

Dear Employee:

We welcome you to Covanta Energy Corporation and are pleased you have joined our Team. If you have been with us for a while, we continue to appreciate your efforts.

We ask all employees to read and become familiar with the contents of this Employee Handbook. It is intended to provide you with information and relevant facts about the Company, terms and conditions of your employment, policies, benefits, procedures and guidelines available to help you develop and realize your potential as one of our valued employees.

While this Handbook should give you answers to most of the general questions you might have about your job and the Company's policies and programs, it is a guide which cannot cover every situation that might arise. The Handbook is not intended to create an express or implied contract of any kind between the Company and any employee or guarantee of any kind with respect to duration of employment, circumstances which may result in termination of employment, or to the provision of any benefit described in it. If you have questions about any of its contents or need further information about any subject, please consult with your supervisor, manager, or the Human Resources Department.

In addition to this Handbook, you should have received the "Policy of Business Conduct" that is issued by Covanta Holding Corporation regarding standards of corporate ethics and legal compliance. All employees are expected to abide by the standard policies and procedures outlined in the "Policy of Business Conduct" booklet as well. If you have not received a copy of this booklet and/or have any questions regarding its contents, please contact Human Resources.

At Covanta, we are committed to providing our employees with a work environment that is free of discrimination and harassment and where relationships are characterized by mutual dignity and respect. Each employee is responsible for helping the Company maintain such a climate.

As a leader in our industry, our Company's mission is to be the world's leading Energy-from-Waste company, with a complementary network of waste disposal and energy generation assets. We will build value for our shareholders by satisfying our clients' waste disposal and energy generation needs with safe, reliable and environmentally superior solutions. With your help, we are looking forward to continuing growth and prosperity as we find new and better ways to serve our clients.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Orlando', with a stylized flourish at the end.

Anthony J. Orlando
President & Chief Executive Officer

INTRODUCTION TO HANDBOOK

This Handbook is intended to provide employees with information, relevant facts and answers to most of the general questions they might have about Covanta Energy Corporation and its Affiliates and Subsidiaries (“the Company” or “Covanta”) programs, terms and conditions of their employment, policies, procedures, guidelines and benefits applicable to employment at the Company.

All employees are expected to read the policies and procedures contained in this Handbook and in the Covanta Holding Corporation “Policy of Business Conduct” booklet and to abide by and apply these in the daily performance of their jobs.

This Handbook is not designed to cover every question or situation that may arise.

Nothing published in this Handbook or in any other oral or written communication of the Company or any of its representatives is intended to change the “**at will**” status of your employment. See the "At-Will" Employment topic under Section I - Employment of this Handbook for more information on “at-will” employment. Likewise, while the Company will endeavor to follow and apply the policies, procedures, guidelines and provisions pertaining to benefits described in this Handbook, these are not intended to create an express or implied contract of any kind with any employee with respect to provision of, or eligibility for, any benefit.

The Company specifically disclaims any express or implied contractual rights or guarantees of any kind with any employee with respect to duration of employment and provision of any benefit. No employee shall be deemed to have such contractual rights unless the terms have been negotiated with the President of the Company, the President has agreed on behalf of the Company to the negotiated terms, and both the President of the Company and the affected employee have signed a written contract specifying the terms and benefits of the affected employee’s employment with the Company.

The Company retains sole discretion to revise, modify, delete and/or add to any and all policies, procedures, guidelines, work rules, practices, benefits and any other information stated in this Handbook or in any other document at any time.

This Handbook supersedes any prior editions, oral communications and management memoranda previously issued about subjects contained in the Handbook. In addition, the most current version of the Handbook is located on the Company Intranet and supersedes any prior editions.

No oral statements or representations of any kind, made in any way, by any employee of the Company are deemed to be binding, nor will the statements or presentations change or alter the provisions of this Handbook in any way.

The Company retains sole discretion to interpret and apply the policies, practices, guidelines and procedures contained in this Handbook. Decisions by the Company will be final and binding. However, interpretation and application of the Company’s policies, practices and procedures shall occur in accordance with applicable federal, state or local law. To the extent any employment policy, practice or procedure contained in this handbook is in conflict with applicable federal, state, or local law, the applicable law will supersede or replace any such policy, practice or procedure.

If you should have questions related to this Handbook and its contents, please contact your supervisor, manager, or the Human Resources Department.

Supervisory Training - Supervisors have a significant role in establishing and maintaining the Company's program. Their understanding and support are key factors in establishing a successful program. On an as needed basis, supervisors will be trained to understand the Company's drug and alcohol abuse prevention policies and procedures, to know how to document evidence of reasonable suspicion, to identify and help resolve employee performance problems, and to know how to refer employees suspected of having a substance abuse problem to those qualified to make specific diagnosis and to offer assistance. Supervisory training is not intended to train supervisors to be drug or alcohol abuse experts, counselors or to conduct medical evaluations. Supervisors are not required to undertake any actions beyond their normal supervisory responsibilities.

Employee Assistance Program (EAP) - The Company recognizes that drug and alcohol abuse can be successfully treated and is committed to helping employees who suffer from these problems, while holding them responsible for their own recovery and the performance of their job responsibilities. The Company offers an Employee Assistance Program (EAP) benefit for employees and members of their household. The EAP provides confidential assessment, referral, and short-term counseling for employees and their family members who need or request these services.

If the EAP determines a referral to a treatment provider is necessary, the cost may be covered by the employee's medical insurance, but the employee is ultimately responsible for the costs of these services.

For more information on the Employee Assistance Program, refer to the Employee Assistance Program (EAP) topic in **"Section IV – BENEFITS"** of this Handbook.

CODE OF CONDUCT

Employees who violate any of the Company's policies and procedures, fail to perform duties of their position satisfactorily, violate safety or security policies, or act in a manner that causes harm to another person, the Company's interests, reputation, or operations may be subject to actions to address the performance problem, up to and including termination. Following is a list of conduct that is not acceptable and/or is prohibited and will not be tolerated by Covanta. This list is illustrative only and is not intended to be all-inclusive or to alter an employee's "at will" status:

- Unsatisfactory job performance; failure to meet reasonable expectations of job requirements.
- Falsification of employment records, employment information or other Company records and giving false statements or information during the course of a Company initiated investigation.
- Recording the work time of another employee or the falsification of any timecard/timesheet.
- Theft, deliberate or careless damage or destruction of any Company property or the property of any employee or customer or other person.
- Unauthorized removal of Company property or borrowing Company property.
- Unauthorized personal use of a Company vehicle, equipment, tools, time, materials, or facilities.

- Provoking a fight, fighting or engaging in any form of workplace violence, discrimination, harassment or retaliation during working hours and/or on Company property or while engaged in Company business off premises.
- Carrying firearms or any other dangerous weapons while at work and/or on Company premises at any time or while engaged in Company business off premises.
- Distribution, sale, use, and being under the influence of alcohol, illegal drugs and other intoxicants, and abuse of prescription drugs, while on Company premises and/or during working hours or while on Company business.
- Engaging in and/or being convicted of a criminal act or illegal conduct, whether or not related to job duties. Also refer to the Criminal Conviction policy outlined in this Handbook under the "Employment" section.
- Disruptive behavior, including causing, creating or participating in a disruption of any kind during working hours.
- Insubordination, including but not limited to failure or refusal to obey the direction or instructions of a supervisor or member of management, or the use of abusive or threatening language toward a supervisor or member of management.
- Inappropriate behavior, to include threatening another and/or using abusive language at any time while at work and/or on Company premises, or when conducting Company business off premises.
- Failure to notify a supervisor when unable to report to work.
- Excessive absenteeism or tardiness.
- Sleeping while on duty.
- Unreported absence of three (3) consecutive scheduled workdays.
- Failure to obtain permission to leave work for any reason during normal working hours.
- Working overtime without authorization or refusing to work assigned overtime.
- Wearing extreme, unprofessional, inappropriate or unsafe clothing or wearing hair in an unsafe manner, while working.
- Violation of any safety, health, environmental compliance, security or other Company policies, rules or procedures.
- Unauthorized solicitations or distribution of unauthorized materials in work areas or while on Company time.

- Committing a fraudulent act or a breach of trust, under any circumstances.
- Dishonesty.
- Breach of Confidentiality.
- Harassment of any kind, including sexual harassment.
- Discrimination of any kind, including racial, gender, sexual orientation, and religious discrimination.
- Intimidating or interfering with the rights of any employee or guest.
- Any gross misconduct that has an adverse effect on production or the work environment or the reputation of the Company.
- Smoking where prohibited.

The Company has sole discretion to determine whether the acts and omissions of an employee violate this Code of Conduct, and to determine the appropriate discipline. In rare situations where the Company has reasonable suspicion of unauthorized possession of Company property, drugs or alcohol, or weapons of any kind, Covanta reserves the right to search employee's personal property that is on Company premises, including but not limited to packages, purses, briefcases, backpacks, in lockers, etc.

ADDRESSING PERFORMANCE PROBLEMS - Exempt and Non-Exempt Employees

In order to be successful, Covanta expects all employees to meet the standards of work performance set by the Company, including performance, cooperation, punctuality, attendance, professional conduct, and to follow the policies and procedures of the Company.

Sometimes recognition and coaching an employee fail to produce the desired change, or the problem is too serious for an informal approach. In these circumstances, the Company may apply the formal discipline process which is outlined below.

There are **three (3) levels of formal discipline**, as follows:

1. **Level One (1) Reminder** - This is a formal disciplinary discussion between the employee and supervisor, which will be documented.

In this meeting, the supervisor discusses the difference between the desired performance and actual performance and the consequences to the department, the Company and the employee if changes are not made. Various ways to solve the problem are also discussed and the employee and supervisor should agree on an action plan to correct/improve the performance issue. The supervisor then documents the meeting and follows up on the employee's progress.

Inventions, discoveries, and improvements include all those made by the employee either solely or jointly with others, whether or not the same are made during business hours, to include those made:

- in the performance of the employee's duties while employed with Covanta; or
- with the use of the time, materials or facilities of the Company; or
- which at the time of conception or reduction to practice, relate to any apparatus, method, substance, or article of manufacture within the scope of the Company's field of activity, including any manufacturing, selling, testing, research, or experimental activity.

Employees are not to assert any rights to any inventions, discoveries, concepts, or ideas, or improvements thereof, that they initiated and/or took part in during their employment with the Company.

Upon termination of employment with the Company, all documents, records, papers, notebooks, and similar repositories of or containing trade secrets, or any other confidential information, including copies thereof, then in possession of the employee, whether prepared by himself/herself or others, will be left with the Company.

CONTACTS WITH OUTSIDE REPRESENTATIVES

The public image of the Company and of the businesses in which it engages is very important to its success. Before information is provided to media representatives, governmental officials or other person (e.g., external attorney, investigator, competitor), the employee must immediately notify the employee's supervisor, manager, or department head and must not provide any information or conduct any discussions unless specifically authorized to do so.

TELEPHONE CALLS/VOICE MAIL SYSTEM

The Company telephones and voice mail systems are the property of the Company and have been provided by the Company for conducting Company business. All communications and information transmitted by, received from, or stored in this system are Company records and property of the Company.

CELL PHONE USAGE

The following policy provides information regarding cell phone use for Company and personal business:

Employees must adhere to all federal (including OSHA), state, and/or local regulations regarding the use of cell phones while driving or performing other duties.

- Clothing, to include jewelry and hair, should not be loose or dangle in such a way that it creates a safety hazard.
- Tank tops, halter tops, beachwear, shorts, bib overalls, spandex or other form-fitting pants, work-out attire, thongs or slippers, distracting, offensive or revealing clothes should not be worn on any day of the workweek.

Managers and supervisors are responsible for interpreting and enforcing dress and grooming standards in their areas of responsibility. This includes counseling employees whose appearance is inappropriate. Reasonable accommodation will be made for employees' religious beliefs and disabilities whenever possible, consistent with the business necessity to ensure safety and to present a professional appearance to the public. Questions or complaints that cannot be handled to an employee's satisfaction by his or her supervisor or manager should be taken to the Human Resources Department.

Any employee whose appearance does not meet these standards will be counseled by his/her supervisor or manager. If the appearance is unduly distracting or the clothing is unsafe, the employee may be sent home to correct the problem. Repeated disregard for this dress and grooming policy may result in disciplinary action, up to and including termination of employment.

BULLETIN BOARDS

Bulletin Boards are maintained by the Company at key points throughout the office and facilities for notices pertinent to the Company and the employees' welfare.

Employees are advised to review the bulletin boards periodically for new and/or updated information and to follow the rules set forth in all posted notices.

All posted materials must be authorized in advance by Human Resources or local management. Employees are not permitted to post personal notices or any solicitations from outside organizations, companies or business ventures.

Employees are not to remove any materials from the bulletin boards.

NO SOLICITATION/NO DISTRIBUTION

The solicitation of memberships or pledges, collections of funds, circulation of petitions, distribution of any printed materials, trespass, and any other similar types of activities by employees, on behalf of any organization, group, society, or individual, is not permitted at any time on Company property nor on Company time outside the property.

Distribution of non-Company authorized material, handbills, printed or written literature of any kind is prohibited.

EMPLOYEE ACCESS TO PERSONNEL RECORDS

Personnel files are Company property. The information contained in them is confidential and access to the information they contain is restricted. Employees have the right to review the contents

of their own personnel files. Employees also have the right to authorize the release of personnel information to external sources.

Requests to review the contents of an employee's personnel file should be made in advance to the employee's manager or Human Resources Representative, who will schedule an appropriate time. The Company may require a representative to be present while the employee reviews the personnel file.

Employee records may not be removed from the file, nor may documents be added, except by authorized personnel.

REFERENCES/REQUESTS FOR EMPLOYEE INFORMATION

All requests for current or former employee information from any source outside the Company (prospective employers, credit agencies, unemployment office, background investigations, subpoenas, law enforcement, etc.) are to be directed to the Human Resources Department. This includes, but is not limited to, requests for employment dates, position title, salary data, any other personnel records information/data, references, credit inquiries, etc.

In response to questions regarding credit or reference checks, the Human Resources Department will only verify last position held, employment dates, and confirmation of present/last salary. To obtain further data, the requesting party must submit a written request accompanied by a signed, written authorization from the employee.

Supervisors and other management personnel are not authorized by the Company to provide verbal or written references or recommendations for current or former employees. Anyone wishing to personally provide a reference for another does so at their own risk and are personally liable for their comments.

CONFIDENTIALITY OF COMPANY INFORMATION

All records and files maintained by the Company and information disclosed by these are confidential and remain the property of the Company. Information about the Company, its employees, customers, suppliers, and vendors is to be kept confidential. Company information deemed confidential includes, but is in no way limited to: financial records; business, marketing, strategic plans; personnel and payroll records regarding current and former employees, salaries, wages, and other forms of compensation; pricing, the identity of, contact information for, and any other account information on customers, vendors, and suppliers; inventions, programs, trade secrets, formulas, techniques, and processes; and any other documents or information regarding the Company's operations, procedures, or practices.

Confidential information should be divulged only to individuals within the Company with both a need to receive and authorization to receive the information. If in doubt as to whether information should be divulged, err in favor of not divulging information and discuss the situation with your supervisor.

Records and files containing any confidential information are not to be moved from Company premises or disclosed to any outside party without the express permission of your supervisor. Disclosure of this information could harm the Company's competitive position.

Confidential information obtained during or through employment with the Company may not be used by any employee for the purpose of furthering current or future outside employment or activities or for obtaining personal gain or profit. The Company reserves the right to avail itself of all legal or equitable remedies to prevent impermissible use of confidential information or to recover damages incurred as a result of the impermissible use or disclosure of confidential information.

These policies apply to all employees at all locations. If you have a question regarding the confidentiality of information, please contact your manager or the Human Resources Department immediately to be certain that only appropriate information is shared.

Employees may be required to enter into written confidentiality agreements confirming their understanding of the Company's Confidentiality policies.

It is also against the Company's policy to, while working for the Company, to use or disclose confidential information or trade secrets of another company obtained through your employment with that company.

Employees who violate this policy will be subject to disciplinary action, up to and including termination, and potential legal actions.

CONFIDENTIAL EMPLOYEE INFORMATION

The Company is committed to securing and protecting confidential employee information. For purposes of this policy, "confidential employee information" means the following:

- a. Information or documents containing Social Security numbers, driver's license numbers, and bank account numbers (including copies of personal checks);
- b. Information received from a consumer reporting agency, including any credit report or background check (or information derived from such reports); or
- c. Information that the Company designates as confidential.

Access to confidential employee information is restricted to those who have proper authorization and a legitimate business reason for accessing such information, unless otherwise required by law. Proper authorization is provided to the staff of the Human Resources Department and executives and managers who have a business related need to obtain confidential employee information. The Company holds all employees that use or have access to confidential employee information to the highest degree of confidentiality.

All documents containing confidential employee information are securely maintained in personnel and other files in the Human Resources Department. All electronically-recorded or stored documents containing confidential employee information are password protected, such that only persons with proper authorization may access such information.

Any employee or individual that accesses confidential employee information without authorization or for illegal purposes shall be subject to discipline up to and including termination. If the Company believes that access occurred with illegal intent, legal authorities will be notified. In the event that