



**COVANTA HOLDING CORPORATION**  
**BOARD CHARTER**  
(As of October 2005)

Role of the Board of Directors

The Articles of Incorporation and By-Laws of Covanta Holding Corporation (the “Corporation”) provide that the business and affairs of the Corporation shall be managed under the guidance, direction and oversight of the Board of Directors. The Board is responsible for the overall stewardship of the Corporation and is elected by the shareholders to assure that their interests are being served. Management of the Corporation’s business is the responsibility of the Chief Executive Officer and the senior management team. The principal elements of the Board’s responsibilities are:

- independence and integrity
- understanding of the Corporation’s business and plans for growth
- objective and constructive participation in Board and Committee meetings
- sharing of member’s experience and insights as they relate to matters before the Board and to the Corporation’s business
- effective contribution to management evaluation and succession planning
- regular attendance
- availability to the Chief Executive Officer for consultation

Goals and Responsibilities

The following outlines Board responsibilities not expressly delegated to its Committees:

1. To discharge the obligations of the Board under the General Corporation Law of the State of Delaware.
2. Appointments
  - a. Appoint the Chairman of the Board of Directors.
  - b. Review and approve the Governance Committee’s selection criteria for directors, their recommendations of directors, the Board’s committee structure, and all committee charters.
  - c. Appoint members and chairmen of the Committees.
  - d. Appoint the Chief Executive Officer (the “CEO”).
  - e. Appoint the Corporate Secretary.

- f. Upon recommendation of the CEO approve selection of the Corporation's chief financial officer, chief accounting officer, internal auditor (upon recommendation of the audit committee), chief legal officer and all executive and senior vice presidents.
- g. If and when necessary remove officers of the Corporation.

3. Governance

- a. Upon recommendation of the Governance Committee, amend, as appropriate, the Corporation's certificate of incorporation and by-laws.
- b. Review and approve governance guidelines recommended by the Governance Committee.
- c. Determine the independence of directors in accordance with criteria established by applicable law, the Board and listing requirements of any exchange or stock market on which the Corporation's securities are listed.
- d. Periodically hold executive sessions at which only non-management directors may participate, and determine the manner in which the chairman of such sessions shall be selected.
- e. With the assistance of the Governance Committee periodically evaluate the overall performance of the Board and all permanent committees of the Board.
- f. Receive and act upon reports and recommendations of the Board committees.
- g. Receive and act upon the reports and recommendations of the CEO and the Board chairman.
- h. With the assistance of the Compensation and Governance Committees annually evaluate the performance of the Chief Executive Officer and, if desired, other key executives of the Corporation.
- i. Review, assess, and monitor adherence to the Corporation's principal policies governing ethics and conduct, specifically its Code of Ethics for Senior Financial Officers and its Policy of Business Conduct. If and when necessary require the strengthening of such policies' provisions or changes in their implementation and enforcement.
- j. Receive and act upon periodic updates and changes to governance policies and practices, including industry-specific or generally applicable corporate governance developments and trends.

4. Annual Meetings of Shareholders

- a. Monitor management's preparation of the annual report to shareholders and the proxy statement.
- b. With the assistance of the Audit Committee approve financial statements to be included in the annual report to shareholders, along with statements of the Board or its committees that are also to be included therein.
- c. Direct preparations for and conduct the annual meeting of shareholders, including designating an inspector of elections.

5. Planning and Operations

- a. Work with management to develop, review, approve and revise, as appropriate, the long-term strategy of the Corporation.
- b. Review and approve the annual, i.e., short term strategic, plan of the Corporation.
- c. Review and approve the annual capital and operating budgets of the Corporation.
- d. Monitor and review performance of the Corporation against plans, budgets, and prior year performance.
- e. Monitor and review the Corporation's tax position, including as it relates to the Corporation's net operating losses.
- f. Work with the CEO to define and develop, on an annual basis, critical success factors for the Corporation and monitor progress of Corporation against such critical success factors.
- g. Annually review the Corporation's various insurance programs, including those providing coverage for directors and officers.
- h. Review annually the strategies and financial results of competitor companies and compare those with the Corporation's performance.
- i. With the assistance of the Audit Committee oversee the quality and integrity of the accounting, auditing, and financial reporting practices of the Corporation, and the Corporation's compliance with applicable legal and regulatory requirements.
- j. With the assistance of all Board committees, but particularly the Audit Committee, determine and assess the major risks facing the Corporation and establish mechanisms for mitigating or neutralizing those risks and for monitoring the results.

6. Approval of Transactions

- a. Establish spending authorization levels for officers of the Corporation and its principal subsidiaries.
- b. Approve financial transactions which (1) exceed the authority granted to officers of the Corporation and its subsidiaries, and (2) were not included in plans and/or budgets approved earlier by the Board.
- c. Approve transactions involving the engagement of the Corporation in any significant business it is not presently conducting.
- d. Approve transactions which would cause the Corporation to make substantial business investments in jurisdictions outside the United States.
- e. Approve transactions which are otherwise material to the Corporation, regardless of whether an investment or expenditure of its funds are required with respect thereto.

7. Financial Matters

- a. Review quarterly the appropriateness of the Corporation's capital structure, including the various types of debt instruments and their maturities, the different forms of equity securities utilized by the Corporation, the Corporation's cost of capital.
- b. Approve all issuances of debt and equity and off-balance sheet obligations in excess of the authority granted officers of the Corporation.
- c. Review and approve the Corporation's cash management policies.
- d. Approve all material transactions of the Corporation involving the use of derivative instruments.
- e. Annually review the Corporation's derivatives and hedging strategy, practices, and activities, including (but not limited to) derivatives relating to electricity prices, interest rates, and foreign currencies.
- f. Approve all share repurchase programs, dividend policies and the buy back of the various debt securities of the Corporation.

8. Board Information

The Chairman and CEO will ensure that an Agenda is sent to Directors in advance of each meeting. Directors may request that items be added to the Agenda. In addition, in advance of each meeting, Directors shall be provided with the relevant information needed to understand the performance of the Corporation and to contribute to the discussion of issues before the Board.

9. Committees of the Board

As set forth in the By-laws of the Corporation, the Board, in its sole discretion, shall to the extent permitted by the By-laws of the Company and the Delaware General Corporation Law, have the authority to create and delegate to committees the authority of the Board to act with respect to specified matters.