



Powering Today. Protecting Tomorrow.

Sustainability-Linked Financing Framework

November 2021

covanta.com

Contents

1 - Company Overview	1
2 - Sustainability Strategy Overview	2
3 - Rationale for Sustainability-Linked Financing Framework ..	7
4 - Sustainability-Linked Financing Framework	7
5 - External Review / Verification	13
6 - Appendix	14
7 - Disclaimer	15

1 - Company Overview

Covanta is one of the world's largest owners and operators of infrastructure for the conversion of waste to energy ("WtE"), and also owns and operates related waste transport, processing and disposal assets. WtE serves as both a sustainable waste management solution that is environmentally superior to landfilling and as a source of clean energy that reduces overall greenhouse gas emissions and is considered renewable under the laws of many states and under federal law. The Company's facilities are critical infrastructure assets that allow its customers, which are principally municipal entities, to provide an essential public service.

The Company's WtE facilities perform multiple functions, including the processing of waste, generally under long-term contracts, the generation of electricity, and the recovery and subsequent sale of metals recovered during the WtE process. The Company currently operates and/or has ownership positions in 41 WtE facilities in commercial operation, 39 of which are located in North America. In total, these facilities process approximately 21 million tons of solid waste annually, equivalent to 8% of the post-recycled municipal solid waste generated in the United States. The Company's facilities produce approximately 10 million megawatt hours ("MWh") of baseload electricity annually. The Company also operates waste management infrastructure, including 13 waste transfer stations, 20 material processing facilities, four landfills (primarily for ash disposal), one metals processing facility, and one ash processing facility (currently in start-up and testing phase), all of which are complementary to its core WtE business. The Company also has ownership positions in several projects currently in development and/or under construction in the United Kingdom.

In order to provide more broad-based and comprehensive solutions, the Company, through its Covanta Environmental Solutions ("CES") brand, and working in conjunction with its WtE facilities, offers a variety of sustainable waste management solutions, including industrial, consumer products and healthcare waste handling, treatment and assured destruction, industrial wastewater treatment and disposal, product depackaging and recycling, on-site cleaning services, and transportation services.



1.1 - Corporate Governance

In July 2021, Covanta announced that it has entered into a definitive agreement with EQT Infrastructure, whereby EQT will acquire all shares of Covanta common stock. Following the completion of the acquisition, EQT will work with Covanta's management team to build upon its impressive strengths including its portfolio of assets that provide essential waste services to municipalities and commercial customers, its long-term community relationships, as well as its numerous growth opportunities, including through a robust UK project pipeline of new WtE infrastructure and the CES platform.

EQT's long-term, strategic approach to sustainable business begins with a mindset that integrates financial as well as environmental, social and governance ("ESG") considerations with a goal to make a positive impact. EQT AB Group has a Sustainability Team which acts as a catalyst and facilitator for sustainability within EQT. Covanta expects its sustainability focus will remain a priority in coordination with EQT, advancing our collec-

tive vision and sustainability goals.

At the time of the announced acquisition, in line with our core mission to offer sustainable services, Covanta seeks to be best in class in corporate governance. Our Board of Directors, made up of 11 members, is led by a Chairman that has sizable equity ownership that aligns him with our independent shareholders. To further highlight our Board independence, we also have separate Chairman and CEO roles while augmenting this with a Lead Independent Director.

This Board is tasked with a number of responsibilities, not the least of which are executive compensation and sustainability. On compensation, our Board ensures that our executives have a significant amount of compensation at risk for meeting financial goals. Given the primacy of sustainability in the company's business goals, reaching financial targets is tightly aligned with achievement of environmental and social targets.

Governance of Sustainability is a primary responsibility with the Nominating and Governance Committee that has oversight of public policy and sustainability initiatives, performance and reporting. Covanta's Senior Management team sets the strategic vision and priorities of the company and drives accountability at all levels. Covanta's Chief Sustainability Officer ("CSO") has overall responsibility for the company's sustainability program and oversees the assessment, management, and strategy development for all sustainability-related issues, including climate change. In addition, the CSO oversees the company's safety, health and environmental compliance programs, and community and government affairs programs.

The CSO reports to the General Counsel and Secretary and the Chief Operating Officer, both of whom are Executive Vice Presidents and report directly to the Chief Executive Officer.

2 - Sustainability Strategy Overview

2.1 - Sustainability is Core to Covanta

What we do every day helps our communities, clients and customers find practical solutions to significant societal challenges: waste and materials management, providing clean energy and helping address global climate change. In short, we all work every day to protect tomorrow in the following ways:

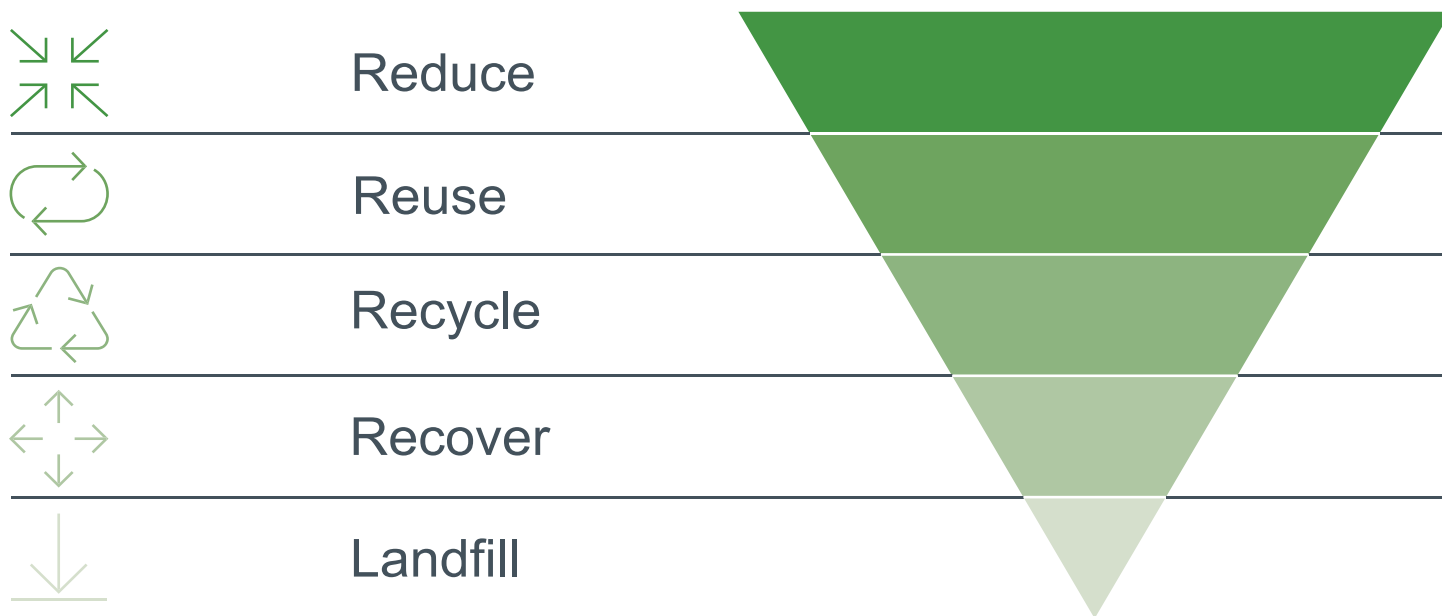
- **Ensuring that no waste is wasted.** We provide our communities and clients access to sustainable waste and materials management, from the largest fleet of WtE facilities in the world, to wastewater treatment, to tailored commercial waste services.
- **Reducing environmental impacts.** Environmental performance is core to our service offerings. We offer a more sustainable waste management option for wastes remaining after recycling. At our own facilities we strive to minimize our own environmental footprint and our stack emissions are 30% to over 90% below federal guidelines. Strong performance is the key to continued strong relationships with our communities and customers. It is also the prerequisite to new business opportunities.
- **Achieving world-class safety and health performance.** Protecting the safety and health of our coworkers is paramount. We believe that success comes with building and maintaining a robust safety culture throughout our business through employee leadership, robust training programs, and engagement at all levels of the business. We memorialize our commitment in our [Total Safety and Health Policy](#).

- **Creating and maintaining an inclusive, equitable and collaborative corporate culture.** Our dedicated workforce drives our business and our success. Key to building a successful team is our ability to attract and retain a talented and diverse workforce that is engaged in our collective mission. Collectively, we foster a culture of innovation and continuous improvement, driving cost reduction, revenue growth, and overall profitability.
- **Partnering with our communities.** Mutual acceptance and respect between Covanta and local communities are essential to productive operations. We work continually to be a good neighbor and to invest human and financial resources in the communities in which our facilities are located.

2.2 - Vision for Sustainable Waste Management

Waste always has an environmental impact. However, how we manage waste can significantly reduce those impacts. At Covanta, we believe the materials discarded every day should be utilized to their fullest potential and that WtE is central to our sustainable waste management approach. The waste hierarchy is a guidance used by both U.S. and European governments to prioritize waste management policy. In general, higher tiers on the waste management hierarchy are more preferred and result in less environmental burden than lower tiers. For example, for wastes that remain after recycling, WtE facilities are preferred over landfilling.

In addition, WtE facilities recycle metals, reduce the need for fossil-based energy, and reduce greenhouse gas (“GHG”) emissions relative to landfilling.



At Covanta, we have also set goals to recover more value from waste resources, moving further up the waste management hierarchy, reducing GHG emissions and recovering more materials to put back into the economy, by:

- Recovering more energy at existing WtE facilities
- Building new best-in-class WtE capacity with low emission profiles
- Investing in existing WtE facilities to preserve their capacity for the long-run
- Continuing to expand recycling services to our commercial or industrial clients
- Continuing to mine ash for valuable resources, such as metals and aggregates

2.3 - Addressing Climate Change

The largest part of our business today—operating WtE facilities—is widely recognized internationally as a source of GHG mitigation. WtE facilities reduce GHG emissions, even after accounting for stack emissions from combustion, by:

- Diverting post-recycled solid waste from landfills, where it would have emitted the potent GHG methane for decades, even when factoring in landfill gas collection
- Generating energy that otherwise would have been produced by GHG-emitting fossil fuel power plants
- Recovering metals for recycling, thereby avoiding GHGs and energy associated with the production of products and materials from virgin inputs

According to U.S. EPA, life cycle emission analysis shows that WtE facilities actually reduce the amount of greenhouse gases expressed as CO₂ equivalents (“CO₂e”) in the atmosphere by approximately one ton for every ton of municipal solid waste (“MSW”) combusted.¹ This GHG benefit of WtE is widely recognized, including by U.S. EPA scientists;² the Intergovernmental Panel on Climate Change (IPCC);³ the World Economic Forum;⁴ the European Union;^{5,6} CalRecycle;⁷ California Air Resources Board;⁸ and the Joint Institute for Strategic Energy Analysis (NREL).⁹ WtE facilities generate carbon offsets credits under both the Clean Development Mechanism (CDM) of the Kyoto Protocol and voluntary carbon offset markets.^{10, 11}

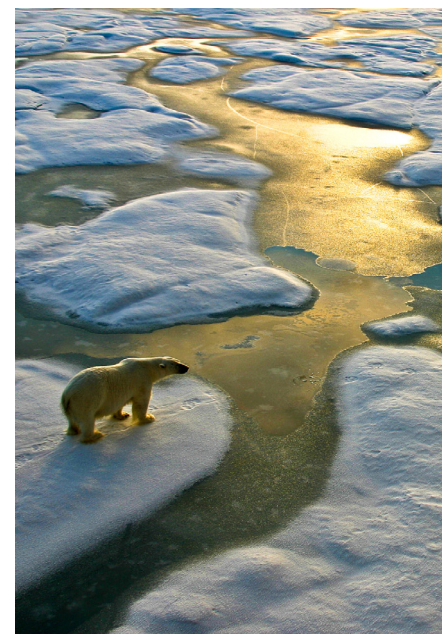
The diversion of wastes, particularly biodegradable wastes, from landfills is the key component to reducing GHG emissions from the waste sector. Landfills are the third largest global contributor of the potent GHG methane. As organic biodegradable materials in municipal waste breaks down in a landfill, the waste generates landfill gases, including methane. While most landfills collect landfill gas, they can’t collect all emissions, and the amount that leaks, or is generated before or after collection systems are in place, contribute potent GHG. New measurements conducted at landfills are revealing emissions 2-3 times greater than previously thought.

In August 2021, the IPCC issued its starkest warning yet - as global efforts to cut GHG emissions intensify, landfills are coming under increasing scrutiny. Globally, landfills are in the top three sources of global anthropogenic methane, according to a May 2021¹² report from the United Nations Environmental Programme (UNEP). “Cutting methane is the strongest lever we have to slow climate change over the next 25 years,” said Inger Andersen, UNEP executive director.¹³

Our efforts to recover more value from waste resources will further help reduce lifecycle GHG emissions. The expansion of recycling for our commercial and industrial clients through CES and additional mining of ash for valuable resources, advance materials recycling, both for our customers and our own wastes and residues. Use of recycled materials for waste reduces GHG emissions relative to the production of materials from raw materials.

As part of our vision for sustainable waste management, we have established a new sustainability goal to set a science-based target emission reduction and implementation plan by 2022 in line with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures. Our work to-date, including our work on a peer reviewed paper addressing GHG mitigation in the waste sector, has revealed that a continued focus on moving wastes out of landfills and up the waste management hierarchy reaps the most significant GHG benefits.¹⁴

Many companies in the waste sector, including Covanta, work within discrete tiers of the waste hierarchy, which necessitates a sector-based approach to GHG mitigation, where the options to move up the hierarchy and reduce emissions are not restricted by individual company business lines.



2.4 - Advancing Sustainable Waste & Materials Management

WtE is an important part of an overall integrated waste management approach, recognized in the European Union and U.S. EPA waste management hierarchies as preferable to landfilling for those materials remaining after waste reduction, reuse, and recycling efforts have been exhausted.^{15, 16}

To implement this hierarchy, the European Union established a set of complementary policies pertaining to the waste sector, including a landfill directive which calls for a minimum 65% biodegradable waste diversion from landfills to alternatives, including recycling, composting, anaerobic digestion, and Waste-to-Energy.^{17, 18, 19} This integrated approach, entirely outside of their cap and trade program, resulted in the biggest GHG reductions in any sector in the EU economy on a percentage basis (34%).²⁰

The European Commission's Waste Framework Directive acknowledges that while preventing waste is the preferred option, sending waste to landfill should be the last resort. Covanta's approach to more sustainable waste management is founded in moving waste up the waste management hierarchy, both through the maintenance and expansion of WtE throughput and capacity, and in the expansion of recycling, both for our own operations, as well as for our customers and clients.



2.5 - Reporting & Transparency

We are committed to transparently reporting our environmental, social and governance standards, policies, and performance through our [corporate sustainability report](#), which can be found on our Company website.

We publish our sustainability report and performance data annually in accordance with the Global Reporting Initiative (GRI) Standards: Core option. Our reporting also aligns with the Sustainability Accounting Standards Board's (SASB) Waste Management sector standards.²¹

Covanta reports its GHG emissions to the U.S. EPA GHG Reporting Program and has responded to the CDP climate change questionnaire since 2007.

2.6 - Sustainability Goals

Providing sustainable waste, materials, and energy services to our customers is the cornerstone of our business. Our corporate culture is focused on the triple bottom line of sustainability — people, planet, and prosperity — in support of our mission.

To advance our company's mission and sustainability performance, and to implement our vision for more sustainable waste management, we have set goals and targets around our material issues, safety and health, environment, materials management, human resources and community affairs. Our goals are also aligned with the UN Sustainable Development Goals (SDGs).

We regularly review our goals and our progress, including with our senior leadership team and board, to ensure that they continue to reflect our mission and our business and drive us to improve our performance.

Safety and Health

Goal	2020 Progress	SDG	Our Impact	What We Are Doing
Achieve world-class safety and health performance through disciplined continuous improvement, safety leadership at all levels, full employee engagement and an integrated, interdependent world-class safety culture.	In 2020, over two thirds of our facilities were completely injury free.	# 3: Good Health and Well-being # 6: Clean Water and Sanitation	Through our services to communities and businesses we ensure basic sanitation and provide a safe means of waste management recognized as preferable to landfilling.	<p>We are conducting a formal safety perception survey to gauge overall culture expected in 2021.</p> <p>To date, we have completed over 54,700 safety & health observations with ProcessMap tool.</p> <p>We are reporting metrics with focus on improving participation and other proactive opportunities for improvement.</p>

Environment

Goal	2020 Progress	SDG	Our Impact	What We Are Doing
We have committed to implement five projects by 2023 to further reduce emissions in Environmental Justice communities. We will also set a science-based GHG reduction target by 2022 to drive further reductions.	In 2020, we achieved 100% stack test compliance and 99.99% CEM compliance at WtE facilities.	# 13: Climate Action # 11: Sustainable Cities and Communities # 7: Affordable and Clean Energy	Our core business, WtE, is internationally recognized as a source of GHG mitigation, by avoiding landfill methane, recovering metals for recycling, and displaced fossil-fuel fired grid electricity.	<p>All WtE emissions performance gains were maintained as of the end of 2020.</p> <p>The installation of new Low NOx technology is currently in various stages of development in eight units at three facilities, two of which are EJ communities.</p>

Materials Management

Goal	2020 Progress	SDG	Our Impact	What We Are Doing
Advance sustainable waste management and life-cycle greenhouse gas reductions through increased landfill diversion, greater operational efficiency and expansion of waste reduction, reuse and recycling.	In 2020, we avoided, recycled or reused nearly 1 million tons of waste, a 76.8% increase in six years.	# 12: Responsible Consumption and Production	How we manage waste and materials at the end of life has a profound impact on the environment. For wastes remaining after recycling, WtE facilities can recover value, both in the form of energy and metals for recycling.	<p>2020 overall tons processed resulted in an increase of 4.5% relative to the unadjusted 2014 baseline. Our current U.K. development pipeline will add another 1.5M tons of capacity, enough to meet our goal.</p> <p>In 2020, we avoided, recycled or reused 1.06 million tons of waste, an 88.5% increase in six years.</p>

Workforce Engagement

Goal	2020 Progress	SDG	Our Impact	What We Are Doing
Create and maintain an inclusive, respectful and equitable environment that leverages the unique talents, perspectives and experiences of our diverse workforce.	The share of women and under-represented groups in leadership positions reached 21% and 20% respectively in 2020.	# 10: Reduced Inequalities # 8: Decent Work and Economic Growth # 5: Gender Equality	Attracting and retaining the best talent and hiring and retaining a diverse workforce with regard to age, race, gender, ethnicity and other dimensions of diversity is critical to the success of our business.	<p>We developed a new Unconscious Bias curriculum in 2020. The roll-out to senior management began in 2021.</p> <p>In 2020, we developed and reviewed with the Board a specific action plan to achieve our 2030 diversity goal.</p> <p>We added a new "Values Diversity" competency to our annual review process to formally recognize its value.</p>

Community Relations

Goal	2020 Progress	SDG	Our Impact	What We Are Doing
Expand the number and quality of our community outreach programs.	In 2020, 87.8% of our owned or operated facilities interacted with communities over 10 times.	# 9: Industry, Innovation and Infrastructure # 4: Quality Education	WtE facilities are community infrastructure that can provide resilient waste management and energy services to the local community. We support youth education around environmental stewardship, sustainability and responsible waste management.	We developed the first Green-Star Outreach Awards to recognize local efforts in community outreach. In 2020, all facilities utilized a new company-wide process to identify community stakeholders and plan an effective facility-specific Outreach Plan targeting local needs and interests.

3 - Rationale for Sustainability-Linked Financing Framework

3.1 - Rationale for Sustainability-Linked Financing Framework

Covanta's sustainability-linked financing framework demonstrates our mission to ensure that no waste is ever wasted. It is our business, our purpose and our value proposition to recover, recycle and reimagine waste, extracting the highest value from the byproducts of our daily lives. Sustainability is core to our DNA and drives our business forward. This framework links our sustainability strategy, with Covanta's corporate financial strategy and invites investors to join us on this journey.

The Framework is in alignment with the five core components of the Sustainability-Linked Bond Principles ("SLBP") established by the International Capital Markets Association in 2020 ("ICMA"), and the Sustainability-Linked Loan Principles ("SLLP") 2021, as administered by the Loan Market Association ("LMA") and Loan Syndications and Trading Association ("LSTA"):

- Selection of Key Performance Indicators ("KPIs")
- Calibration of Sustainability Performance Targets ("SPTs")
- Financing Instrument Characteristics
- Reporting
- Verification

4 - Sustainability-Linked Financing Framework

4.1 - Key Performance Indicators (KPIs) Selection

Key Performance Indicators (KPIs)

- **KPI 1:** Sustainably Processed Waste measured as thousand tons
- **SPT 1:** Cumulative growth of 2.5% by year-end 2025, compared to a 2020 baseline
- **Long Term Target:** Covanta commits to continuing an upward trajectory and growth of total WtE processed
- **KPI 2:** Waste recycled / reused measured as thousand tons
- **SPT 2:** Cumulative growth of 25% by year-end 2025, compared to a 2020 baseline
- **Long Term Target:** Covanta commits to continuing growth of waste recycled to reused materials by 40% by 2030, compared to a 2020 baseline

Rationale

Working toward a better, more sustainable tomorrow for our employees, our communities and our planet is at the heart of what Covanta does. And with the damaging impacts of global climate change intensifying, our mission has never been more important. The challenge of managing waste and materials sustainably is a core element of our integrated strategy to minimize GHG emissions and address climate change both locally and globally. Against this backdrop, we continue to work toward solving the complexities that waste poses for communities and the businesses we serve.

The KPIs, sustainably processed waste and waste recycled or reused, have been chosen to reflect our greatest net emissions reduction potential. Sustainably processing waste results in landfill avoidance that would otherwise create significant GHG emissions over a long period of time. In addition, Covanta's utilization of WtE processes generates energy. Waste recycled or reused is an initiative to optimize waste output, reduce future energy requirements, and contribute to the circular economy. These two KPI's are synergistic and highlight the ongoing commitment to improve the sustainability of the waste industry and move up the waste hierarchy. Both KPI's are intended to be used in tandem in Sustainability-Linked Financings.

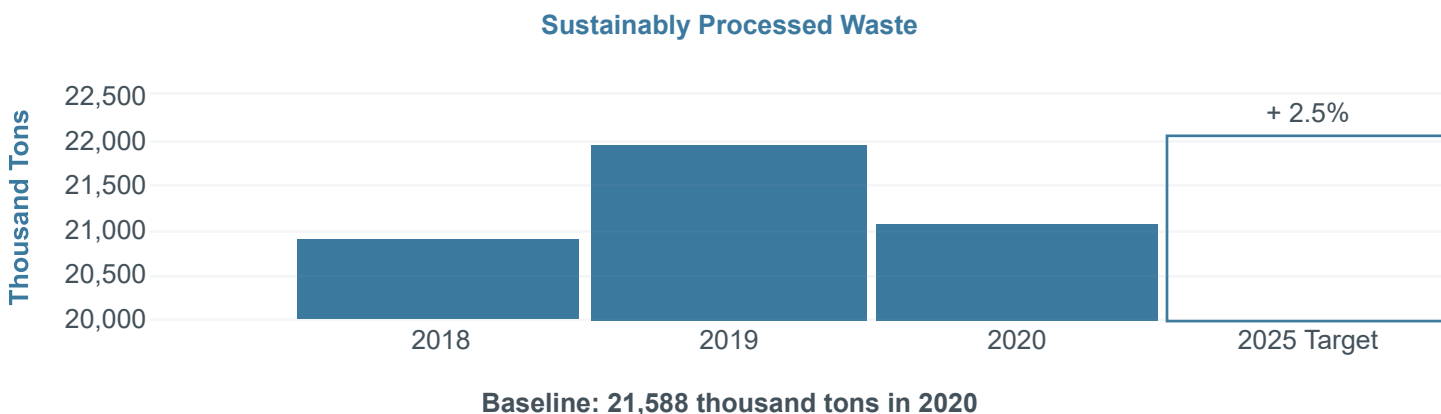
As a business today, Covanta has a material benefit to the environment at large and the more waste that Covanta can sustainably process and the more waste Covanta can recycle and reuse, the greater the environmental benefit. The absolute measure of volumes is directly correlated to the positive impact Covanta can generate. In addition, these KPIs are directly tied to actions and strategic decisions that Covanta can control, rather than metrics that may be impacted by broader macroeconomic conditions, non-controlled facility utilization decisions, composition of processed waste, etc.

KPI 1

Sustainably Processed Waste is defined as all wastes managed by Covanta on behalf of our customers and clients through energy recovery (WtE), recycling, and reuse in line with the waste management hierarchy of the U.S. EPA and the European Union. A description of how and why Covanta may adjust performance data is included in the description of SPTs.

Sustainably Processed Waste				
Tons (000s)	2018	2019	2020	2025 Target
Actual	20,862	21,908	21,588	22,128
Year-on-Year Growth		5.0%	-1.5%	2.5% (vs. 2020 baseline)
Adjusted	20,094	20,038	19,795	
Year-on-Year Growth		-0.3%	-1.2%	

Historical results above are also shown as adjusted relative to a 2018 baseline for divestitures and acquisitions to give improved transparency on underlying performance / growth, comparable to how the measurement will occur in the future from a 2020 baseline.

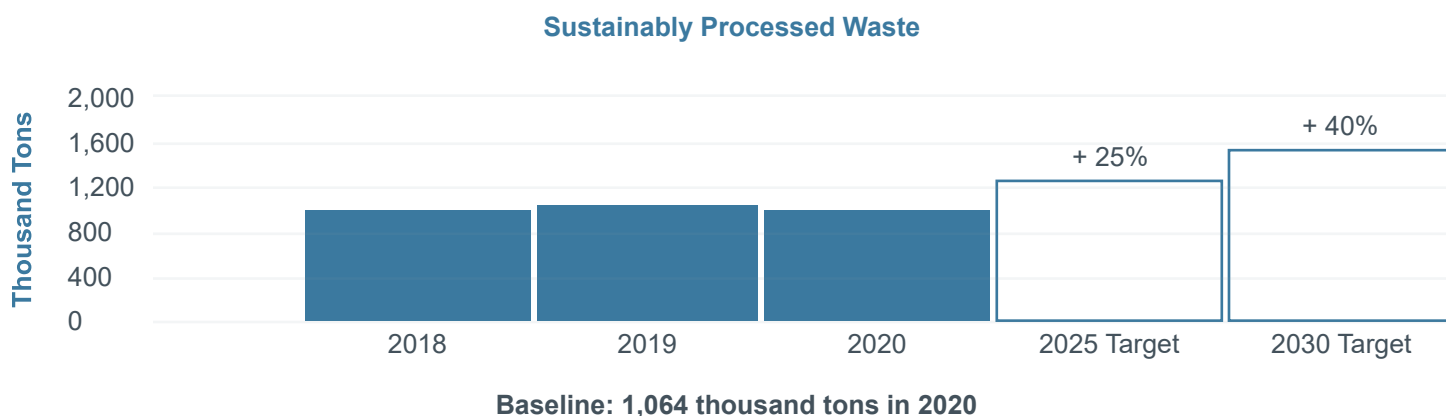


KPI 2

Waste Recycled and Reused is defined as all residues from the WtE process that are recovered for recycling and all wastes managed by Covanta on behalf of our customers and clients through recycling and reuse in line with the waste management hierarchy of the U.S. EPA and the European Union. A description of how and why Covanta may adjust performance data is included in the description of SPTs.

Waste Recycled / Reused					
Tons (000s)	2018	2019	2020	2025 Target	2030 Target
Actual	1,020	1,104	1,064	1,330	1,489
Year-on-Year Growth		8.3%	-3.7%	25.0% (vs. 2020 baseline)	40.0% (vs. 2020 baseline)
Adjusted	1,011	1,102	1,064		
Year-on-Year Growth		9.0%	-3.4%		

Historical results above are also shown as adjusted relative to a 2018 baseline for divestitures and acquisitions to give improved transparency on underlying performance / growth, comparable to how the measurement will occur in the future from a 2020 baseline.



4.2 - Sustainability Performance Target (SPT) Calibration

The largest part of our business today—operating WtE facilities—is widely recognized internationally as a source of GHG mitigation. WtE facilities reduce GHG emissions, even after accounting for stack emissions from combustion, by:

- **SPT 1:** Cumulative growth of Waste Sustainably Processed Waste (WtE) processed measured as thousand tons of 2.5% by year-end 2025, compared to a 2020 baseline
- **Target:** 22,128 thousand tons in 2025
- **SPT 2:** Cumulative growth of Waste recycled / reused materials measured as thousand tons of 25% by year-end 2025, compared to a 2020 baseline
- **Target:** 1,330 thousand tons in 2025

As a general matter, Covanta is embarking on a change of ownership which may result in strategy changes and adjustments to its fleet in the coming years. With a goal of ensuring the KPIs represent Covanta's impact on the overall environment on an incremental basis, Covanta intends to adjust KPI's on a go forward basis under the following scenarios:

- Divestitures of owned or operated assets that were included in the 2020 baseline but are removed prior to the 2025 target will be adjusted out of the 2020 baseline
- Acquisitions of operational assets, either contractual or owned, subsequent to the 2020 baseline but prior to the 2025 target will only be included in the target to the extent that post acquisition performance is higher than throughput in the first full year of operations under Covanta ownership (i.e., only increases post-acquisition will be included as progress toward the targets)
- Assets under construction, defined as having already reached financial close, will be included in the 2025 KPI measurement utilizing their first full year of throughput even if the assets are divested prior to operations as Covanta was critical in bringing this new sustainable capacity to market
- Closures of Covanta owned facilities that are in the 2020 baseline and retire prior to 2025 will be included in Covanta's KPI
- Closures of client-owned facilities that Covanta operates, prior to 2025, that are in the 2020 baseline will result in a baseline adjustment
- Force majeure events including, but not limited to regulatory prohibitions on operations will be adjusted in the target year

4.2.1 - Key Actions that Support Achievement of SPT 1

New Project Development

Covanta is actively developing and constructing new WtE capacity in markets with supportive economics. The most notable is the UK where Covanta has four projects in the construction phase with commercial operations expected to begin between 2022 and 2024. These new projects will help the UK achieve its goal of reducing methane emissions by diverting biodegradable waste from landfills.

Growth in CES

Covanta Environmental Solutions (CES) provides a growing variety of advanced waste processing services such as waste and water reuse, water recycling through pretreatment, composting and recycling for the industrial, manufacturing and healthcare industries. And we are continually looking at new technologies to introduce and integrate in ways that will further reduce our clients' waste generation and impacts.

We intend to continue to grow our CES business by partnering and investing in relevant processing technologies. Doing so promises to help the environment by shifting a larger share of refuse higher up the EPA's waste hierarchy to more preferred means of waste management.

Effective Maintenance and Operation of Existing Assets

At Covanta, we know that effectively maintaining our existing fleet is imperative for continuing to provide the environmental benefits we do today. Each year, Covanta invests over \$400mm on maintenance and upgrades for its fleet, which is critical in maintaining and expanding existing capacity. Our goal is to maximize the economic throughput of the facilities. Over the next few years, some of the assets will potentially be shuttered which would act as a decremental impact to total landfill avoidance and serve as a headwind to Covanta's growth targets.

4.2.2 - Key Actions that Support Achievement of SPT 2

Recovering Metals

At Covanta, we are continually seeking new and innovative ways to increase the value of materials we recover and divert from landfills. After combustion takes place in our WtE facilities, we recover a variety of metals from the ash for recycling, and we have several projects in development to further increase this volume. We also anticipate capturing metals from our new UK facilities when they come online.

Ash Processing

In 2020, we began operations of our very first stand-alone ash processing facility. Located in Fairless Hills, Pennsylvania, our ash processing facility recovers additional metal through a combination of physical separation steps, allowing us to recover much finer pieces of metal than is possible at our WtE facilities. Furthermore, in 2020, we also had our first shipment of aggregate material for the construction industry and we expect to continue to refine and improve our process to maximize this reuse. As this technology is proven out, we see opportunities to deploy it in other locations. In the UK there is an established pathway for ash reuse, and we expect to utilize third parties to capture this opportunity.

Primary Recycling at CES

Covanta has growth plans in place to both drive incremental volumes through our existing capacity at CES as well as to undertake capacity expansions. Further, we expect to review incremental technologies and opportunities to broaden our capabilities.



4.2.3 - Potential Barriers to SPT Achievement

- Macroeconomic conditions may result in less waste processing opportunities, which could in turn impact the availability of waste at Covanta's facilities and in the ability to execute on CES expansion opportunities.
- Covanta relies on third parties to construct its new facilities and failure by these third parties to meet their obligations could result in delays or reduced availability.
- Covanta anticipates relying on third parties to recover metals and reuse ash at the UK development projects and if these parties are unable to meet their obligations, Covanta may be challenged in reaching its SPT.
- Facility maintenance could require greater capital outlays than currently forecasted and if not successfully completed, could result in reduced available or plant closure.
- The volumes and composition of wastes can fluctuate, potentially decreasing waste processing at existing facilities. Waste processing volumes at the client owned facilities that Covanta operates, can be subject to change by the facility owner.
- The ability to reuse ash for beneficial purposes in the US is contingent on the continued evolution of new technologies and if these technologies do not scale, Covanta may not be able to meet its reuse goals.



4.3 - Financing Instrument Characteristic

Covanta views the selected KPIs as being complementary to each other and intends to use both KPI's in tandem in Sustainability-Linked Financings.

Covanta will assign structural and / or financial implications to the non-achievement of the applicable SPT, as described in the Sustainability-Linked Financing Instrument's offering documentation. These implications could include, but are not limited to, a coupon step-up and / or a step-down, margin adjustment or premium payment at maturity. Any financial and/or structural characteristics will be commensurate and meaningful relative to the original financing's financial characteristics.

If the SPT(s) have not been reached or verified at the target observation date, as per the annual reporting published following the target observation date, a premium will be payable by Covanta.

The mechanism for payment of premium will be specified in the final terms of the notes and may include the following:

- An increase in the coupon margin by an amount specified in the documentation of the Sustainability-Linked Financing Instrument payable from the first coupon payment date following the specified step-up date until maturity
- Where the instrument allows two or more observation and coupon step dates, then these coupon steps would be cumulative

The exact mechanism and impacts of the achievement or failure to reach the pre-defined SPT(s) will be detailed for each financing in the pre-issuance template. Such documents will detail the KPI definition, calculation methodologies, SPT(s) and trigger events, financial/structural characteristic variation mechanisms, as well as where needed any fallback mechanisms in case the SPT(s) cannot be calculated or observed in a satisfactory manner, and language to take into consideration potential exceptional events or extreme events, including drastic changes in the regulatory environment that could substantially impact the calculation of the KPI or the restatement of the SPT(s). Where relevant, Covanta may include potential exceptional events that could substantially impact the calculation of the KPI and SPT(s) in the legal documentation for the Sustainability-Linked Financing Instrument.

Any future Sustainability-Linked Financing Instruments with the same KPI(s) and SPT Observation Date must utilize an SPT of equal or greater climate ambition. In addition, at the issuance of such a Sustainability-Linked Financing Instrument, any outstanding Sustainability-Linked Financing Instruments would have their equivalent SPT adjusted to reflect the greater ambition – clause of “the most ambitious target” – for three key reasons:

- To enable the increase of ambition over time, and allow Covanta to adapt to new circumstances
- To avoid the coexistence of Sustainability-Linked Financing Instruments with different SPTs at the same dates for the same KPIs
- To facilitate the reporting exercise – avoiding the need to validate the KPI against multiple targets

4.4 - Reporting

Annually, and for any period relevant for assessing the trigger of the SPT(s) performance, Covanta will publish and keep readily available and easily accessible on our website up to date information on:

- Performance of the selected KPIs, including the baseline where relevant
- A verification assurance report (“Limited Assurance”) outlining the performance of the KPIs against the SPTs and the related impact on the financing instrument’s characteristics
- Any relevant information enabling investors to monitor Covanta’s progress towards the selected SPTs

5 - External Review / Verification

5.1 - Post Issuance

Covanta’s KPI performance will be verified by an external auditor annually. A “Limited Assurance” report will be published on Covanta’s investor website.

Covanta will review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to best practices in the market. The Company will also review this Framework in case of material changes in the perimeter, methodology, and in particular KPIs and/or the SPT’s calibration. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of ISS or any such other qualified provider of second party opinion.

Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Verifier. The updated Framework, if any, will be published on Covanta’s investor website and will replace this Framework.

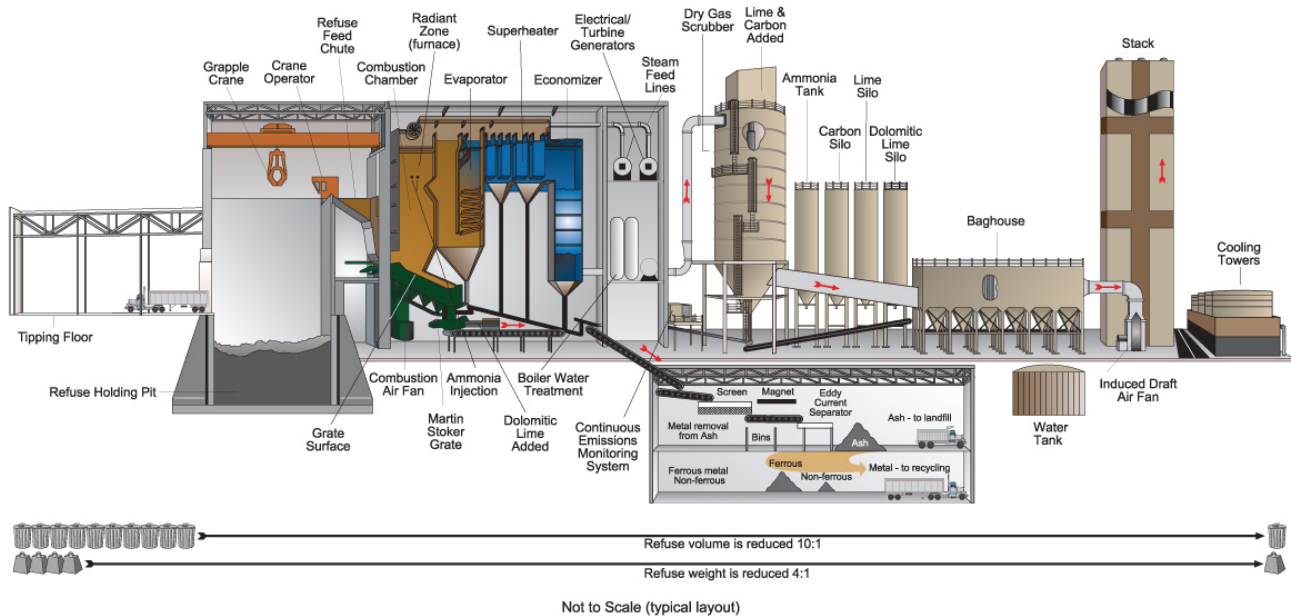
5.2 - Pre-Issuance

Covanta has obtained and made publicly available a Second Party Opinion (“SPO”), confirming the alignment of the Framework with ICMA’s Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021, as administered by the LMA and LSTA. The SPO will be published on Covanta’s investor website.



6 - Appendix

6.1 - Covanta's Waste-to-Energy Process



6.2 - Sources

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7 - Disclaimer

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