Most people identify us by our green trucks and green bins. They think of us as a garbage company. But today’s Waste Management is much more than that. We are an environmental services company providing the route to resource sustainability for families, businesses and municipalities. We are committed to helping our customers thrive and prosper through business practices reflecting social responsibility and environmental excellence.

As a company, nearly half of our revenues come from turning wastes into valuable resources. Forty-nine percent of our revenues currently come from “green” services: recycling, energy production at landfills, waste collection for recycling or energy production, and waste reduction/elimination consultancy through our Upstream service line.

Waste Management’s achievement in driving more sustainable waste services is well recognized. For the last four years, Waste Management has been named to the Dow Jones Sustainability Index (DJSI), a selection of companies judged on their global leadership in sustainability and economic performance. For all those years, Waste Management far outperformed the average DJSI score for the waste and disposal services sector.

We intend to expand our proportion of green service. In 2007, we announced major sustainability goals against which we will measure our progress by the year 2020. By setting ambitious goals and disclosing annual results, we demonstrate what it means to Think Green® every day.
We are North America’s largest residential recycler, and by 2020, we expect to nearly triple the amount of recyclable materials we manage, from 8 million to more than 20 million tons. Our recycling in 2007 contributed to the energy equivalent of powering 1.3 million homes, and the reduction in greenhouse gases equivalent to taking 4.75 million cars off the road.

Our plan to nearly triple the recyclables we manage relies in part on the volumes derived from a logistically efficient national array of single-stream recycling facilities. The convenience of single-stream recycling is so effective in increasing recycling productivity. We have found that our capacity in these two areas is particularly important to customers seeking “zero waste” solutions.

**Landfill-gas-to-energy (LFGTE)** In 2007, Waste Management’s landfill-gas-to-energy plants produced over 3.5 million megawatt-hours of renewable energy, providing energy that could power nearly 390,000 homes and replace 1.9 million tons of coal or 6.3 million barrels of oil. By 2012, we plan to have LFGTE facilities at all WM landfills that can support them. We also plan to serve as consultants/contract operators to local governments and the private sector at landfills with LFGTE capability. The energy that can be produced at these facilities is especially valuable to utilities because it is a consistent, cost-effective and reliable source of energy that can be used for base load power.

By increasing the number of LFGTE plants, we added 22 megawatts of energy production in 2008, and we are in the process of constructing 10 new plants that will produce an additional 50 megawatts of power.

…where “reduce, reuse and recycle” become the watchwords of every family and company in North America.
We have joined with the Wildlife Habitat Council (WHC) to formally certify conservation centers at operating and closed landfills that qualify. By 2020, we plan to achieve a fourfold increase in the number of our wildlife habitats certified by the Wildlife Habitat Council. That means at least 100 of our landfills will have a total of more than 25,000 acres set aside for conservation and wildlife habitat — an area more than one-and-a-half times the size of Manhattan island.

We’ve made tremendous progress. As of November 2008, we had received certifications for a total of 49 landfills and had protected a total of about 21,000 acres.

**Electronics recycling** We have teamed with Sony to establish the first national electronics-recycling program. With Sony, we plan to supply e-waste drop-off sites within 20 miles of 95 percent of the U.S. population. In the first year of operation, this program collected 12 million pounds of electronic waste. A second partnership with LG Electronics, announced in August 2008, initiated e-recycling of LG products. E-cycling volumes have increased about 29 percent this year.

**Green Squad** A WM Upstream service, the Green Squad, uses our recycling capacity as well as our experience in waste reduction and elimination to help customers reduce their environmental impact. The ISO 14001 certified Upstream division, in operation over 10 years, works with commercial and industrial customers to help them achieve their environmental goals — from waste reduction, treatment and recycling services to fulfilling their zero-waste goals. For many customers, Upstream can achieve 75 percent to 90 percent waste reduction — and provide an economic benefit to them. Upstream saved its customers an average of $285,000 per year per facility from 2005 through 2007.

**LEED certification services** We see the potential for more construction and demolition waste recycling, driven by the increased desire by developers to have buildings certified under the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) program. We provide the services needed to meet green building standards, and we are minimizing the use of resources in our own facilities and for our customers.

...where companies take a leadership position by investing in cleaner technologies so that air pollution becomes a thing of the past.

We are taking the lead in developing technologies to enhance the waste business and reduce our carbon impact. Today, we have 26,000 vehicles in our fleet. Over the next 10 years, we will ask our suppliers to develop a truck that improves the fuel efficiency of our fleet by 15 percent and reduces fleet emissions by 15 percent. Waste Management plans to spend more than $450 million per year on new trucks – a strong incentive for manufacturers to create a breakthrough technology for a new hybrid engine. In fact, we are working with four suppliers on different technologies for hybrid trucks and heavy equipment, each in a different stage of testing but all showing promise.

We also are partnering with a leading non-governmental organization and other companies to develop additional incentives to bring heavy-duty hybrid truck technology to the marketplace.

...where the environment is respected and every action is aimed at recovery and restoration.

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We’ve made tremendous progress. As of November 2008, we had received certifications for a total of 49 landfills and had protected a total of about 21,000 acres.
When we Think Green® at Waste Management, we think of a world... where stewardship of the environment and safety for our workers and communities is paramount.

What we spend to protect the environment
As a leading infrastructure provider for environmentally progressive waste handling and energy production, our “environmental expenditures” include all that we do to provide environmental service: compliance, environmental protection, control and research costs reported by the typical manufacturer, as well as capital and operating costs for our waste handling options. These services range from waste reduction and reuse consultation to recycling, waste-to-energy and disposal facility construction and operation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Environmental costs (in millions)</th>
<th>Total annual expenses (in millions)</th>
<th>Percentage of environmental cost to total expense</th>
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<tr>
<td>2006</td>
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<td>$11,334</td>
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Assuring environmental compliance
Our goal for environmental compliance is simple: zero deviations from regulatory standards and sound environmental practice at the more than 1,200 Waste Management facilities subject to environmental regulations. Our means to achieve that goal is an Environmental Management System designed to head off violations before they occur, through prevention, extensive mandatory training, self-identification of issues and Web-based assurance of correction of problems. The program is achieving steady progress toward our goal of zero violations. From 2005 to 2007, agency notices that the company may be in violation of a permit condition or regulatory standard decreased by 26 percent.

Protecting groundwater
Our modern municipal solid waste landfills are performing as designed, and as of 2007 (the reporting year for this report), no modern WM landfill has ever needed to take remedial action to clean up groundwater on neighboring property.

Addressing climate change
Waste Management employs innovative technologies to reduce greenhouse gases:
- Saving energy through recycling
- Advancing technology for alternative transportation fuels (like turning landfill gas into liquefied natural gas) and refined engine design to lower greenhouse gas emissions from our vehicles
- Operating landfill-gas-to-energy, waste-to-energy and biomass plants
- Developing Next Generation Technology® or “bioreactor” landfills

We also have been active in groups founded to respond to climate change. We were a founding member of the Chicago Climate Exchange (CCX) and have continuously met the CCX goal of reducing CO2 emissions at our enrolled facilities. We also are a member of the California Climate Action Registry and were recently designated a “Climate Action Leader.” We report our emissions as a Carbon Disclosure Project (CDP) participant and are in the process of developing an enterprise-wide Waste Management greenhouse gas inventory.

Protecting workers
Waste Management initiated Mission to Zero™ (M2Z™) in 2001, and the impact on worker safety has been profound. M2Z™ is founded on zero tolerance for unsafe actions, decisions, conditions, equipment and attitudes; and has a goal of zero accidents and injuries. Under this program, Waste Management’s total incident rate (non-fatal illness and injury) has improved dramatically, with an 83 percent improvement from 2000 through the third quarter of 2008.

Achievement and commitment
Waste Management receives dozens of awards for environmental leadership, community service and supplier excellence every year. Among the most notable in the past two years have been:
- Wildlife Habitat Council’s President’s Award and Conservation and Outreach (CEO) Award
- Most Ethical Companies and Waste Management CEO listing among 100 Most Influential People in Business Ethics by Ethisphere
- World Business Council for Sustainable Development Sustainability Leader for the waste and disposal services sector
- U.S. Conference of Mayors Outstanding Achievement Award

We are proud of our achievements and believe that our commitment to excellence and leadership positions us to deliver lasting solutions to the environmental challenges our planet will face in the 21st century.

This report generally covers the time period from 2005 through 2007, with reference to particularly notable events in 2008 where information was available prior to publication. For the full report, see www.wm.com/wm/WM_SRR_2008.pdf.