VERITAS DGC INC
Form DEF 14A
October 28, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant To Section 14(a)

of the Securities Exchange Act of 1934

Filed by the registrant ý

Filed by a party other than the registrant o

Check the appropriate box:

o Preliminary proxy statement.

o Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2)).

ý Definitive proxy statement.

o Definitive additional materials.

o Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12.

Veritas DGC Inc.

(Name of Registrant as Specified in its Charter)

Payment of filing fee (check the appropriate box):

ý No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[LOGO]

Veritas DGC Inc.

10300 TOWN PARK DRIVE

Houston, Texas 77072

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD DECEMBER 15, 2005

We will hold the annual meeting of the holders of common stock of Veritas DGC Inc. and the holders of exchangeable shares and class A exchangeable shares, series 1 of Veritas Energy Services Inc., a wholly-owned subsidiary of Veritas DGC (all such holders are collectively referred to in this Notice as stockholders) at the offices of Veritas DGC, 10300 Town Park Drive, Houston, Texas 77072, on December 15, 2005, at 10:00 a.m., Houston time, for the following purposes:

1) To elect a Board of eight directors to serve until the next annual meeting of stockholders and until their successors are elected and qualified;

2) To ratify the selection of PricewaterhouseCoopers LLP as the company s independent registered public accounting firm; and

5) To transact any other business as may properly be presented at the meeting or any adjournment of the meeting.

A record of stockholders has been taken as of the close of business on October 17, 2005 and only those stockholders of record on that date are entitled to notice of and to vote at the meeting. A stockholders list will be available beginning December 5, 2005, and may be inspected during normal business hours before the annual meeting at the offices of Veritas DGC, 10300 Town Park Drive, Houston, Texas.

By Order of the Board of Directors,

Larry L. Worden

Vice President, General Counsel and Secretary

Houston, Texas

October 28, 2005

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE BY PROXY AS PROMPTLY AS POSSIBLE BY COMPLETING AND MAILING THE ENCLOSED PROXY CARD, BY USING THE INTERNET OR BY TELEPHONE TO ENSURE THAT YOUR SHARES WILL BE REPRESENTED AT THE MEETING. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW ANY PREVIOUSLY SUBMITTED PROXY AND VOTE IN PERSON.

VERITAS DGC INC.
10300 TOWN PARK DRIVE
HOUSTON, TEXAS 77072

PROXY STATEMENT

We are furnishing this proxy statement in connection with the solicitation of proxies by our Board of Directors for use at our annual meeting of stockholders to be held December 15, 2005, and at any adjournment of the meeting. The meeting will be held at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

As of October 17, 2005, the record date for determining the stockholders entitled to vote at the meeting, there were 34,690,817 outstanding shares of Veritas DGC common stock, par value $.01 per share, 60,314 shares of Veritas Energy Services Inc. exchangeable stock and 81,937 shares of Veritas Energy Services class A exchangeable stock, series 1. In this proxy statement, all such shares are referred to collectively as shares, and all holders of shares are referred to collectively as stockholders. This proxy statement addresses you if you are a stockholder. All shares vote together as a single class and each share entitles its holder to one vote on each matter presented at the meeting. Holders of a majority of the outstanding shares must be present, in person or by proxy, to constitute a quorum for the transaction of business. Abstentions will be treated as present for purposes of determining whether a quorum is present.

You may vote in person by attending the meeting, or by proxy by completing and returning a proxy card by mail or by using the Internet or telephone. To vote by proxy using the mail, mark your vote on the enclosed proxy card, then follow the instructions on the card and return it to us by mail. To vote by proxy using the Internet or by telephone, follow the instructions on the proxy card and have the card available when you access the Internet website or place your telephone call.

The individuals named as proxies on the proxy card will vote your shares according to your directions. If you sign and return your proxy card but do not make any of the selections, the named proxies will vote your shares for the election of directors, for approval of the selection of the company s independent registered public accounting firm and in their discretion as to other matters.

We are not aware of any business to be acted upon at the meeting other than what is set forth in the accompanying Notice of Annual Meeting. If, however, other matters are properly brought before the meeting, or any adjournment of the meeting, the persons appointed as proxies will have discretion to either vote in the manner they determine or abstain from voting on any such matter.

You may revoke your proxy or change your vote by (i) giving written notice to Larry L. Worden, Vice President, General Counsel and Secretary, Veritas DGC Inc., 10300 Town Park Drive, Houston, Texas 77072, (ii) signing and delivering a later dated proxy to Mr. Worden at any time before its exercise, (iii) changing your vote on the Internet website; (iv) using the telephone voting procedures; or (iv) attending the meeting and voting in person. Our inspector of elections, who is required to decide impartially any interpretive questions as to the conduct of the vote, will tabulate the votes at the meeting and certify the results.

We will pay the cost of soliciting proxies in the accompanying form. In addition to solicitations by mail, our directors and employees may solicit proxies (without additional compensation) in person, by telephone, by fax or by electronic mail. We have retained Mellon Shareholder Services LLP to aid in the solicitation of proxies. We have agreed to pay Mellon Shareholder Services LLP a fee of $8,500 and reimburse it for its expenses in connection with its services.

This proxy statement and form of proxy is first being sent or given to stockholders on or about November 7, 2005.

PROPOSAL 1

ELECTION OF DIRECTORS

The stockholders will elect eight directors at the meeting. Each director elected will hold office until the next annual meeting of stockholders, until his successor is elected and qualified or until his earlier death, resignation or removal. By signing, dating and returning the accompanying proxy, you will grant your proxy to vote your shares as you direct. If you sign, date and return your proxy, then, unless you specify otherwise, your shares will be voted **FOR** election of our eight nominees to the Board of Directors. If you vote your proxy by telephone or by using the Internet website, your shares will be voted as you direct. All nominees, except for Mr. Shoham, who was appointed as a director by the Board in June 2005, have been previously elected directors by our stockholders. Prior to his appointment by the Board, Mr. Shoham was identified as a potential director candidate by a third party search firm retained by the Nominating and Corporate Governance Committee of the Board of Directors. Each of the nominees was recommended by the Nominating and Corporate Governance Committee of our Board of Directors.

Our employment agreement with Mr. Pilenko, currently a director and our chairman and chief executive officer, contains provisions which would allow him to terminate his employment with us in the event he is not elected as a director. In the event of such a termination, we would be obligated to pay certain severance payments. Our employment agreement with Mr. Pilenko, including the calculation of severance payments which may be due under his agreement, is further described below under the heading Employment Agreements.

If any nominee becomes unavailable for election, the proxy may be voted for a substitute nominee selected by the persons named in the proxy or the size of the Board of Directors may be reduced; however, we are not aware of any circumstances likely to render any nominee unavailable.

Abstentions and broker non-votes will not be counted as a vote for or against any nominee, and will not affect the outcome of the election. Cumulative voting is not allowed.

Vote Required

The eight nominees who receive a majority of the votes cast will be the duly elected directors of Veritas DGC.

Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR all eight of our nominees.

Director Nominees

The names of the eight nominees and certain information concerning each of them as of September 30, 2005, are set forth below:

Name	Principal Position with Veritas DGC	Age	Director Since	Member of
Loren K. Carroll	Director	62	2003	Audit committee; compensation committee
Clayton P. Cormier	Director	72	1991	Audit committee (chairman)
James R. Gibbs	Director	61	1997	Compensation committee; nominating and corporate governance committee (chairman)
Thierry Pilenko	Director, Chairman and Chief Executive Officer	48	2004	Innovation and technology committee (chairman)

Name	Principal Position with Veritas DGC	Age	Director Since	Member of
Jan Rask	Director	50	1998	Audit committee; nominating and corporate governance committee
Yoram Shoham	Director	61	2005	Innovation and technology committee
David F. Work	Director	60	2004	Compensation committee (chairman)
Terence K. Young	Director	59	2005	Innovation and technology committee

Loren K. Carroll is currently president and chief executive officer of M-I Swaco and is also executive vice president of Smith International, Inc. Mr. Carroll also serves as a director of Smith International, Inc. and as a director of Fleetwood Enterprises, Inc. Mr. Carroll joined Smith International in December 1984 as vice president and chief financial officer. In January 1988 he was appointed executive vice president and chief financial officer of Smith International and served in that capacity until March 1989. Mr. Carroll then rejoined Smith International in 1992 as executive vice president and chief financial officer. Smith International holds a 60% interest in M-I Swaco.

Clayton P. Cormier is currently a financial and insurance consultant. Prior to that, Mr. Cormier was a senior vice president in the oil and gas division of Johnson & Higgins, an insurance broker, from 1986 to 1991 and previously served as chairman of the board, president, and chief executive officer of Ancon Insurance Company, S.A. and as an assistant treasurer of ExxonMobil Corp.

James R. Gibbs is chairman, president and chief executive officer of Frontier Oil Corporation, an oil refining and marketing company. He has been chairman since January 1999, chief executive officer since 1992 and president since 1987. He has been employed there for twenty-three years. Mr. Gibbs is a director of Frontier Oil Corporation and Smith International, Inc., an advisory director of Frost Bank-Houston, and a member of the Board of Trustees of Southern Methodist University.

Thierry Pilenko became chairman and chief executive officer and a director of Veritas DGC in March 2004. Prior to his appointment and since 2001, Mr. Pilenko served as managing director of SchlumbergerSema, a Schlumberger Ltd. company located in Paris. From 1998 to 2001, he was president of Geoquest, another Schlumberger Ltd. company located in Houston, Texas. Mr. Pilenko was employed by Schlumberger Ltd. and its affiliated companies in various parts of the world beginning in 1984 in a variety of progressively more responsible operating positions.

Jan Rask is currently president and chief executive officer and a director of TODCO, formerly known as R & B Falcon, and has held that position since July 2002. From September 2001 to July 2002, he was the Managing Director-Acquisitions and Special Projects of Pride International, Inc. and from July 1996 to September 2001, Mr. Rask was president, chief executive officer and director of Marine Drilling Companies, Inc. Mr. Rask served as president and chief executive officer of Arethusa (Off-Shore) Limited from May 1993 until the acquisition of Arethusa (Off-shore) Limited by Diamond Offshore Drilling, Inc. in May 1996. Mr. Rask joined Arethusa (Off-shore) Limited s principal operating subsidiary in 1990 as its president and chief executive officer.

Yoram Shoham is currently an oil and gas industry consultant. From 1983 until 2004, Mr. Shoham was employed by Shell Oil Company and Royal Dutch Shell and their affiliated companies in a variety of progressively more responsible positions, the most recent of which was vice president external technology relations and consultant to Shell International Exploration & Production, Inc.

David F. Work is currently an oil and gas industry consultant. From 2001 until October 2003, he served as the chairman of Energy Virtual Partners, Inc., a privately-held company engaged in the business of managing

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under-resourced oil and gas properties. For more than five years prior to his retirement from BP Amoco in October 2000, he served in various management capacities with Amoco and BP Amoco, including group vice president of exploration and, finally, as regional president in the United States. Mr. Work currently also serves as a director of Edge Petroleum Corporation, CrystaTech, Inc. and TerraTek, Inc.

Terence K. Young is currently a professor and head of the Department of Geophysics at the Colorado School of Mines and has served as such since 2000. From 1983 until 2000, Mr. Young was employed by Mobil Research and Development Corporation in a variety of roles, the last of which was as a visiting scholar at the Institute for Statistics and Its Applications, Carnegie Mellon University. From 1982 to 1983, he served as a research geophysicist with Compagnie Générale de Géophysique, from 1979 to 1982, he served as assistant professor, Colorado School of Mines, and from 1969 to 1974 was a pilot and flight instructor in the United States Navy. Mr. Young is currently the president-elect of the Society of Exploration Geophysicists.

Independence of Directors

Our Board has affirmatively determined that Messrs. Carroll, Cormier, Gibbs, Rask, Shoham, Work and Young (i) have no relationship to the company that may interfere with the exercise of their independence from management and the company; (ii) have no material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company) and (iii) are otherwise independent as that term is defined in Section 303A.02 of the New York Stock Exchange Listed Company Manual and Rule 10A-3(b)(1) and Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934. The Board has not adopted categorical standards for the determination of independence but instead makes such determinations by reference to definitions provided in applicable law and New York Stock Exchange requirements.

In making its determination as to Mr. Young, the Board considered the relationships between the company and the Colorado School of Mines, which employs Mr. Young as a professor and head of the Geophysics Department, and between the company and the Society of Exploration Geophysicists, which Mr. Young serves as president-elect and will soon serve as president. The company annually funds certain research projects with and provides certain services and equipment free of charge to the Colorado School of Mines, a non-profit educational institution. The company paid or contributed to the Colorado School of Mines $140,800, $139,400 and $43,000 in fiscal years 2005, 2004, and 2003, respectively, and has paid or contributed an additional $94,000 between August 1, 2005 and September 30, 2005. The company paid the Society of Exploration Geophysicists, a non-profit professional society, $116,400, $89,200 and $63,100 in fiscal years 2005, 2004, and 2003, respectively, and has paid it an additional $115,680 between August 1, 2005 and September 30, 2005. These payments consisted of fees for booth rental at the Society s annual trade show, membership dues paid on behalf of company employees, and admission fees paid on behalf of company employees for programs sponsored by the organization. The Board deemed the payments and benefits the company paid to and received from each of the two entities not to be material either to the company or the other entities involved and, that, therefore, Mr. Young s relationship to each entity is not material and does not affect his independence as a director of the company.

Code of Ethics

Our Board has adopted a code of ethics (we call it our code of conduct) that governs the business conduct and ethics of our directors, all of our employees and our executive officers, including our chief executive officer, our chief financial officer and our chief accounting officer. Our code of conduct is available on our Internet website at www.veritasdgc.com. We will provide a printed copy of our code of conduct without charge to any stockholder making written request to Larry L. Worden, Vice President, General Counsel and Secretary, 10300 Town Park Drive, Houston, Texas 77072. It is our intention to disclose on our Internet website within four business days

the date and nature of any amendment (other than technical, administrative, or non-substantive amendments) we make to any provision of our code of conduct that applies to our chief executive officer, chief financial officer, chief accounting officer, or controller and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K; and

information related to any waiver, including any implicit waiver, we grant to our chief executive officer, chief financial officer, chief accounting officer, or controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

Corporate Governance Guidelines / Committee Charters

Our Board has adopted written corporate governance guidelines that address such matters as Board and committee functions and Board and committee member qualifications and responsibilities. In addition, our Board has adopted written charters for its audit committee, compensation committee, nominating and corporate governance committee and innovation and technology committee. The charters of the audit committee, compensation committee, nominating and corporate governance committee were each most recently amended in October 2004. The charter of the innovation and technology committee was adopted on October 5, 2005 and has not been amended since its adoption. A copy of our current audit committee charter was attached as Appendix 1 to our annual proxy statement dated May 17, 2005. Copies of our corporate governance guidelines and each of our committee charters are available on our Internet website at www.veritasdgc.com. We will provide a written copy of any of these documents without charge to any stockholder making written request to Larry L. Worden, Vice President, General Counsel and Secretary, 10300 Town Park Drive, Houston, Texas 77072.

Qualifications of Director Nominees

In considering nominees for the Board, the nominating and corporate governance committee considers the entirety of each candidate s credentials. Although there is currently no set of specific minimum qualifications that must be met by a nominee recommended by the committee, as different factors may assume greater or lesser significance at particular times and the needs of the Board may vary in light of its composition and the committee s perceptions about future issues and needs, each nominee is expected to be of the highest ethical character and share the values of the company as reflected in its culture and mission statement and have sufficient time available to attend to his or her substantial duties and responsibilities to the company. In making its evaluation and recommendation of candidates, the committee may consider, among other factors, whether prospective nominees have relevant business and financial experience and have industry or other specialized expertise. In addition and recognizing that a majority of the Board must be independent, the committee will consider whether the director needs to be and is independent as that term may be legally defined and whether the nominee is without the appearance of any conflict or obligation to any particular constituency.

The committee may consider candidates for the Board from any reasonable source, including from a search firm engaged by the committee, or stockholder recommendations (provided the committee s procedures are followed). In evaluating a candidate s relevant business experience, the committee may consider previous experience as a member of the Board.

From time to time the committee employs third party executive search firms to identify and evaluate candidates for consideration as director nominees. In most cases, the firm is compensated on a fee basis, as opposed to a contingent fee basis, and conducts a search for and evaluation of appropriate candidates based on criteria, such as a particular area of expertise or experience, specified by the committee.

Requirements for Directors

In accordance with our corporate governance guidelines, newly appointed directors are expected to attend a one-day orientation held at the company s Houston office to acquaint them with, among other things, company policies, and its operations, legal structure, key personnel, and position in the markets in which it competes. On August 16, 2005, Messrs. Shoham, Work and Young attended the first of these orientation sessions.

Effective with fiscal year 2006, during each fiscal year each of our directors is expected to attend, at our expense, at least one director training program of one full day or more selected from the list of director training programs accredited by Institutional Shareholder Services.

In accordance with a new guideline adopted by our board in October 2005, each of our non-employee directors is expected to own shares of our Common Stock or other equity securities issued by Veritas DGC with a fair market value equal to three times his annual board fee, which annual fee is currently $35,000. Each such director has been given until July 31, 2008 to meet this expectation.

Meetings of the Board of Directors and Committees

During fiscal year 2005, the Board of Directors held 6 meetings. Committees of the Board of Directors held the following number of meetings: audit committee 20 meetings; compensation committee 3 meetings; and nominating and corporate governance committee 3 meetings. The innovation and technology committee was formed in June 2005 and did not meet during fiscal year 2005.

During fiscal year 2005, each of our directors attended more than 75% of the meetings of the Board of Directors with the exception of Mr. Rask who attended 67%. Each director also attended more than 75% of the aggregate of the meetings of the committees on which he served with the exception of Mr. Rask who attended 67%.

Our non-employee directors, all of whom are independent directors, meet in executive sessions held immediately following our regularly scheduled Board meetings. In fiscal year 2005, non-employee directors met in executive session 4 times. The non-employee directors chose Mr. Gibbs to preside at their meetings, and he presided at all such meetings during fiscal year 2005.

It is the company s policy that directors attend the annual meeting of stockholders. All of our current directors, with the exception of Mr. Rask and Mr. Shoham, who was not then a director, attended the last annual meeting.

Communicating with Our Board

Our Board has adopted a procedure by which security holders may communicate directly with the Board, individual directors and committees of the Board. Security holders may communicate in writing with members of the Board at any time by mail addressed to the company s corporate secretary at the company s principal executive offices, 10300 Town Park Drive, Houston, Texas 77072. Security holders should clearly indicate on the envelope the intended recipient of the communication and that the communication is a Security Holder Communication. All such communications received by the corporate secretary will be forwarded to the recipient designated on the envelope. The corporate secretary will not review or pre-screen any security holder communications. All communications designated for the Board will be forwarded to the lead director of the Board, currently Mr. Gibbs, or if no lead director has been designated, a non-employee director designated by the chairman of the Board. All communications designated to a particular committee of the Board will be forwarded to the chairman of that committee. All communications designated to a director will be forwarded to that director. To report any issues relating to the company s accounting, accounting controls, financial reporting or other practices, security holders may also call the company s confidential hotline at 800-736-0460 in the U.S. or in Canada. All calls are answered by a third-party service and will remain anonymous.

Committees of the Board of Directors

Our Board of Directors has established four standing committees. All members of the audit committee, the compensation committee, and the nominating and corporate governance committee are independent, as defined by the rules of the New York Stock Exchange and the Securities and Exchange Commission. Two of the three members of the innovation and technology committee are independent members of that committee are not required to be independent by the rules of either the New York Stock Exchange or the Securities and Exchange Commission.

Audit Committee. Our Board has appointed a standing audit committee in accordance with the requirements of the Securities Exchange Act of 1934 and the New York Stock Exchange. The members of the audit committee are Messrs. Carroll, Cormier and Rask. The audit committee assists the Board in ensuring that our accounting and reporting practices are in accordance with applicable requirements. Specifically, the audit committee annually reviews and recommends to our Board the independent registered public accounting firm to be engaged to audit the consolidated financial statements of our company and management s report on internal control over financial reporting. Additionally, the audit committee reviews with representatives of such firm the plan and results of the auditing engagement, makes inquiries as to the adequacy of internal accounting controls, and considers the independence of our independent registered public accounting firm. The committee also reviews the scope and scheduling of our internal audits and reviews the results of those audits with the company s director of internal audit and management.

Our Board has determined that each member of the audit committee is financially literate and each has accounting or related financial management expertise, as our Board interprets those terms in its business judgment. Our Board has designated each of Messrs. Carroll, Cormier, and Rask as audit committee financial experts.

Compensation Committee. The compensation committee approves the compensation arrangements for officers of our company, including establishment of salaries, bonuses and other compensation. Additionally, the compensation committee approves and administers compensation plans in which officers and directors are eligible to participate, and approves awards of stock options, restricted stock and other equity based compensation. The compensation committee also reviews our succession plan and significant issues that relate to changes in benefit plans.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee identifies and recommends nominees for election to our Board of Directors at annual meetings and to fill vacancies on our Board, recommends nominees for appointment to our committees, annually reviews the structure and operation of each Board committee, and annually reviews its charter. The nominating and corporate governance committee will consider nominees recommended by stockholders. With respect to procedures that must be followed in order for nominations from stockholders to be considered, see Nominations for the 2006 Annual Meeting and for Any Special Meetings below.

Innovation and Technology Committee. The innovation and technology committee oversees and provides counsel to the Board on matters relating to innovation and technology, including the company s competitive position in the seismic industry; new or existing areas of technical, scientific or commercial development; and technical or scientific trends that may affect the company.

Report of the Audit Committee

The audit committee has reviewed and discussed our audited financial statements for the fiscal year ended July 31, 2005, with management and PricewaterhouseCoopers LLP, our independent registered public accounting firm, and has also discussed with PricewaterhouseCoopers LLP the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380) with respect to those statements.

The audit committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), and has discussed with PricewaterhouseCoopers LLP its independence in connection with its most recent audit of our financial statements and management s report on internal control over financial reporting. The audit committee has reviewed the services provided by PricewaterhouseCoopers LLP and has determined that the services provided are compatible with the maintenance of PricewaterhouseCoopers LLP s independence.

The audit committee also investigated certain accounting errors related to fiscal year 2004 and prior years identified by management during the audit review procedures for fiscal year 2004. As a result, the company implemented enhanced internal controls and internal audit activities. The audit committee reviewed and discussed all earnings announcements and press releases containing financial information prior to their public release and all quarterly and annual reports prior to their filing with the Securities and Exchange Commission.

Based on the review and discussions referred to above, the audit committee recommended to our Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2005, filed with the Securities and Exchange Commission.

The preceding description of our audit committee and this audit committee report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission nor shall it be incorporated by reference into any filing except to the extent it is specifically incorporated by reference therein.

Audit Committee

Clayton P. Cormier, Chairman

Loren K. Carroll

Jan Rask

Director Compensation

Effective January 1, 2005, each of our directors who is not also an employee is paid an annual fee of $35,000 plus travel expenses, a fee of $1,500 for attendance at each regular or special Board and committee meeting (other than telephonic meetings) and a fee of $750 for attendance at each telephonic Board or committee meeting. The chairman of the audit committee is paid an additional annual fee of $10,000 and the chairmen of the compensation and nominating and corporate governance committees are each paid an additional fee of $5,000 annually.

Prior to January 1, 2005, each of our directors who was not also an employee was paid an annual fee of $25,000, a fee of $1,500 for attendance at each regular or special Board and committee meeting (other than telephonic meetings) and a fee of $750 for attendance at each telephonic Board or committee meeting. The chairman of the audit committee was paid an additional annual fee of $10,000, and no additional fees were paid to other committee chairmen.

Under the company s Share Incentive Plan, non-employee directors are eligible to receive (1) nonqualified options, (2) share appreciation rights, (3) deferred share units, (4) restricted shares and (5) performance shares. The compensation committee determines the type of awards granted and the terms of each grant. For periods prior to January 1, 2005, continuing non-employee directors were granted options each year to purchase 5,000 shares of our Common Stock. For periods after January 1, 2005, each year after election or appointment, each non-employee director will be granted options to purchase 6,000 shares of our Common Stock at fair market value on the date of grant. The options so granted will vest immediately and have a five-year term. Newly elected or appointed non-employee directors are granted options to purchase 10,000 shares of our Common Stock at fair market value on the date of grant. These options granted to newly elected or appointed non-employee directors have a five-year term and are exercisable as follows: 2,500 options immediately upon the date of grant and an additional 2,500 options in each subsequent year on the anniversary of the date of grant until all are exercisable. Also, for periods after January 1, 2005, non-employee directors will be allowed to elect to receive deferred share units issued under the company s Share Incentive Plan in lieu of either 100 percent or 50 percent of the option grant. In the event of such an election, the electing director will receive one deferred share unit in lieu of three options: 2,000 deferred share units in the event of a 100 percent election or 1,000 deferred share units in the event of a 50 percent election. The deferred share units will be vested immediately upon grant. Each deferred share unit automatically converts to one share of our Common Stock upon the director s retirement or other termination. Mr. Gibbs has elected to receive in deferred share units 100% of any option grant he receives in calendar year 2005.

Each of our non-employee directors may also elect to receive deferred share units issued under our Share Incentive Plan in lieu of either 25, 50, 75 or 100 percent of his or her annual director s fee. Once vested, each deferred share unit automatically converts into one share of our Common Stock upon the director s retirement or other termination. A director who elects to receive deferred share units prior to the end of any calendar year is entitled to receive on January 1 of the following year that number of deferred share units with a fair market value equal to the amount deferred. The deferred share units then vest 25 percent on January 1 (the date of grant) and an additional 25 percent on the following April 1, July 1, and October 1. None of the current nominees who are non-employee directors has elected to receive deferred share units in lieu of any portion of his annual director s fee.

MANAGEMENT

Executive Officers

Except as described under the heading Employment Agreements below, our executive officers serve at the pleasure of our Board of Directors and are subject to annual appointment by our Board at its first meeting following each annual meeting of stockholders. In addition to Mr. Pilenko, who is listed under Director Nominees with his biographical information, our executive officers include the following individuals as of September 30, 2005:

Timothy L. Wells, age 52, was appointed president and chief operating officer of Veritas DGC in January 1999. He has been employed by Veritas DGC for twenty years, having served as president of Veritas DGC s Asia Pacific division, regional manager of North and South American processing, manager of research and programming and in various other capacities in North and South America.

Mark E. Baldwin, age 52, was appointed executive vice president, chief financial officer and treasurer of Veritas DGC in August 2004. Prior to his appointment and since 2003, Mr. Baldwin was an operating partner in First Reserve Corporation, a privately-held oilfield services equity firm. From 2001 to 2002, he served as executive vice president and chief financial officer of Nexitraone, LLC, a privately-held telecommunications company. From 1997 to 2001, Mr. Baldwin was chairman and chief executive officer of Pentacon, Inc., then a publicly traded distributor of aerospace and industrial fasteners. For the seventeen years prior to 1997, Mr. Baldwin held a number of progressively more responsible financial and operating positions with Keystone International, Inc., then a publicly traded manufacturer of flow control devices.

Stephen J. Ludlow, 55, is currently a director and vice chairman of Veritas DGC and has served in that capacity since January 1999. Mr. Ludlow will cease to be a director and vice chairman effective with the 2005 annual meeting of stockholders, and, as of that time, will become executive vice president of Veritas DGC. He will serve in that capacity until his retirement on March 31, 2006. From August 1996, upon consummation of the business combination between Veritas DGC (formerly Digicon Inc.) and Veritas Energy Services until January 1999, he was president and chief operating officer of Veritas DGC Inc. He has been employed by Veritas DGC for 34 years and served as president and chief executive officer of Veritas DGC from 1994 to 1996. Prior to 1994, he served as executive vice president of Veritas DGC for four years following eight years of service in a variety of management positions with increasing levels of responsibility, including several years of service as the executive responsible for operations in Europe, Africa and the Middle East.

Vincent M. Thielen, age 45, was appointed vice president, corporate controller of Veritas DGC in September 2003. Prior to his appointment, he had been employed by Veritas DGC for 4 years as corporate controller. Prior to that time, he served for eighteen years in various technical, operational and financial roles at Baker-Hughes Incorporated.

Larry L. Worden, age 53, was appointed vice president, general counsel and secretary of Veritas DGC in December 1998. For ten years prior to that time, Mr. Worden served as vice president, general counsel and secretary of King Ranch, Inc., a privately-held Texas corporation. Prior to his employment with King Ranch, Inc. he served as division counsel at National Gypsum Company and practiced law at two private law firms.

Compensation

The following table reflects all forms of compensation for services to us for each of the fiscal years ended July 31, 2005, 2004 and 2003 of those individuals who (i) served as our chief executive officer during fiscal 2005, or (ii) were among our four most highly compensated executive officers at July 31, 2005, other than the chief executive officer.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards		
Name and Principal Position	Fiscal Year	Salary ($)	Bonus (1) ($)	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options (#)	All Other Compensation ($)
Thierry Pilenko (2)	2005	457,692	572,917	31,282(4)			
Chairman and Chief	2004	181,731	232,359(3)	96,669(5)		120,000	
Executive Officer	2003						
Stephen J. Ludlow	2005	269,630					
Vice Chairman	2004	265,021					
	2003	265,021					