We have achieved significant reductions in pollutants monitored by Continuous Emissions Monitoring Systems (CEMs), including SO₂, NO_x, CO, and particulate matter, as well as those periodically measured by approved stack test methods. The charts to the left demonstrate Covanta's successes over the five years that CWI has been in place. In addition, we have developed and installed at 10 facilities new, cost-effective, patented and patent-pending technologies that represent major advances in controlling nitrogen oxide (NO_x) emissions with reduced raw material consumption.

Avoiding GHG emissions

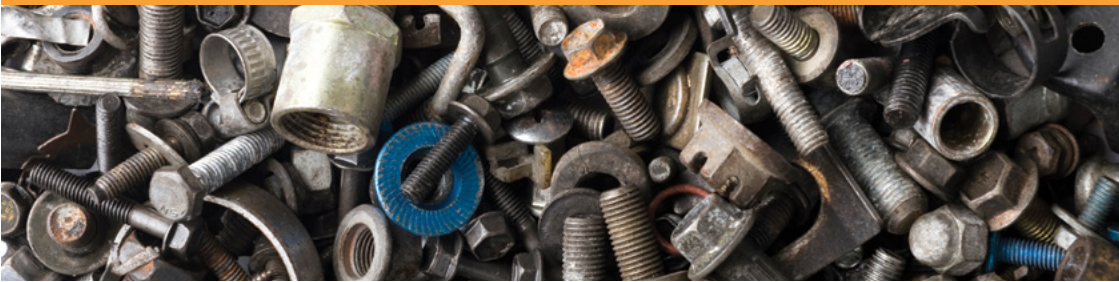
Releases of GHGs such as carbon dioxide (CO₂) and methane (CH₄) related to human activities are causing changes to the earth's climate. All combustion processes including cars, home furnaces, coal-fired and natural gas-fired electric generating units, landfills, recycling processes, and EfW emit CO₂. However, the EfW process is internationally recognized as creating net reductions in GHG emissions, because it:

- avoids CO₂ emissions from fossil fuel power plants that would have produced equivalent power;
- avoids methane emissions from landfills;
- avoids GHG emissions from mining ore and processing virgin metal; and
- often avoids long-haul transport to distant landfills.

Advanced metals recycling at the Bondi Island ash monofill

Covanta has significantly enhanced its metals recovery efforts in Massachusetts. By consolidating ash processing from our Springfield, Pittsfield, and Wallingford facilities at one centralized location at the Bondi Island ash monofill, we can economically recover non-ferrous metals and additional ferrous

metals. The recycling project incorporates four stages of ferrous and non-ferrous removal to maximize metals recovery. In addition to extending the useful life of the monofill, this project will generate additional revenue, avoid GHG emissions, and make more efficient use of the earth's resources.



Recovering metals

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, we have been adding non-ferrous (i.e., aluminum, copper, brass, etc.) recovery systems to augment existing ferrous recovery systems. These efforts have already proved successful, with non-ferrous metals recovery midway through 2013 up 40 percent compared to just one year ago.

Conserving water

Over the past five years, Covanta Indianapolis has implemented several water savings projects to reduce both the amount of potable water consumed and wastewater generated. For example, new equipment was installed to reduce wastewater generated from the reverse osmosis water treatment system by half—or 80 million gallons—annually. In addition, the remaining wastewater is now beneficially reused, reducing annual potable water usage by 80 million gallons.

Recycling e-waste

In response to a growing need for sustainable solutions, we established ECOvanta, a team of specialists dedicated to the safe, secure recycling of e-waste. ECOvanta has obtained e-Stewards, Responsible Recycling (R2), and ISO 14001:2004 certifications after a comprehensive accredited third-party auditing process.



OUR GOAL: Metals recovery

By the end of 2013, increase our total gross ferrous recovery rate by 50,000 tons/yr and non-ferrous metals rate by 10,000 tons/yr for a total annualized rate of 490,000 tons/yr.

The recovery of metals reduces GHG emissions and energy use associated with the mining and processing of virgin ore and provides Covanta with increased revenues.

Recycling **one ton** of aluminum conserves up to **eight tons** of bauxite ore



Employees

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

Safety first!

Safety is our first priority. Through our company-wide safety program, Step Up (Safety Today and Every day is Paramount—Unleash the Power!), we evaluate and address leading indicators of safety (such as near misses) in addition to traditional lagging indicators like accidents and injuries. Employees are trained as new hires and receive ongoing instruction on both skills-based and leadership-based safety practices.

Our proactive approach to safety management is reflected in improved performance along all three of our major safety indicators—Days Away Restricted Transfer (DART) Rate, Total Case Incident Rate (TCIR), and our Incident Index. Since we introduced Step Up in 2009, our OSHA recordable rate has dropped by 50 percent. In 2012, 40 Covanta locations were honored as OSHA Voluntary Protection Program (VPP) STAR sites, demonstrating the commitment of all employees to continuous improvement.



OUR GOAL: Safety near-miss program

Use a “near-miss” reporting system to incentivize safe behavior by identifying and eliminating unsafe practices that could lead to accidents.

Covanta’s CEO honored as a safety leader

With the importance we place on safety at Covanta, it’s no surprise that leadership on this issue comes from the very top. We are proud and honored that Covanta’s own Anthony Orlando has been named to the National Safety Council’s “2013 CEOs Who ‘Get It’” list. The award recognizes those executives who truly understand and implement the Council’s four pillars of the Journey to Safety Excellence—leadership and engagement, safety management systems, continuous risk reduction, and performance measurement—and have created a culture of safety throughout their organizations.

“Safety is not just the right thing to do for employees, it is a business imperative that is vital in the company’s performance and in the delivery of services to clients.”

Anthony J. Orlando
CEO of Covanta



Communities



OUR GOAL: EJ and community outreach

Continue to formalize Covanta's community relations and EJ programs and policies and conduct locally based stakeholder engagement.

Strong community relationships of mutual trust and understanding facilitate discussions around new and continuing permits, approvals, and projects. Existing relationships provide avenues to collaboratively address issues.

Strong positive relationships with our local communities are an integral part of sustainable operations. We know that acceptance by community members leads to productive partnerships with local municipalities and helps us deliver more sustainable waste management options.

We have taken the important step of formalizing our approach to community relations by developing and implementing a Community Outreach and Environmental Justice (EJ) Policy, as follows:

Covanta 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.

Creating economic benefit

Covanta's presence in the community provides both direct and indirect economic benefits. In addition to the value of municipal 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. Additionally, each Covanta facility engages in community activities and supports local charities. We donated approximately \$1.8 million per year in 2011 and 2012 to local efforts.



Providing safe drug disposal with Rx4Safety

Covanta established its Rx4Safety program to help prevent the abuse of prescription pharmaceuticals (a leading cause of accidental death in the United States) and to mitigate the negative impacts on drinking water and harm to fish, aquatic organisms, and wildlife when prescription pharmaceuticals are flushed down the drain or disposed of in landfills. This program gives municipally organized drug take-back events an option for secure disposal of drugs, with the added benefit of creating clean electricity in the process.

Covanta is so passionate about the Rx4Safety program that we provide this service free of charge to communities.

By the end of 2012, more than 600,000 pounds of pharmaceutical drugs had been safely and securely converted to energy in Covanta's EfW plants through the Rx4Safety program. Increased collaboration with municipalities and organizations such as the U.S. Drug Enforcement Agency is fostering rapid growth of the program.



[LINK](#)

“Thanks to the cooperation of Covanta, the National Drug Take-Back Initiative was a great success. The success of this initiative would not have been possible without your assistance.”

Excerpted from a letter sent by Boston's DEA office in appreciation for Covanta safely destroying drugs collected at our New England EfW facilities.



Performance data

Economic* (data for Covanta Holding Corp., including all global operations, in millions USD)	2012	2011	2010
Operating revenue			
Waste and service revenues	1,011	1,008	981
Recycled metals revenues	72	74	55
Electricity and steam sales	394	400	420
Other operating revenues	167	168	127
Total operating revenues	1,644	1,650	1,583
Operating expenses			
R&D expenses**	(27)	(10)	(6)
Total operating expenses	(1,392)	(1,432)	(1,428)
Income tax			
Income tax expense	(26)	(28)	(24)
Net income			
Net income attributable to Covanta Holding Corp.	114	219	62

* For complete information, please refer to [Covanta's 2012 10-K](#)

** Capital expenditures associated with technology development & organic growth initiatives

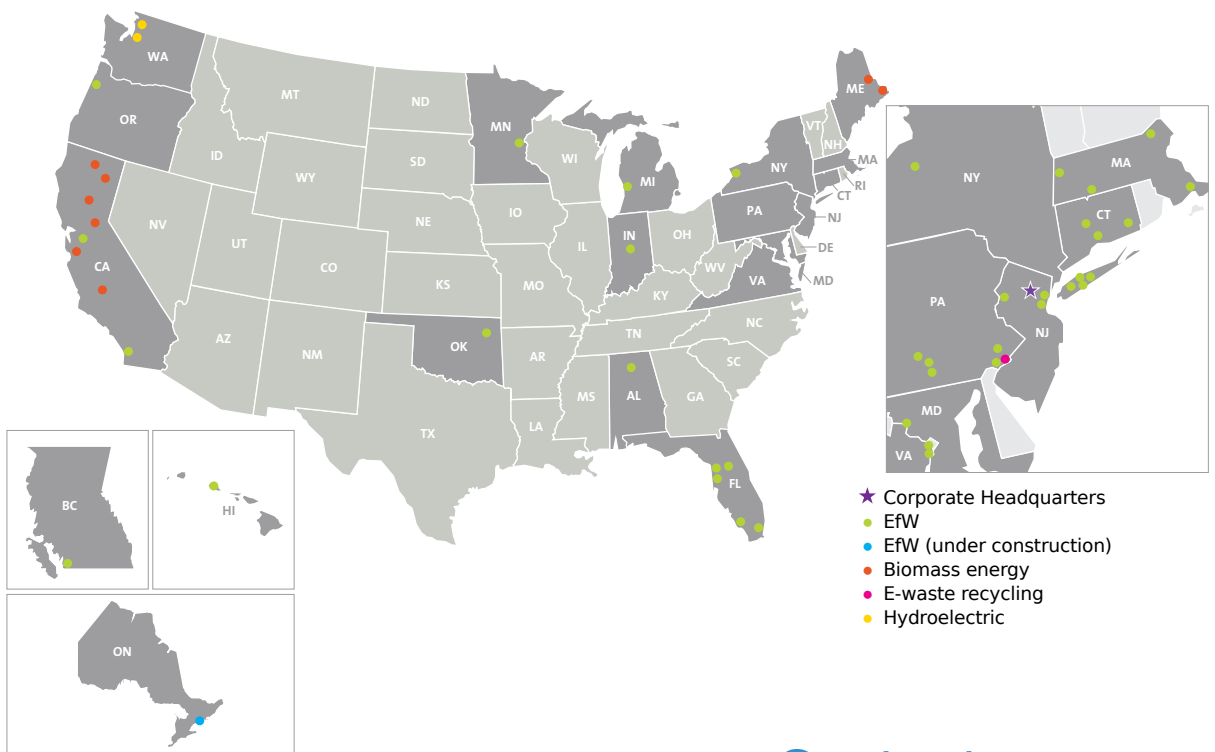
Operating (global EfW and E-Waste facilities)	2012	2011	2010
Number of EfW facilities	44	46	44
MSW processed (millions of tons)	20.6	20.6	20.5
Net electricity generated (millions of MW hours)	8.9	9.0	9.1
Steam exported (billion lbs.)	8.7	9.3	10.7
Gross metals recovery (thousand tons)	432	430	414
GHG emissions <i>avoided</i> (million metric tonnes)	18.1	18.1	17.9
E-waste recycled (million pounds)	2.0	0.4	-

Social (data for United States only)	2012	2011	2010
Employees			
Total employees	3,188	3,390	3,341
Salaried	1,022	1,036	1,036
Hourly	2,166	2,354	2,305
Turnover rate (%)	12	9	11
Health & Safety			
DART (Days Away/Restricted/Transfer Rate)	0.45	0.56	0.69
TCIR (Total Case Incident Rate)	0.74	1.14	1.51
Covanta Incident Index	8.67	11.99	14.35
Number of sites in OSHA VPP program	40	41	39
Diversity			
Women (% of total workforce)	10	10	10
Minorities (% of total workforce)	29	30	29

About Covanta

Covanta 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. Our EfW facilities sustainably manage non-recycled wastes, generate renewable steam and/or electricity, and recover metals that would have otherwise been lost in landfills.

In the Americas, we own and/or operate 40 EfW facilities, eight wood waste (biomass) energy projects, four water (hydroelectric) energy projects, one landfill gas project, 13 transfer stations, four ash monofills, and one electronic waste recycling facility. In our international operations, we operate and/or own in whole or in part four additional EfW facilities.



Contact us

We encourage you to provide us with feedback on our efforts. Please direct comments and questions to:

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The most recent full Corporate Sustainability Report is available on our website at:

covantaenergy.com/CSR2011

[Read the full Covanta 2010/2011 CSR Report](#)

We developed the report using the Global Reporting Initiative G3 Sustainability Reporting Guidelines at the B Application Level.