

COVANTA HOLDING CORP

Form DEF 14A

April 01, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

COVANTA HOLDING CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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COVANTA HOLDING CORPORATION
40 Lane Road
Fairfield, New Jersey 07004
(973) 882-9000

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On May 1, 2008

To our Stockholders:

We are notifying you that our 2008 Annual Meeting of Stockholders will be held on May 1, 2008, at Covanta Holding Corporation, 40 Lane Road, Fairfield, NJ 07004, at 2:00 p.m. local time. At the meeting we will ask you to:

1. elect eleven directors to our Board of Directors, each for a term of one year;
2. approve an amendment to our Equity Award Plan for Employees and Officers to increase the number of shares of our common stock authorized for issuance thereunder by an additional 6,000,000 shares from 6,000,000 to 12,000,000 shares of common stock;
3. approve an amendment to our Equity Award Plan for Employees and Officers to increase the maximum award that a participant may receive in any calendar year from 300,000 shares of common stock to 250,000 shares of restricted stock and options to purchase 650,000 shares of common stock;
4. approve an amendment to our Equity Award Plan for Directors to increase the number of shares of our common stock authorized for issuance thereunder by an additional 300,000 shares from 400,000 to 700,000 shares of common stock;
5. ratify the appointment of Ernst & Young LLP, the independent registered public accountants, as our independent auditors for the 2008 fiscal year; and
6. consider such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

Our Board of Directors has fixed the close of business on March 19, 2008 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement of the Annual Meeting. A complete list of these stockholders will be available at our principal executive offices prior to the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the meeting, please follow the instructions on the proxy card for voting by telephone or over the Internet or complete, date, sign and return the enclosed proxy card as promptly as possible in order to ensure your representation at the Annual Meeting. A return envelope (which is postage pre-paid if mailed in the United States) is enclosed for that purpose. Even if you have given your proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain from that institution that is the record holder a proxy issued in your name and bring to the Annual Meeting.

By Order of the Board of Directors

Covanta Holding Corporation

Timothy J. Simpson
Secretary

Fairfield, New Jersey
April 1, 2008

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COVANTA HOLDING CORPORATION

40 Lane Road

Fairfield, New Jersey 07004

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors of Covanta Holding Corporation for use at the Covanta Holding Corporation 2008 Annual Meeting of Stockholders to be held on May 1, 2008, at 2 p.m. local time, or any adjournment or postponement of the Annual Meeting, for the purposes described in this proxy statement and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at Covanta Holding Corporation, 40 Lane Road, Fairfield, New Jersey 07004. This proxy statement and accompanying proxy card were mailed on or about April 1, 2008 to all stockholders entitled to vote at the Annual Meeting. Throughout this proxy statement when the terms Covanta, the Company, we, our, ours or us are used, they refer to Covanta Holding Corporation and we sometimes refer to our Board of Directors as the Board. Our subsidiary Covanta Energy Corporation is often referred to in this proxy statement as Covanta Energy.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 1, 2008

The Covanta Holding Corporation Proxy Statement and Annual Report to Stockholders for the year ended December 31, 2007 are available at www.covantaholding.com

What is the purpose of the Annual Meeting?

At the Annual Meeting, you will be asked to act upon the matters outlined in the accompanying Notice of Annual Meeting of Stockholders, including:

the election of eleven directors to our Board of Directors, each for a term of one year (see page 11);

the approval of an amendment to the our Equity Award Plan for Employees and Officers to increase the number of shares of our common stock authorized for issuance thereunder by an additional 6,000,000 shares from 6,000,000 to 12,000,000 shares of common stock (see page 14);

the approval of an amendment to our Equity Award Plan for Employees and Officers to increase the maximum award that a participant may receive in any calendar year from 300,000 shares of common stock to 250,000 shares of restricted stock and options to purchase 650,000 shares of common stock (see page 20);

the approval of an amendment to the our Equity Award Plan for Directors to increase the number of shares of our common stock authorized for issuance thereunder by an additional 300,000 shares from 400,000 to 700,000 shares of common stock (see page 21); and

ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2008 (see page 26).

In addition, management will report on our performance and respond to questions from stockholders.

Who is entitled to vote at the Annual Meeting?

Holders of our common stock at the close of business on the record date, March 19, 2008, are entitled to vote their shares at the Annual Meeting. On that date there were 154,724,901 shares of our common stock outstanding and entitled to vote.

How many votes do I have?

You will have one vote for each outstanding share of our common stock that you owned on March 19, 2008 (the record date), as each outstanding share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting.

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How many votes must be present to hold the Annual Meeting?

The presence in person or by proxy of stockholders entitled to cast a majority of all of the votes entitled to be cast at the Annual Meeting, including shares represented by proxies that reflect abstentions, constitutes a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for the purposes of determining a quorum. A broker non-vote occurs when a broker, bank or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that record holder does not have discretionary voting power for that particular proposal and has not received voting instructions from the beneficial owner. If there is not a quorum at the Annual Meeting, the stockholders entitled to vote at the Annual Meeting, whether present in person or represented by proxy, will only have the power to adjourn the Annual Meeting until there is a quorum. The Annual Meeting may be reconvened without additional notice to the stockholders, other than an announcement at the prior adjournment of the Annual Meeting, within 30 days after the record date, and a quorum must be present at such reconvened meeting.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Co., you are considered, with respect to those shares, the stockholder of record or record owner. As a record owner, the Notice of Annual Meeting, Proxy Statement and 2007 Annual Report including our 2007 Annual Report on Form 10-K and proxy card, have been sent directly to you.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. As a beneficial owner the Notice of Annual Meeting, Proxy Statement and 2007 Annual Report including our 2007 Annual Report on Form 10-K and proxy card have been sent to the holder of record of your shares. If you wish to attend the Annual Meeting and vote shares of our common stock held through a broker, bank or other nominee, you will need to obtain a proxy form from the institution that holds your shares and follow the voting instructions on that form.

How do I vote my shares at the Annual Meeting?

You may vote either in person at the Annual Meeting or by proxy. If you vote by proxy, you may still attend the Annual Meeting in person.

If you wish to vote in person at the Annual Meeting, please attend the meeting and you will be instructed there as to the balloting procedures. Please bring personal photo identification with you to the meeting. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspectors of election with your ballot to be able to vote at the Annual Meeting in person.

If you wish to vote by proxy, you may vote by telephone or over the Internet by following the instructions included on your proxy card. Alternatively, you may properly execute, date and return the enclosed proxy to us by mail in the enclosed return envelope (which is postage pre-paid if mailed in the United States). The Internet and telephone voting facilities will close at 11:59 p.m. Eastern time on April 30, 2008. If you do this, your shares of common stock represented by the proxy will be voted by the proxy holders in accordance with your instructions. Anthony J. Orlando and Timothy J. Simpson are the proxy holders. If you are a beneficial owner of shares, you will need to obtain a proxy from the institution that holds your shares and follow the voting instructions on that form.

If you do not intend to vote in person at the Annual Meeting, please remember to submit your proxy to us prior to the Annual Meeting to ensure that your vote is counted.

Can I revoke my proxy or change my vote after I have voted?

Even after you have submitted your proxy, you may revoke your proxy or change your vote by doing one of the following before your proxy is exercised at the Annual Meeting:

If you are the record owner of shares and:

(1) deliver a written notice of revocation to our Secretary at Covanta Holding Corporation, 40 Lane Road, Fairfield, New Jersey 07004;

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- (2) submit a properly executed proxy bearing a later date; or
- (3) attend the Annual Meeting and cast your vote in person.

To revoke a proxy previously submitted by telephone or over the Internet, you may simply vote again at a later date, using the same procedures, in which case the later submitted vote will be recorded and the earlier vote revoked. If you are the beneficial owner of shares and have submitted to the institution that holds your shares your proxy, you will need to contact that institution and follow its instructions for revoking a proxy.

Attendance at the Annual Meeting will not cause your previously submitted proxy to be revoked unless you cast a vote at the Annual Meeting.

What if I do not vote for some of the matters listed on the proxy?

If you properly execute, date and return a proxy to us without indicating your vote, in accordance with the Board's recommendation, your shares will be voted by the proxy holders as follows:

FOR election of the eleven nominees for director;

FOR approval of an amendment to our Equity Award Plan for Employees and Officers to increase the number of shares of our common stock authorized for issuance thereunder by an additional 6,000,000 shares from 6,000,000 to 12,000,000 shares of common stock;

FOR approval of an amendment to our Equity Award Plan for Employees and Officers to increase the maximum award that a participant may receive in any calendar year from 300,000 shares of common stock to 250,000 shares of restricted stock and options to purchase 650,000 shares of common stock;

FOR approval of an amendment to our Equity Award Plan for Directors to increase the number of shares of our common stock authorized for issuance thereunder by an additional 300,000 shares from 400,000 to 700,000 shares of our common stock; and

FOR ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2008.

In addition, if other matters are properly presented for voting at the Annual Meeting, or at any adjournment or postponement thereof, your proxy grants Messrs. Orlando and Simpson the discretion to vote your shares on such matters. The Board does not expect any additional matters to be presented for a vote at the Annual Meeting. If, for any unforeseen reason, any of the director nominees described in this proxy statement are not available as a candidate for director, then Messrs. Orlando and Simpson will vote the stockholder proxies for such other candidate or candidates as the Board may nominate.

How many votes are required to elect directors and to adopt the other proposals?

In the election for directors, the eleven nominees receiving the highest number of FOR votes cast in person or by proxy will be elected. A WITHHOLD vote for a nominee is the equivalent of abstaining. Abstentions and broker non-votes are not counted as votes cast for the purposes of, and therefore will have no impact as to, the election of directors. Although the director nominees with the highest number of FOR votes cast will be elected at the Annual Meeting, our Corporate Governance Guidelines contain a majority voting policy which requires any nominee for director in an uncontested election to tender his or her resignation to the Board if that nominee receives a greater

number of WITHHOLD votes than FOR votes in any election. The Board's Nominating and Governance Committee will consider the resignation offer and recommend to the Board the action to be taken with respect to the tendered resignation. The Board will act upon the Nominating and Governance Committee's recommendation no later than 90 days following certification of the stockholder vote. A complete copy of our Corporate Governance Guidelines is posted on our website at www.covantaholding.com.

All proposals, other than the election of directors, require the affirmative FOR vote of a majority of those shares present and entitled to vote. An abstention as to any matter, when passage requires the vote of a majority of the votes entitled to be cast at the Annual Meeting, will have the effect of a vote AGAINST. Broker non-votes will not be considered, and will not be counted for any purpose in determining whether a matter has been approved.

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Brokers, banks or other nominees have discretionary authority to vote shares without instructions from beneficial owners only on matters considered routine by the New York Stock Exchange, such as the election of directors and the ratification of the appointment of Ernst & Young LLP as our independent auditors addressed by proposals 1 and 5 in this proxy statement; therefore, your shares may be voted on proposals 1 and 5 if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. On non-routine matters, nominees do not have discretion to vote shares without instructions from beneficial owners and thus are not entitled to vote on such proposals in the absence of such specific instructions, resulting in a broker non-vote for those shares.

Representatives of American Stock Transfer & Trust Company, our transfer agent, will tabulate the votes and act as the inspector of the election at the Annual Meeting.

Can my shares be voted if I do not return my proxy and do not attend the Annual Meeting?

If you do not vote your shares and you are the beneficial owner of the shares, your broker can vote your shares on matters that the New York Stock Exchange has ruled are routine.

If you do not vote your shares and you are the record owner of the shares, your shares will not be voted.

Who pays the cost of solicitation of proxies for the Annual Meeting?

We will pay the cost of solicitation of proxies. In addition to the solicitation of proxies by mail, our directors, officers and employees may also solicit proxies personally, electronically or by telephone without additional compensation for such proxy solicitation activity. Brokers and other nominees who held our common stock on the record date will be asked to contact the beneficial owners of the shares that they hold to send proxy materials to and obtain proxies from such beneficial owners.

Although there is no formal agreement to do so, we may reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding this proxy statement to our stockholders.

BOARD STRUCTURE AND COMPOSITION

The Board is currently comprised of eleven directors. During 2007, the Board held six meetings and took action by unanimous written consent two times. Each director attended at least 75% of all meetings of the Board and those Board committees on which he or she served during 2007. We expect our Board members to attend the annual meetings of our stockholders. In May 2007, all of the then current directors attended our Annual Meeting of Stockholders other than Samuel Zell. The Board has adopted Corporate Governance Guidelines which, among other matters, describe the responsibilities and certain qualifications of our directors. Our Corporate Governance Guidelines are posted on our website at www.covantaholding.com. A copy also may be obtained by writing to our Vice President of Investor Relations at our principal executive offices.

Our Corporate Governance Guidelines include a Majority Voting Policy, which was adopted by the Board in February, 2007 and provides that in an uncontested election (*i.e.*, an election where the only nominees are those recommended by the Board), any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election shall promptly tender his or her resignation to the Board for consideration in accordance with the procedures described in the Majority Voting Policy attached to our Corporate Governance Guidelines.

The Corporate Governance Guidelines also require that a majority of the Board qualify as independent within the meaning of the independence standards of the New York Stock Exchange. The applicable standards for independence

to the Board are attached to our Corporate Governance Guidelines, referred to as the Independence Standards. These Independence Standards contain categorical standards that we have adopted to assist in making determinations of director independence required by New York Stock Exchange rules. These Independence Standards also describe certain relationships between directors and us that the Board has determined to be categorically immaterial.

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In accordance with the Independence Standards, the Board undertook its annual review of director independence. During this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and us and our subsidiaries and affiliates. The Board also considered whether there were any transactions or relationships between directors, their organizational affiliations or any member of their immediate family, on the one hand, and us and our executive management, on the other hand. As provided in the Independence Standards, the purpose of this review was to determine whether any such relationships or transactions existed that were inconsistent with a determination that the director is independent.

As a result of this review, the Board affirmatively determined that the following directors are independent of us and our management under the standards set forth in the Independence Standards: David M. Barse, Ronald J. Broglio, Peter C.B. Bynoe, Linda J. Fisher, Richard L. Huber, William C. Pate, Robert S. Silberman, Jean Smith and Clayton Yeutter, and that none of these directors had relationships with us except those that the Board has determined to be categorically immaterial as set forth in the Independence Standards. In making these determinations, the Board considered that in the ordinary course of business, transactions may occur between us and our subsidiaries and companies at which one or more of our directors are or have been officers. In each case, the amounts paid to these other companies in each of the last three years did not exceed the applicable thresholds set forth in the Independence Standards or the nature of the relationships with these other companies did not otherwise affect the independent judgment of any of such directors. The Board also considered charitable contributions to not-for-profit organizations of which directors or their immediate family members are affiliated, none of which exceeded the applicable thresholds set forth in the Independence Standards.

In connection with this review, the Board noted that Mr. Yeutter is senior advisor to the law firm of Hogan & Hartson LLP. Hogan & Hartson LLP has provided Covanta Energy with certain legal services for many years, including 2007. This relationship preceded our acquisition of Covanta Energy and Mr. Yeutter did not direct or have any direct or indirect involvement in the procurement, provision, oversight or billing of such legal services and does not directly or indirectly benefit from those fees. The Board has concluded that this relationship does not interfere with Mr. Yeutter's exercise of independent judgment as a director or otherwise prevent him from meeting any of the Independence Standards as it does not constitute a material relationship to Mr. Yeutter, Hogan & Hartson, us or Covanta Energy and Mr. Yeutter qualifies as an independent director under applicable Securities and Exchange Commission, referred to as the SEC, rules and regulations and New York Stock Exchange listing standards.

Mr. Zell and Mr. Pate are executive officers of Equity Group Investments, L.L.C., referred to as EGI. EGI is affiliated with SZ Investments LLC, referred to as SZ Investments, a holder of approximately 15.0% of our common stock as of March 19, 2008, as described under *Equity Ownership of Certain Beneficial Owners*. The Board reviewed the independence of Mr. Pate. In particular, the Board examined not only the amounts paid to EGI and SZ Investments in connection with the financings and other relationships within the past three years, but also the subjective nature of Mr. Pate's relationship with us, as our former non-executive Chairman of the Board. The Board determined that the amounts paid to EGI and SZ Investments did not exceed the applicable thresholds under New York Stock Exchange listing standards and under our Independence Standards and that these relationships do not interfere with Mr. Pate's exercise of independent judgment as a director. Therefore, the Board concluded that Mr. Pate qualifies as an independent director under applicable SEC rules and regulations and New York Stock Exchange listing standards.

Mr. Barse is the President and Chief Executive Officer of Third Avenue Management LLC, referred to as Third Avenue, a holder of approximately 5.7% of our common stock as of March 19, 2008, as described under *Equity Ownership of Certain Beneficial Owners*. The Board noted that although Mr. Barse was our President and Chief Operating Officer from July 1996 until July 2002, such prior service as our executive officer occurred more than three years ago and does not interfere with his exercise of independent judgment as a director. Further, the Board examined the amounts paid to Third Avenue and its affiliates in connection with the financings and other transactions within the past three years, and concluded that these transactions did not exceed the applicable thresholds under New York Stock

Exchange rules and under our Independence Standards and that these relationships do not interfere with Mr. Barse's exercise of independent judgment as a director. Therefore, the Board concluded that Mr. Barse qualifies as an independent director under applicable SEC rules and regulations and New York Stock Exchange listing standards.

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Committees of the Board

Audit Committee. The current members of the Audit Committee are Ms. Smith (Chair), Mr. Huber and Mr. Pate. Each of the members of the Audit Committee is an independent director under applicable New York Stock Exchange listing standards and applicable SEC rules and regulations. The Board has determined that each of the members of the Audit Committee qualifies as an audit committee financial expert under applicable SEC rules. Our Board has determined that Mr. Pate is a financial expert in part due to his other relevant experience, which experience includes Mr. Pate's extensive investment banking experience involving the critical evaluation of financial statements as (a) a director of several public companies, (b) our former Chairman of the Board and (c) the investment manager of private capital. In this latter role, our Board has determined that he had oversight of the preparation, auditing or evaluation of financial statements in conjunction with numerous acquisitions in a variety of industries and in conjunction with raising of public fixed income and equity capital for associated corporations.

The Audit Committee operates under a written charter that was amended and restated by the Board as of December 2006, a copy of which is available on our website at www.covantaholding.com or may be obtained by writing to our Vice President of Investor Relations at our principal executive offices. Under its charter, the functions of the Audit Committee include assisting the Board in its oversight of the quality and integrity of our financial statements and accounting processes, compliance with legal and regulatory requirements, assessing and reviewing the qualifications and independence of our independent auditors and the performance of the independent auditors and overseeing our internal audit function. The Audit Committee has the sole authority to select, evaluate, appoint or replace our independent auditors and has the sole authority to approve all audit engagement fees and terms. The Audit Committee must pre-approve all permitted non-auditing services to be provided by the independent auditors, discuss with management and the independent auditors our financial statements and any disclosures and SEC filings relating thereto, recommend for stockholder approval the ratification of the independent auditors for us, review the integrity of our financial reporting process, establish policies for hiring of employees or former employees of the auditors and investigate any matters pertaining to the integrity of management.

The Audit Committee held five meetings during 2007.

Compensation Committee. The current members of the Compensation Committee are Messrs. Barse (Chair), Silberman and Bynoe. Each of the members of the Compensation Committee qualifies as an independent director under applicable New York Stock Exchange listing standards and is considered to be a non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act in this proxy statement. Messrs. Silberman and Bynoe are outside directors under Section 162(m) of the Internal Revenue Code of 1986, as amended, which we refer to as the Tax Code in this proxy statement. Because Mr. Barse was previously an executive officer of ours, he does not qualify as an outside director solely for purposes of Section 162(m) of the Tax Code. Consequently, Mr. Barse recuses himself from voting in connection with any compensation matters in which Section 162(m) issues may arise, whether made by the Compensation Committee or the full Board. However, our Board has determined that Mr. Barse's prior relationship does not interfere with his exercise of independent judgment as a director and noted that he qualifies as an independent director under applicable New York Stock Exchange listing standards.

The Compensation Committee operates under a written charter that was amended and restated by our Board as of December 2006, a copy of which is available on our website at www.covantaholding.com or may be obtained by writing to our Vice President of Investor Relations at our principal executive offices. Under its charter, the Compensation Committee among other things, has the following authority:

(1) to review and approve the Company's goals relating to the chief executive officer's compensation, evaluate the chief executive officer's performance under those goals and set the chief executive officer's compensation;

(2) to evaluate, review and approve the compensation structure and process for our other officers and the officers of our subsidiaries;

(3) to evaluate, review and recommend to our board of directors any changes to, or additional stock-based and other incentive compensation plans;

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(4) to engage independent advisors to assist the members of the Compensation Committee in carrying out their duties; and

(5) to recommend inclusion of the Compensation Discussion and Analysis in this proxy statement and our Annual Report on Form 10-K.

The Compensation Committee held five meetings during 2007 and took one action by unanimous written consent.

Nominating and Governance Committee. The current members of the Nominating and Governance Committee are Mr. Yeutter (Chair), Ms. Smith and Mr. Broglio. Each of the members of the Nominating and Governance Committee qualifies as an independent director under applicable New York Stock Exchange listing standards.

The Nominating and Governance Committee operates under a written charter that was amended and restated by the Board as of December 2006, a copy of which is available on our website at www.covantaholding.com or may be obtained by writing to our Vice President of Investor Relations at our principal executive offices. Under its charter, the Nominating and Governance Committee is responsible for assisting the Board in identifying qualified candidates to serve on the Board, recommending director nominees for the annual meeting of stockholders, identifying individuals to fill vacancies on the Board, recommending corporate governance guidelines to the Board, leading the Board in its annual self evaluations and recommending nominees to serve on each committee of the Board. The Nominating and Governance Committee, among other things, has the authority to evaluate candidates for the position of director, retain and terminate any search firm used to identify director candidates and review and reassess the adequacy of our corporate governance procedures.

The Nominating and Governance Committee held five meetings during 2007.

In identifying candidates for positions on the Board, the Nominating and Governance Committee generally relies on suggestions and recommendations from members of the Board, management and stockholders. In 2007, we did not use any search firm or pay fees to other third parties in connection with seeking or evaluating Board nominee candidates.

The Nominating and Governance Committee does not set specific minimum qualifications for director positions. Instead, the committee believes that nominations should be based on a particular candidate's merits and our needs after taking into account the current composition of the Board. When evaluating candidates for the position of director, the Nominating and Governance Committee considers an individual's skills, age, diversity, independence from us, experience in areas that address the needs of the Board and ability to devote adequate time to Board duties. Candidates that appear to best fit the needs of the Board and us are identified and unless such individuals are well known to the Board, they are interviewed and further evaluated by the Nominating and Governance Committee. Candidates selected by the Nominating and Governance Committee are then recommended to the full Board. After the Board approves a candidate, the Chair of the Nominating and Governance Committee extends an invitation to the candidate to join the Board.

The Nominating and Governance Committee will consider candidates recommended by stockholders if such recommendations are accompanied by relevant biographical information and are submitted in accordance with our organizational documents, New York Stock Exchange requirements and SEC rules and regulations, each as in effect from time to time. Candidates recommended by stockholders will be evaluated in the same manner as other candidates. Under our Amended and Restated By-Laws, any holder of 20% or more of our outstanding voting securities has the right, but not the obligation, to nominate one qualified candidate for election as a director. Provided that such stockholder adequately notifies us of a nominee within the time periods set forth in our applicable proxy statement, that individual will be included in our proxy statement as a nominee.

Finance Committee. The current members of the Finance Committee are Mr. Silberman (Chair) and Messrs. Barse, Orlando and Pate.

The Finance Committee operates under a written charter that was amended and restated by the Board as of September 2007, a copy of which is available on our website at www.covantaholding.com, or may be obtained by writing to our Vice President of Investor Relations at our principal executive offices. Under its charter, the Finance Committee is responsible for assisting the Board in its oversight of our consideration of new financial commitments,

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acquisitions, investment, and other transactions that are either material to our financial condition or prospects, or are otherwise not contemplated by our annual budget or business/financial plan. The Finance Committee is also responsible for establishing policies with respect to the issuance of dividends on our common stock, establishing guidelines for approvals for proposed transactions and spending authorization by our senior executives.

The Finance Committee held twelve meetings during 2007 and took one action by unanimous written consent.

Public Policy Committee. The current members of the Public Policy Committee are Mr. Bynoe (Chair), Mr. Huber, Mr. Broglio, Ms. Fisher and Mr. Orlando.

The Public Policy Committee operates under a written charter, a copy of which is available on our website at www.covantaholding.com, or may be obtained by writing to our Vice President of Investor Relations at our principal executive offices. Under its charter, the Public Policy Committee is responsible for assisting the Board in its oversight responsibilities for matters relating to public policy. The Public Policy Committee's responsibilities include oversight of legislative and regulatory developments affecting our business, employee safety programs and procedures, community relations programs, political and charitable contributions by us, and other matters of public policy affecting our domestic and international business.

The Public Policy Committee held five meetings during 2007.

Executive Sessions of Non-Management Directors and Independent Directors

The non-management directors of the Board meet regularly in executive sessions without our management present. The independent directors also meet on occasion or as necessary in executive session. The Chairs of each of the committees together select a director to serve as the Chair of each executive session of independent directors. Stockholders wishing to communicate with the independent directors may contact them by writing to: Independent Directors, c/o Corporate Secretary, Covanta Holding Corporation, 40 Lane Road, Fairfield, New Jersey 07004. Any such communication will be promptly distributed to the directors named in the communication in the same manner as described below in *Stockholder Communications with the Board*.

Communications with the Board

Stockholders and other interested parties can send communications to one or more members of the Board by writing to the Board or to specific directors or group of directors at the following address: Covanta Holding Corporation Board of Directors, c/o Corporate Secretary, Covanta Holding Corporation, 40 Lane Road, Fairfield, New Jersey 07004. Any such communication will be promptly distributed by the Corporate Secretary to the individual director or directors named in the communication or to all directors if the communication is addressed to the entire Board.

Compensation of the Board

On an annual basis, at the Annual Meeting of Stockholders at which directors are elected, each non-employee director will be awarded 4,500 shares of restricted stock, which vest as follows: one-third vest upon the grant of the award, one-third will vest one year after the date of grant and the final one-third of the restricted shares will vest two years after the date of grant. Mr. Barse waived his right to receive equity awards for 2007 and has indicated his intention to waive his right to receive equity compensation in 2008. Non-employee directors also will receive an annual fee of \$30,000. The Chairman of the Board will receive an additional annual fee of \$15,000. In addition, the chairs of the Audit Committee and Compensation Committee will each receive an additional annual fee of \$10,000 for such service and the chair of each of the other committees of the Board, including without limitation, the Nominating and Governance Committee, the Public Policy Committee and the Finance Committee will be entitled to receive an

additional annual fee of \$5,000 for such service. Non-employee directors will be entitled to receive a meeting fee of \$2,000 for each Audit Committee meeting and \$1,500 for each other committee meeting they attend. Directors who are appointed at a date other than the annual meeting of stockholders, will be entitled to receive a pro rata portion of the annual director compensation.

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The following table sets forth the compensation paid to each of our non-employee directors for the year ended December 31, 2007.

Director Compensation for 2007

Name⁽¹⁾	Fees Earned or Paid in Cash (\$)	Stock Awards⁽²⁾ (\$)	Option Awards⁽³⁾ (\$)	Total (\$)
David M. Barse ⁽⁴⁾	\$ 64,000			\$ 64,000
Ronald J. Broglio	\$ 43,500	\$ 116,591		\$ 160,091
Peter C.B. Bynoe ⁽⁵⁾	\$ 50,000	\$ 116,591		\$ 166,591
Linda J. Fisher ⁽⁶⁾	\$ 2,500	\$ 102,868		\$ 105,368
Richard L. Huber	\$ 46,500	\$ 116,591		\$ 163,091
William C. Pate	\$ 58,500	\$ 116,591		\$ 175,091
Robert S. Silberman ⁽⁷⁾	\$ 56,000	\$ 116,673		\$ 172,673
Jean Smith ⁽⁸⁾	\$ 59,500	\$ 119,723		\$ 179,223
Clayton Yeutter ⁽⁹⁾	\$ 42,500	\$ 116,591		\$ 159,091
Samuel Zell ⁽¹⁰⁾	\$ 45,000	\$ 115,651		\$ 160,651

- (1) As an employee, Mr. Orlando is not entitled to additional compensation for serving as a member of the Board or any committee of the Board. See the *Summary Compensation Table* for his compensation information.
- (2) Each non-employee director, except for Mr. Barse, who declined to receive any non-cash compensation, received an award of 4,500 shares of restricted stock on May 30, 2007 that had a grant date fair value of \$24.71 per share, as computed in accordance with Statement of Financial Accounting Standards No. 123R, Share-Based Payments, referred to in this proxy statement as FAS 123R. The amounts in the Stock Awards column represent the compensation cost recognized by us in 2007 related to all restricted awards to the directors, for which compensation costs were still being recognized in 2007 computed in accordance with FAS 123R. For a discussion of valuation assumptions, see Note 17 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007. Set forth below is the total number of shares of unvested restricted stock that each non-employee director has been granted in his or her role as a director as of December 31, 2007, as well as the shares of restricted stock which vested during 2007.

Director	Number of Unvested Restricted Stock Awards Held as of December 31, 2007^{(a)(b)}	Number of Restricted Stock Awards Vested During Fiscal Year Ended December 31, 2007
David M. Barse		
Ronald J. Broglio	5,000	4,000
Peter C.B. Bynoe	5,000	4,000

Linda J. Fisher	3,000	719
Richard L. Huber	5,000	4,000
William C. Pate	5,000	4,000
Robert S. Silberman	5,000	3,916
Jean Smith	5,000	4,000
Clayton Yeutter	5,000	4,000
Samuel Zell	4,500	4,000

- a. For each director except Mr. Zell, Mr. Barse and Ms. Fisher, 500 shares of restricted stock vest on September 19, 2008 and for each director except Mr. Barse and Ms. Fisher, 1,500 shares of restricted stock

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vest on each of May 30, 2008, May 31, 2008 and May 30, 2009. For Ms. Fisher, 1,500 shares of restricted stock vest on each of May 30, 2008 and May 30, 2009.

- b. Notwithstanding the vesting schedule attached to such restricted stock awards granted in 2007, all such restricted stock awards were considered to be vested for purposes of FAS 123R.
- (3) No stock options were granted to directors in 2007. The amount set forth reflects the value of stock options previously granted to directors for their service as directors and exercised in 2007. Set forth below is the total number of stock option awards made to each non-employee director in his or her role as a director that were outstanding as of December 31, 2007.

Director	Number of Stock Options Outstanding as of December 31, 2007^(a)
David M. Barse	^(b)
Ronald J. Broglio	13,334
Peter C.B. Bynoe	13,334
Linda J. Fisher	
Richard L. Huber	40,001
William C. Pate	26,668
Robert S. Silberman	13,334
Jean Smith	13,334
Clayton Yeutter	26,668
Samuel Zell	13,334

- a. For each of the directors except Mr. Barse and Ms. Fisher, 13,334 of their options are exercisable at \$12.90 per share. For Mr. Pate, 13,334 of his options are exercisable at \$7.43 per share. For Mr. Huber, 26,667 of his options are exercisable at \$4.26 per share. For Mr. Yeutter, 13,334 of his options are exercisable at \$4.26 per share.
- b. This table does not reflect options held by Mr. Barse which he received in consideration for his service prior to 2003 as an executive officer of ours.
- (4) Mr. Barse is the chair of the Compensation Committee. Mr. Barse waived his right to receive equity awards for 2007.
- (5) Mr. Bynoe is the chair of the Public Policy Committee.
- (6) Ms. Fisher joined the Board of Directors on December 6, 2007.
- (7) Mr. Silberman is the chair of the Finance Committee.
- (8) Ms. Smith is the chair of the Audit Committee.
- (9) Mr. Yeutter is the chair of the Nominating and Governance Committee.

(10) Mr. Zell is the chairman of the Board.

Director Stock Ownership Guidelines

Our Board believes that it is important for all of our directors to acquire and maintain a significant equity ownership position in our company. Accordingly, we have established stock ownership guidelines for our directors in order to specifically identify and align the interests of our directors with our stockholders. Accordingly, each director is required under our guidelines to hold at least 15,000 shares of our common stock. Directors are given five years to reach their target ownership levels and given that a majority of each director's annual compensation is in the form of restricted stock vesting over a period of time, our guidelines provide that credit is given for unvested restricted stock holdings toward individual targets.

Policies on Business Conduct and Ethics

We have a Code of Conduct and Ethics for Senior Financial Officers and a Policy of Business Conduct. The Code of Conduct and Ethics applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting

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Officer, Controller or persons performing similar functions. The Policy of Business Conduct applies to all of our and our subsidiaries , directors, officers and employees. Both the Code of Conduct and Ethics and the Policy of Business Conduct are available on our website at www.covantaholding.com and copies may be obtained by writing to our Vice President of Investor Relations at our principal executive offices.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board is currently comprised of eleven directors. The Board, at the recommendation of the Nominating and Governance Committee, has nominated each of the following eleven individuals to serve as a director for a term of one year:

David M. Barse
Ronald J. Broglio
Peter C.B. Bynoe
Linda J. Fisher
Richard L. Huber
Anthony J. Orlando
William C. Pate
Robert S. Silberman
Jean Smith
Clayton Yeutter
Samuel Zell

Each of the nominees currently serves as a member of the Board. If elected to another term at this year's Annual Meeting, each nominee will serve until the date of next year's annual meeting or until his or her successor has been elected and qualified.

Each nominee has consented to serve as a member of the Board if elected or re-elected, as the case may be, for another term. Nevertheless, if any nominee becomes unable to stand for election (which the Board does not anticipate happening), each proxy will be voted for a substitute designated by the Board or, if no substitute is designated by the Board prior to or at the Annual Meeting, the Board will act to reduce the membership of the Board to the number of individuals nominated.

There is no family relationship between any nominee and any other nominee or any executive officer of ours. The information set forth below concerning the nominees has been furnished to us by the nominees.

The Board recommends that you vote FOR the election of each of the above named nominees to the Board. Proxies solicited by the Board will be voted FOR the election of each of the nominees named above unless instructions to the contrary are given.

Our Directors

David M. Barse has served as a director since 1996 and is Chairman of the Compensation Committee and a member of the Finance Committee. Mr. Barse's one-year term as a director will expire at the next annual meeting of stockholders. Mr. Barse served as President and Chief Operating Officer from July 1996 until July 24, 2002. Since February 1998, Mr. Barse has served as President and, since June 2003, Chief Executive Officer of Third Avenue Management LLC, an investment adviser to mutual funds and separate accounts. From April 1995 until February

1998, he served as the Executive Vice President and Chief Operating Officer of Third Avenue Trust and its predecessor, Third Avenue Value Fund, Inc., before assuming the position of President in May of 1998 and Chief Executive Officer in September 2003. In 2001, Mr. Barse became Trustee of both the Third Avenue Trust and Third Avenue Variable Series Trust. Since June 1995, Mr. Barse has been the President and, since July 1999, Chief Executive Officer of MJ. Whitman, LLC and its predecessor, a full service broker dealer. Mr. Barse joined the predecessor of MJ. Whitman LLC and Third Avenue in December 1991 as General Counsel. Mr. Barse also presently serves as a trustee of Brooklyn Law School and as a director of ACA Holdings, Inc., a public financial insurance company.