



The Dow Chemical Company 2006 Global Reporting Initiative Report

For the fourth consecutive year The Dow Chemical Company (“Dow”) has compiled a report in the format recognized by the Global Reporting Initiative (GRI). This year’s report is based on the GRI 2002 Guidelines. The 2006 GRI report is designed as a supplement to our Corporate Report for 2006, not as a stand-alone piece.

Much of the information contained in the GRI report is extracted from the Corporate Report and from other publicly available documents, including:

- Dow 2006 Corporate Report to Stakeholders
<http://www.dow.com/corporatereport/2006/>
- Dow Code of Business Conduct
<http://www.dow.com/about/aboutdow/ethics.htm>
- Dow 2006 10-K and Stockholder Summary
<http://www.dow.com/financial/2006ann/>
- Dow 2007 Annual Meeting Proxy Statement
<http://www.dow.com/financial/2007prox/>

Except as otherwise indicated by the context, the terms “Company” or “Dow” as used herein mean The Dow Chemical Company and its consolidated subsidiaries, including the Union Carbide Corporation (“UCC”).

1.1 SD Vision and Strategy

The articulation of Dow’s vision and strategy with respect to sustainability is no different than the overall vision and mission of the Company:

Vision: “To be the largest, most profitable, most respected chemical company in the world”

Mission: “To constantly improve what is essential to human progress by mastering science and technology.”

Dow's vision statement summarizes our ambition. It provides a direct link between our daily activities and the company we strive to be. It helps us to see the breadth of what we can achieve and work toward every day.

Our mission statement is comprised of three key components:

Constantly Improve – This concept is bedrock to Dow's culture and has been since H.H. Dow first said, "If you can't do it better, why do it?"

Essential to Human Progress – The products we make find their way into many consumer markets, helping to provide people around the world with improved lifestyles.

Mastering Science and Technology – We are putting science and technology to work at Dow to create solutions for our customers and society.

Our values represent who we are. They serve as our compass; not only do they define us, but they guide us at the same time.

Integrity: Dow's integrity is the foundation upon which we will build our future success. It is embedded in our corporate DNA and must be the essential ingredient of everything we do. Our promise is our most vital product—our word is our bond. The relationships that are critical to our success depend entirely on maintaining the highest ethical and moral standards around the world. As a vital measure of integrity, we will ensure the health and safety of our communities, and protect the environment in all we do.

Respect for People (internally and externally): We believe in the inherent worth of all people. Dow has always believed that people are our most vital asset. It was true when Herbert Dow hand-picked great innovators and it is true today. Without the creativity and talent of our diverse workforce, we simply could not succeed.

In 2005, Dow revised its overall strategy of the Company around 4 major strategic themes:

1. Drive financial discipline and low cost-to-serve
2. **Set the standard for sustainability**
3. Build a people-centric performance culture
4. Invest for strategic growth

The second strategic theme, "Set the standard for sustainability," has five distinct components:

Local Citizenship

Strengthen relationships through collaboration and world-class EH&S performance

Product Stewardship and Innovation

Achieve innovations and transparency in solving critical human challenges

Global Footprint

Reduce footprint on the world

Ethics, Compliance and Governance

Support and promote exemplary conduct and compliance

Corporate Reputation

Earning the respect of our stakeholders

Taken together, Dow's essential elements of vision, mission, values, and strategy describe why the Company exists, who we are, what we intend to do, and how we intend to do it. These essential elements provide insight, offer motivation, and point the way forward as we seek to grow and achieve our goals.

1.2 CEO / Management Letter

Dear Stockholders:

2006 was the second highest earnings year in our Company's history and underscored the fact that our strategy is working. Earnings were \$3.82 per share versus \$4.62 per share in 2005. Excluding certain items, 2006 earnings were \$4.25 per share, just slightly shy of our 2005 results of \$4.37 per share. Sales reached an all-time record of \$49 billion.

We reduced debt by \$1.2 billion, lowering our Company's debt-to-capital ratio from 39% in 2005 to 34% by year-end 2006. Today, our Company's financial position is as strong as it has ever been.

We also raised our dividend by 12% and repurchased more than 18 million shares, and our repurchase program is continuing. In October, we announced an additional \$2 billion share buy-back program.

Although 2006 was a very good year, it often did not "feel" that way. Feedstock and energy costs increased by \$2 billion over 2005, with our total hydrocarbons bill rising to nearly \$22 billion for the year. Some important industrial sectors were soft, including North American automotive and housing. Demand was inconsistent throughout the year, heavily influenced by volatility in energy markets.

There is no question that the volatility of our feedstock and energy costs and the uncertainties of global markets remained the norm throughout 2006. Thus we were compelled to achieve our results "the old fashioned way," with strong price and volume management, tough control of discretionary spending and capital expenditures, and timely intervention in our business portfolio. In many ways, 2006 was a year that showed we can control our destiny.

Although our 2006 performance represents an important milestone for our Company, we believe 2007 will be even more significant. We will continue to take action to transform the profile of our Company's portfolio in order to change the profile of our earnings,

including both strong growth (which we have historically achieved) and greater consistency (which, as a cyclical company, we have not).

Setting Public Goals

Early in 2006, we put some public stakes in the ground regarding our future plans.

We said then that we would remain a diversified, integrated, global company, and we think our 2006 results bear out the wisdom of that statement.

To get a sense of the power of our integration, for example, consider the fact that the vast majority of our downstream products are made from raw materials produced in Dow plants. And that more than 1,000 of our work processes are managed to a common set of standards across the Company.

Our strong earnings were also due to our diversification. Our global reach protects us from weakening conditions in any given country or region. We are also advantaged because we have sales in virtually every sector of the global economy, enabling us to achieve strong results even when there are downturns in some sectors, as was the case in 2006.

We continued to be disciplined in our cost structure and in our portfolio mix. For example, in 2006 we shut down a number of assets around the world, including plants at two sites in Canada and one in Italy. But mindful that we cannot “save our way to prosperity,” we increased our resources in targeted growth areas even as we reduced them in certain other businesses and geographies.

In R&D, we increased our overall spending by \$91 million, but we did so with similar discipline, reducing our spending on less promising projects while increasing it in more promising ones.

A second public stake we put in the ground was to make our Performance portfolio of businesses the foundation of greater earnings growth and greater earnings consistency, while retaining the ability of our Basics portfolio to generate cash. To bolster our Performance portfolio, we said we would launch two to four more market-facing businesses—businesses that focus on our most promising markets and bring the full power of our Company’s capabilities to them. We also said that we would make bolt-on acquisitions to support them.

With that in mind, let’s examine what we did in our Performance portfolio.

Actions in Our Performance Portfolio

We launched our new Dow Water Solutions market-facing unit, which offers world-class brands and technologies to the water treatment industry. With Dow’s existing technologies and the July acquisition of Zhejiang Omex Environmental Engineering in China, this platform advances our capabilities in desalination, water purification, contaminant removal and water recycling. We also started up a new plant in the United

States for the production of FILMTEC™ membranes, substantially increasing the production capacity of our reverse osmosis membranes used in water treatment.

In Dow AgroSciences, we doubled capacity for our canola and sunflower oil seeds, affirming our growth strategy in the healthy oils sector.

In our Building Solutions unit, we expanded our capacity to produce STYROFOAM™ brand insulation, and we added a new composite product for decking that is superior to wood in durability and maintenance.

In Greater China—where our sales increased from \$2.3 billion to \$2.7 billion—we committed to the construction of a new glycol ethers plant, as well as a \$200 million investment in our epoxy business for new manufacturing capacity and a new epoxy R&D center. And we began construction of our major new technology center in Shanghai.

In our Water Soluble Polymers business, we launched a new line of dietary fiber products that help combat the problems of excessive blood glucose, cholesterol and insulin, as well as obesity. We also announced the planned acquisition of Bayer's cellulose business, which would increase the sales of our Water Soluble Polymers business by more than 60 percent to roughly \$1 billion a year.

But as much as we accomplished in 2006, we are by no means pausing in the acceleration of our Performance portfolio's strategy.

Part of that acceleration was our announcement, in January 2007, that we are launching two new market-facing units—one in coatings and the other in footwear. This business model creates a strong channel to market, customer focus, cost and product synergies, and opportunities to further develop competitive technology.

Progress in Our Basics Portfolio

Turning to our Basics portfolio. We said that we would take action to strengthen our franchise Basics businesses and grow through joint ventures, not only building new plants with JV partners, but in some cases, placing our existing assets into JVs — similar to what we did in 2004 with ethylene glycol and the formation of MEGlobal. We call this our “asset light” strategy.

And here again, we have made substantial progress.

For example, we were selected by Saudi Aramco, by far the world's largest oil and gas company, as its preferred partner for exclusive negotiations to form a joint venture to build a world-scale complex in Saudi Arabia—a project that may well become the emerging world's equivalent of our huge chemical complex in Freeport, Texas. Many major chemical companies competed for this agreement. The fact that Dow was selected is an unambiguous affirmation that we are, indeed, the world's premier chemical company.

We agreed to participate in a joint venture in Thailand with our current partner, Siam Cement, to manufacture propylene and other building blocks that will drive the growth of the Company's Performance businesses in Asia. Among the projects we are considering is a hydrogen peroxide to propylene oxide (HPPO) plant, which is a new technology we developed with BASF, with whom we are also building a world-scale HPPO facility in Europe.

And we continued our negotiations with Russia's Gazprom for our two companies to work jointly on energy-related projects both inside Russia and elsewhere in Europe.

With the Basics portfolio, as with our Performance portfolio, we will continue to take aggressive action throughout 2007, including new business models that will make our Basics portfolio more "asset light" and more competitive for the long term.

Revitalizing Innovation

Dow has a long history of strong innovation, and in 2006 we added some exciting new chapters to our story. And here let me note that we have been silent for a few years in order to avoid the trap of "over promising and under delivering." So, rather than focusing on a handful of rifleshoot projects, we announced that we are funding more than 600 projects that either strengthen our position in key franchises or break into entirely new areas of technology. These projects have a potential yield of \$2 billion in additional EBIT by 2011.

We intend to talk about all of these projects as they approach commercialization, and we will explain them in the context of broad themes. Three themes we launched in 2006 include:

- In alternative feedstocks, we are pursuing the use of methane as a raw material to manufacture basic building blocks like ethylene and propylene and to use natural oils, from soybeans for example, as raw materials for polyol plastics. Done on a broad scale, these alternative raw materials would significantly reduce the cost of our feedstocks.
- In healthcare and nutrition, we are concentrating on projects such as Dow AgroSciences' healthy oils, and a new ingredient delivery system for medicines that uses water-soluble films.
- In building and construction, with its renewed emphasis on energy conservation and a focus on eco-friendly building materials, we are working on projects ranging from the elimination of ozone-depleting blowing agents used in the manufacture of STYROFOAM™ brand insulation to new roofing systems that harness the sun's energy at a much greater rate than current technology allows.

Enhancing Reputation

With companies as with individuals—especially companies as large and as well known as Dow—reputation is the sine qua non of success. If a company's products don't work, if its employees are treated unfairly, if its managers are not ethical, if its communities are

ignored, trust is lost. And once lost, trust is difficult, if not impossible, to recover. So although reputation is not a hard asset per se, it may well be any company's most critical asset.

That is why we worked hard in 2006 to enhance Dow's reputation.

As part of that effort, we completed our decade-long program to improve the safety of our plants and reduce our footprint on the environment. We also launched our new set of 2015 Sustainability Goals, committing our Company to the much broader responsibilities associated with the sustainability of our planet. In doing so, we pledged to address some of humanity's most pressing problems: access to clean water, to shelter and to health care, and the critical issue of climate change, including the reduction of greenhouse gases. Toward that end, I made a public commitment at the United Nations' headquarters in New York City that our Company would apply the full power of its technology—including three major breakthroughs during the 10 years of the program—as well as dedicate our philanthropy and volunteerism to help solve these and other challenges. And we invite everyone to chart our progress.

Increasing Shareholder Value

Many of you who have followed our Company for years recall that at the last cyclical peak of our industry in 1995, Dow posted (pre-Union Carbide) earnings of \$2.54 per share (\$2.72 excluding certain items). For the five years thereafter, Dow's earnings declined from the peak, but they remained on a ridge of solid earnings—that is, until 2001 and 2002, when they fell off that ridge.

Everything we are now doing, from a strategy and implementation point of view is to put together another ridge of earnings, except this time, the ridge is significantly higher. Toward that end, we have made a good start—with earnings, excluding certain items, of \$4.37 per share in 2005 and \$4.25 per share in 2006.

Now our challenge is to extend that ridge, and critically, to avoid the equivalent of the drop-off that occurred at the last trough. We believe we can do so through *disciplined* growth.

As I mentioned at the beginning of this letter, the surest method to increase the value of our Company to you, our investors, is to change our earnings profile. And to do that, we must draw a greater proportion of our earnings from Performance businesses.

So going forward, you can expect more of what you saw in 2006:

- More innovation,
- More market-facing businesses,
- More asset-light joint ventures,
- Continued financial strength and flexibility, and
- Shifting our portfolio to a higher ratio of Performance businesses.

That means we will continue to invest in the technologies, businesses, regions and markets that are the most promising; prune non-strategic businesses and non-competitive assets; and keep ongoing costs under control. And we will keep our balance sheet very strong so that we can capture value-creating opportunities when and where they arise.

We will also continue to balance our use of cash, both to reward our stockholders and to grow our businesses.

We have the right strategy. We are implementing it with discipline and speed, and our initial results are showing great promise. We also have the right people—the “human element”—to make a difference to our Company and to all of our stakeholders.

To our investors, our employees, our customers, and our communities throughout the world, we thank you for being a part of our great Company, and we look forward to working with you in the future as we drive our vision to be the largest, most profitable and most respected chemical company in the world.



Andrew Liveris
President, Chief Executive Officer and Chairman of the Board
February 14, 2007

1.3 CEO GRI Statement

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organization’s economic, environmental, and social performance – yet we still consider the report a “work in progress.”



Andrew Liveris
President, Chief Executive Officer, and Chairman of the Board
The Dow Chemical Company

2.0 Profile

2.1 Name of reporting organization

The Dow Chemical Company

2.2 Major products, services, brands

Dow is a diversified chemical company that harnesses the power of science and technology to improve living daily. The Company offers a broad range of innovative products and services to customers in more than 175 countries, helping them to provide everything from fresh water, food and pharmaceuticals to paints, packaging and personal care products. Built on a commitment to its principles of sustainability, Dow has annual sales of \$49 billion and employs 42,600 people worldwide. The Company has 150 manufacturing sites in 37 countries and supplies more than 3,100 products grouped within the operating segments listed on the following pages.

Performance Plastics

Global businesses include:

- Dow Automotive
- Dow Building Solutions
- Dow Epoxy
- Polyurethanes and Polyurethane Systems
- Specialty Plastics and Elastomers
- Technology Licensing and Catalyst

Dow offers an extensive range of high-performance plastics and systems that insulate buildings, make cars safer and more fuel-efficient, and enhance both the functionality and the aesthetics of appliances. They also optimize long-term electrical performance and durability, bring high fashion to consumer electronics, and improve the comfort and durability of carpeting and footwear.

Performance Chemicals

Global businesses include:

- Design Polymers
- Dow Latex and Acrylic Monomers
- Specialty Chemicals

Dow provides customers with high-performance chemicals that meet a variety of specialized needs – making drinking water cleaner, diets richer in fiber, and paints and coatings longer lasting. Our products also enhance the quality of pharmaceuticals, building materials, chemical processing, household and personal care products, paper, textiles, carpets and more.

Agricultural Sciences

Dow AgroSciences develops, manufactures and markets products that improve crop production; manage weeds, insects and plant diseases; and protect property from pest

damage. It is also discovering revolutionary solutions in the plant genetics and biotechnology arena, including agricultural seeds, traits, healthy oils and animal health.

Basic Plastics

- Polyethylene
- Polypropylene
- Polystyrene

A variety of basic plastics help keep foods fresh; protect goods during transport; and make consumer packaging lightweight, convenient and appealing. They also keep bottle closures tight and resistant to contaminants; provide fit, functionality and comfort to diapers; make pipes tough and corrosion-resistant; improve the durability of toys and tools; and protect crop quality while increasing crop yield.

Basic Chemicals

- Core Chemicals
- Ethylene Oxide / Ethylene Glycol

Dow's basic chemicals are used across a host of different industries and also serve as critical raw materials in the production of many products. They make, for example, adhesives stronger, antifreezes and coolants more reliable, household cleaners more effective, and building materials more durable and affordable. And they play a key role in the manufacture of pharmaceuticals, in petroleum refining, in paper production and in a host of other essential industries.

Hydrocarbons and Energy

Dow's Hydrocarbons and Energy business is the world leader in the production of olefins and aromatics, and is at the forefront of efforts to secure advantaged feedstock positions in emerging geographies as well as new potential energy and feedstock sources to create long-term competitive advantage for Dow.

2.3 Operational Structure

The ultimate authority to manage the business of The Dow Chemical Company rests with the Board of Directors. The role of the Board is to effectively govern the affairs of the Company for the benefit of its stockholders and, to the extent appropriate under Delaware corporation law, other constituencies including employees, customers, suppliers and communities in which it does business. Among other duties, the Board appoints the Company's officers, assigns to them responsibilities for management of the Company's operations, and reviews their performance.

Dow has received the highest rating possible for corporate governance for the fourth consecutive time by Governance Metrics International (GMI), an independent corporate governance research and ratings agency. GMI's rating system incorporates numerous performance attributes across six broad categories of analysis: board accountability,

financial disclosure and internal controls, executive compensation, shareholder rights, ownership base and take over positions, plus corporate behavior and social responsibility.

In recent years, Dow has implemented practices such as electing an independent Presiding Director and gaining stockholder approval for the annual election of all Directors.

Board Committees

Board committees perform many important functions. The responsibilities of each committee are stated in the Bylaws and in their respective committee charters. The Board, upon the recommendation of the Governance Committee, elects members to each committee and has the authority to change committee memberships and the responsibilities of any committee.

2.4 Description of major divisions, operating companies, subsidiaries, and joint ventures

Principal Partly Owned Companies

Dow's principal non-consolidated affiliates at December 31, 2006, including direct or indirect ownership interest for each, are listed below:

Compañía Mega S.A. – 28 percent – an Argentine company that owns a natural gas separation and fractionation plant, which provides feedstocks to the Company's petrochemical plant located in Bahia Blanca, Argentina.

Dow Corning Corporation – 50 percent – a U.S. company that manufactures silicone and silicone products.

EQUATE Petrochemical Company K.S.C. – 42.5 percent – a Kuwait-based company that manufactures ethylene, polyethylene and ethylene glycol.

Equipolymers – 50 percent – a company, headquartered in Zurich, Switzerland, that manufactures purified terephthalic acid, and manufactures and markets polyethylene terephthalate resins.

MEGlobal – 50 percent – a company, headquartered in London, England, that manufactures and markets monoethylene glycol and diethylene glycol.

The OPTIMAL Group [consisting of OPTIMAL Olefins (Malaysia) Sdn Bhd – 23.75 percent; OPTIMAL Glycols (Malaysia) Sdn Bhd – 50 percent; OPTIMAL Chemicals (Malaysia) Sdn Bhd – 50 percent] – Malaysian companies operating an ethane/propane cracker, an ethylene glycol facility and a production facility for ethylene and propylene

derivatives within a world-scale, integrated chemical complex located in Kerteh, Terengganu, Malaysia.

The Siam Group – 49 percent [consisting of Pacific Plastics (Thailand) Limited; Siam Polyethylene Company Limited; Siam Polystyrene Company Limited; Siam Styrene Monomer Co., Ltd.; Siam Synthetic Latex Company Limited] – Thailand-based companies that manufacture polyurethanes, polyethylene, polystyrene, styrene and latex.

2.5 Countries of operation

The Company operates 150 manufacturing sites in 37 countries. Properties of Dow include facilities which, in the opinion of management, are suitable and adequate for the manufacture and distribution of Dow's products. During 2006, the Company's chemicals and plastics production facilities and plants operated at approximately 85 percent of capacity. The Company's major production sites are as follows:

United States: Plaquemine, Louisiana; Hahnville, Louisiana; Midland, Michigan; Freeport, Texas; Seadrift, Texas (a UCC site); Texas City, Texas (a UCC site); South Charleston, West Virginia (a UCC site).

Canada: Fort Saskatchewan, Alberta.

Germany: Boehlen; Leuna; Rheinmuenster; Schkopau; Stade.

France: Drusenheim.

The Netherlands: Terneuzen.

Spain: Tarragona.

Argentina: Bahia Blanca.

Brazil: Aratu.

Including the major production sites, the Company has plants and holdings in the following geographic areas:

United States: 45 manufacturing locations in 16 states.

Canada: 6 manufacturing locations in 3 provinces.

Europe: 50 manufacturing locations in 19 countries.

Latin America: 45 manufacturing locations in 5 countries.

Asia Pacific: 25 manufacturing locations in 11 countries.

All of Dow's plants are owned or leased, subject to certain easements of other persons which, in the opinion of management, do not substantially interfere with the continued use of such properties or materially affect their value. Dow leases ethylene plants in Fort Saskatchewan, Alberta, Canada and Terneuzen, The Netherlands.

2.6 Nature of ownership

Dow is a publicly traded company.

At the close of business on the record date, March 21, 2007, there were 959,168,000 shares of Dow common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote. There are no shares of preferred stock outstanding.

2.7 Nature of markets served

Dow's growth, and the success it yields, is measured not only by our products and services, but also the distinctive contribution we make to society. In our case, this contribution comes to life in the vital consumer markets we serve. These include: food, building maintenance and construction, transportation, furniture and furnishings, paper and publishing, home care and improvement, personal and household care, health and medicine, water purification, and electronics and entertainment.

2.8 Scale of reporting organization (year-end 2006 data)

Number of employees – 42,578

Products/ Services offered – Over 3200 products and over 140 billion pounds

Net Sales – \$49,124 Million

Total Capitalization in 2006

Total Assets	\$45,581 Million
Total Debt	\$ 9,546 Million
Stockholders' Equity	\$17,065 Million

2.9 List of stakeholders

At Dow, we consider the following as our major stakeholders:

- Customers
- Shareholders
- Employees
- Communities where we operate
- Key Influentials (including NGO's, media, government)

2.10 Contact person for the report

Scott D. Noesen
Director of Sustainable Development

Contact Link:
<http://www.dow.com/commitments/contact/index.htm>

2.11 Reporting Period

Based on 2006 Corporate Data

2.12 Date of most recent previous report

This is the fourth GRI “in accordance with” report for DOW. The previous report covered the 2005 time period and can be found at:

[Public Reports](http://www.dow.com/commitments/pbreports/index.htm)
<http://www.dow.com/commitments/pbreports/index.htm>

2.13 Boundaries of the report

The financial data provided in this report includes the assets, liabilities, revenues, and expenses of all majority-owned subsidiaries over which the Company exercises control and, when applicable, entities for which the Company has a controlling financial interest. See 2.15 for treatment of joint ventures/ non-consolidated affiliates.

2.14 Significant changes in size and structure

The Company reported strong financial performance in 2006, including record sales and the second highest earnings per share in the Company's history. Dow's results demonstrated the value of its balanced business and geographic portfolio with a solid 5 percent volume growth in the combined Performance businesses (Performance Plastics, Performance Chemicals and Agricultural Sciences) more than offsetting a volume decline of 3 percent in the combined Basics businesses (Basic Plastics, Basic Chemicals and Hydrocarbons and Energy); and a healthy increase in demand in Europe, Asia Pacific and Latin America compensating for some weakness in North America. Despite the fourth consecutive year of double-digit percentage increases in feedstock and energy costs, the Company's focus on price and volume management, control of discretionary spending and capital expenditures, and active portfolio management delivered solid results.

With continued global economic growth, industry conditions remained sound with supply and demand roughly balanced. Sales increased 6 percent from 2005 to \$49.1 billion, establishing a new sales record for the Company. Continued volatility in feedstock and energy costs presented a challenge, impacting both costs and the pattern of customer demand by aggravating customer inventory building and de-stocking cycles during the year. Despite this volatility, product prices improved sufficiently to cover the increase in

purchased feedstock and energy costs, but not enough to offset additional increases in the cost of other raw materials. The Company continued to exercise spending discipline, partially offsetting increased spending in targeted growth areas, such as the Performance businesses and emerging geographies, with decreases in other businesses or regions. The benefits of Dow's strategic decision to invest for growth through joint ventures were again apparent in this year's results, with Dow's share of the earnings from nonconsolidated affiliates exceeding \$900 million for the third consecutive year.

The Company balanced its investment in new facilities with decisions to shut down a number of less efficient assets around the world in its drive to improve the competitiveness of its global operations. Capital expenditures were held below \$1.8 billion, \$129 million below the level of depreciation, without sacrificing the efficiency, safety and environmental performance of Dow's manufacturing facilities. In addition, the Company's key environmental and safety measures continued to improve in 2006.

With solid earnings and cash flow, the Company further strengthened its financial position in 2006, reducing total debt by \$1.2 billion and lowering its debt-to-capital ratio to 34 percent, down from 39 percent at the end of 2005 and 59 percent at the end of 2002. In February 2006, Dow's Board of Directors increased the dividend by 12 percent, to an annual rate of \$1.50 per share. The Company accelerated its share repurchase program, investing over \$700 million to repurchase shares during the year, and announced a further \$2 billion share buy-back program that will commence when the current program is complete.

During 2006, the Company continued to implement its strategy, which is designed to reduce earnings cyclicality and improve earnings growth by increasing investment in the Performance businesses, maintaining integration with the Basics businesses, and growing the Basics businesses through cost-advantaged joint ventures.

Some of the actions taken during 2006 include:

- Dow sold its superabsorbent polymers business to Degussa AG. The transaction included a long-term agreement to supply Degussa with a substantial volume of glacial acrylic acid
- Dow acquired Zhejiang Omex Environmental Engineering Co. LTD, one of China's premier water treatment and design companies. Combining Dow's existing technologies and capabilities in water treatment with this acquisition, the Company launched Dow Water Solutions, a market-facing business focused on harnessing Dow's expertise and technical know-how to support customers in the water industry
- FilmTec Corporation, a wholly owned subsidiary of the Company, successfully started up its new facility in Minnesota, increasing capacity for the production of FILMTEC™ reverse osmosis membranes
- Dow established a joint venture with one of Russia's leading polyurethane systems producers, Izolan, to provide customer-tailored, polyurethane systems products to a growing customer base in Russia

- Dow purchased the Plaquemine Cogeneration Facility in Louisiana from a subsidiary of American Electric Power Company, enabling Dow to generate power and steam via more energy efficient assets, while decreasing its use of older, less efficient equipment
- Dow successfully started up a new specialty polyethylene plant in Tarragona, Spain, to help meet growing demand for specialty polyethylene products in Europe

The Company announced that it would shut down a number of assets around the world in order to improve the competitiveness of its global operations. The most significant of these shutdowns were:

- Chlor-alkali and direct chlorination ethylene dichloride plants in Fort Saskatchewan, Alberta, Canada
- All production facilities in Sarnia, Ontario, Canada
- A toluene diisocyanate production facility in Porto Marghera, Italy

Dow also announced the following in 2006:

- Jointly develop a naphtha cracker in Thailand with long-time joint venture partner, Siam Cement, to supply a number of key downstream Performance businesses
- Construct the Dow Center in Shanghai, a complex that will house a state of the art research and development facility, a global information technology center and various support services
- As part of its commitment to global competitiveness, Dow sold its interest in the vinyl acetate monomer manufacturing facility at Cabo, Brazil in the fourth quarter of 2006
- Construct a new facility for the production of STYROFOAM™ brand insulation at LaPorte, Texas. The new capacity will allow Dow to transition all U.S. assets to next generation formulations
- Dow and the Bayer Group announced that Dow will acquire Bayer's Wolff Walsrode business group, subject to regulatory approval

2.15 Basis for economic reporting on joint ventures

Investments in non-consolidated affiliates (20-50% owned companies, joint ventures, and partnerships) are accounted for on the equity basis. Additional details can be found in Note G to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

<http://www.dow.com/financial/reports/>

2.16 Explanation of nature and effect of any restatements of information provided in earlier reports

None identified

2.17 Decision not to apply GRI principles or protocols in the preparation of the report

This report continues to follow the 2002 version of the GRI Guidelines.

2.18 Definitions

None at this time

2.19 Significant changes in measurement methods

None

2.20 Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability of the report

The type and extent of external assurance for our Corporate Report is an issue that we continue to explore and experiment with. We believe that some form of third party assurance is becoming more and more a critical factor in successful Sustainable Development reporting, as evidenced by the prominence of this topic on various external rating agencies. However, the nature and extent of various assurance mechanisms, and their costs/ benefits, continues to be debated and discussed with various stakeholders, and Dow is committed to participating in this dialogue.

We believe our past process has served us and our various stakeholders well. While not an explicit “audit” as some might desire, we have chosen to use various existing governance structures in our Company, and a limited amount of external experts to review our report and provide comments. In other words, we sought – and will continue to seek – counsel on achieving transparency in terms of scope of report content, materiality of that content, and effectiveness of the public dialogue that is helping us to attain more useful and accepted Sustainable Development reporting mechanisms.

Where possible, we have incorporated their comments and suggestions. In cases where this was not possible, the comments and the reasoning behind them were documented for use in planning the next edition of our public report.

2.21 Policies and current practice with regard to providing independent assurance for the full report

Globalization and increased access to information via the Internet have helped expand the scope and direction of these reports. For the fourth year, we have attempted to achieve “in accordance with” conditions for the Global Reporting Initiative (GRI) 2002 Guidelines, including:

- 1) A separate GRI report addressing specific elements of the GRI guidelines (this report)
- 2) A GRI Content Index (in the appendix of this report)
- 3) A signed statement from the CEO

2.22 Access to additional information

See references to Corporate Report, Proxy Statement, and Form 10-K noted at the beginning of this report.

3.0 Governance Structure and Management System

3.1 Governance Structure

At Dow, our leadership organization effectively places decision-making at the appropriate level and ensures the proper checks and balances exist.

We rely on our Board of Directors to know our Company, conduct thorough reviews and ask the difficult questions. Dow exemplifies good governance with a presiding director; directors with solid, diverse experience and credentials; corporate governance guidelines; and codes of business conduct and financial ethics. A substantial majority of Dow's Board are independent directors.

Corporate Officers are accountable to the Board, in addition to their management roles within the Company.

Board of Directors (at May 10, 2007)

Arnold Senior Director since 1996	A.	Allemang Advisor	Andrew President, Chairman and Director since 2004	N. Chief Executive Officer of the Board	Liveris
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Jacqueline Arthur and Marian Hanisch Memorial Professor of Chemistry, California Institute of Technology Director since 1993	K.	Barton	Geoffery Executive Chief Director since 2005	E. Vice President and Financial Officer	Merszei
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James Executive Vice President, Finance, Chief Financial Officer, The Boeing Company Director since 2005	A.	Bell	James Retired Illinois Director since 2001	M. Vice President of Tool Works, Inc.	Ringler
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Jeff Chairman and Whirlpool Director since 2003	M.	Fettig Chief Executive Officer, Corporation	Ruth Executive Duke Director since 2005	G. Power	Shaw Advisor, Company
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Barbara President and Secretary of Director 1980-1992 and 1993 to date	Hackman	Franklin Chief Executive Officer, Former U.S. Commerce	Paul Presiding Chairman, Director since 1992	G. Claris	Stern Director, Capital
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John Chairman and Hess Director since 2006	B.	Hess Chief Executive Officer, Corporation
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Corporate Officers

Andrew N. Liveris
President, Chief Executive Officer and Chairman of the Board;
Member of the Board of Directors

Charles J. Kalil
Corporate Vice President,
General Counsel and Corporate Secretary

Geoffery E. Merszei
Executive Vice President and Chief Financial Officer; Member of the Board of Directors

Fernando Ruiz
Corporate Vice President and Treasurer

William F. Banholzer
Corporate Vice President and Chief Technology Officer

Douglas J. Anderson
Corporate Auditor

David E. Kepler
Senior Vice President
Shared Services
Environment, Health and Safety
Chief Sustainability Officer, and Chief Information Officer

William L. Curry
Assistant Secretary

Heinz Haller
Executive Vice President,
Performance Chemicals and Plastics,
Strategic Development and New Ventures

W. Michael McGuire
Assistant Secretary

Julie Fasone Holder
Corporate Vice President, Human Resources,
Diversity & Inclusion and Public Affairs

Thomas E. Moran
Assistant Secretary

Michael R. Gambrell
Executive Vice President,
Basic Plastics and Chemicals Portfolio,
Manufacturing and Engineering

William H. Weideman
Vice President and Controller

Executive Leadership Committee

Andrew N. Liveris
President, Chief Executive Officer & Chairman of the Board;
Member of the Board of Directors

Heinz Haller
Executive Vice President,
Performance Chemicals and Plastics,
Strategic Development and New Ventures

Michael R. Gambrell
Executive Vice President,
Basic Plastics and Chemicals Portfolio,
Manufacturing and Engineering

Geoffery E. Merszei
Executive Vice President and Chief Financial Officer; Member of the Board of Directors

For the sixth consecutive time, Dow has received the highest rating possible for corporate governance by GovernanceMetrics International (GMI), an independent corporate governance research and ratings agency.

Detailed information about the overall governance structure of DOW can be found at: <http://www.dow.com/corpgov/index.htm>

3.2 Percentage of the Board of Directors that are independent

The Board has assessed the independence of each non-employee Director based upon the Company's Director independence standards described in the Company's Corporate Governance Guidelines (available at www.DowGovernance.com). These standards incorporate the criteria in the listing standards of the New York Stock Exchange, as currently in effect, as well as additional, more stringent criteria established by the Board. They are set forth in Appendix A to the Proxy Statement for The Dow Chemical Company. Based upon these standards, the Board has determined that the following eight members of the Board are independent: Directors Barton, Bell, Fettig, Franklin, Hess, Ringler, Shaw and Stern. These independent Directors constitute approximately 73% of the full board, a substantial majority of the Board, consistent with Board policy.

3.3 Process for determining expertise board members need

The Governance Committee has a long-standing practice of accepting stockholders' suggestions of candidates to consider as potential Board members, as part of the Committee's periodic review of the size and composition of the Board and its committees. Such recommendations should be sent to the Committee through the Corporate Secretary.

Under the Company's Bylaws, stockholders wishing to formally nominate a person for election as a Director at the next Annual Meeting must notify the Corporate Secretary between November 28, 2007, and January 27, 2008. Such notices must comply with the provisions set forth in the Bylaws. A copy of the Bylaws may be found on the Company's website at www.DowGovernance.com. Alternatively, a copy of the Bylaws will be provided without charge to any stockholder who requests it in writing. Such requests should be addressed to the Corporate Secretary.

There are certain minimum qualifications for Board membership that Director candidates should possess, including strong values and discipline; high ethical standards; a commitment to full participation on the Board and its committees; relevant career experience; and a commitment to ethnic, racial and gender diversity. The Committee has adopted guidelines to be used in evaluating candidates for Board membership. In addition to the characteristics mentioned above, the guidelines provide that candidates should possess individual skills, experience and demonstrated abilities that help meet the current needs of the Board, such as experience or expertise in some of the following areas: the chemical industry; global business; science and technology; finance and/or economics; competitive positioning; corporate governance; public affairs; and experience as Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of a major

company. Other factors that are considered include independence of thought, willingness to comply with Director stock ownership guidelines, meeting applicable Director independence standards (where independence is desired) and absence of conflicts of interest. The Committee may modify the minimum qualifications and evaluation guidelines from time to time as it deems appropriate. Such modification would be described in the next Committee Report.

The Committee has adopted a process for identifying new Director candidates. Recommendations may be received by the Committee from various sources, including current or former Directors, a search firm retained by the Committee, stockholders, Company executives and by self-nomination. The Committee uses the same process to evaluate Director nominees recommended by stockholders as it does to evaluate nominees identified by other sources. The function of the search firm retained by the Committee in 2005 was to identify independent director candidates that possess the skills and experience described above.

The evaluation of Director candidates involves several steps, not necessarily in any particular order. A preliminary analysis of a nominee involves securing a resume and other background data and comparing this data to the Director attributes mentioned above, as well as to the current needs of the Board for new members. References are checked and analyses are performed to identify potential conflicts of interest and appropriate independence from the Company. Candidate information is provided to all Committee members for purposes of discussion and evaluation. If the Committee decides to further evaluate a candidate, interviews are conducted. Other steps may include requesting additional data from the candidate, providing Company background information to the candidate and determining the candidate's schedule compatibility with Dow Board and Committee meeting dates.

3.4 Board level processes for overseeing economic, environmental, and social risk and opportunities

The primary committee that deals with overseeing economic, environmental, and social risk and opportunities is the EH&S Committee of the Board.

The EH&S Committee of the Board assists the Board in fulfilling its oversight responsibilities by assessing the effectiveness of programs and initiatives that support the Environment, Health and Safety policy of the Company.

The EH&S Committee also oversees matters impacting corporate social responsibility and the Company's public reputation. The committee's focus includes philanthropic contributions, community programs, diversity and inclusion, public policy management, international codes of business conduct, and corporate reputation management.

3.5 Linkage between executive compensation and organizations financial and non-financial goals

The Compensation Committee of the Board of Directors, which is comprised entirely of independent Directors, is responsible for ensuring that the Company's executive compensation policies and programs are competitive within the markets in which Dow competes for talent and reflect the long-term investment interests of our stockholders. The Compensation Committee reviews and approves the compensation levels and benefits programs for executive officers. With respect to the Chief Executive Officer ("CEO"), the Compensation Committee reviews and approves the corporate goals and objectives relevant to the CEO's compensation, evaluates the CEO's performance against these objectives, and makes recommendations to the Board of Directors regarding the CEO's compensation level based on that evaluation.

The Compensation Committee has retained an independent compensation consultant from Hewitt Associates. The consultant reports directly to the Compensation Committee. He advises the Compensation Committee on current and future trends and issues in executive compensation, and consults on the competitiveness of the compensation structure and levels of Dow's executive officers, including the Named Executive Officers ("NEOs"). The NEOs are the executives who appear in the compensation tables of this 2007 Proxy Statement.

Dow's Executive Compensation Department staff provides additional analysis and counsel as requested by the Compensation Committee. You can learn more about the Committee's purpose, responsibilities, structure and other details by reading the Compensation Committee's charter which can be found in the Corporate Governance section of the Company's website at www.DowGovernance.com.

The compensation programs for Dow executives are designed to support the realization of Dow's Vision of being the largest, most profitable and most respected chemical company in the world while promoting the interests of our stockholders and other stakeholders. The objectives of Dow's compensation programs are as follows:

1. Attract and retain highly-qualified people
2. Motivate and reward employees for the achievement of Dow's measures of success:
 - Stockholder return, as measured by stock price appreciation plus dividends on a reinvested basis
 - Company financial performance
 - Individual performance on specific financial and operational measures

3.6 Organization structure responsible for oversight, implementation and audit of economic, environmental, social and related policies

The committee responsible for this activity is the Audit Committee of the Board, which monitors the integrity of the financial statements of the Company and the qualifications, independence and performance of the independent auditors. Additionally, this committee has oversight responsibility for the performance of the Company's internal audit function and compliance with legal and regulatory requirements.

The highest level of management below the board of directors directly responsible for setting and implementing environmental policies is the EH&S Management Board. In addition, social policies and issues management responsibility resides with the Public Issues Strategy Board of the company. Ultimately, the Office of the Chief Executive has overall management responsibility for all policies of DOW.

3.7 Vision, Mission and Values Statement, Codes of Business Conduct

Vision: To be the largest, most profitable, most respected chemical company in the world.

Mission: To constantly improve what is essential to human progress by mastering science and technology.

The Mission Statement can be broken into three components:

- *Constantly Improve* – This concept is bedrock to Dow's culture and has been since H.H. Dow first said, "If you can't do it better, why do it?" It underscores our drive to become an ever better and bigger company.
- *Essential to Human Progress* – The products we make find their way into products that provide people the world over with improved lifestyles. All of us at Dow must understand and take pride in this. We must also use this concept to further connect Dow with the external markets we serve. When we think in terms of the markets we serve, we become more outside-in focused and we can better seek growth opportunities.
- *Mastering Science and Technology* – We must put our science and technology to work to create solutions for our customers and for society.

Our Mission will be accomplished by living according to values that speak to the economic, social, and environmental responsibilities of business and society.

Our values represent who we are. They serve as our compass; not only do they define us, but they guide us at the same time. Dow has only two:

Integrity: Dow's integrity is the foundation upon which we will build our future success. It is embedded in our corporate DNA and must be the essential ingredient of everything

we do. Our promise is our most vital product—our word is our bond. The relationships that are critical to our success depend entirely on maintaining the highest ethical and moral standards around the world. As a vital measure of integrity, we will ensure the health and safety of our communities, and protect the environment in all we do.

Respect for People (internally and externally): We believe in the inherent worth of all people. Dow has always believed that people are our most vital asset. It was true when Herbert Dow hand-picked great innovators and it is true today. Without the creativity and talent of our diverse workforce, we simply could not succeed.

The Code of Business Conduct can be found at:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

Training for the Code of Business Conduct became mandatory for all employees of the Company in 2003. Over 99 percent of all employees had taken the training.

Guiding Principles of Sustainability

Fundamental to our success are the values we believe in and practice. We will make continuous progress toward our Vision by adhering to the following set of Guiding Principles of Sustainability:

- **Measurement and Transparency**

We will report our progress and challenges in an open and transparent manner.

- **Eco-Efficiency**

We will create shareholder value by designing our products and operating our facilities to reduce natural resource and energy requirements, reduce waste and emissions, and maximize overall functionality.

- **Local versus Dow Standards**

Our products, operations and practices will meet applicable government, or Dow standards, whichever are more stringent.

- **Raise the Industry Standard**

We will work to improve the standards in the chemical industry through the development, application and promotion of Responsible Care, the global chemical industries performance initiative.

- **Stakeholder Partnerships and Dialogue**

We will seek inputs and promote partnerships between industry, government, non-governmental organizations, communities and other key stakeholders to focus on responsible solutions to common problems and concerns.

- **Eco-System and Cultural Integrity**

We will understand and respect the limits of eco-systems and protect areas of recognized ecological and cultural significance.

- **Employee and Public Outreach**

We will enhance the human potential of our employees through education and training and contribute to the development of public policies, which lead to progress in sustainable development.

- **Quality of Life**

We will create shareholder value and improve the quality of life within our communities through environmentally sustainable economic development.

3.8 Mechanism for a shareholder to provide recommendations for direction to the board of directors

Shareholders may communicate directly with the full Board, the Presiding Director, the non-management Directors as a group, or with specified individual Directors by any one of several methods. These include mail addressed to The Dow Chemical Company, 2030 Dow Center, Midland, MI 48674, and by the "Contact Us" feature of Dow's corporate governance website at www.DowGovernance.com. The Presiding Director and other non-management Directors as a group may also be contacted by email addressed to PresidingDirector@Dow.com. Shareholders should specify the intended recipient(s) of the letter or electronic message. No message will be screened for omission unless it falls within a category (such as solicitation for goods or services) identified by the recipients for such handling.

3.9 Basis for identification and selection of major stakeholders

Dow's stakeholders are individuals or groups who can have an impact on the company's ability to function. They can also be individuals or groups who are impacted by our activities such as consumers. We recognize four major stakeholder groups: employees, customers, shareholders and the communities/societies in which we operate. An important community sub-stakeholder group is Non-Governmental Organizations (NGOs).

Engaging in stakeholder dialogue happens both business-by-business, and in corporate settings. It can be viewed as having three main phases: research, planning, and execution.

A research phase helps identify issues where dialogue is needed, stakeholders or stakeholder organizations that are candidates for engagement on those issues, and anticipate how the dialogue might be more effective.

The planning aspect includes contacting, confirming, and progressively developing an agreement to engage in a formal dialogue. Defining and documenting the goals and expectations is often helpful.

Experience has shown that the following are useful in effective execution of stakeholder interaction: Clear ground rules, agreement on objectives, review of expectations, record keeping, time keeping, conflict identification and resolution, documentation of agreements for future action, and assessment of the interaction outcome.

3.10 Approaches to stakeholder consultation

- Community Advisory Panels –
<http://www.dow.com/commitments/responsibility/relation.htm>
- Corporate Environmental Advisory Council (CEAC)
- Global Employee Opinion Annual Surveys –
<http://www.dow.com/commitments/responsibility/empower.htm>
- Investor Relations presentations, web casts –
<http://www.dow.com/financial/present/index.htm>

3.11 Type of information generated by stakeholder consultations

Information on general topics is sometimes collected through annual surveys (communities, customers, employees), and information on particular business or issues can be collected in various ways. For our Corporate Environmental Advisory Council (CEAC), we look at four different types of information:

Corporate Success Factors:

The CEAC provides insights relating to overall corporate strategy, e.g. corporate energy policies and next generation goals. The CEAC often helps Dow by seeing a strategic issue in a broader (or even totally different) context or over a longer time horizon. Sometimes the Council identifies stakeholder concerns, attitudes or perceptions that Dow needs to know about.

Business/Portfolio Success Factors:

Business specific issues have been part of the CEAC agenda from the early days of discussion on plastics, the environment and chlorine to more complex discussions around growth options, biotechnology and alternative feedstocks. The CEAC provides a great opportunity for frank dialogue between Dow's business leaders and independent external thought leaders. The diverse viewpoint represented by the CEAC members provides for a wide range of perspective on questions such as: What should be Dow's greatest concern? What should Dow fear? What does Dow not know enough about?

Public affairs and stakeholder engagement:

From its early days, the CEAC has played a valuable role as a sounding board on the interface between Dow and the external world. CEAC members' familiarity and links with various external groups have given Dow helpful direction in stakeholder dialogue. Over time the CEAC has moved from providing feedback on policy to supplying input that aids Dow in developing and defining its policy.

Externalities and wildcards:

From time to time the CEAC identifies issues important to external stakeholders that Dow may have not focused on. Some of the most notable issues in this category include the UN Millennium Development Goals, the increasing importance of freshwater as a limited resource, and implications of growing in emerging economies like China.

3.12 Use of information generated

In 2006, the CEAC provided critical input into the implementation of our Sustainability 2015 Goals. While not an "approving" body, their insight was key in helping forward the development and implementation of the goals.

On a business issue basis, CEAC input into the management of key issues is provided to senior leadership.

3.13 Explanation of the Precautionary Principle

Dow supports the Precautionary Principle as defined in Principle 15 of the Rio Declaration. Dow believes in exercising caution to reduce potential threats to human health and the environment. As a responsible corporate citizen, Dow continues to use a well-defined process for assessing and managing risks in the face of uncertainty. This process is science based; ensuring decision making based on an appropriate evaluation of risk and benefits. In fact, it is our belief that one of our strengths is exercising caution in our assessment and management of risks. Our approach has been instituted through our 25-year old Product Stewardship philosophy, and further through our Responsible Care® commitment. This process applies to current products as well as those being contemplated for development.

Dow views the Precautionary Principle as an application of the principles of risk assessment and risk management. Risk assessment includes hazard identification, characterization, exposure assessment and risk assessment. Risk management encompasses, as necessary, the identification, selection and implementation of alternative actions for addressing risk through the control of identified hazard(s) and/or exposure. The science based risk management process provides options from which several actions are selected to manage potential risks, in essence to utilize the Precautionary Principle. Individuals, corporations, stakeholders, the public, or governments may undertake risk management activities. Costs and benefits of action/inaction, as well as the risks of competing products or technologies must be considered. In effect, alternative actions being proposed should be subject to the same level of scrutiny.

3.14 Externally developed principles

The Dow Chemical Company is an active participant in the American Chemistry Council's Responsible Care® initiative and applies the Responsible Care principles not only in North America, but globally.

Guiding Principles of Responsible Care®.

Our industry creates products and services that make life better for people around the world – both today and tomorrow. The benefits of our industry are accompanied by enduring commitments to Responsible Care® in the management of chemicals worldwide. We will make continuous progress toward the Vision of no accidents, injuries or harm to the environment and will publicly report our global health, safety and environmental performance. We will lead our companies in ethical ways that increasingly benefit society, the economy and the environment while adhering to the following principles:

- To seek and incorporate public input regarding our products and operations.
- To provide chemicals that can be manufactured transported, used and disposed of safely.
- To make health, safety, the environment and resource conservation critical considerations for all new and existing products and processes.
- To provide information on health or environmental risks and pursue protective measures for employees, the public and other key stakeholders.
- To work with customers, carriers, suppliers, distributors and contractors to foster the safe use, transport and disposal of chemicals.
- To operate our facilities in a manner that protects the environment and the health and safety of our employees and the public.
- To support education and research on the health, safety and environmental effects of our products and processes.
- To work with others to resolve problems associated with past handling and disposal practices.
- To lead in the development of responsible laws, regulations and standards that safeguards the community, workplace and environment.
- To practice Responsible Care® by encouraging and assisting others to adhere to these principles and practices.

In 2002, with consultation from outside stakeholders, Dow developed a specific set of **Biotechnology Principles:**

The Dow Chemical Company has adopted the following principles to guide its decision-making in applying biological knowledge and techniques to develop products and services for the benefit of our customers, shareholders, and society. We will pursue biotechnology in alignment with Responsible Care® and Dow's Values, Code of Business

Conduct and Sustainable Development Principles. We recognize that the unique scientific, philosophical and ethical implications of biotechnology must be considered.

- We will actively listen to and dialogue with stakeholders to understand their concerns and to help us progress responsibly.
- We will inform the public about relevant benefits, risks, and potential implications of our biotechnology products and processes, and encourage others to do the same.
- We will participate in outreach efforts and explore opportunities to make the benefits of biotechnology available to developing countries and will respect the rights of indigenous people to have access to local germplasm.
- We will promote research on the potential benefits and safety of our biotechnology products and services for humans, animals, and the ecosystem.
- We will support the development and implementation of internationally harmonized approaches to biotechnology safety analysis and promote the creation of a predictable and scientifically sound regulatory framework to reduce scientific uncertainty, manage potential risks, and assure public confidence.
- We will apply our established corporate Environment, Health & Safety Risk Review Process, which includes a thorough consideration of the impact on humans, animals, the environment, and society, throughout the lifecycle of all our biotechnology products and services and will take appropriate corrective actions.
- We will support the patentability of inventions as determined by the applicable laws of the countries in which we do business and will respect the intellectual property rights of others and not knowingly infringe upon valid patents.
- We will support the conservation of biological diversity and the sustainable use of biological resources.
- We will promote these principles throughout the industry and value chain.

®Responsible Care is a registered service mark of the American Chemistry Council

3.15 Principle memberships

Example of trade and business associations and alliances where Dow is an active member:

- American Chemistry Council (ACC)
- European Chemical Industry Council (CEFIC)
- Plastics Europe – formerly Association of Plastics Manufacturers of Europe (APME)
- World Business Council for Sustainable Development (WBCSD)
 - China Business Council for Sustainable Development (CBCSD)
 - US Business Council for Sustainable Development (USBCSD)
- China-US Center for Sustainable Development
- Chlorine Chemistry Council (CCC)

- World Chlorine Council (WCC)
- World Environment Center (WEC)
- Global Environmental Management Initiative (GEMI)
- International Council on Chemical Associations (ICCA)
- The Business Roundtable (BRT)
- Alliance to Save Energy
- American Council for an Energy Efficient Economy
- World Resources Institute Green Power Market Development Group
- Alliance with US OSHA to share health and safety expertise
- Participant in OSHA VPP program (8 sites verified as VPP sites and Corporate Pilot)
- EPA Performance Track (West Virginia operations)
- Alliance with China SEPA to share pollution prevention practices with SME's
- Alliance with China SAWS to share worker safety practice with SME's
- Sustainable Packaging Coalition
- United States Climate Action Partnership (USCAP)

3.16 Policies or systems for managing upstream and downstream performance

Dow's EH&S Policy:

At Dow, protecting the people and the environment will be part of everything we do and every decision we make. Each employee has a responsibility in ensuring that our products and operations meet applicable government or Dow standards, whichever is more stringent. Our goal is to eliminate all injuries, prevent adverse environmental and health impacts, reduce wastes and emissions and promote resource conservation at every stage of the life cycle of our products. We will report our progress and be responsive to the public.

Principle of Product Stewardship:

We will endorse, fulfill and promote the Responsible Care® Guiding Principles and Codes of Management Practices worldwide and promote their application by sharing experiences and supporting the efforts of our suppliers and customers to understand and continuously improve the full life-cycle impacts of our products and services.

In addition, our **Code of Business Conduct** has a number of policies outlining our values and standards. We expect our suppliers and contractors to embrace similar values and standards. The full Code of Business Conduct is located online at:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

3.17 Managing indirect impacts

The way indirect economic impacts are managed depends on the particular stakeholder group involved.

For our shareholders, we would interpret indirect economic impacts to include all those activities, circumstances and situations that make up the difference between Dow's "book" value and our market capitalization. We believe that our Corporate Brand and Reputation are a large component of this element of indirect impact.

The impacts relative to our communities are assessed and measured through our Community Advisory Panels, and our Community Survey work.

(See: <http://www.dow.com/commitments/responsibility/favor.htm>)

The impacts relative to our employees are assessed and measured through our Global Employee Opinion Annual Survey.

(See: <http://www.dow.com/commitments/responsibility/empower.htm>)

Finally, the indirect impacts to customers are assessed and measured through our Customer Loyalty surveys (not available for publication).

3.18 Major changes during the reporting period regarding location of, or changes in, operations

See section 2.14

3.19 Programs and procedures pertaining to economic, environmental and social performance

On May 3, 2006 the 2015 Sustainability Goals of the Dow Chemical Company were publicly announced in Washington D.C. to leaders of the policy, regulatory, business and environmental communities. These seven goals outline an ambitious program to address some of the most pressing economic, social and environmental concerns facing the global community over the next 10 years.

<http://www.dow.com/commitments/goals/index.htm>

The 2015 Sustainability Goals reflect Dow's commitment to the principles of Responsible Care® and have a broad external focus: strengthening our relationships with the communities where we operate, continuing to improve our product stewardship and innovation, and reducing our global footprint.

The first two of seven goals contribute especially to the local communities where Dow operates.

Local Protection of Human Health and the Environment Contributing to Community Success

The first of these goals embeds the metrics that were the core of the previous ten year Dow drive to improve EH&S performance. After striving for a 90% improvement from 1996 to 2005, Dow seeks to further reduce measures of Injury and Illness rate, Injury and Illness severity, Loss of Primary Containment, Process Safety Incidents, and Motor

Vehicle Incident Rate by 75%. In addition to these traditional metrics, this goal encourages target sites to address site specific health, environmental, security and supply chain initiatives that are uniquely important to that site's stakeholders.

The second local goal - Contribute to Community Success - will start by determining what each community where Dow has a major presence deems essential to their quality of life. A Community Success Plan will be cooperatively constructed with community representatives. The strength of the company relationship to these communities will be tracked with continued use of surveys that determine community assessment ratings.

Three goals focus on Dow products.

Product Safety Commitment
Sustainable Chemistry
Products Designed to Solve World Challenges

The Product Safety Commitment goal continues a longstanding Dow commitment to developing knowledge of the intrinsic hazard properties and of the potential for human or ecological exposures throughout the product life cycle. The goal will drive us to complete assessments of high-priority products by 2010 and remaining products by 2015. The effort will include taking action to improve safety, and providing for the results of product safety assessments to be available to the public in a useful way.

The goal on Sustainable Chemistry will drive decision making to include product life cycle considerations. The discipline to be installed will make five criteria a part of assuring that development and investment are helping move Dow to provide more sustainable offerings:

- Energy efficiency
- Efficiency of raw material use
- Decreased use of scarce resources
- Decreased emission of extracted or man-made substances to nature
- Improved social, health, and security risk profiles.

The third product goal points Dow, by 2015, to achieve at least three breakthroughs that will significantly improve the world's ability to meet the challenges of: affordable and adequate food supply, decent housing, sustainable water supplies, or improved personal health and safety.

Two goals address the footprint involved with Dow operations.

Energy Efficiency and Conservation
Addressing Climate Change

Dow improved Energy Intensity by 22% in the 1996-2005 period. The new Energy Intensity goal targets an additional 25% improvement by 2015 using 2004 as the baseline.

Providing humanity with a sustainable energy supply while addressing climate change is the most urgent environmental issue our society faces.

Dow's Position on Climate Change

Dow operates at the nexus between energy and all the manufacturing that occurs in the world today. Over 90% of the products made have some level of chemistry in them, so no one has more at stake in the solution - or more of an ability to have an impact on - the overlapping issues of energy supply and climate change than we do.

Dow will be implementing its solutions in the context of the wedge stabilization model developed by Professors Robert Socolow and Stephen Pacala of Princeton University. We will hold ourselves accountable to apply our innovation and expertise in helping to solve the world's GHG and energy challenges.*

As a world leader in chemistry, Dow is uniquely positioned to continue to provide innovations that lead to energy alternatives, less carbon intensive raw material sources, and other solutions not yet imagined. In fact, our science and technology has been contributing solutions to the global climate change and energy challenges since 1990. Our science has led to the development of alternative energy sources such as biofuels, photovoltaics and wind. Our products contribute to reduced energy consumption.

Dow's vision on overall sustainability is reflected in our 2015 Sustainability Goals - a public commitment that we hold ourselves fearlessly accountable in the pursuit of solutions to the climate change, energy and other pressing world challenges.

Our promise is that we will measure and report our progress against this for the next twenty years.

- We will leverage the strength of the human element in our laboratories around the world and make unprecedented financial investments in R&D to achieve breakthrough solutions that will slow, stop and reverse global warming.
- Dow will advocate for an international framework that establishes clear pathways to slow, stop, and reverse emissions by all major carbon dioxide-emitting countries.
- Dow will advocate for and participate in the monetization of carbon in fair marketplaces, a critical objective in establishing country market mechanisms for cost-effective carbon management. Each country should be allowed to establish their own systems with targets set fairly for each industry sector.

- Wherever we operate, we are enabled by the energy and feedstocks available to that country through its own governmental policies. We will advocate for governmental policies that generate the most energy efficient and least GHG intensive processes and products possible. Further, Dow pledges to be the most the effective and efficient producer using available energy and feedstocks, wherever we operate.
- Dow will continue to advance and bring its world-class know-how and expertise in energy efficiency and conservation to other companies and countries that are earlier in the technology cycle in order to deliver more rapid progress in reducing the world's GHG emissions.
- We will continue to focus R&D and engineering resources on improving yields and energy efficiency of our processes. This will enable Dow to attain even lower energy intensity targets, and we will be recognized as the efficiency leader.

**Visit their web pages for more information and links to articles describing the Wedge Stabilization model.*

3.20 Status of certification programs

Dow's overall mechanism for standards development, application, and review is called the Operating Discipline Management System (ODMS). The following is an excerpt from a recently completed audit of our system relative to the standards for ISO 14001:

"In July and August 2006 LRQA Inc. (Lloyd's Register Quality Assurance Inc.) carried out assessments of Dows ODMS documentation. This was undertaken by evaluating how the requirements of ISO 14001:2004, OHSAS 18001:1999, RCMS and ISO 9001:2000, had been addressed. It was concluded that the ODMS manuals had incorporated and also satisfied the requirements of the listed standards and provided direction for conformance at operational level."

Kunden Dhillon
International Client Manager
LRQA Inc
November 17th 2006

4.0 GRI content index

Available at the end of this report in Appendix A

5.0 Performance Indicators

Economic Performance Indicators

EC1 Net sales

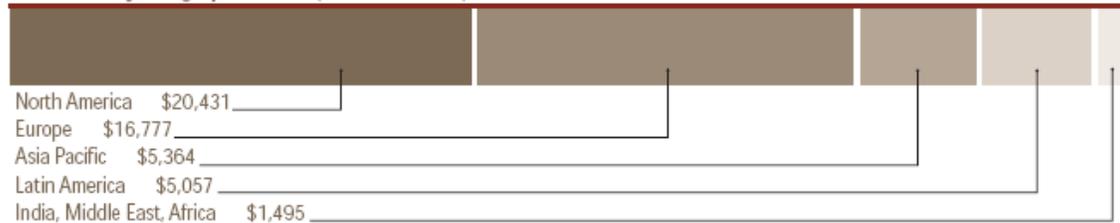
Net Sales (in US Millions)

1999 – \$26,131
2000 – \$29,798
2001 – \$28,075
2002 – \$27,609
2003 – \$32,632
2004 – \$40,161
2005 – \$46,307
2006 – \$49,124

EC2 Geographic breakdown of markets

Approximately 42 percent of the Company's sales are in North America; 34 percent are in Europe; 11 percent in Asia Pacific, 10 percent in Latin America, and 3% in the rest of the world.

2006 Sales by Geographic Area* (dollars in millions)



EC3 Cost of all goods, materials, services

Cost of sales (in US Millions)

1999 – \$20,422
2000 – \$24,310
2001 – \$23,892
2002 – \$23,780
2003 – \$28,177
2004 – \$34,244
2005 – \$38,276
2006 – \$41,526

EC4 Percentage of contracts that were paid in accordance with agreed terms

This information is not collected or consolidated for the Company at this time and data systems to collect it are not available.

EC5 Total payroll and benefits broken down by country or region

2006 payroll data by region (in US Millions):

North America	\$2,778
Europe	\$1,115
Pacific	\$ 182
Latin America	\$ 143
Total	\$4,218

EC6 Distribution to providers of capital

Total Debt at December 31

in millions	2006	2005
Notes payable	219	241
Long-term debt due within 1 year	1,291	1,279
Long-term debt due	8,036	9,186
Gross debt	\$9,546	\$10,706
Cash and cash equivalents	2,757	3,806
Marketable securities and interest-bearing deposits	153	32
Net debt	\$6,636	\$6,868
Gross debt as % of total capitalization	34.1%	39.1%
Net debt as a % of capitalization	26.5%	29.2%

Additional information regarding capital distributions can be found in the Company's Annual Report on Form 10-K filing for the year ended December 31, 2006, Note L:

<http://www.dow.com/corporatereport/2006/pdf/161-00670.pdf>

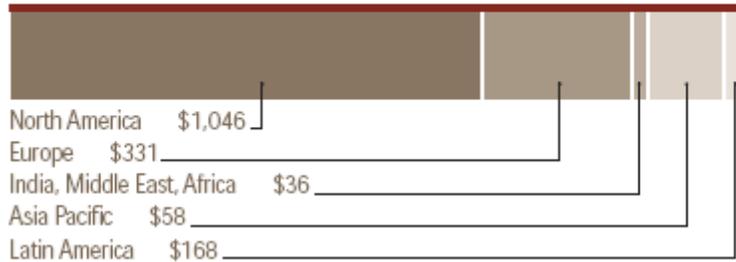
EC7 Increase/decrease in retained earnings

Retained Earnings, millions \$s	2006	2005	2004
Balance at beginning of year	14,719	11,527	9,994
Net income	3,724	4,515	2,797
Dividends declared on common stock	-1,438	-1,292	-1,264
Accrued dividends on deferred stock	-18	-31	
Balance at end of year	16,987	14,719	11,527

EC8 Total sum of all taxes paid

Taxes Paid by Geographic Area

(dollars in millions)



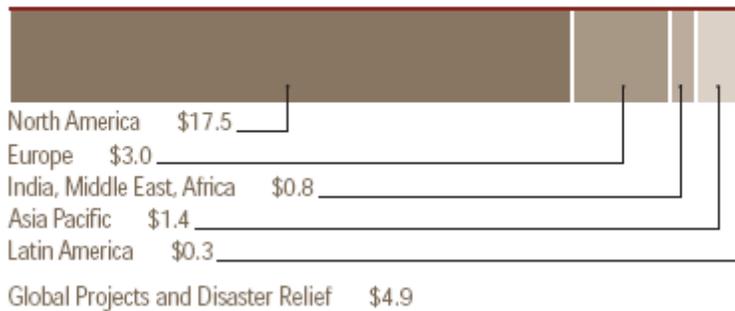
EC9 Subsidies received

This information is not consolidated for DOW at this time.

EC10 Donations

Charitable Contributions by Geographic Area

(dollars in millions)



Environmental Performance Indicators

EN1 Total materials use

The Company operates in an integrated manufacturing environment. Basic raw materials are processed through many stages to produce a number of products that are sold as finished goods at various points in those processes.

The two major raw material streams that feed the integrated production of the Company's finished goods are chlorine-based and hydrocarbon-based raw materials.

Salt, limestone and natural brine are the base raw materials used in the production of chlor-alkali products and derivatives. The Company owns salt deposits in Louisiana, Michigan and Texas, USA; Alberta, Canada; Brazil; and Germany. The Company also owns natural brine deposits in Michigan and limestone deposits in Texas.

Hydrocarbon raw materials include liquefied petroleum gases, crude oil, naphtha, natural gas and condensate. These raw materials are used in the production of both saleable products and energy. The Company also purchases electric power, benzene, ethylene and styrene to supplement internal production. The Company purchases these raw materials on both short and long-term contracts.

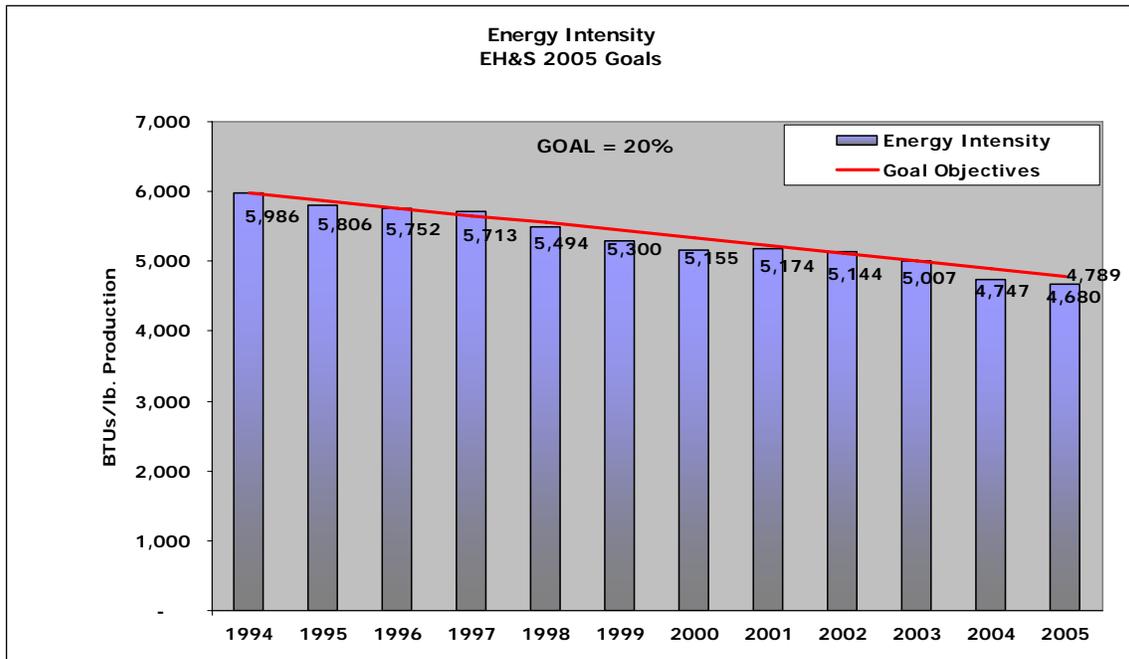
Other significant raw materials include acrylic acid, acrylonitrile, aniline, bisphenol, cellulose, octene, toluene diamine, and methanol. The Company purchases these raw materials on both short and long-term contracts.

EN2 Percentage of materials used that are waste from other organizations

This information is not collected and consolidated by the Company. The actual amount is small.

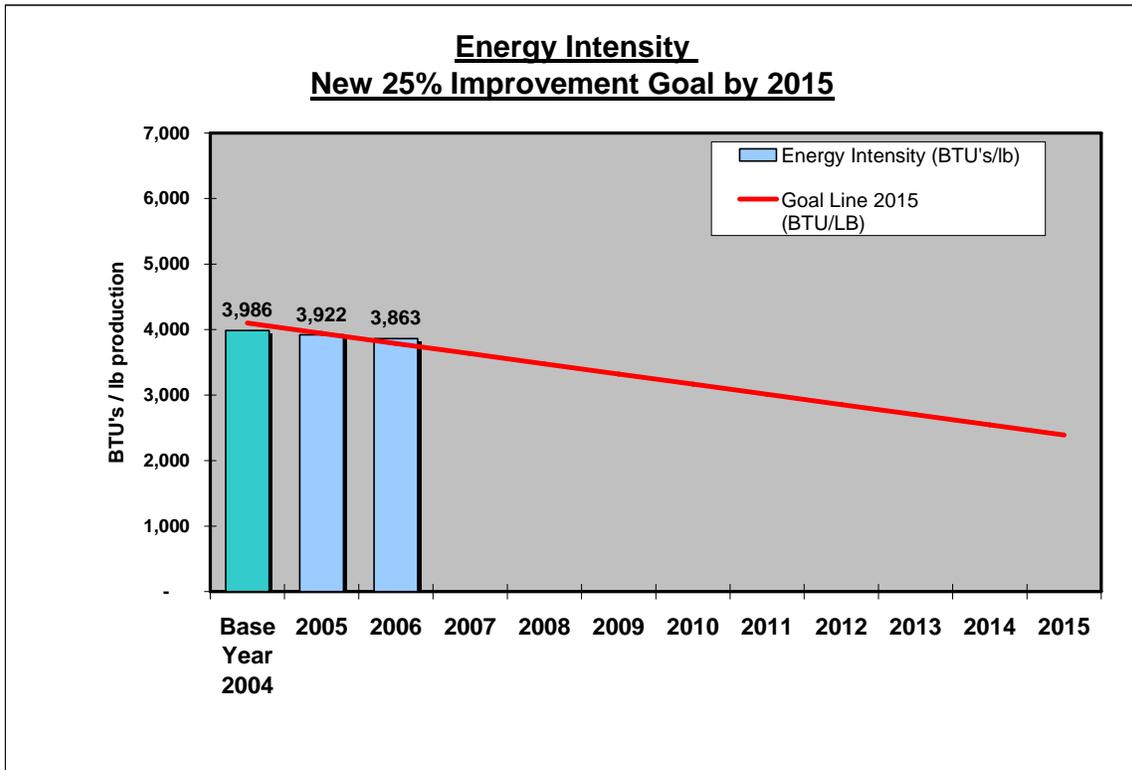
EN3 Direct energy use by primary source

Our energy focus is on reducing energy intensity. One of our 2005 goals was the reduction of the amount of energy needed to produce a pound of product by two percent per year from 1995–2005. This is in addition to a 20 percent improvement from 1990–1994.



Energy Intensity has improved 22 percent since 1994 baseline, exceeding the the 20 percent improvement goal.

In 2006 Dow defined a new 10 year energy goal to drive a 25% improvement in energy intensity from the 2004 baseline. The measurement system for tracking from 2004 to 2015 was improved making it inappropriate to directly compare historical EI numbers with the information below.



EN4 Indirect energy use by primary source

The values represent more than 80% of indirect energy. A project is underway to estimate remaining amounts and include them in future reporting.

	<u>2004</u>	<u>2005</u>	<u>2006</u>
MW hr of Steam	4,075,232	4,837,486	3,980,460
MW hr of Power	11,546,503	10,946,367	12,363,150

EN5 Total water use

A summary of water intake demonstrates declining requirements from 2004 through 2006.

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Millions of cubic meters	3,261	3,004	2,592

EN6 Location and size of land owned, leased, or management for biodiversity habitats

This information is not consolidated by the Company at this time. It is considered a local/ regional issue. Please refer to our various Site Public Reports from around the world for examples of management for biodiversity habitats:

<http://www.dow.com/commitments/pbreports/index.htm>

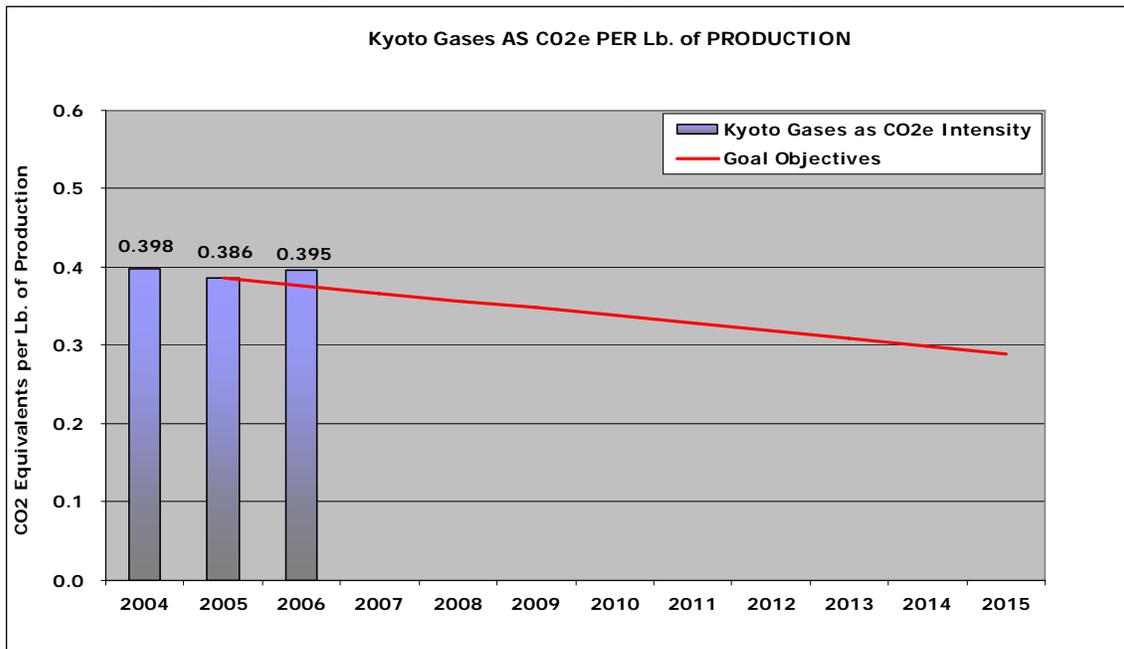
EN7 Description of major impacts on biodiversity

This information is not consolidated by the Company at this time. It is a local/ regional issue. Please refer to our various Site Public Reports from around the world for examples of management for biodiversity habitats:

<http://www.dow.com/commitments/pbreports/index.htm>

EN8 Greenhouse gas emissions intensity reduction

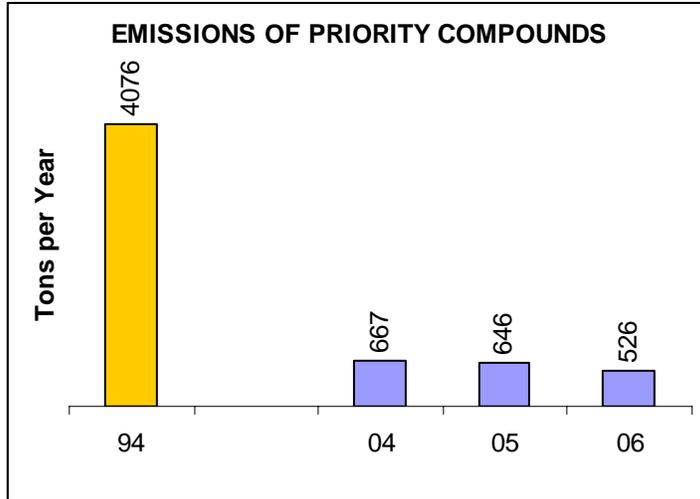
The graph below shows Dow’s emissions intensity for greenhouse gases restated in CO2 equivalents per pound of production. The line depicts a 2015 goal for GHG intensity.



EN9 Use and emissions of ozone-depleting substances

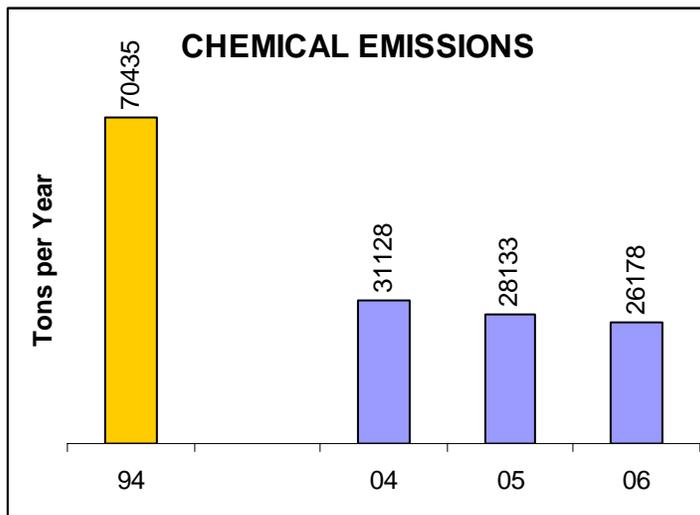
The following Selected Ozone Depletors are included in the overall summary of priority compounds that the Company has targeted for reduction: Carbon tetrachloride, 1, 1,1-Trichloroethane, CFC-11, CFC-12, CFC-113, CFC-114, CFC-115, CFC-123, CFC-500, CFC- 502, CFC-1301, H2402.

The graph illustrates the reduction accomplished in emission of priority compounds with reference provided to 1994.



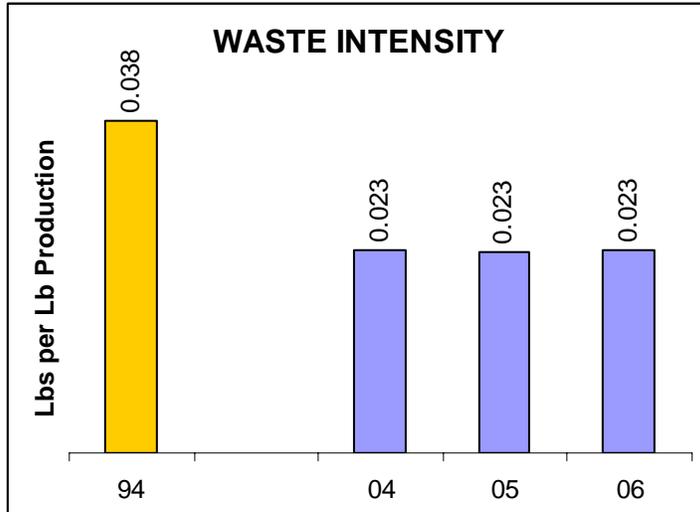
EN10 NOx, SOx, and other significant air emissions by type.

We report overall emissions and have accomplished the following reduction with reference to 1994.



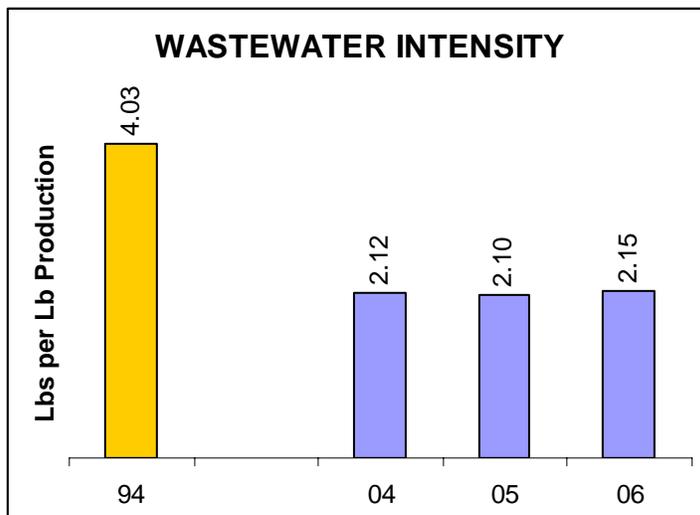
EN11 Total waste by type and destination

Dow reports on total waste per pound of product produced, not on an absolute basis. Historical performance for waste per pound of production and most recent performance are illustrated below:



EN12 Significant discharge to water by type

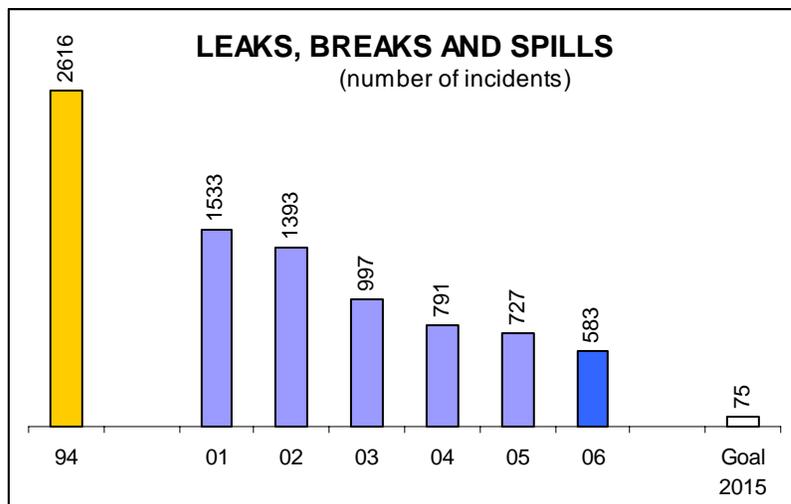
Historical wastewater per pound of production and recent performance is reported below:



EN13 Significant spills of chemicals, oils, fuels

Dow set a goal of a 90% reduction in Leaks, Breaks, and Spills as part of the ten year EH&S 2005 goals. This measure includes loss of containment of materials, whether lost to the environment or captured in engineered containment systems. The goal focuses on operational excellence – keeping materials where they are intended to be.

From 1994-2005 a 72% reduction was accomplished – short of the goal to reduce by 90%, but significant progress. Our 2015 goal is a further 75% reduction in leaks, breaks, and spills.



EN14 Significant environmental impact of principle products and services

Environmental matters are covered in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, on page 79.

<http://www.dow.com/corporatereport/2006/pdf/161-00670.pdf>

EN15 Percentage of products sold which are reclaimable at the end of useful life of the product

Dow products are used in thousands of applications and often involve significantly long value chains. It has not been possible to quantify overall reclamation rates. The biggest Dow market segment where recycling occurs is in plastics value chains. More plastics are recycled with each passing year, but no accounting is available for producer-specific end of life reclamation.

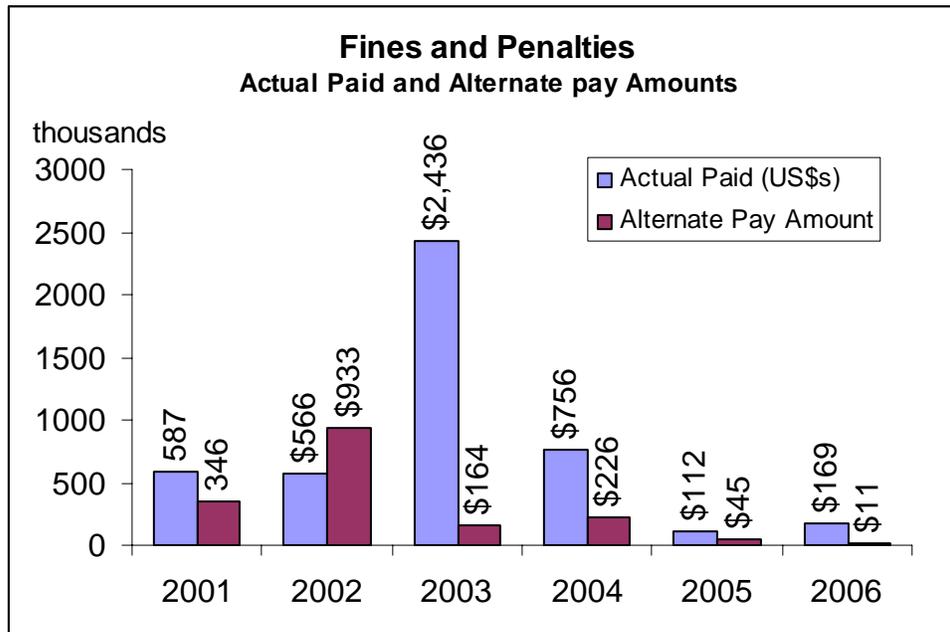
Dow has a business designed around the safe reclamation of chlorinated solvents for use in dry cleaning and metal cleaning applications. More information is provided at the following website:

<http://www.dow.com/safechem/du/>

EN16 Incidents of fines for non-compliance

Fines and penalties are tracked globally and are recorded in the year they are paid. In lieu of paying a fine or penalty, alternate pay amounts usually encompass projects benefiting the environment or local community, such as pollution prevention or remediation programs, public awareness, education activities, or wetland conservation activities.

The actual dollars paid in fines for year 2006 was \$168,768. There was also \$10,764 paid in the alternate pay category.



Social Performance Indicators

LA1 Breakdown of workforce

	02	03	04	05	06*
North America	55%	55%	54%	53%	52%
Europe*	31%	30%	31%	31%	29%
India, Middle East, Africa	*	*	*	*	2%
Asia Pacific*	6%	7%	7%	7%	8%
Latin America	8%	8%	8%	9%	9%
Male Employees	76%	76%	76%	76%	75%
Female Employees	24%	24%	24%	24%	25%

*Prior to 2006, India was reported as part of the Asia Pacific region; and Middle East and Africa were reported as parts of the European region.

LA2 Net employment creation and average turnover

	02	03	04	05	06*
Total Employees	50,000	46,400	43,200	42,400	42,600

LA3 Percentage of employees represented by independent trade unions

US: 13%

Total: 7%

LA4 Policy and procedure involving information, consultation, and negotiations with employees in changes in the reporting organization operations.

We do not have a policy concerning information, consultation, and negotiation and do not plan to develop one in the future.

LA5 Practice of recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

Regarding serious safety releases or accidents impacting the local community, process safety events, etc. – it is policy for businesses to contact the VP of EH&S and the Executive VP of Operations ASAP – certainly within 24 hours.

In Health Services we have organized all Dow sites into geographic regions. Each region has a regional health director. These regional health directors are responsible to implement our requirements and standards within their entire region. Part of this includes an obligation to assure that all local laws and regulatory requirements are followed. Most states and countries have regulations requiring reporting of occupational injuries and illness to the government authorities. It is the obligation of the regional health director to accomplish this reporting according to expectations. It is also their responsibility to fulfill reporting requirements internally.

LA6 Formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.

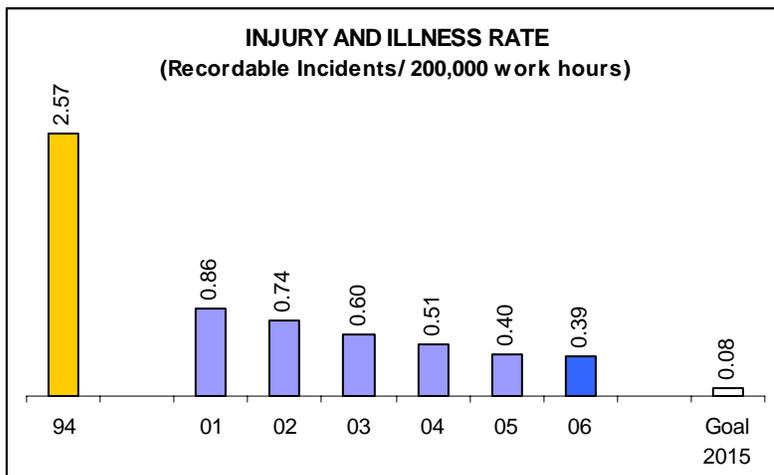
Dow has no formal global joint health and safety committees comprising management and worker representatives and do not plan to have any in the future. We do, however, have works councils in those countries where mandated by law (for instance, Germany)

LA7 Injury and Illness rates

As a component of our EH&S 2005 Goals, we set a target reduction of 90% in Injuries and Illnesses rate by 2005. Our actual improvement was 84%.

The progress we have made on our safety-related goals over the past decade has prevented more than 11,000 injuries to Dow employees and contractors.

The new goal for Injury and Illness rate of 0.08 incidents per 200,000 hours has been set for 2015.



In 2005, the US American Chemistry Council did a benchmarking study with its members regarding injury and illness performance within its industry and compared to other industries. The following summary gives context for Injury and Illness performance (note for US operations only):

Injury/ Illness Rate (incidents / 200,000 hours)

- Dow US Employees and Contractors: 0.39 (2006 data)
- Chemical Industry (SIC Code 28): 1.2
- All Industry: greater than 6.0

LA8 Description of policies and programs on HIV/AIDS

We have a commitment and process for dealing with employee health and all serious illness, including, but not specific to HIV/ AIDS. The process is the Medical Review Board (MRB).

A MRB involves the employee and his/her leader/supervisor working collaboratively to find solutions that benefit both the employee and the Company. In some cases, the situation is complex. The leader needs the help of other resources within the Company to learn of all available options, and to insure both consistent and fair treatment and compliance with employment law. Consultation with the Human Resources Business Partner is available when additional expertise is required.

DOW SOUTH AFRICA HIV / AIDS POLICY

Given the special situation in South Africa, we have developed a regional policy, driven by the World Economic Forum Best Practice Road Map:

- Acknowledges the seriousness and implications of the HIV / AIDS epidemic for Dow South Africa Southern Africa and its employees;

- Seeks to minimize the social, economic, development and health consequences to the Company and its staff; and
- Commits itself to providing effective resources and leadership to implement an HIV / AIDS program.

PRINCIPLES

Dow South Africa affirms that:

- Employees and their representatives will be consulted on the content and implementation of this policy;
- Employees with HIV / AIDS will be protected against unlawful discrimination and practices;
- HIV positive status will not constitute a reason to preclude any person from employment;
- Employee benefits depend on the rules and requirements of the relevant funds and schemes which may change from time to time; and
- Reasonable precautions will be taken to ensure confidentiality (on a need to know basis) regarding the HIV status of any employee.

PROGRAM COMPONENTS

The HIV / AIDS program of Dow South Africa will provide access to:

- Information and education;
- A variety of prevention strategies, (e.g. condoms);
- Health services for the appropriate management of HIV related infections/diseases, risk behavior and other diseases that may impact on the HIV/AIDS epidemic or HIV/AIDS individuals;
- Universal precautions including personal protective equipment for staff that may potentially be exposed to blood or blood products;
- Appropriate support and counseling services to employees affected by the disease and where reasonably possible to their families.

LA9 Average hours of training per year per employee

The average hours of training per employee was 11 hours in 2005. The use of web-based learning tools and dedicated Intranet training site Learn@Dow.now continue to increase training productivity. 2006 training information is not available at the time of this report.

LA10 Description of equal opportunity programs

At Dow, we recognize value and leverage our differences for competitive advantage. It is a key to our success. We encourage a culture of mutual respect in which everyone understands and values the similarities and differences among our employees, customers, communities and other stakeholders. We work to provide an atmosphere that encourages positive interaction and creativity among all employees. Dow attracts and hires talented and motivated people who wish to excel. We provide equal access to the best jobs in the world for people who are willing to compete, and equal employment opportunity to all employees regardless of age, race, color, national origin, sexual orientation, gender, disability or religion.

See: http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

LA11 Composition of senior management and corporate governance bodies

Full details on Dow's senior management, the board of directors, and the various board committees can be found at our Corporate Governance website:

<http://www.dow.com/corpgov/index.htm>

HR1 Policies related to human rights relevant to operations

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

HR2 Evidence of human rights issues being included in investment decisions

This information is not collected and consolidated for the Company at this time.

HR3 Policies on how human rights performance is monitored

This information is not collected and consolidated for the Company at this time.

HR4 Policy on non-discrimination

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

HR5 Freedom to associate

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

HR6 Child labor policy

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

HR7 Forced Labor policy

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

SO1 Managing impact on communities

We use both Community Advisory Panels and Community Surveys to assess the impact of our presence on the communities in which we operate. This is managed through our Community Relations Network within the Company.

We have 37 Community Advisory Panels that meet periodically throughout the year at our major operations. We do community surveys in many of these locations. The following webpage contains a summary of favorability scores for the most recent Community Survey results:

<http://www.dow.com/commitments/responsibility/favor.htm>

Local citizenship is one of the three frameworks of our Sustainability 2015 goals, and is comprised of two goals related to Community Impact:

Community Success Goal:

By 2015, 100 percent of Dow sites where we have a major presence will have achieved their individual community acceptance ratings.

Dow will complete the community relations assessment process to evaluate its impact on site communities and will implement a community relations plan that requires periodic re-evaluation. Dow will identify the targeted community area surrounding, adjacent or very near the manufacturing facilities or related Dow operations most likely impacted by Dow's presence, and where Dow is impacted by the community's acceptance level. An anonymously conducted sustainable community assessment will be conducted to define what is needed to achieve the desired quality of life.

Locally determined community goals will be established, describing specific activities and measurement targets of short and long-term achievement mutually agreed upon by Dow and community representatives. Dow will adhere to the Responsible Care® Code of Management Practices and will take into consideration various sustainability ratings, such as the Dow Jones Sustainability Index.

Local Protection of Human Health and the Environment Goal:

By 2015, Dow will achieve on average a 75 percent improvement of key indicators for EH&S operating excellence from 2005 baseline and community collaborative sustainable commitments.

Dow will achieve an injury and illness rate of 0.08 per 200,000 hours of work, reduce the severity rate by 75 percent and eliminate fatalities.

All sites/businesses combined will have fewer than 75 LOPC's (leaks, breaks and spills), with no more than 10 Category 2 incidents, eliminating Category 1 incidents. And Dow will reduce the rate of in-transit transportation LOPC's involving a toxic inhalation hazard (TIH) or flammable gas by 95%.

All sites will reduce process safety incidents by 75 percent and the severity rate by 95 percent, based on the 2005 baseline.

Dow will reduce the motor vehicle accident (MVA) rate for all Dow employees combined to 1.5 incidents per million miles driven.

Target sites will have achieved site-specific goals addressing needs such as security, waste generation and emissions, maintaining and improving employee health, and resource conservation.

SO2 Policies around bribery and corruption

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

SO3 Policies around lobbying and contributions

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

Refer to EC10 for a summary of 2006 charitable contributions.

Political Action Committees (PACs) provide for United States employee participation in the U.S. election process and resulted in contributions of \$112,500 to 65 federal candidates, \$8,000 to 3 leadership committees, \$5,000 to 2 state Supreme Court candidates, and \$75,125 to 130 state and statewide candidates in Michigan and Texas. Additional contributions by the company (non-PAC related) totaled \$247,900 going to state political candidates, parties and political advocacy organizations in states where allowed by law.

PR1 Policy for preserving customer health and safety during use of products and services

Our 2015 Goal, Product Safety Commitment is designed to contribute to increased safety around the use of Dow products.

<http://www.dow.com/commitments/goals/product.htm>

<http://www.dow.com/productsafety/finder/>

PR2 Policy around customer use of products/ services, product information and labeling

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

PR3 Policy around consumer privacy

See our Code of Conduct:

http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

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The following registered service mark of American Chemistry Council appears in this report:
Responsible Care

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