2007 Global Reporting Initiative Report

Including UN Global Compact Communication on Progress
The Dow Chemical Company 2007 Global Reporting Initiative Report

For the fifth year The Dow Chemical Company ("Dow") offers a Global Initiative Report, now in the G3 format. The 2007 GRI report is designed as a supplement to our Corporate Report for 2007. Much of the information contained in the GRI report is extracted from the Corporate Report and from other publicly available documents, including:

- Dow 2007 Corporate Report to Stakeholders
- Dow Code of Business Conduct
- Dow 2007 10-K and Stockholder Summary
- Dow 2008 Annual Meeting Proxy Statement

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”).
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Strategy and Profile
The Dow Chemical Company
United Nations (UN) Global Compact
2007 Communication on Progress (COP)
We at The Dow Chemical Company strive to have corporate citizenship inherent in everything we do as a global corporation. Corporate citizenship is a critical component of our strategic theme of “Setting the Standard for Sustainability.” It means we are focused on local citizenship, sustainable innovations, and global footprint reduction. It means contributing to community success, fostering a diverse and engaged workforce, and being transparent, accountable and responsive to stakeholders. It is the spirit and passion of our employees - the Human Element - living our corporate values of Integrity and Respect for People every day. It is over 100 years of Dow people and others working together to apply science and innovation to improve the human condition.

In support of this mindset, in June 2007, Dow became a member of the UN Global Compact, the world’s largest voluntary corporate citizenship initiative comprised of over 4,000 companies from more than 120 countries. Through the Global Compact, Dow agrees to “embrace, support and enact” a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.

Supporting the ten principles of the Global Compact aligns with our company values, Code of Business Conduct and the broad reach of our 2015 Sustainability Goals. It also provides an opportunity for Dow to take a more active role in the world around us and to expand our collaboration with like-minded stakeholders at a level where we can truly make a difference.

The Dow Chemical Company has developed a number of initiatives already that support the endeavors of the UN Global Compact, among them:

- Our Code of Business Conduct addresses many of the ethical principles and policies created to deal with issues such as bribery, political contributions, diversity, equal opportunity, labor practices, respect in the workplace, and environment, health and safety. All directors, officers, and employees are expected to adhere to the Code of Business Conduct in the daily performance of their job responsibilities. We expect the same from our suppliers and business partners. The Code, as well as our human rights position statement, can be found on our Company’s website.
- Following the success of our ten-year Environment, Health and Safety (EH&S) Goals, in 2006 we set the bar higher with the introduction of a more ambitious, next-generation set of goals – our 2015 Sustainability Goals. These outline our commitments to not only reduce our own global footprint, but to drive our growth and profitability by focusing our products and innovation on helping to solve global challenges such as climate change, sustainable water supplies and human health.
- Our focus on Contributing to Community Success includes conducting research to assess the quality of life in key Dow locations around the world, to understand and prioritize local environmental, social and economic needs in the communities in which we operate. The research ensures that we are a good neighbor and partner in our 150 global communities.
• We launched a Sustainable Living campaign with our 46,000 global employees, promoting ways that employees and their families can reduce energy use, live more sustainably, and encouraging people to sign a personal commitment to the campaign.

• Building on our long-standing efforts to improve the safety and security of chemicals transportation, Dow joined with the U.S. Federal Railroad Administration, Union Pacific Corporation and Union Tank Car in various initiatives to enhance the safety performance of rail tank cars, improve shipment visibility, support community emergency response education and design supply chains that reduce risk.

• As part of our 2015 Sustainability Goal of Sustainable Chemistry, we intend to innovate and reshape Dow’s product portfolio and businesses to be more sustainable, and ultimately change the game in our industry through more sustainable chemistry. We recently launched Propylene Glycol Renewable, a product used in a variety of industry applications that is made from glycerin generated during the manufacture of biodiesel, a diesel-fuel alternative produced from vegetable oil. We also announced our joint venture with Crystalsev to build the first world-scale polyethylene facility using sugar cane as a renewable feedstock in Brazil.

• Dow offers an integrated global training curriculum that incorporates diversity and inclusion training for employees at all levels. From new hire orientation to mandated training for new leaders, diversity and inclusion training gives our employees the tools to cultivate an inclusive work environment.

• Dow and The Dow Chemical Company Foundation are committed to sustainable programs that improve students’ understanding of math, science and technology. Dow Brazil and Jean-Michel Cousteau’s Ocean Futures Society launched the Ambassador of the Environment Program in Guaruja, Brazil. This extension of Dow’s U.S. partnership with Cousteau is designed to connect young people with the environment and teach them how to live more sustainably.

• Dow recently signed the UN Global Compact CEO Water Mandate and Caring for Climate initiatives. We’re also a member of the United States Climate Action Partnership (USCAP).

These are but a few examples of a number of actions that the Company continues to take that reaffirm our support of the ten principles of the Global Compact, and the manner in which we implement our business strategy. Participation in the UN Global Compact is just one more piece in helping us to achieve our vision of being the largest, most profitable, and most respected chemical company in the world.

Andrew Liveris
Chairman and Chief Executive Officer
The Dow Chemical Company
February 14, 2008

For more information on Dow’s participation in the UN Global Compact, please contact:

R. N. (Bo) Miller
Global Director of Corporate Citizenship
The Dow Chemical Company
1-989-636-1204
1. Strategy and Analysis

1.1 Overall vision

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.”

Inspired by the Human Element, we strive to constantly improve those things essential to human progress. From the clothes we wear to the food we eat. From the homes we live in to the furnishings, fixtures and fittings that adorn them. Equipment that purifies water and materials that save energy. Products that make our daily lives easier, healthier, safer or more enjoyable. Dow’s chemistry has long played an integral role in keeping pace with society’s ever-changing ambitions and aspirations.

Dow organizes its strategic efforts along four 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

Set the standard for sustainability has four distinct components:

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

Solutions
• Provide leadership and innovation in solving critical human challenges

Footprint
• Reduce footprint on the world

Ethics, Compliance and Governance
• Support and promote exemplary conduct and compliance
The 2008 Letter to Stockholders from CEO, Andrew Liveris

Dear Shareholders,

The past year was a significant one for The Dow Chemical Company. In a year of increasing uncertainty in the U.S. economy and continued increases in the costs of feedstocks and energy, our Company posted solid financial results. Perhaps more important, however, Dow took meaningful strides to establish itself as an earnings-growth company.

A Remarkable Year

Overall, 2007 financial results demonstrated once again that our Company has the right strategy, the right people and the right products to succeed in today’s marketplace. Couple that with an unwavering adherence to financial discipline, and you can begin to understand why I remain so bullish about Dow and its prospects.

Dow reported earnings of $2.99 per share in 2007—the third-highest in our history—versus $3.82 in 2006. Excluding certain items, earnings in 2007 were $3.76 per share versus $4.25 in 2006. Sales reached an all-time high of $53.5 billion, with gains in both price and volume. Price was up 7 percent with increases in all segments and geographies, while volume improved by 2 percent. We also recorded equity earnings of $1.1 billion, up 17 percent from 2006 and topping $1 billion for the first time.

We achieved those solid results against strong economic head-winds. The U.S. economy presented us with several challenges in 2007. Purchased feedstock and energy costs rose more than 10 percent year-over-year, increasing to $24.6 billion for the full year. Still, the financial discipline institutionalized in Dow over the past several years—combined with our geographic and market strengths—allowed us to overcome those challenges and end the year with an exceptionally strong balance sheet.

While I am pleased with our financial results, what made the past year remarkable is that we believe our results and our actions demonstrate that we are well on the way to establishing ourselves as a strong, reliable and consistent earnings-growth company.

Portfolio Management: A Growth Mindset

Dow’s portfolio management activities over the past several years have been driven by a singular goal: position The Dow Chemical Company as an earnings-growth company.

One key to achieving that goal has been our commitment to divest or shut down non-competitive, unproductive or non-strategic assets. Since 2003, we have announced 92 plant shutdowns, 42 site exits and 38 divestitures. Those actions have enabled us to devote our resources to more productive and profitable assets and businesses.

Another important part of our portfolio management is pursuing strategic acquisitions when they make financial and strategic sense. In 2007 alone, we completed several bolt-on acquisitions to fill gaps in our product and geographic offerings. We acquired Wolff Walsrode to complement our existing cellulosics business; and we completed four acquisitions for Dow AgroSciences, three in Epoxy Systems and three in Polyurethanes.

The last—and perhaps most visible—example of our portfolio strategy in 2007 involved joint ventures, which have become an increasingly important contributor to our overall earnings. We made several joint venture announcements, punctuated with a December announcement that
detailed an industry-defining joint venture with Petrochemical Industries Company (PIC) of Kuwait to form a new world-leading petrochemicals enterprise with advantaged feedstocks and unparalleled technology.

This joint venture with PIC is an incredibly important part of our strategy because it gives new life to those businesses that were the most susceptible to the ethylene cycle while enhancing their global leadership. This venture is on track to close by the end of this year.

Additional projects on our Basics side that moved forward in 2007 — such as with Saudi Aramco in Saudi Arabia and Shenhua Group in China — will allow us to take advantage of the joint venture model while also retaining the competitive advantage of site and product integration.

**Consistent Financial Discipline**

Active portfolio management is only part of the disciplined approach implemented by this management team. We also pledged to our stockholders that we would institutionalize financial discipline — starting at the top. You can see that discipline at work with our strong balance sheet and see it in action by the way we use our cash.

We are now using cash to selectively invest for growth and to reward our stockholders. On the issue of using cash for growth, I want to point out that we have been extremely disciplined in our approach. The fact is, we walked away from many deals that were available to us because they were overpriced and/or they did not add value ... and we could make better use of our cash.

We have, for example, repurchased 50 million shares since January of 2006. During that same time, we raised the dividend by 25 percent. In fact, for the past 95 years we have consistently either maintained or raised the quarterly dividend.

And we have judiciously used cash for funding our capital program. Since 2003, we have invested 80 percent of our new capacity capital in our strategic Performance and new Market Facing businesses.

In addition, we are pursuing organic growth through select research and development. For example, we have doubled the value of our project pipeline, growing it from $5 billion to $10 billion over the last 10 years, and we currently have more than 350 large R&D projects and many smaller engineering programs that will contribute to our earnings growth going forward. Our work is garnering attention: in 2007, Dow was named one of the Top 10 R&D companies of the year by R&D magazine.

**Transitioning to an Earnings-Growth Company**

As a result of these strategic actions and our discipline, we are now poised to move away from the ethylene-driven troughs that have plagued our earnings profile for so long and are transitioning to an earnings-growth company.

What will The Dow Chemical Company look like in the future—as an earnings-growth company?

First, short of a major global economic meltdown, our earnings will be positioned well north of our cost of capital in the near future, with the significant upside of long-term earnings growth going forward. In short, that means no more ethylene-driven troughs.

When the joint venture with PIC closes, Dow expects to receive about $9.5 billion in pretax cash. Combined with our already strong balance sheet, this will provide us with enormous financial flexibility to complete the next step in our transformation.
We will use our financial flexibility with the same disciplined approach we have in the past. Expect nothing less than a continued commitment to evaluate every option against our ultimate goal of growing stockholder value.

We will continue to pursue smaller, bolt-on acquisitions as well as medium and large transactions. But we will proceed only if they conform to a tough set of criteria.

First, they must fit our strategy to be a Performance/Market Facing company. Second, any acquisition we make must be accretive to earnings by the end of its second year of operation with us. And third, we will measure any potential acquisition against the yardstick of a share buyback and the long-term value it represents to stockholders.

As I said earlier, we are already on the path to transformation. Our Basics businesses are transitioning to a new joint venture model, and our Performance/Market Facing portfolio—as evidenced by earnings growth of 8 percent per year over the last cycle (1995–2005) – is rock solid.

Therefore, the only question now is how quickly we will arrive at our transformation.

A share buyback and continued investment for organic growth get us there in one time frame. Finding the right acquisition target or targets would accelerate the transformation and increase long-term value creation for our stockholders. The disciplined deployment of cash is key to the speed of the transformation.

**Leveraging Our Strengths**

While our primary focus is on transforming the Company, I also recognize that we must not lose or abandon the other strengths we have worked so hard to secure. Specifically, we will continue to set the standard for sustainability on all fronts, including environmental stewardship, workplace safety, corporate governance and social responsibility.

An example of our commitment to address the most important issues facing the planet and its people—in the key areas of human rights, labor, the environment and anti-corruption—occurred in June when we joined the United Nations Global Compact. Our participation in this organization allows us to expand our already strong sustainability efforts and collaborate with like-minded stakeholders on these issues.

Efforts like this enhance the work we are doing to provide solutions for the water, energy, climate change and similar critical issues facing the world today. In doing so, they allow us to combine the power of science and technology with that of the Human Element and create new hope.

Our reputation as a corporate leader in these areas is significant. And as we move toward achieving our 2015 Sustainability Goals, we pledge to continue championing key issues. Our partnership with the Blue Planet Run Foundation, for instance, helped raise awareness about the need to provide clean and safe drinking water to the one billion people around the world who lack this most basic of necessities. We have also pledged to make technological breakthroughs that solve some of the world’s most pressing challenges in nutrition, shelter, health care and other basic human needs.

To continue delivering on our promise to constantly improve what is essential to human progress, we must incorporate these issues in all we do.
2008: Building the Dow of Tomorrow
Let me close by giving you a look at what you can expect from Dow through 2008.

First, you can expect us to continue to run a tight ship. This is still a “no excuses” company, and we will manage our day-to-day business to deliver solid financial results. Dow people throughout the world have proven themselves capable of delivering what it takes to succeed.

Second, we will close on our joint venture with PIC and move forward with implementation of our asset-light strategy.

Third, we will continue transforming our earnings profile. I am committed that by the end of 2008 we will have taken another major step in that regard. If we do not find the right acquisition or acquisitions, we reserve the right to initiate a share buyback. Either way, my commitment to our stockholders is that at the next industry trough, The Dow Chemical Company will have an earnings profile that is well north of $3 per share and we will provide steady earnings growth beyond that point.

On behalf of the entire Dow team, I thank you for your continued support.

Andrew N. Liveris
President, Chief Executive Officer and Chairman of the Board
February 14, 2008
1.2 Key impacts, risks, and opportunities

As an industry leader, Dow has been a champion of Responsible Care®, helping assure that not only our operations, but those of the industry, meet the expectations of stakeholders with respect to responsible research, manufacture, distribution, and ultimate disposal of the products that are a key part of more than 90 percent of the things we find around us everyday. But stakeholders rightly expect more. Being the company that aims to set the standard for sustainability requires that Dow make every decision with the future in mind. Our relationship with the world around us must be considered as we pursue economic prosperity, social impact and contribute to the preservation of the planet.

In 2006, Dow’s 2015 Sustainability Goals outlined the Company’s ambitions to address some of the most pressing concerns facing the global community. These ten year Sustainability Goals reflect Dow’s commitment to the principles of Responsible Care® and have a broad external focus.

**Citizenship**
Two of our 2015 Sustainability Goals reflect our commitment to our employees and the communities where we operate.

**Local Protection of Human Health and the Environment**
After striving for a 90 percent 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 percent. Our “Vision of Zero” is a leadership attitude and a corporate culture that is committed to zero accidents, zero injuries and zero excuses.

**Contributing to Community Success**
We are an engaged corporate citizen globally and locally. Where we have a major presence, we are collaborating with local businesses and citizens to help create stronger, safer and sustainable communities – engaging communities, establishing joint goals and plans, and taking action for the long-term success of all involved.

**Solutions**
Three of Dow’s Sustainability Goals are about pursuing product related solutions. The goals are helping us prioritize and address industry challenges and opportunities.

**Product Safety Leadership**
We are the first chemical company to make non-technical language summaries of our product safety assessments accessible to the public on our website. The assessments cover topics such as basic hazards, use, risk and risk management. We will complete evaluations, with third party process verification, on high priority products by 2010 and for all products by 2015.

**Sustainable Chemistry**
Sustainable chemistry is our “cradle to cradle” concept that drives us to use resources more efficiently, to minimize our footprint, provide value to our customers and stakeholders, deliver solutions for customer needs and enhance the quality of life of current and future generations.

**Breakthroughs to World Challenges**
We are actively working toward, and committed to achieving, at least three breakthroughs by 2015 that will significantly help solve the challenges of: adequate food supply, affordable housing, alternative energy, sustainable water supplies, or improvements in personal health.
Footprint
The last two of our seven goals addresses Dow’s commitment to contributing to a more sustainable world.

Energy Efficiency and Conservation
Addressing Climate Change
Providing humanity with a sustainable energy supply while addressing climate change is the most urgent environmental issue our society faces.

Dow operates at the nexus between energy and all the manufacturing that occurs in the world today. Over 90 percent 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.

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 that address climate change, energy and other pressing world challenges.

We commit to measure and report progress in the following areas:
- 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 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 the 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.

Dow’s performance toward its 2015 Sustainability Goals is reported quarterly on dow.com. More is provided about Dow’s position and promise at Addressing Climate Change.

The Environment, Health and Safety Committee of the Dow Board of Directors oversees the Company’s commitment to sustainability and to the implementation of strategies and tactics aligned to the communicated targets for each of the 2015 Sustainability Goals.
2. Organizational Profile

2.1 Name of reporting organization

The Dow Chemical Company

2.2 Primary brands, products and/or services

The Company offers a broad range of innovative products and services to customers in more than 160 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 nearly $54 billion and employed 45,856 people worldwide as of December 31, 2007.

Performance Portfolio

The $27 billion Performance portfolio includes differentiated plastic, chemical and agricultural solutions.

Performance Plastics:

- 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:

- Design Polymers
- Dow Latex
- 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.

Basics Portfolio

The $26 billion Basics portfolio includes leading basic plastics and chemicals and serves more than 6,000 customers worldwide, and is an integrated source of raw materials for Dow’s Performance businesses.

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.

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 bio-technology arena, including agricultural seeds, traits, healthy oils and animal health.

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 of the organization

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. An independent member of the board fills the role of Presiding Director.

In August, 2007, Dow received the highest rating possible for corporate governance by Governance Metrics International (GMI). 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.

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.

The significance to Dow of its joint venture activities has risen markedly in recent years. For a comprehensive list of joint ventures and subsidiaries of The Dow Chemical Company, please see (Exhibit 21) the Company’s most recent Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission. An overview of joint venture strategy and information about Principle joint ventures is provided in the Joint Ventures Report.
2.4 Location of organization’s headquarters

Midland, Michigan USA

2.5 Countries of operation

The Company operates 150 manufacturing sites in 35 countries. The Company’s major production sites are as follows:

- United States: Plaquemine, Louisiana; Hahnville, Louisiana; Midland, Michigan; Freeport, Texas; Seadrift, Texas; Texas City, Texas; South Charleston, West Virginia
- Canada: Fort Saskatchewan, Alberta; Prentiss, 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: 42 manufacturing locations in 16 states
- Canada: 6 manufacturing locations in 3 provinces
- Europe: 49 manufacturing locations in 16 countries
- Latin America: 26 manufacturing locations in 5 countries
- Asia Pacific: 22 manufacturing locations in 8 countries
- India, Middle East and Africa: 5 manufacturing locations in 4 countries

2.6 Nature of ownership and legal form

Dow is a publicly traded company.

At the close of business on January 31, 2008, there were 939,605,806 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 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.

In 2006, Dow accelerated the emphasis it places on understanding markets and end use needs. The following Market Facing Businesses continue that focus today:

- Adhesives and Sealants
- Dow Automotive
- Dow Building Solutions
- Dow Coating Solutions
- Dow Fabric and Surface Care
2.8 Scale of reporting organization (year-end 2007 data)

Number of employees – 45,856

Net Sales – $53,513 million

Total Capitalization in 2007

<table>
<thead>
<tr>
<th>Total Assets</th>
<th>$48,801 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt</td>
<td>$9,715 million</td>
</tr>
<tr>
<td>Stockholders’ Equity</td>
<td>$19,389 million</td>
</tr>
</tbody>
</table>

The Company has 150 manufacturing sites in 35 countries and supplies more than 3,100 products. Beneficial ownership information is found in the 2008 Dow Proxy statement. See Beneficial Ownership of Company Stock in the table of contents.

Breakdown sales/revenue by country

2007 SALES AND EMPLOYEES BY GEOGRAPHIC AREA  (dollars in millions)

- **North America**
  - Sales: $20,498
  - Employees: 22,800

- **Latin America**
  - Sales: $5,745
  - Employees: 3,900

- **Europe**
  - Sales: $19,614
  - Employees: 14,100

- **Asia Pacific**
  - Sales: $6,186
  - Employees: 2,900

- **India, Middle East, Africa**
  - Sales: $1,470
  - Employees: 1,200

2.9 Significant changes

With solid earnings and cash flow, the Company maintained its strong financial position in 2007, lowering its debt-to-capital ratio to 32 percent from 34 percent at the end of 2006 and 39 percent at the end of 2005. In April 2007, Dow’s Board of Directors increased the quarterly dividend by 12 percent, to an annual rate of $1.68 per share. Since January 2006, the Company has raised its dividend by 25 percent. In the first quarter of 2007, Dow completed the share repurchase program authorized in July 2005, and commenced purchases under a new $2 billion share buyback program announced in October 2006. For the year, the Company invested over $1.4 billion to repurchase 32 million shares, an increase of more than 75 percent over the 18 million shares repurchased in 2006.
During 2007, 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 2007 include:

- Dow started up its first-ever production facility in Russia, located in Kryukovo, outside Moscow. The plant produces STYROFOAM™ extruded polystyrene insulation boards for the Dow Building Solutions business.
- Dow introduced Propylene Glycol Renewable, a propylene glycol made from the glycerin that is generated during the manufacture of biodiesel, a diesel-fuel alternative produced from vegetable oil.
- Saudi Aramco and Dow signed a Memorandum of Understanding to move forward with their multibillion-dollar joint venture chemicals and plastics production complex near Ras Tanura, Saudi Arabia.
- Dow and Chevron Phillips Chemical Company LP announced plans for a 50:50 polystyrene and styrene monomer joint venture in the Americas.
- Beijing-based Shenhua Group and Dow agreed to a detailed feasibility study for a coal-to-chemicals joint venture in the Shaanxi Province, China.
- Dow completed the acquisition of Wolff Walsrode AG and certain related affiliates and assets (“Wolff Walsrode”) and formed Dow Wolff Cellulosics, a $1 billion specialty business focused on celluloses and related chemistries and serving a broad spectrum of industry sectors.
- Dow AgroSciences and Monsanto signed a corn cross-licensing agreement, which breaks new ground in the commercialization of gene stacking technology.
- The Company signed a Memorandum of Understanding with Brazilian ethanol producer, Crystalsev, to form a joint venture to manufacture polyethylene from sugar cane.
- Dow AgroSciences acquired Agromen Tecnologia, substantially expanding its Brazilian corn seed business. This transaction followed two other related acquisitions in 2007 – The Netherlands-based Duo Maize and Austrian company Maize Technologies International – strengthening the Company’s global corn seed platform.
- Dow's Polyurethanes Systems business acquired Danish company Edulan A/S, an independent polyurethane systems house specializing in rigid foam and elastomer technologies.
- Dow acquired three leading epoxy systems formulators: UPPC AG in Germany, POLY-CARB Inc. and GNS Technologies in the United States.
- Dow and Petrochemical Industries Company (“PIC”) of the State of Kuwait, a wholly owned subsidiary of Kuwait Petroleum Corporation, announced plans to form a 50:50 joint venture petrochemical company with anticipated revenues of more than $11 billion and 5,000 employees worldwide.
- Dow announced plans to shut down a number of assets and make organizational changes within targeted support functions, in order to improve the competitiveness of its global operations. As a consequence, the Company recorded a charge of $590 million in the fourth quarter of 2007.

2.10 Awards received during 2007

The following are a representative sample of the many awards and recognitions bestowed on Dow:

**Dow Ranked One of The World’s Top R&D Companies**

Dow R&D has been on an aggressive drive to accelerate innovation – with impressive results.

*Recognized by: R&D magazine*
Dow Makes Great Strides in Corporate Citizenship in China
Four Corporate Citizenship awards were earned in China during 2007. One of these awards is known in Chinese as “The Multinational Company with the Most Caring Chinese Heart.”
Recognized by: “Foreign Investment in China” – a publication under the Ministry of Commerce of China, the International Trade and Economic Cooperation Research Institute of the Ministry of Commerce, as well as the Chinese Charity Association.

Access Andrew Blog Wins 2007 Award of Excellence in New Communications from Society for New Communications Research
Award recognizes innovative use of new communications solutions and social media practices to enhance communications and relationships.
Recognized by: Society for New Communications Research (SNCR) Awards program.

New Freedom Initiative Award
Award encourages the use of public-private partnerships to develop and implement strategies that enhance employment opportunities and career advancement for individuals with disabilities.
Recognized by: U.S. Department of Labor

Dow Central Germany Health Services Earns Seal of Quality
This year marks the third time DCG Health Services has earned the seal.
Recognized by: Society for Quality Assurance in Company Medical Care (GQB).

Dow Benelux Wins European Responsible Care® Award 2007
Dow’s integrated R&D and production site at Terneuzen in the Netherlands was named the winner of the European Responsible Care® Award for the innovative industrial re-use of municipal waste water.
Recognized by: European Chemical Industry Council (Cefic)

Dutch Responsible Care Award for Dow Waste Water Recycling Project
Dow Terneuzen received the Dutch National Responsible Care (RC) Award 2007 for the large scale utilization of household waste water at Dow’s Terneuzen site.
Recognized by: Dutch Chemical Industry Association (VNCI)

2007 100 Best Companies for Working Mothers
Award given for using company-wide benefits and programs to create an inclusive and “family friendly” environment.
Recognized by: Working Mother Magazine

UN Montreal Protocol Innovators Award
DowAgroSciences received the recognition for innovation, investment and commitment to protect the environment through its efforts to develop alternatives to methyl bromide.
Recognized by: United Nation’s Montreal Protocol

“Best of the Best” Award
Dow AgroSciences was recognized as one of an elite group of companies, organizations and individuals who have demonstrated long-term excellence in efforts to protect the stratospheric ozone layer.
Recognized by: U.S. EPA

Leader in Dow Jones Sustainability Index
Outcome of annual evaluation in the companies’ economic, environmental and social performance.
Recognized by: SAM Sustainability Assessment as a Gold Class Leader and placed in Dow Jones Sustainability Index
Kepler Honored as one of “Top 100 CIOs”
Executive Vice President, Chief Sustainability Officer Dave Kepler was honored for his sustainability job focus, as well as for his efforts in the technology space, which have succeeded in placing Dow at the forefront of “going green” within the chemical industry.
Recognized by: Ziff Davis Media

ACC Responsible Care Energy Efficiency Award
Dow gained the ‘Exceptional Merit’ award in recognition of its longstanding energy efficiency and conservation efforts, including an energy intensity improvement of 22 percent from 1995 to 2005 and leadership in external promotion of energy efficiency and conservation.
Recognized by: American Chemistry Council

Business and Consumer Publications Recognize Supply Chain Excellence
Dow’s Supply Chain excellence recognized throughout 2007.

‘Most Admired’ Among Chemical Companies
The observations and opinions of chemical industry executives rate their peers and rivals on eight attributes.
Recognized by: FORTUNE magazine

Julie Fasone Holder Recognized as Woman of Achievement
Ms. Fasone Holder was a 2007 recipient of the Woman of Achievement award. She is the Senior Vice President, Chief Marketing, Sales and Reputation Officer.
Recognized by: The National Association for Female Executives (NAFE).

3. Report Parameters

REPORT PROFILE

3.1 Reporting period
Based on 2007 corporate data

3.2 Date of most recent previous report
This is the fifth GRI Sustainability report. The previous report covered the 2006 time period and can be found at Public Reports.

3.3 Reporting cycle
Annual

3.4 Contact point for questions regarding the report or its content
Peter N. Deal  
Sustainability Program Management Office (PMO)  
1-989-636-3865

Mark C. Weick  
Director, 2015 Sustainability Goals Program Management Office (PMO)
REPORT SCOPE AND BOUNDARY

3.5 Process for defining report content

Materiality for purposes of the GRI report content is a function of the perceived level of importance of an issue to stakeholders, and the significance of the economic, environmental, and/or social impact. No effort to prioritize topics within the report is taken. The report intentionally follows the GRI G3 template in order to aid readers in their ability to find information easily.

The following are major stakeholder groups:
- Customers
- Shareholders
- Employees
- Retirees
- Communities where we operate
- Others (NGOs, media, government, industry participants, financial analysts)

3.6 Boundary of the report

Guided by the GRI Boundary Protocol, Dow has chosen to include joint ventures in the 2015 Sustainability Goals where Dow has greater than 50 percent ownership. See a list of greater than 50 percent owned joint ventures below. In joint ventures where Dow ownership is 50 percent or less, Dow does not have a majority ownership and operations will not be included in 2015 Sustainability metrics.

Dow has a successful history of utilizing joint venture arrangements to pursue business opportunities. During 2007 the Company’s non-consolidated affiliates contributed equity earnings of more than $1 billion, a 17 percent increase from the previous year, while cash distributions (principally dividends) increased 35 percent to $837 million. Joint ventures are an important part of the strategy to move the company as an earnings-growth company. During 2007 a careful review of how to report on sustainability issues with regard to joint ventures was undertaken using the GRI Boundary Guidelines for guidance.

The significance to Dow of its joint venture activities has risen markedly in recent years. A JV White Paper explains joint ventures and their value proposition to Dow, with a specific focus on the Company’s principal nonconsolidated affiliates. These principal joint ventures accounted for over 90 percent of Dow’s total equity earning and cash distributions in 2007.

An example of joint venture significance is the Dow Corning Corporation, which was formed in 1943 specifically to explore the potential of silicones. This enterprise involving Dow and Corning Incorporated developed and commercially delivered technology breakthroughs that neither party could achieve alone.

There are other drivers behind the formation of a joint venture, from creating economies of scale, to capturing manufacturing synergies, to supporting product registrations or sharing risk. In all cases, joint ventures are viewed as long-term relationships and are not formed to address a short-term business need.
Partner selection is critical and Dow will work only with companies that have compatible business strategies, are financially strong, and share the same perspective on business ethics, and environment, health and safety (EH&S) principles.

As stakeholders observe the changes being pursued through joint ventures, they are often interested in Dow activities that are designed to achieve access to low-cost raw materials. These ventures are driven from our strategy to be the low-cost-to-serve supplier, the unprecedented high cost of hydrocarbons, as well as greater volatility.

Stakeholders may be assured that venture formations designed to bring Dow expertise and low cost producer position into partnerships with those who, in part, have access to low cost raw materials, are:

- Created for strategic reasons
- Consummated only when we are confident of a successful long term relationship with the partner
- Given management attention related to the creation of appropriate values, culture and operating standards in the new entity
- NOT USED to reconfigure our portfolio to exclude issues or products

Dow owns 50 percent or less in the following Principle joint ventures. More information about the respective joint venture is provided by these joint ventures as indicated below:

- Compañía MEGA S.A. www.ciamega.com.ar (Spanish)
- Dow Corning Corporation www.dowcorning.com
- Equipolymers www.equipolymers.com
- MEGlobal www.meglobal.biz
- The OPTIMAL Group of Companies www.optimal.com.my
- The SCG-Dow Group not available
- Univation Technologies, LLC www.univation.com

Dow owns greater than 50 percent in these joint ventures:

- Nantong DAS Chemical Company Limited *
- Dintec Agroquimica Produtos Quimicos *
- Phytojen Seed *
- Guangdong Zhongshan Americol Specialty Company
- Dow Kakoh Kabushiki Kaisha
- Arakawa Europe
- Union Polymers S.B.
- Equate Marketing Co.

*Joint ventures that are part of Dow AgroSciences

For financial reporting, investments in non-consolidated affiliates (20-50 percent owned companies, joint ventures, and partnerships) are accounted for on an equity basis. Additional details can be found in Note F to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007.

3.7 Limitations on the scope or boundary of the report

See section 3.6 describing boundaries related to joint ventures.
3.8 Basis for reporting that can significantly affect comparability from period to period or between organizations

There is no material effect due to a basis change in entities from period to period to consider for 2007.

3.9 Data measurement techniques and the bases of calculations

Operating Discipline Management System (ODMS) is used throughout Dow and helps accomplish meaningful data aggregation. A key element of ODMS is a measurement policy and requirements. As part of these requirements, measurements are established and performance is monitored to ensure that all organizations are performing at a level that meets our objectives and targets. The ODMS requirements set expectations on calibration, measures, measuring equipment, measurement systems and critical instruments. Several data management systems address more specific requirements and are unique to the particular needs of the respective measures. Examples include the Global Emissions Inventory (GEI) system that tracks emissions, the Global Incident Reporting Database (GIRD) that records occupational health and safety events, and the Global Asset Utilization Reporting (GAUR) system that collects utilization and energy use information. Each of these examples is global in scope and defines the details covering data collection and the bases of calculations for the respective system.

3.10 Explanation of any re-statements of information provided in earlier reports

None identified.

3.11 Significant changes from previous reporting

This report moves from the G2 to the G3 GRI format.

GRI CONTENT INDEX

3.12 Table identifying the location of the standard disclosures in the report

Link to GRI index at front of report.

ASSURANCE

3.13 Policy and practice with regard to external assurance for the report

As a result of increasing interest from stakeholders, Dow has engaged Environmental Resources Management (ERM) to review our GRI report covering 2007. ERM is one of the world’s leading providers of environmental consulting services. The letter summarizing their process and the review of our GRI report follows:
Independent Assurance Statement by ERM

*Dow Chemical Company – 2007 Global Reporting Initiative Report*

Environmental Resources Management (ERM) was retained by Dow Chemical Company (Dow) to provide an independent review and assurance statement for the 2007 Global Reporting Initiative Report (GRI Report).

**Scope of Work**  
ERM assessed the GRI report from the following perspectives:

- Does the report reflect the sustainability issues and challenges facing Dow?
- Does it meet the requirements of AA1000 Assurance Standard (2003) for materiality, responsiveness, and completeness?
- Do the processes for compiling data from facilities provide accurate data for presentation in the report?

In addition, ERM reviewed the GRI Report against the GRI Sustainability Reporting Guidelines (2006) – Application Level A criteria.

**Assurance Methodology**  
The review was conducted during August 2008 and included an assessment of Dow’s data collection and verification processes and the GRI Report contents as well as the development of this formal assurance statement.

As part of the review, ERM conducted on-site interviews at Dow’s headquarters in Midland, Michigan. ERM visited manufacturing facilities at Midland, Michigan; South Charleston, West Virginia; and Terneuzen, the Netherlands. These facilities were selected to represent a range of operations and material sustainability impacts and included a facility located in a non-English speaking country.

During the interviews and facility visits, ERM focused on:

- Understanding the Dow business context and its sustainability strategy;
- Reviewing the GRI Report and other relevant supporting documents;
- Understanding the logistics of Dow’s data collection and reporting processes and systems, including the Global Incident Reporting Database, Global Emissions Inventory and Global Asset Utilization Report;
- Checking the accuracy of a sample of data from the facilities visited;
- Reviewing the mechanisms for checking and verifying data at the facility, business unit and corporate level; and
- Reviewing the process for the management of change to data, including how errors are communicated to the data providers and corrective action checked to ensure accuracy in the reported data.
ERM Conclusions
Based on the review, ERM concludes that the GRI Report:
• reflects the sustainability issues and challenges facing Dow;
• meets the AA1000AS (2003) requirements for materiality, completeness, and responsiveness;
• incorporates data compiled from robust processes; and
• provides a reasonable and balanced presentation of Dow’s sustainability performance.

During the review period, ERM identified several issues that were discussed and subsequently addressed by Dow in the final draft of the GRI Report. Further recommendations are included in a separate assurance project report to Dow Management.

ERM Competence
ERM operates strict conflict of interest checks and has confirmed our independence to work on this engagement to Dow. The members of the review team have not provided consulting services to Dow outside of the review. The review team has the required combination of education, experience, training, and skills for this engagement.

Environmental Resources Management
Annapolis, Maryland, USA
August 2008
4. Governance, Commitments, and Engagement

GOVERNANCE

4.1 Governance structure of the organization

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.

Dow has received the highest rating possible for corporate governance by Governance Metrics International (GMI), an independent corporate governance research and ratings agency. Detailed information about Dow’s governance structure can be found on our website.

Board committees:

**Audit Committee**

**Members**
Barbara H. Franklin, Chair
James A. Bell
Jeff M. Fettig
Dennis H. Reilley
Paul G. Stern

**Purpose:**
The Audit Committee is appointed by the Board to assist the Board in monitoring:
1. The integrity of the financial statements of the Company
2. The independent auditors’ qualifications, independence, and performance
3. The performance of the Company’s internal audit function
4. The compliance by the Company with legal and regulatory requirements
The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission (SEC) to be included in the Company’s annual meeting proxy statement.

**Governance Committee**

**Members**
Paul G. Stern, Chair
James A. Bell
Jeff Fettig
Barbara H. Franklin

**Purpose:**
The Governance Committee shall consider and report periodically to the Board of Directors on all matters relating to the selection, qualification, and compensation of members of the Board as
well as matters relating to the duties of the members of the Board. The Committee shall act as a nominating committee with respect to candidates for Director and will make recommendations to the full Board concerning the size of the Board and structure of committees of the Board. The Committee shall also assist the Board with oversight of corporate governance matters.

**Compensation Committee**

**Members**  
James M. Ringler, Chair  
Jacqueline K. Barton  
John B. Hess  
Ruth G. Shaw

**Purpose:**  
The Compensation Committee shall discharge the Board’s responsibilities relating to the Total Compensation (defined as compensation, benefits and perquisites) of the Company’s Chief Executive Officer and other Senior Executives in a manner consistent with and in support of the business objectives of the Company, competitive practice, and all applicable rules and regulations.

**Environment, Health and Safety Committee**

**Members**  
Jacqueline K. Barton, Chair  
Arnold A. Allemang  
Andrew N. Liveris  
Geoffery E. Merszei  
Dennis H. Reilley  
James M. Ringler  
Ruth G. Shaw

**Purpose:**  
The Environment, Health and Safety Committee of the Board of Directors assists the Board of Directors in fulfilling its oversight responsibilities by assessing the effectiveness of environment, health and safety programs and initiatives that support the Environment, Health and Safety policy of the Company and by advising the Board on matters impacting corporate social responsibility and Dow’s public reputation.

**Executive Committee**

**Members**  
Andrew N. Liveris, Chair  
Barbara H. Franklin  
Geoffery E. Merszei  
Paul G. Stern

**Purpose:**  
During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors in the management and direction of the business and affairs of the Company to the fullest extent allowed by the General Corporation Law of Delaware and other applicable regulations and statutes.
4.2 Is the Chair of the Board of Directors also an executive officer?

Paul Stern is the Presiding Director, elected in May 2006. He is not an executive officer.

4.3 Number of members of the Board of Directors that are independent and/or non-executive members

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 nine members of the Board are independent: Directors Barton, Bell, Fettig, Franklin, Hess, Reilley, Ringler, Shaw and Stern. These independent Directors constitute approximately 67 percent of the full board, a substantial majority of the Board, consistent with Board policy.

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body

Stockholders and other interested parties may communicate directly with the full Board, the Presiding Director, the non-management Directors as a group, or with specified individual Directors by any of several methods. These include mail addressed to The Dow Chemical Company, 2030 Dow Center, Midland, MI 48674, and the “Contact Us” feature of Dow’s corporate governance website at www.DowGovernance.com. The Presiding Director and other non-management Directors may also be contacted by email addressed to PresidingDirector@Dow.com.

The Dow proxy statement describes the requirements for submitting a proposal to be considered for inclusion in the Company’s proxy material for the future annual meeting.

During 2007, Andrew Liveris, Chairman and Chief Executive Officer, instituted an employee blog called Access Andrew. More than 13,000 employees visit the site weekly, resulting in a meaningful and active dialogue among employees worldwide.

4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization’s performance

The compensation programs at Dow 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. These principles have enabled the Company to deliver strong stockholder value over time, and have helped the Company develop and retain top talent.

The objectives of Dow’s compensation programs are:

- Attract, motivate, reward, and retain the most talented people by providing competitive total compensation.
- 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.

Additionally, the following principles apply to the design and implementation of our executive compensation practices:

• **Drive Company results.** The program emphasizes variable, at-risk incentive award opportunities, which are payable only if specified goals are achieved and/or Dow’s stock price appreciates. The largest part of Named Executive Officers’ compensation is focused on long-term performance based on Dow’s return to stockholders. These at-risk incentives represent at least 80 percent of the Named Executive Officers’ direct compensation.

• **Be cost effective and aligned with stockholder value creation.** Incentive awards are earned only if specified financial goals are achieved and when Dow’s stock price appreciates. Higher compensation is paid when goals are exceeded and reduced compensation is paid when goals are not met.

• **Emphasize stock ownership.** Long-term incentive awards are delivered as equity based awards to senior executives. These executives are required to maintain a minimum level of stock ownership to encourage managing from an owner’s perspective and to better align their financial interests with those of Dow stockholders. Named Executive Officers are expected to own Dow securities with a value equal to between four and six times their annual base salary.

### 4.6 Processes to ensure conflicts of interest are avoided

All directors, officers and employees of Dow are expected to be familiar with the Company’s Code of Business Conduct, and to apply it in the daily performance of their Dow responsibilities. The Code of Business Conduct is intended to focus employees, officers and Directors on areas of ethical risk, help them recognize and make informed decisions on ethical issues, help create a culture of the highest ethical and business standards, and provide mechanisms to report unethical conduct. The full text of Dow’s Code of Business Conduct is available at [www.Dow.com](http://www.Dow.com), by clicking on “Ethics.”

### 4.7 Process for determining the qualifications and expertise of the members of the Board of Directors

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 Governance 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 Governance Committee may modify the minimum qualifications and evaluation guidelines from time to time as it deems appropriate. These Director Qualifications are posted in Dow’s Corporate Governance Guidelines, available at [www.DowGovernance.com](http://www.DowGovernance.com), and any modifications to the Director Qualifications would be described in the Guidelines.
The Governance 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 Governance Committee uses the same process to evaluate Director nominees recommended by stockholders as it does to evaluate nominees identified by other sources. In 2007, a search firm was retained by the Committee to identify independent director candidates that possess the skills and experience described above. Dow’s most recent independent director addition, Dennis H. Reilley, was recommended by Dow’s Chief Executive Officer and non-management Directors.

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 Governance 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.

**4.8 Statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation**

**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 the company founder, 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. Dow employees must understand and take pride in this. Employees must also use this concept to further connect Dow with the external markets the company serves. 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** – Dow puts science and technology to work to create solutions for customers and for society.

Dow’s 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 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. 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 founder 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 on our website.

Training for the Code of Business Conduct became mandatory for all employees of the Company in 2003.

### 4.9 Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental, and social performance, including risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles

The Environment, Health and Safety Committee of the Board assists the Board in fulfilling its oversight responsibilities by assessing the effectiveness of environment, health and safety programs and initiatives that support the Environment, Health and Safety policy of the Company, and by advising the Board on matters impacting corporate citizenship and Dow’s public reputation. Specific responsibilities of this committee include:

1. Reviewing the status of the Company’s Environment, Health and Safety policies and performance, including processes to ensure compliance with applicable laws and regulations.
2. Reviewing and providing input to the Company on the management of current and emerging environment, health and safety issues.
3. Reporting periodically to the Board of Directors on environment, health and safety matters affecting the Company.
4. Reviewing the status of the Company’s philanthropy initiatives.
5. Reviewing the Company’s diversity and inclusion philosophy, commitment and results.
6. Reviewing the Company’s public policy and advocacy priorities.
7. Reviewing the Company’s initiatives to build reputation.
8. Reviewing the Company’s progress on sustainable development.

The EH&S Committee of the Board met three times during 2007 and the Dow Board of Directors met on nine different occasions.

### 4.10 Process for evaluating the highest governance body’s performance, particularly with respect to economic, environmental, and social performance

The charters of each of the five Board level committees contain a provision for an annual review of the committee performance and of the committee charter. Each committee makes regular reports to the Board of Directors. The Compensation Committee and the other non-employee Directors conduct an annual review of the performance of the Chief Executive Officer.

### COMMITMENTS TO EXTERNAL INITIATIVES

### 4.11 Explanation of how the precautionary approach or principle is addressed by the organization

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.

4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses

On June 15, 2007, Dow joined the United Nations Global Compact. Launched in 2000, the UN Global Compact brings businesses together with UN agencies, labor organizations, civil society and governments to advance ten universal principles in the areas of human rights, labor, environment and anti-corruption. The UN Global Compact is a principles-based, voluntary organization providing a global forum for its members to mainstream these ten principles in business activities around the world and to catalyze collaborative actions in support of broader UN goals.

Dow joined the CEO Global Water Mandate. The CEO Water Mandate seeks to make a positive impact with respect to the emerging global water crisis by mobilizing a critical mass of companies to advance water sustainability solutions – in partnership with the United Nations, civil society organizations, governments, and other stakeholders. This voluntary initiative creates a platform to share best and emerging practices and to forge multi-stakeholder partnerships to address the problems of access to water and sanitation.

Dow collaborated with other leaders at the World Economic Forum (WEF) 2008 Annual Meeting in Davos, Switzerland, to bring forth a Call to Action to “Managing Our Future Water Needs.” The WEF is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas.

The United States Climate Action Partnership (USCAP), an alliance of major businesses and leading climate and environmental groups, was launched in January 2007 and Dow became a member in April. The USCAP works together to call on the federal government to enact legislation requiring significant reductions of greenhouse gas emissions. The USCAP developed a set of principles and recommendations to guide the formulation of a regulated economy-wide, market-driven approach to climate protection. These include, among others, incentives for technology innovation, rewards for early action and environmental effectiveness.
“Joining the USCAP is a tangible step in the execution of our recently introduced, stronger position and promise on the issue of climate change,” said Dave Kepler, executive vice president of Shared Services; Environment, Health and Safety and chief information officer (CIO). “We will hold ourselves accountable to apply our innovation and expertise in helping to solve the world’s greenhouse gas and energy challenges.”

Dow 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.

Since inception, Dow has been an active participant in the American Chemistry Council’s Responsible Care® initiative.

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 safeguard 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.

The Dow 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.

External Certification Programs:
Dow’s overall mechanism for standards development, application, and review is called the Operating Discipline Management System (ODMS). An external review summarized on October 16, 2007 with LRQA Inc. (Lloyd’s Register Quality Assurance Inc.) concludes that the changes to the Dow Operating Discipline Management System that have taken place since the last review in 2006 against the requirements of ISO 14001, OHSAS 18001:2007, and Responsible Care Technical Specifications did not create any contradictions with the Standards and that the certification against them would not be compromised in any way.

4.13 Memberships in associations and/or advocacy organizations

Examples of trade, business associations and alliances where Dow is an active member:
  - Alliance to Save Energy
  - American Council for an Energy Efficient Economy
  - Alliance with US OSHA to share health and safety expertise
  - Alliance with China SEPA to share pollution prevention practices with SMEs
  - Alliance with China SAWS to share worker safety practice with SMEs
  - American Chemistry Council (ACC)
  - China-US Center for Sustainable Development
  - Chlorine Chemistry Council (CCC)
  - European Chemical Industry Council (CEFIC)
  - Global Environmental Management Initiative (GEMI)
• International Council on Chemical Associations (ICCA)
• Participant in OSHA VPP program (8 sites verified as VPP sites and Corporate Pilot)
• Plastics Europe – formerly Association of Plastics Manufacturers of Europe (APME)
• Sustainable Packaging Coalition
• The Business Roundtable (BRT)
• United States Climate Action Partnership (USCAP)
• World Business Council for Sustainable Development (WBCSD)
  – China Business Council for Sustainable Development (CBCSD)
• World Chlorine Council (WCC)
• World Environment Center (WEC)
• World Resources Institute Green Power Market Development Group

STAKEHOLDER ENGAGEMENT

4.14 List of stakeholder groups engaged by the organization

• Customers
• Employees
• Retirees
• Communities
• NGOs
• Government officials
• Shareholders and investment community observers
• Corporate Environmental Advisory Council (CEAC)
• The CEAC has represented a wide variety of external stakeholders since its initial meeting in 1992. Leaders from international non-governmental organizations, academics, government administrators, and others, selected to represent external points of view, bring informed perspectives to ongoing semi-annual meetings. Members do not represent any particular organization, but bring their knowledge, experience and understanding to bear on issues of concern to Dow.
• Independent Advisory Panel on Security (IAP) chaired by former Congressman and 9/11 Commission Vice-Chairman Lee Hamilton. The IAP includes a panel of experts from around the world and was created by Dow to help the Company understand the roles of industry, government and the public in a challenging security environment.

4.15 Basis for identification and selection of stakeholders with whom to engage

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. In the selection of CEAC members, the background and convictions of the representative are important as this group is designed to challenge conventional thinking and press the case for adopting increasingly proactive and effective positions on important issues.

Stakeholder dialogue happens business-by-business, in corporate settings, and related to specific locations. It can be viewed as having three main phases: research, planning and implementation.

A research phase helps identify issues where dialogue is needed. Defining and documenting the goals and expectations of the stakeholder group is helpful. Consideration of how the dialogue might effectively be accomplished is important and is partly influenced by who will participate.
4.16 Approaches to stakeholder engagement

Customers
Market Facing Businesses are creating a connection to stakeholders (primarily customers) with unique market interests and needs. See Markets served 2.7.

Employees
The Global Employee Opinion and Action Survey (GEOAS) is one mechanism used to understand issues within the key stakeholder group of employees. It measures employee attitudes on the important topics of engagement, satisfaction and commitment, and monitors perceptions about key strategic themes that are important to the company. Many GEOAS items are benchmarked against feedback from other large, well-respected companies that conduct similar employee surveys.

Six employee networks – each with a senior executive sponsor – bring together people with a common interest to share experiences, find mentors, seek professional development, and gain access to senior leadership.

Retirees
The Dow Chemical Company has over 42,000 retirees across the United States. A Retiree Relationship Strategy works to harness the energy and commitment of retirees to advocate and spread goodwill for Dow, and to reinforce the mutual respect between Dow and its retirees.

Dow Health Services launched the Retiree Health Empowerment Program to encourage retirees to be more engaged in their health. Empowered retirees live healthier lifestyles, manage their medications and health conditions more effectively, better communicate with their health care providers, and are wiser health care consumers. The ultimate goal is to build a “culture of health” that empowers retirees to better manage their health and deal as effectively as practical with retiree medical premiums and out-of-pocket costs.

Communities
See SO1 for a description of Community Advisory Panels and the 2015 Sustainability Goal Contributing to Community Success.

NGOs, government representatives, and others
One example during 2007 took place in Europe where stakeholders collaborated in exploring sustainable chemistry in a forum organized by the Dow Brussels Office. The event, the first in a series of focus sessions, provided an opportunity for Dow to listen and gather input regarding sustainability topics.

4.17 Key topics and concerns raised through stakeholder engagement, and how the organization has responded to those key topics and concerns

From time to time, the CEAC identifies issues important to external stakeholders that Dow may not have sufficiently addressed. Some notable examples include the UN Millennium Development Goals, the increasing importance of freshwater as a limited resource, and implications of participating in emerging economies like China. In 2006, the CEAC provided critical input into the implementation of our 2015 Sustainability Goals and now continues to counsel the company about the goals during implementation. The CEAC provides a great opportunity for frank dialogue between Dow’s business leaders and independent external thought leaders.
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.

The Contributing to Community Success Goal uses a process that gains insight from citizens about community quality of life issues and concerns in an anonymous fashion. This perspective then informs a collaborative workshop to plan for the ongoing address of the key issues where a Dow role is appropriate. Through this process, specific activities such as the following are underway:

- In the port city of Terneuzen, Netherlands, the Community Success Plan includes expectations for the site to be a leader in environmental stewardship on behalf of the community.
- In Bahia Blanca, Argentina, located on the Atlantic Ocean, Dow has implemented a plan that will increase communication with the community about Environment, Health and Safety commitments and performance.
- At Dow’s site in Pittsburg, California, adjacent to the San Francisco Bay, Dow will use charitable giving and volunteer activities to align with environmental issues.
- Site specific public reports providing additional examples are located on our website.
Management Approach & Performance Indicators
Economic Disclosure on Management Approach
Dow has 150 manufacturing sites in 35 countries and supplies more than 3,100 diversified products. Dow businesses are organized into operating segments of: Performance Plastics, Performance Chemicals, Basic Plastics, Basic Chemicals, Dow AgroSciences, and Hydrocarbons and Energy.

Dow’s primary raw materials are hydrocarbons (oil and natural gas). Many of the company’s products are sold to entities that further process the raw material provided to them by Dow. As a result, Dow often is caught between swings in volatile raw material prices and the challenge to adjust for those swings in prices to Dow customers. This has led Dow to emphasize being the low-cost producer in those businesses where we participate. Since 1993, we have increased productivity by more than 8 percent per year, and we will continue to find ways to further optimize work processes, improve resource allocation, and remain committed to the application of Six Sigma. We are implementing an investment and partnering strategy that will achieve access to sources of low-cost feedstocks, particularly in the Middle East. We also mitigate the volatility of hydrocarbons and energy costs to the extent possible, through hedging.

Increasingly global supply-demand balance of the products that Dow manufactures and sells has a big impact on economic results. We have established discipline in the process of adding production capacity so that we fully take into consideration the implications of the economic cycle and avoid, as much as possible, compounding the consequences that come when demand declines for major Dow products. During 2007 we continued to provide for new capacity in conjunction with low cost raw material sources.

We use measurements in the following areas to track our capability to continue to achieve our economic goals:

- Hydrocarbons and Energy cost relative to competition
- Total cost-to-serve & working capital costs
- Capital project effectiveness
- Most Effective Technology (MET) implementation
- Timely delivery & completeness to the customer
- Resource allocation relative to strategy
- Sales that are technology enabled & protected
- Success with targeted customers & markets
- Growth vs. targets in emerging geographies

**Economic Performance Indicators**

**EC1** Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers
Economic value retained, dollars in millions

<table>
<thead>
<tr>
<th>2007</th>
<th>53,513 [Economic value generated]</th>
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<tr>
<td>Revenues</td>
<td></td>
</tr>
<tr>
<td>Operating costs</td>
<td>44,164</td>
</tr>
<tr>
<td>Wages/Benefits</td>
<td>5,534</td>
</tr>
<tr>
<td>Payments to providers of capital</td>
<td>2,096</td>
</tr>
<tr>
<td>Payments to governments</td>
<td>1,300</td>
</tr>
<tr>
<td>Community investments</td>
<td>54</td>
</tr>
</tbody>
</table>

Payments to providers of capital include $1,512 million in dividend payments.

Operating costs do not include $578 million of restructuring charges that were reported in 2007.

Taxes paid, dollars in millions

<table>
<thead>
<tr>
<th>2007</th>
<th>777</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>777</td>
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<tr>
<td>Europe</td>
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<td>IMEA</td>
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<td>Latin America</td>
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</tr>
<tr>
<td>Pacific</td>
<td>59</td>
</tr>
</tbody>
</table>

EC2 Financial implications and other risks and opportunities due to climate change

Senior management is engaged in the implications and opportunities related to the issue of climate change. Dow will invest a significant portion of its research and development to support and develop alternative energy and less carbon-intensive raw material sources, especially solar photovoltaics.

We are examining the way our products are made, seeking opportunities to utilize new process technologies that substantially reduce the carbon consumed as energy inputs or that is released during the manufacture of our products. With regard to energy, our focus is on renewable energy and methane capture projects. On process technologies, the focus is on sustainable bio resources that can replace fossil-based feedstocks.

Dow will advocate for an international framework that establishes clear pathways to slow, stop, and reverse the rate of 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 its own systems with targets set fairly for each industry sector with appropriate linkages to a globally negotiated system.

A summary of Dow beliefs and how Dow will contribute to solving the challenges is available on our website.

**EC3 Coverage of the organization’s defined benefit plan obligations**

Dow’s total rewards strategy is to provide compensation and benefits to employees that are competitive with other top global companies within the relevant labor market. Dow offers defined benefit pension plans in several countries where defined benefit plans are common. The largest of these defined benefit plans are in the United States, Canada, The Netherlands, Switzerland and Germany.

It is Dow’s policy to contribute to defined benefit plans where pension laws and economics either require or encourage funding. As such, most of our pension plans are funded through separate trusts, with the notable exception of Germany where defined benefit plans are commonly book reserved. Dow also has unfunded plans for compensation above qualified or registered plan limits in the U.S. and Canada. All funded plans are in compliance with all local funding laws. The aggregate projected benefit obligation (“PBO”) under U.S. GAAP as of December 31, 2007, for all of Dow’s major defined benefit plans was $15.6 billion with an aggregate market value of assets of $16.1 billion. Contributions to Dow’s defined benefit plans are determined by funding regulations, negotiation with Trustees (where applicable) and economics. The corporate Benefit Governance and Finance Committee must approve any funding in excess of legal minimums.

Dow also offers defined contribution plans in many countries. Typically Dow encourages employee contributions to plans by offering matching contributions. The plan formulas in each country are designed to be competitive within that country. Since pension plans and other retirement benefits build upon social security, and social security benefits vary widely by country, Dow’s plan varies considerably country to country.

**EC4 Significant financial assistance received from government**

In March of 2007, Dow Building Solutions was selected as a recipient of a $20 million, 50 percent cost share Solar America Initiative Pathways award by the U.S. Department of Energy. The award will be spread over three years. The project proposal was built around Dow’s extensive materials, engineering, and design and fabrication technology expertise, and will focus on incorporating photovoltaics directly into the design of commercial and residential building materials.

**EC5 Range of ratios of standard entry level wage at significant locations of operation**

Dow does not use regional minimum wage rules to define compensation strategy for employees, but does comply with any applicable minimum wage requirements.

Dow offers competitive employee Base Pay, which is determined through our salary survey process. This process benchmarks compensation at other companies with whom we compete for talent, and helps Dow maintain employee pay that is tailored to geographically competitive standards.

In addition to employee base pay, employees participate in Dow’s annual variable pay program, which is dependent on individual and Company results. We also offer other programs that keep us competitive in the market and make us an Employer of Choice.
EC6 Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation

The Dow Chemical Company will conduct business with suppliers who are globally competitive and who will provide the lowest long-term cost of ownership. Dow is dedicated to work closely with local suppliers to educate them about our strategic purchasing requirements. Dow will help local suppliers understand the need and potential actions for their business to be globally competitive.

The use of local suppliers or local content will be considered in all Purchasing decisions.

EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation

We believe that our workforce should reflect the places where we do business today and tomorrow. This guides our hiring decisions in addition to the criterion of choosing the best candidate for each job. We are also working toward putting local leaders in charge of local operations by implementing various local training programs and placing potential leaders in assignments at major locations outside their home country to prepare them to lead in their home locations.

EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement

In 2007, Dow contributed more than $36 million to support a wide range of programs that contribute to community success, support sustainability, foster science in society and stimulate innovation around the world. The Company also made substantive one-time contributions to several global projects and a major revitalization initiative in its corporate headquarters location of Midland, Michigan, U.S.A., bringing total philanthropy in 2007 to $53.5 million. This compares with $27.9 million in 2006.

In-kind contributions were valued at an additional $1.8 million.

Examples of investments and services provided primarily for public benefit include:

**Contributing to Community Success**

Dow’s focus on “Contributing to Community Success,” one of the Company’s 2015 Sustainability Goals, identifies ways to raise the quality of life in the communities where Dow has a presence. By gathering input and feedback from these communities, local Community Success Plans are created to prioritize and address environmental, social and economic issues and drive the appropriate allocation of Dow resources – people, know-how, donations – to support meaningful change in communities. This work will not only ensure that Dow is a good neighbor and partner, but it will strategically position Dow in the areas where it seeks to have a future presence.

**Addressing the Global Water Crisis**

The global challenge of water scarcity and sanitation is one being addressed by Dow through numerous efforts. In 2006, Dow provided founding support for the Global Water Challenge, a coalition of 22 leading organizations who have joined forces to catalyze transformational change in the water and sanitation sector. In June 2007, Dow joined the United Nations (UN) Global Compact, the world’s largest voluntary corporate citizenship initiative comprised of over 4,000 companies from more than 120 countries, working to achieve advances in the areas of human rights, labor, environment and anti-corruption. As a part of Dow’s Global Compact involvement, the Company is
also supporting the UN CEO Water Mandate, a private-public initiative with a focus on developing strategies and solutions to contribute positively to the emerging global water crisis.

In September 2007, Dow agreed to provide up to $30 million of loan guarantees to WaterHealth International (WHI) that would support the installation of 2,000 community water systems in rural India and provide a sustainable source of safe drinking water for 11 million people in remote locations across the country.

And since the start of 2008, Dow’s dedication to the cause has continued to grow. In January, Dow Chairman and CEO Andrew Liveris attended the World Economic Forum in Davos, Switzerland, where he reinforced Dow’s commitment to the water space in front of many of the world’s most influential business and political leaders through his participation in a plenary discussion on water issues. In February, Dow announced plans to supply financial support and the resin required to manufacture 300,000 HydrAid BioSand Water Filters, lightweight water purification devices currently distributed to people without access to clean water by the humanitarian healthcare agency, International Aid. And every day, Dow employees, whether through volunteerism, donations, or their work, remain committed to the cause and other global sustainability issues.

**Committed to Decent and Affordable Housing**

A cornerstone member of Habitat for Humanity since the 1980s, Dow provides insulation and other building solutions to all Habitat affiliates in the United States through its national contract with Habitat for Humanity International.

In 2007, Dow donated building and construction materials for more than three thousand Habitat for Humanity homes. Products like STYROFOAM™ extruded polystyrene insulation helps keep homes warm in winter and cool in summer. Homes are more comfortable, and utility costs are lower – important benefits for Habitat homeowners. Donation of Dow products, such as STYROFOAM™ and WEATHERMATE™ housewraps, gives new homeowners the opportunity to reduce their natural gas consumption for heating by 23 percent, and provides 30 percent overall reductions in electricity consumption. Dow also provided a complete photovoltaic installation at Habitat’s 2007 Jimmy Carter Work Project in Los Angeles, California, U.S.A.

This year, Dow and Habitat for Humanity will celebrate 25 years of home building together, including annual support for the Carter Work Projects. Dow lends support to Habitat in many ways, including funding, product donation, and employee volunteer time at builds around the world. This collaboration is part of Dow’s commitment to help solve some of the world’s most pressing challenges, including decent and affordable housing.

**Chemical Transportation Safety and Security**

In 2007, Dow led a series of rail safety and security initiatives with Union Pacific Railroad and the Union Tank Car Company. The three companies worked in cooperation with the Federal Railroad Administration, the Transportation Security Administration and Transport Canada to enhance the safety performance of rail tank cars, improve tracking of chemical shipments, deliver community emergency preparedness and response training along chemical transportation routes, and design more efficient supply chains with lower inherent risks. Working with TRANSCAER (Transportation Community Awareness and Emergency Response), the voluntary national outreach group that Dow and Union Pacific co-founded twenty years ago, and the Firefighters Education and Training Foundation, the companies conducted “Hazmat Safety Train” tours that brought chemical and rail industry professionals to select cities to provide free training for local emergency responders and community leaders through hands-on demonstrations and educational workshops.
More information about the UP/Dow TRANSCAER Training Tour, including schedule and training details, can be found at TRANSCAER Training Tours.

EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts

Dow is working to build respect (see 1.1 Statement from CEO presenting overall vision) consistent with the company’s clear vision for the future. The 2015 Sustainability Goal, Contributing to Community Success, is helping create stronger, safer and sustainable communities through joint goals and plans, and taking actions for the long-term success of all involved.

Specific examples of indirect economic impacts include:
Dow entered into a sponsorship agreement with Saginaw County, Michigan, for the local civic arena in downtown Saginaw in an effort to help breathe new life into an economically depressed area of the city. The sponsorship allowed the center to complete renovations that had begun a few years earlier. The facility now hosts about 220 events each year, bringing in more than 200,000 visitors from around the state. The ongoing success of the “The Dow,” as it is more commonly known, has spurred continued revitalization of the area.

Dow in Cartagena, Colombia, created an integral program impacting four key areas: quality of public education, preparation of future leaders among young people in the community, sustainability projects and employee volunteerism. The projects include: programs to motivate children’s interest in science; employee volunteerism to improve education management at schools and to carry out health journeys; nutrition programs; development of linguistic, social, cognitive, artistic and affective potentials in young people; and the preservation of the community’s culture through dance and other artistic expressions.

After announcing closure of the Sarnia, Ontario, Canada site, Dow committed to providing funds up to $1 million in support of a community project that would benefit a broad cross-section of the community. A multi-agency proposal to build and coordinate the delivery of services at a community center for youth development in the city was chosen for the project.

Dow Malaysia sponsored and helped to build a Visitor Information Center at the Ulu Geroh ecotourism area in Perak, Malaysia. Among efforts by Dow staff and family members was the creation of murals adorning the four walls of the center. The establishment of the ecotourism area allowed the indigenous Semai tribe to return to their cultural roots, protect the environment and make a living in the process. It is also ecologically important because the forest around the village houses a population of two globally threatened entities: the Rafflesia cantleyi, the world’s largest and most distinctive smelling flower; and the Troides brookiana albescens, or Rajah Brooke’s birdwing butterfly.

Relevant information may also be found at Dow Public Reports from Around the World.
Environmental Disclosure on Management Approach
Environmental Disclosure on Management Approach

At Dow, protecting people and the environment is part of everything we do and every decision we make. Each employee has a responsibility to ensure that our products and operations meet applicable government or Dow standards – whichever is more stringent. “Set the Standard for Sustainability” is a company strategic theme guiding our commitment and behavior in this area.

Setting long range goals has contributed significantly to our environmental performance and appreciation for our role in society. The first ten-year goals were established in 1995. By 2005 the company had realized $5 billion of savings, a majority of those savings being driven by a 2.3 percent per year annual improvement in energy intensity measured across all operations.

In 2006, the 2015 Sustainability Goals were introduced. These seven goals expand Dow’s commitments related to environmental performance and our global role to include ambitions such as the pursuit of more sustainable chemistry processes and addressing challenges that are central to the future of the health of planet earth. The goals challenge us in various areas to continue to improve even where best-in-class performance has already been accomplished.

The seven goals create focus in three areas:

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

- Solutions
  - Product Safety Leadership
  - Sustainable Chemistry
  - Breakthroughs to World Challenges

- Footprint
  - Energy Efficiency and Conservation
  - Climate Change

Progress in reaching the 2015 goal targets is reported quarterly on our website.

A section titled Environmental Matters is provided each year in the Form10-K report as required by the U. S. Securities and Exchange Commission.

Environmental Performance Indicators

ASPECT: MATERIALS

EN1 Materials used

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 various salt, natural brine, and limestone deposits.
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. Dow also purchases electric power, benzene, ethylene and styrene to supplement internal production. The Company purchases these raw materials (now making up nearly 50 percent of company revenue), through both short- and long-term contracts.

Other significant raw materials include acrylic acid, acrylonitrile, aniline, bisphenol, cellulose, octene, toluene diamine and methanol.

Dow operates in a low-cost-to-serve culture and continually works to drive material efficiency and cost containment. With purchased feedstock and energy costs rising more than 10 percent year-over-year, and increasing to $24.6 billion for the full year, it is imperative that Dow operate as efficiently as possible, approaching the theoretical efficiency limits of all operating processes.

Efficiency of converting increasingly expensive raw materials into final products is maximized through the continuous focus on long-term energy intensity goals, achieving high process yields through operational excellence, and waste reduction.

**EN2 Percentage of materials used that are recycled input materials**

Dow products and processes do not involve externally sourced recycled materials. Within Dow processes, there is ongoing pursuit of the highest yields possible and this results in internal recycling becoming a part of many processes. An example is the collection and reuse of all trimming involved in extruded polystyrene production, avoiding disposal cost and avoiding the cost of additional raw material.

**ASPECT: ENERGY**

**EN3 Direct energy consumption by primary source**

The direct energy consumed by the company to produce product in 2007 was 377 trillion BTUs, or 398 million gigajoules. Approximately 58 percent of this direct energy was generated from purchased fuel gas, 40% was fuel from feedstock, and the remaining was other gas. Additional direct energy consumption such as that occurring in office buildings and research facilities is small in comparison to the energy consumed in manufacturing operations. This additional non-manufacturing energy consumption is not aggregated by the company at this time.

**EN4 Indirect energy consumption by primary source**

Indirect energy is a challenge to aggregate by source in a company with diverse operations operating globally and engaging in the purchase and the sale of energy. In 2007, the company estimates that indirect energy to produce product came from power and steam totaling 195 trillion BTUs, or 206 million gigajoules. Additional indirect energy consumption such as that occurring in office buildings and research facilities is small in comparison to the energy consumed in manufacturing operations. This additional non-manufacturing energy consumption is not aggregated by the company at this time.

**EN5 Energy saved due to conservation and efficiency improvements**

Energy Intensity has improved 22 percent during the first 10 year Energy Intensity goal (1994-2005), exceeding the 20 percent improvement target for the period. In 2006, Dow defined a new 10 year energy goal to drive an additional 25 percent improvement in Energy Intensity by 2015 using 2005 as the basis for comparison. Progress in the new goal period through the end of 2007 was a 2.6 percent reduction.
Energy Intensity improvements in 2007 alone have allowed us to save the equivalent fuel gas energy of 7.8 million BTUs, worth over $53 million.

Dow has saved the equivalent of almost $7 billion by decreasing its energy requirements per unit of production when measuring the annual impact of savings each year using the average cost of energy in that year and the improvement in energy intensity compared to 1994 base that marked the beginning of the first 10 year energy goal period.

**EN6 Initiatives to provide energy-efficient or renewable energy based products and services**

The most significant of several initiatives to provide energy related products is in the area of solar power panels (photovoltaics). Photovoltaics offer the most promising opportunity to significantly change the mix of energy options and are a technology in which Dow is uniquely advantaged to help achieve a breakthrough. Dow will invest over $100 million to enable solar energy capture in integrated building materials/panels. Dow is committing to manufacture and supply a minimum of 1 gigawatt of photovoltaics by 2025.

Dow will advocate energy solutions that ensure fuel and feedstock diversity through a devoted R&D effort to discover less energy- and carbon-intensive routes to our key high-volume chemical feedstocks, ethylene and propylene. A joint venture with Crystalev, a major Brazilian ethanol producer, marries the strengths of both companies to produce ethylene, and then produce polyethylene, from sugar cane, starting in 2011.

Dow is a founding sponsor of Colorado Center for Bio-refining and Biofuels (C2B2). C2B2 will perform research to develop biofuels and biorefining technologies and transfer these advances as rapidly as possible to the private sector. Dow will be involved in sponsoring specific research projects that focus on bio-derived feedstocks into starting materials and intermediates for the chemical industry.

Dow will use soy and other agricultural products, including glycerin, a by-product of biodiesel production, as chemical feedstocks. This effort will include understanding and addressing life-cycle issues to ensure solutions do not lead to unintended environmental impacts. Propylene glycol and epichlorohydrin are being made today from glycerin.

Dow is enabling the generation of 2,400 megawatts (MW) of renewable energy through the use of STYROFOAM™ brand vital structural blade elements in windmill blades. Dow epoxy is also a crucial component of most wind turbines operating today.

Dow has developed and begun to sell ceramic diesel particulate filters that will help meet air regulations for particulate emissions from diesel engines. The new technology results in a lower pressure drop resulting in lower total system cost via downsizing, or higher engine performance. Bottom line; less nonrenewable fuel is consumed at the same time emissions regulations are met.

**EN7 Initiatives to reduce indirect energy consumption and reductions achieved**

Indirect energy that results from such things as purchasing materials, outbound shipping, commuting, and subcontracted production are not large when compared to the hydrocarbon raw materials and energy requirements of Dow. The reduction accomplishments to date relate to emphasized use of virtual meetings to avoid business travel and expanded numbers of roles filled from virtual (home) office locations reducing requirements for employee commuting. The company also initiated Sustainable Living, a website that encourages energy conservation at home, and in transportation choices. The reductions achieved from these changes have not been quantified.
ASPECT: WATER

EN8 Total water withdrawal by source

Water intake, shown in cubic meters, has not changed significantly compared to 2006, but is down about 5 percent for the company compared to 2005.

![Water Intake Chart](chart.jpg)

EN9 Water resources significantly affected by withdrawal of water

During 2007 an analysis of current and projected water availability and water related issues was conducted using the World Business Council for Sustainable Development water analysis tool. This effort prioritized potential future challenges by location based on projected renewable freshwater supply per capita. This approach did not identify specific source bodies, but the output accomplishes insights as to the stability of water sources and raises awareness for addressing water issues.

In addition to anticipating water resource issues for emerging projects, the analysis identified these locations as priority sites from a water management perspective:

- Seadrift, Texas, U.S.A
- Aratu, Brazil
- Bahia Blanca, Argentina
- Terneuzen, The Netherlands
- Tarragona, Spain
- Dow Central Germany
- Freeport, Texas, U.S.A

EN10 percentage and total volume of water recycled and reused

Recycle and reuse totals are not compiled by the company at this time. A few examples of individual projects are:

- Dow Terneuzen (The Netherlands) restructured its water process to recycle 80 percent of the fresh water. In 2007, the site and its partners, Evides and the Zeeland-Flanders District Water Board, expanded the concept by integrating with local municipalities to use local sewage water for industrial use. Combined, the projects annually reduce treatment chemicals by 500 tons, reduce CO₂ emissions by more than 57,000 tons, reduce energy sufficient to power 1,000 residences, and preserve the local fresh water supply.
- By separating the waste and rainwater collection systems at the Belgium site, rainwater could be repeatedly used in cooling towers. The collected rainwater replaces the groundwater that the site
would otherwise have had to draw from local resources. In six months, the site had reused about 55,000 cubic meters of rainwater – equal to 50 million one-liter bottles of water.

ASPECT: BIODIVERSITY

**EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas**

Company operations are generally not located in or near protected areas or areas of high biodiversity value. During the coming year we will inventory our manufacturing sites to discover the identity of any neighboring protected areas, and will report our findings in our GRI report covering 2008.

**EN12 Description of significant impacts on biodiversity in protected areas and areas of high biodiversity value**

The company is not aware of events in 2007 causing significant impacts on biodiversity in protected areas or areas of high biodiversity value. Our Environmental, Health & Safety Remediation group manages liabilities associated with known or suspected contamination of soil and groundwater at more than 30 legacy properties in the U.S. Legacy properties are defined as surplus properties where Dow or a Dow subsidiary or acquisition has operated in the past and no longer has operations. Our Land Revitalization program defines our long-term stewardship of these land assets and manages these sites to maximize the total value to Dow and the adjacent communities while managing the known or suspected contamination of soil and groundwater.

**EN13 Habitats protected or restored**

The Wildlife Habitat Council’s Corporate Wildlife Habitat Certification/International Accreditation Program recognizes commendable wildlife habitat management and environmental education programs at individual sites. WHC certification adds value to programs by providing third-party credibility and an objective evaluation of projects.

The following sites have received WHC certification:

- Dalton, Georgia Site; certified since 1991
- Dow Wetlands Preserve, Pittsburg, CA; certified since 1993
- Joliet Site, Channahon, IL; certified since 1990
- Dow West Virginia Operations, South Charleston Site – Technology Park; certified since 2007
- Texas Operations, Freeport, TX; certified since 1992
- Union Carbide Corporation Disposal Site, Sault Ste. Marie, MI; certified since 2006
- Western Canada Operations, Fort Saskatchewan, AB Canada; certified since 1999

Learn more about each of these wildlife protection programs by searching at Wildlife Habitat Council-Registry of Certified Sites under organization name of The Dow Chemical Company.

**EN14 Strategies, current actions and future plans for managing impacts on biodiversity**

Dow strategy covering biodiversity is encompassed in the Pollution Prevention Policy and Requirements. It states: “Each business, location and facility shall establish, communicate and ensure consistent implementation of a Pollution Prevention Program, which defines the environmental performance objectives and operating discipline to be achieved in the management, design, construction, operation, maintenance and closure of Dow locations and facilities. This program shall be consistent with the principles of Responsible Care and as applicable, ISO-14001.”
The Dow Sustainability Goal Contributing to Community Success also brings focus to local impacts. In this effort we are striving to achieve a target community acceptance rating by 2015. The first step in this process is to survey the community and determine its key quality of life issues related to the presence of Dow in the community. This process has already pointed out that environmental issues are almost always a top issue of importance to the community. Current actions and future plans are then put in place. See section 4.17 for more information about activities underway.

**EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk**

This information is not collected at this time.

**ASPECT: EMISSIONS, EFFLUENTS, AND WASTE**

**EN16 Total direct and indirect greenhouse gas emissions by weight**

Direct greenhouse gas (GHG) emissions are from sources controlled by Dow and include Kyoto and non-Kyoto GHGs. Our 2007 direct GHG emissions, expressed as carbon dioxide equivalents, increased 5 percent from 2006 to 2007. Acquisition of a large power plant in the U.S. added more emissions than were reduced through other activities, resulting in a net increase in direct emissions.

Indirect greenhouse gas (GHG) emissions are the consequence of Dow’s consumption of energy but are emitted from sources controlled by another company. Our 2007 indirect emissions decreased 33 percent from 2006 to 2007. In addition to improvements in energy efficiency, Dow shut down some significant facilities, acquired a power plant, and restarted a cogeneration unit resulting in lower demand for third party energy.
One of the 2015 Sustainability Goal metrics is to reduce the intensity of GHG per unit of production. During 2007, Dow’s greenhouse gas emissions were 0.549 metric tons per metric ton of production. Compared to the base year 2005, this is about a 2 percent improvement in intensity. By improving energy efficiency and implementing climate friendly technologies, Dow’s goal is to reduce GHG intensity 2.5 percent per year from 2005 to 2015.

Kyoto GHG intensity is the sum of CO₂ equivalent direct and indirect emissions of the “Kyoto” family of greenhouse gases divided by unit of production. Indirect emissions are the consequence of Dow’s consumption of energy, but are emitted from sources controlled by another company.

**EN17 Other relevant indirect greenhouse gas emissions by weight**

Dow’s most significant other indirect emissions are avoided emissions resulting from the use of Dow products such as insulation. A Life Cycle Assessment will be completed in 2008 to quantify the magnitude of this indirect emission. Emissions from transportation of Dow products to customers are in the magnitude of five million metric tonnes per year. The total CO₂ equivalent indirect emissions resulting from commercial air travel were estimated to be 23,000 metric tonnes during 2007.

Tracking systems for other indirect GHG emissions do not exist today. Dow will continue to define how to establish collection and reporting approaches for other indirect GHG emissions and provide an update in the next GRI report.

Dow does have an ownership position in many joint ventures that are separately held corporations and are operated by the joint venture, not by Dow. Dow considers the emissions from these joint ventures separately from scope under the GHG protocol.

**EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved**

Dow’s vision for climate change is reflected in its 2015 Sustainability Goals - a public commitment to hold ourselves accountable in the pursuit of a solution to pressing global challenges. Through this commitment, and that of our previous corporate 2005 EH&S goals, we have reduced the company’s absolute greenhouse gas emissions by more than 20 percent since 1990, representing a more rapid reduction than required by Kyoto Protocol targets. The energy savings resulting from increased efficiency for 2007 as reported in EN5, can be converted to equivalent greenhouse gas emissions avoided. The 2007 energy savings through efficiency improvements equals 406,000 metric tonnes of CO₂ emissions avoided. The activities described in EN6 and EN7, and implementing new processes that emit less greenhouse gas emissions compared to traditional routes, will also be important to driving reductions in the future.
Dow is making significant financial investments in R&D to achieve breakthrough solutions that will contribute to the slowing, stopping and reversal of the rate of GHGs being emitted. Dow participates in the EU emissions trading scheme (ETS) and is a member of the United States Climate Action Partnership (USCAP), an organization of leading corporations and environmental NGOs calling for swift government action to slow, stop and reverse the rate of greenhouse gas emissions. For more information on Dow’s position on addressing the issue of climate change, read Dow’s vision paper titled Working to Solve the World’s Energy and Climate Challenges.

EN19 Emissions of ozone-depleting substances by weight and by CFC-11 equivalence

Between 1994 and 2005 Dow has reduced ozone-depleting substances by approximately 74 percent. Ozone depleting emissions were reduced an additional 3 percent since 2005.

EN20 NOx, SOx, and other significant air emissions by type and weight

Between 1994 and 2005 Dow has achieved approximately 67 percent in NOx (nitrogen oxides) reduction. Overall NOx was reduced an additional 24 percent since 2005.

Between 1994 and 2005 Dow has achieved approximately 53 percent in SOx (sulfur oxides) reduction. Overall SOx has only had an increase of approximately 2 percent since 2005.
Volatile organic compounds are a selection of organic chemicals excluding low vapor pressure materials (chemicals with vapor pressures > 0.0001 atmospheres minus the chemicals found on the EPA exclusion list). Dow has seen a 53 percent reduction in VOC emissions in the years between 1994 and 2005. Dow continues its efforts to reduce emissions and has seen an additional 18 percent reduction in VOCs since 2005.

In addition to ozone-depleting substances, Dow also tracks chemical emissions (excluding items such as NOx, SOx, CO, CO2, particulates, methane, hydrogen, nitrogen, oxygen, water, aluminum, and certain salts). Between 1994 and 2005 Dow reduced chemical emissions by approximately 53%. Dow’s continued efforts have also reduced these emissions by another 16% since 2005. This metric is compiled for emissions to both air and to water.

Dow has not aggregated information other than wastewater sent to water treatment facilities.

Dow has used the ratio of wastewater to production as a way to monitor the efficiency of use of water in our production processes over time.

Wastewater is the amount of water sent for treatment before discharge. Wastewater intensity is the ratio of pounds of wastewater per pound of production. Between 1994-2005 Dow achieved a 39% reduction. Since 2005, Dow has seen a slight increase of approximately 2%. Dow is dedicated to implementing innovative ways to conserve water which includes implementing source reductions and identifying by-product synergy opportunities to reuse the water for beneficial purposes.
During 2008 Dow will announce a broadened set of water related goals and begin to routinely share progress for the new metrics.

### EN22 Total weight of waste by type and disposal method
(Dow tracks waste with an intensity metric)

Wastes are materials that receive treatment. Waste intensity is the ratio of pounds of waste generated per pound of production. Between 1994 and 2005, Dow achieved a 33% reduction in waste intensity. Dow continues to investigate ways of reducing waste at the source or finding ways to recycle or reuse it. Overall waste intensity has improved by 10% since 2005. The use of waste intensity numbers allows Dow to effectively compare progress from year to year as the company grows.

### EN23 Total number and volume of significant spills

No spills were of a magnitude that required them to be reported in the organization’s financial statement, but Dow has long monitored and set goals to improve performance in the area of spill avoidance. During 2007 in operations around the world the total of all LOPC (Loss of Primary Containment) events was 464 occurrences, down 21 percent from the prior year total. The 2015 goal of no more than 75 incidents is a 90 percent reduction from 2005.
EN24 Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and the percentage of transported waste shipped internationally

This information is not collected by the company at this time.

EN25 Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by discharges of water and runoff

This information is not collected by the company at this time.

ASPECT: PRODUCTS AND SERVICES

EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

By setting ambitious Environment, Health and Safety performance goals for the decade ending in 2005 and, more recently, launching our 2015 Sustainability Goals, Dow has made great strides toward improving our global footprint.

As a result, our workplaces are among the safest, our resource efficiency is world-class, and our collaboration with communities is stronger than ever.

Milestone achievements include reducing:

- Solid waste by 1.6 billion pounds
- Waste water by 183 billion pounds
- Absolute CO₂ equivalent emissions by more than 20 percent – a level exceeding Kyoto targets if we were a country
- Energy intensity by more than 22 percent

To put this in perspective, this resulted in energy savings of 900 trillion BTUs, enough to power eight million homes in the U.S. for a year. But, for all the hard work and dedication that went into those achievements, the goals themselves were, fundamentally, about us, about Dow, about putting our own house in order. And, in fact, it’s a job that never ends. Sustainability begins at home. But, it’s only part of the journey . . .

That’s why our 2015 Sustainability Goals are ambitious targets that reach beyond our company’s fence line to embrace global issues. Through these goals we have already strengthened our relationship with the communities in which we live and work, further reduced our global footprint and continue to improve product stewardship.

At Dow, we believe that Sustainable Chemistry goes well beyond mitigating the unintended consequences of chemistry. We see it as a breakthrough approach to innovative problem-solving and providing sustainable solutions to critical global challenges. We are committed to offering products, technology and information to provide benefits to society while reducing the impact on human health and the environment, improve confidence that our products are responsibly managed throughout their life cycle and develop innovative products that will make a lasting, positive impact on the world.

With our deep expertise and dedicated scientific and technology team, Dow is uniquely positioned to realize the full potential of sustainable chemistry, which includes:

- A lifecycle view of our products, processes, and product uses
• Using resources extremely efficiently to minimize our footprint
• Improving the quality of the environment
• Providing positive value and return for all our stakeholders
• Enhancing the quality of life of current and future generations

Dow is dedicated to listening and understanding broad stakeholder views as we envision how sustainable chemistry is applied. Collaboration is the critical catalyst needed to successfully address and solve the world’s most pressing challenges.

EN27 Percentage of products sold and their packaging materials that are reclaimed by category

Dow products typically exist upstream in the value chain. The reclamation of the products can only be understood in the context of their end use. Due to the highly varied end uses in which Dow products are consumed, no estimate of the downstream product reclamation rates has been undertaken. Customers are often receiving Dow products in bulk quantities and no packaging is involved.

ASPECT: COMPLIANCE

EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

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.

During 2007, $386,669 was paid in fines. There was an additional $61,196 attributed to the alternate pay category related to four events.

ASPECT: TRANSPORT

EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations and transporting members of the workforce

In 2007, Dow led a series of rail safety and security initiatives with Union Pacific Railroad and the Union Tank Car Company. The three companies worked in cooperation with the Federal Railroad Administration, the Transportation Security Administration and Transport Canada to enhance the safety performance of rail tank cars, improve tracking of chemical shipments, deliver community emergency preparedness and response training along chemical transportation routes, and design more efficient supply chains with lower inherent risks. Working with TRANSCAER (Transportation Community Awareness and Emergency Response), the voluntary national outreach group that Dow and Union Pacific co-founded twenty years ago, and the Firefighters Education and Training Foundation, the companies conducted “Hazmat Safety Train” tours that brought chemical and rail industry professionals to select cities to provide free training for local emergency responders and community leaders through hands-on demonstrations and educational workshops.

More information about the UP/Dow TRANSCAER Training Tour, including schedule and training details, can be found on our website.

To help minimize significant environmental impacts resulting from transporting products, Dow tracks the Hazmat Transportation Loss of Primary Containment (LOPC) count (Serious, Moderate & Minor incidents). During 2007 there were 26 events, two of which involved highly
hazardous materials. Highly hazardous materials are those that pose a toxic inhalation hazard (TIH) or are a flammable gas. A ten year goal to reduce all Hazmat Transportation LOPC incidents to 10 or less per year was implemented in 2006.

ASPECT: OVERALL

**EN30 Total environmental protection expenditures and investments by type**

The costs specifically identified as environmental operations were $440 million during 2007. Significantly more related costs are incurred, but are not specifically accounted for as environmental expenditures. Dow invested $189 million of capital, identified specifically for environmental purposes, during 2007. Provisions established for environmental remediation worldwide amounted to $322 million as of December 31, 2007.
Labor Practices Disclosure on Management Approach
**Labor Practices Disclosure on Management Approach**

**Labor Practices and Decent Work**
Dow believes that respect for the dignity, rights and ambitions of all people is a cornerstone of business excellence in the 21st century. This belief is outlined in Dow’s Code of Business Conduct and the policies at “My HR Connection.” My HR Connection is an internal website accessible by Dow employees only, that is a repository of the entire portfolio of total rewards the company provides, including competitive pay, comprehensive benefits, learning and training, career opportunities, health programs, a diverse and inclusive work environment, and more.

It is the policy of The Dow Chemical Company that employees be provided a work environment which is respectful and free from any form of inappropriate or unprofessional behavior, such as harassment including sexual harassment, pestering or bullying and any form of unlawful discrimination based on sex, gender, race, sexual orientation, gender identity, disability, age, ethnic origin, or other inherent personal characteristic protected by law.

Dow recognizes and adheres to all labor and employment laws – including those respecting freedom of association, privacy and equal employment opportunity – wherever it operates. Dow believes that working positively and directly with employees best serves their interests. Dow also strives to work cooperatively with duly chosen employee representatives in the common pursuit of the interests of the employees and the Company’s mission.

To ensure its employees are always in the forefront in their respective fields, Dow encourages continuous learning – in classrooms, on assignment, through mentoring and on the web. Dow offers its employees a wide array of training and education opportunities, including:

- Web-based ethics and compliance training system that is available in multiple languages – including modules on Dow’s Code of Business Conduct, Conflicts of Interest, Respect and Responsibility, and many others.
- Personal Learning Plan for new employees, which contains required and recommended learning resources to enhance personal effectiveness and provide a comprehensive overview of the Company.
- Dow’s Global Educational Assistance Program, allowing employees to attend external courses that correspond with their personal development plans and add value to the organization.
- Dow’s Open Mentoring™ program, providing step-by-step guidelines for locating and establishing a mentor relationship, as well as tools, tips and resources for working within a mentoring relationship.
- Over 100 global chapters of employee diversity networks, bringing together people to share experiences, find mentors, seek professional development, and gain access to senior leadership.

Dow’s health and safety rules and procedures are designed to provide a safe and healthy work environment and meet applicable health and safety laws. As found in Dow’s Code of Business Conduct, each employee must be aware of the rules and procedures that apply to the workplace, diligently follow the rules, and encourage others to do the same. Dow’s “Drive to Zero” program is an internal effort to drive Dow employees to exceptional safety performance. It reinforces Dow’s Vision for Environment, Health & Safety (EH&S): zero injuries and illnesses, zero incidents, and zero environmental harm. Dow’s “Vision of Zero” means it will not tolerate injuries and illness among its workforce. This important commitment is reflected in the 2015 Sustainability Goal, “Local Protection of Human Health and the Environment.”

Dow is fostering an environment that embraces diverse viewpoints, safety in the workplace, and continuous development. Dow encourages this culture to differentiate the Company as an employer of choice for Dow people and prospective employees; a supplier of choice for Dow customers; and a partner of choice in emerging economies around the globe.
Labor Performance Indicators

ASPECT: EMPLOYMENT

LA1 Total workforce by employment type, employment contract and region

This performance indicator instructs reporters to remove the supply chain population from the overall employee headcount. This is interpreted to assure exclusion of persons not employed by Dow. Dow reporting includes employees who perform in a company role responsible for coordination and management of “supply chain” activities.

Total Dow Workforce:
45,856 employees at December 31, 2007.

Breakdown by Employment Type:
96 percent of all Dow employees are full time and the remaining 4 percent of employees are part time.

Breakdown by Employment Contract:
95.5 percent of Dow employees are permanent and the remaining 4.5 percent work under a temporary arrangement.

Breakdown of Total Dow Population by Region:
See section 2.8 for employees by geographic area.

LA2 Total number and rate of employee turnover by age group, gender and region

Dow reports attrition based on the number of regular employees who leave the company. 1,912 regular employees left or retired from Dow during the calendar year 2007. Of those 1,912 employees, the attrition rates by demographic are reflected as follows:

The rates of attrition by gender:
• 4.3 percent for males
• 5.2 percent for females

Dow does not report attrition based on age, but rather on years of experience. The rates of attrition for years of service, based on average headcount for these groups, are:
• 6.9 percent for 0-5 years of service
• 4.5 percent for 5-10 years of service
• 3.8 percent for 15+ years of service

The rates of attrition by region, based on average headcount for these groups, are:
• 5.2 percent for North America
• 2.7 percent for Latin America
• 3.4 percent for Europe
• 8.1 percent for India, Middle East and Africa
• 5.0 percent for Pacific
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

Dow’s total rewards strategy is to provide compensation and benefits to employees that are competitive with other top global companies within the relevant labor market. As such Dow offers a wide variety of benefit plans to its employees. Plans vary considerably by country as Dow’s benefit plans are designed to build on the social security benefits provided in each country, and social security systems vary widely.

Dow typically offers the following benefits to employees in most of the countries it does business:
- Pension Plans – either defined benefit or defined contribution where market practice dictates
- Medical Plans – often including prescription drug coverage and dental
- Life Insurance
- Disability Protection
- Accident Insurance
- Paid Vacation, Holiday and Leave Programs
- Business Travel Accident
- Stock Purchase Plan

These plans are offered to all eligible regular full-time and less-than-full-time employees; they are often eligible at a different contribution rate.

ASPECT: LABOR/MANAGEMENT RELATIONS

LA4 Percentage of employees covered by collective bargaining agreements

5,911 employees (12.7 percent) in Dow’s workforce are covered by collective bargaining agreements.

LA5 Minimum notice periods regarding operation changes, including whether it is specified in collective agreements

Dow keeps employees well informed of operational changes through a variety of channels. Global, business, and functional specific news is communicated through our global intranet that can be accessed by any Dow employee in a variety of languages. In addition, leaders consistently cascade communications through the organization to Dow employees. These communications occur in a time frame that is both timely and effective.

While there is no global minimum time frame for notifying Dow employees of significant operational changes, Dow makes every effort to give a reasonable amount of notice to all employees in the event of a significant change. Dow has a proven history in recognizing and respecting all Labor and Employment Laws in the countries in which it operates. Under these laws the company has adopted reasonable and effective communication tools for notifying employees of operational changes.

ASPECT: OCCUPATIONAL HEALTH AND SAFETY

LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs

Dow is involved in works councils in those countries where mandated by law. The Manufacturing and Engineering function utilizes many approaches to safety as part of Dow’s long established focus to prevent injuries. The “Drive to Zero” campaign, the
visibility of the importance of safety in every function, and the resulting injury and illness rate performance all give evidence supporting that everyone is involved in making Dow a safe place to work.

Dow has a well developed health strategy focused on prevention, quality, health system management and advocacy. This strategy helps challenge employees, and provides them tools and information they need to take action to invest in their personal health and the health of their families.

**LA7 Rates of injury, occupational diseases, lost days and absenteeism, and the number of work-related fatalities by region**

As a component of our EH&S 2005 Goals, Dow set a target to reduce the Injury and Illness rate by 90 percent compared to 1994. Our actual improvement was 84 percent. 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 2015 Sustainability Goal target is to drive the Injury and Illness rate to no more than 0.08 incidents per 200,000 hours, representing another 75 percent reduction.

The following information from the American Chemistry Council provides context for Injury and Illness performance (for U.S. operations in 2005):

<table>
<thead>
<tr>
<th>Injury/ Illness rate (incidents / 200,000 hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow employees and contractors:</td>
</tr>
<tr>
<td>Responsible Care® chemical companies:</td>
</tr>
<tr>
<td>All manufacturing:</td>
</tr>
</tbody>
</table>

Days away from work injury and illness cases (DAWC) are included in the Dow injury and illness data. In 2007, DAWC occurred at a rate of 0.09 per 200,000 hours.

Information on absenteeism is not aggregated by the company.

One non-process related fatality occurred in 2007 in Brazil as the result of an airplane crash on which an employee was a passenger.
Dow offers medical benefits programs to employees and their families, which cover a range of preventive, diagnostic and treatment services. Programs vary by country and other criteria. Dow Health Services makes the following available in the area of Occupational Health and Health Promotion services:

- Employee clinical treatment services for work related conditions and limited non-work related conditions through approximately 75 Dow internal clinics globally.
- All employees are offered periodic Health Assessment examinations, providing screening testing for a variety of diseases (including heart, lung, liver, kidney, blood, etc). Specific counseling and follow-up are provided to assist employees in reducing or mitigating any identified risks.
- Health Promotion programs are offered to all employees, and often retirees and their dependent family members as well. These programs include education on important health risks, opportunities to assess those risks and a variety of interventions that individuals can participate in to reduce their risk.
- Employee Assistance Programs are offered globally. These provide assistance and individual counseling for a variety of personal issues impacting employees and their families.

Dow employees including Dow Health Services staff have participated in or provided a variety of targeted programs that impact health beyond our employee groups. Some examples include: providing dental health services in underserved areas, HIV/Aids programs, women’s health concerns, health presentations and health fairs. Dow also has partnered with several groups to improve clean water supplies to many communities throughout the world.

General review of Medical Surveillance testing results for specific Dow workgroups has not shown an increased incidence or high risk of disease.

**LA9 Health and safety topics covered in formal agreements with trade unions**

This information is not collected by the Company at this time.

**ASPECT: TRAINING AND EDUCATION**

**LA10 Average hours of training per year per employee by employee category**

Training and education varies by job role and responsibilities. On average, there are approximately 50 hours of training per employee. Dow has extensive training programs for employees involved
in every job category. The company’s intranet houses an extensive database of on-line training courses for every field and, in addition to the primary online training, Dow’s training opportunities include classroom or instructor-led training, hands-on training, blended training, and book, video and CD training.

**LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings**

Dow has designed a number of tools and flexible options that allow workers who are near retirement to remain engaged with Dow while also allowing them to meet their own priorities. This effort is directed toward employees who possess critical skills that the company needs to sustain operations and create competitive advantage.

A booklet, “Career Planning Tools to Aid Retention of the Late Stage Career Worker,” was developed as a resource for leaders to offer guidance on engaging and retaining workers at or nearing retirement eligibility who have the critical skills Dow needs. Employees may find this guide is also a useful tool to initiate career discussions with their leader.

Dow employees are provided with career and career ending resources on a company intranet site: Late Stage Career Planning. Tools available include:

- Values Self-Assessment
- Plateauing Brochure
- Career Orientations & Constraints
- Implementing Employee Development Discussions
- Mentoring at Dow

“Investing Your Experience” is a new workshop developed in 2007 to increase employee’s awareness and encourage personal planning.

**LA12 Percentage of employees receiving regular performance and career development reviews**

Dow has a global performance management process that provides a structure for improving the performance of all Dow employees and offers resources that help employees enhance their performance.

Dow’s Performance Management process sets an expectation that all regular employees will receive a formal performance appraisal each year. This appraisal can include any or all of the following:

- A performance goal review, feedback and coaching
- An annual performance segment
- A compensation notification based on employee performance

These appraisals occur in the first quarter of the year following the reporting period (for the reporting period 2007, appraisals were conducted in 2008 Q1).

For the 2007 reporting period, leaders reported that they delivered a formal performance review to approximately 90 percent of employees. Greater than 90 percent of regular employees received compensation notifications based on performance and/or an unreported performance review from their supervisor.
Dow’s diversity goals and actions reflect commitment to creating a diverse workforce with diverse leadership. To assess our progress in building and sustaining a diverse and inclusive culture, Dow has established three specific corporate diversity goals:

- To be the “Employer of Choice” in strategic markets where we recruit talent.
- To develop a workforce that reflects the populations we recruit from in the places we do business today and tomorrow. This includes, but is not limited to, ensuring that women, ethnic minorities in the U.S., people with disabilities, and Asian citizens are represented in our leadership levels.
- To measure and contribute to creating a workplace characterized by respect and where people value diverse perspectives.

Dow’s workforce is displayed below by categories:

The following provides diversity indicators for the overall employee population.

By gender:

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>74 percent</td>
</tr>
<tr>
<td>Female</td>
<td>26 percent</td>
</tr>
</tbody>
</table>

Information is not available outside of the United States. For the information available, the percentage minority and non-minority are:

<table>
<thead>
<tr>
<th>Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority</td>
<td>19 percent</td>
</tr>
<tr>
<td>Non-minority</td>
<td>81 percent</td>
</tr>
</tbody>
</table>

By age:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30</td>
<td>17 percent</td>
</tr>
<tr>
<td>30 to 50</td>
<td>57 percent</td>
</tr>
<tr>
<td>Older than 50</td>
<td>25 percent</td>
</tr>
</tbody>
</table>

There are 230 employees in the Global Leader category. Below is a breakdown of the Dow Global Leader population by diversity indicator.

Global Leaders by gender:

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>87 percent</td>
</tr>
<tr>
<td>Female</td>
<td>13 percent</td>
</tr>
</tbody>
</table>

Global Leaders by minority and non-minority:

Information is not available for Global Leaders outside of the United States. Based on the Global Leaders who are U.S. citizens, approximately 12 percent are minority and 88 percent are non-minority.

Global Leaders by age:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30</td>
<td>0 percent</td>
</tr>
<tr>
<td>30 to 50</td>
<td>53 percent</td>
</tr>
<tr>
<td>Older than 50</td>
<td>47 percent</td>
</tr>
</tbody>
</table>
LA14 Ratio of basic salary of men to women by employee category

The base salary by gender, converted into U.S. dollars.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>$74,000</td>
</tr>
<tr>
<td>Female</td>
<td>$62,000</td>
</tr>
</tbody>
</table>

The ratio of male to female average base salary in 2007 was 1.19:1.
Human Disclosure on Management Approach
Human Disclosure on Management Approach

Dow’s Office of Global Ethics and Compliance oversees ethics and compliance efforts and serves as a resource to Dow people by providing training, information and guidance regarding issues of legal compliance and ethical conduct. Dow believes that an effective Ethics and Compliance program requires a company to create an open and transparent environment where employees and stakeholders can feel comfortable raising issues they believe are inconsistent with a company’s Code of Business Conduct – free from the threat of retaliation. Dow’s Code of Business Conduct addresses many of the ethical principles and policies created to deal with issues such as bribery, political contributions, diversity, equal opportunity, respect in the workplace, and environment, health and safety.

The Code includes the following key points, among others:

- Dow recognizes and respects all labor and employment laws – including those respecting freedom of association, privacy and equal employment opportunity – wherever it operates. Dow believes that working positively and directly with employees best serves their interests. Dow also strives to work cooperatively with duly chosen employee representatives in the common pursuit of the interests of the employees and Dow’s mission.
- Dow expects employees to avoid any activity, investment, association or interest that might reflect unfavorably upon the integrity or good name of the company or of themselves. They are obligated to place Dow’s interest in any business transaction ahead of any personal interest or personal gain to either themselves or to their spouse, family member or other individual.
- Dow complies with all child labor laws. Dow understands that children may legitimately perform tasks that do not interfere with their education and do not negatively affect their health, safety and development. Dow seeks to have a positive impact on the reduction of unlawful child labor and child exploitation. Dow expects the suppliers and contractors with whom it does business to embrace similar values and standards.
- It is Dow’s policy to provide all employees with an environment of mutual respect that is free from any form of harassment and discrimination. Harassment and discrimination of any form is not acceptable and will not be tolerated. In some countries, harassment is against the law; in all countries, it is wrong under Dow standards.
- The Dow EthicsLine is a toll-free help line, available 24 hours a day, 7 days a week. In addition, Dow employees can also access the EthicsLine via an on-line reporting option. Either option provides the employee with the option of remaining anonymous. The EthicsLine is available to Dow employees who wish to ask questions about Dow policy, seek guidance on specific situations, report violations of Dow’s Code of Business Conduct or other unethical business practices.

All Dow employees around the globe are expected to adhere to the Code of Business Conduct in the daily performance of their job responsibilities. The Code can be found on Dow’s website.

Additionally, Dow’s Human Rights position statement can be found on our website.

Dow is also strongly committed to security and safety. Dow’s commitment to the security and safety of its employees, sites, products and communities where we operate has always been deeply embedded in the Company’s culture and business processes.

Without government mandate or regulation, Dow has decisively acted – building upon its strong foundation of safety and security – to permanently heighten its level of security and invest hundreds of millions of dollars in security and manufacturing safety upgrades globally. Dow constantly assesses the risks to its people, facilities, supply chain and information systems, and adjusts security levels to address these risks.
Human Rights Performance Indicators

ASPECT: INVESTMENT AND PROCUREMENT PRACTICES

HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

During 2007, there were no large investment agreements that included human rights clauses or that have undergone human rights screening. During this year, Dow continued to refine our process for due diligence and implementation phases of mergers and acquisitions. This has involved the development of a pilot for human/social impact assessment. The results of the pilot will be institutionalized to ensure that human and social impact assessments are appropriately conducted. When the potential for a human rights issue is identified, the issue is assessed specifically, and the assessment used to inform the plan that directs activities in the implementation phase.

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

The Dow Chemical Company believes that respect for the dignity, rights and aspirations of all people is a cornerstone of business excellence. This position, while integral to Dow’s Values and Code of Business Conduct, extends to every Dow employee and to all people who work at any of Dow’s facilities around the world. We also expect our business partners to embrace similar values and standards.

Dow seeks quality products and services through mutually beneficial and ethical relationships with suppliers who act responsibly, respect the environment and demonstrate integrity in the marketplace. At this time, no significant suppliers or contractors have undergone human rights screening since a formal policy is not in place, but discussions are underway to determine the appropriate actions in this area.

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

Dow has taken steps to ensure all employees are aware of and understand the values of the company and our commitment to human rights. Every year, all employees complete an on-line training module and confirm that they comply with the Company’s Code of Business Conduct policies.

ASPECT: NON-DISCRIMINATION

HR4 Total number of incidents of discrimination and actions taken

Dow has global policies that prohibit discrimination or harassment on the basis of any class protected by law. In addition, Dow has expanded these protections to include sexual orientation and gender identity, although these are not legally protected in many locations in which Dow has employees. Dow defines incidents of discrimination as substantiated findings of a violation of one of these policies.

Dow encourages reports of potential policy violations to an employee’s leader, Human Resources, or through a confidential EthicsLine. Concerns are promptly reviewed and appropriate actions taken to address violations or other issues in the work environment. Based on available records, there were no substantiated incidents of illegal discrimination in 2007. However, Dow did
review numerous concerns during this period and took actions to support a productive work environment in many cases.

Actions taken have included global training for all employees on the requirements of the policies, specific leader training, Diversity & Inclusion workshops for employees and leaders, and other specific training or communications for particular work groups or departments. In addition, in many cases, leaders or Human Resources follow up with individual communications or counseling for employees.

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

No operations are identified that put collective bargaining at risk. Dow’s position on freedom of association is included in our Code of Business Conduct Labor Policy, which reads:

Labor Policy

“Dow believes that respect for the dignity, rights and ambitions of all people is a cornerstone of business excellence in the 21st century. This policy extends to every Dow employee and to all people who work at any of Dow’s facilities around the world. We expect the suppliers and contractors with whom we do business to embrace similar values and standards.

Dow recognizes and respects all labor and employment laws – including those respecting freedom of association, privacy and equal employment opportunity – wherever it operates. Dow believes that working positively and directly with employees best serves their interests. Dow also strives to work cooperatively with duly chosen employee representatives in the common pursuit of the interests of the employees and the Company’s mission.”

Under this policy, employees are free to form collective bargaining agreements in all areas of operation. As noted in LA4, there are currently 5,911 employees globally who are covered by collective bargaining agreements.

ASPECT: CHILD LABOR

HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

Dow’s position on child labor is outlined in our Code of Business Conduct and our position statement on child labor, which state:

CHILD LABOR POLICY:

“Dow complies with all child labor laws. We understand that children may legitimately perform tasks that do not interfere with their education and do not negatively affect their health, safety and development. Dow seeks to have a positive impact on the reduction of unlawful child labor and child exploitation. Dow expects the suppliers and contractors with whom we do business to embrace similar values and standards.”
ASPECT: FORCED AND COMPULSORY LABOR

HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor

Dow’s position on forced or compulsory labor is included in our Labor Policy in our Code of Business Conduct, which states:

**Labor Policy**

“Dow believes that respect for the dignity, rights and ambitions of all people is a cornerstone of business excellence in the 21st century. This policy extends to every Dow employee and to all people who work at any of Dow’s facilities around the world. We expect the suppliers and contractors with whom we do business to embrace similar values and standards.

Dow recognizes and respects all labor and employment laws – including those respecting freedom of association, privacy and equal employment opportunity – wherever it operates. Dow believes that working positively and directly with employees best serves their interests. Dow also strives to work cooperatively with duly chosen employee representatives in the common pursuit of the interests of the employees and the Company’s mission.”

ASPECT: SECURITY PRACTICES

HR8 Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations

Security personnel, whether proprietary or contract company employees, fully comply with the company’s training, policies and procedures concerning human rights. This training is a condition of employment and is conducted on a repetitive basis. In addition to this baseline training requirement, security personnel are subject to additional functional and situational training in areas relative to human rights. The company has many secure and anonymous communication methods for reporting human rights violations, and any report of such violations are fully investigated and appropriately addressed. Security personnel have access to and are subject to this investigative process as are all company employees.

ASPECT: INDIGENOUS RIGHTS

HR9 Total number of incidents of violations involving rights of indigenous people and actions taken

No incidents of violations of indigenous people were reported for the reporting period.
Social Disclosure on Management Approach
Social Disclosure on Management Approach

Dow believes its role is to drive positive change beyond its fence lines, into local communities and across the globe. We place a high value on listening to our communities and strive to be not just a good neighbor, but a global corporate citizen. We understand that our promise is our most vital product and through authentic relationships we are building better, stronger, more sustainable communities in the places where we do business.

The 2015 Sustainability Goals have led Dow to implement a more progressive model for Community Success. Globally, Dow is taking steps to partner with local communities where Dow holds a strategic presence to better address community quality of life issues. Dow’s Community Success process allows strategic Dow communities to provide qualitative and quantitative inputs on their quality of life issues and what Dow’s appropriate role is – whether directly addressing community needs or using Dow’s leadership position to influence other organizations.

Dow is focused on helping to solve some of the world’s most pressing problems associated with creating an affordable and adequate food supply, affordable and energy efficient housing, a sustainable water supply, and improved health and safety. This commitment is outlined in the “Breakthroughs to World Challenges” 2015 Sustainability Goal. Dow believes addressing challenges in these areas is not only a moral imperative, but also an opportunity for business growth in developing economies.

Progress on these world challenges can only be made through the collective skills and talents of both the public and private sectors. Dow recently joined the United Nations (UN) Global Compact, the world’s largest voluntary corporate citizenship initiative comprised of over 4,000 companies from more than 120 countries, working to achieve advances in the areas of human rights, labor, environment and anti-corruption. As a part of Dow’s Global Compact involvement, the Company is also supporting the UN CEO Water Mandate and Caring for Climate initiatives. The CEO Water Mandate is a private-public initiative with a focus on developing strategies and solutions to contribute positively to the emerging global water crisis. Caring for Climate is a voluntary action platform for those UN Global Compact participants who seek to demonstrate leadership on the issue of climate change.

Another way Dow contributes to society is through The Dow Chemical Company Foundation. The Foundation serves Dow’s philanthropic needs by providing charitable gifts to eligible non-profit organizations in the communities where Dow operates that contribute to community success, support sustainability, foster science in society and stimulate innovation. In 2007, Dow and The Dow Chemical Company Foundation contributed more than $36 million to support a wide range of programs around the world. The Company also made substantive one-time contributions to several global projects and a major revitalization initiative in its hometown of Midland, Michigan, U.S.A., bringing total philanthropy in 2007 to $53.5 million.

Dow believes government action is one of the most significant forces impacting companies today. Dow’s future depends on our ability to understand societal trends, stay informed of pending government, trade, NGO and IGO activities, and partner as appropriate to find positive solutions that address the common good.

Dow Government Affairs professionals located in each region offer expertise in essential areas of the public and international policy process, including policy development, process expertise, and relationships. They identify legislative issues of importance to Dow and develop strategies to positively affect the outcome for our company. Dow’s Government Affairs professionals build relationships with key government stakeholders, policy influencers, lawmakers, coalitions and trade and business associations who impact Dow’s interests and business concerns.
The Government Affairs team proactively advocates Dow’s position on emerging issues and trends, in accordance with our company’s priorities. The team regularly meets with key government stakeholders and public policy influencers to share our position and help shape legislation that helps drive our long term competitiveness and is consistent with our Code of Business Conduct and sustainability efforts.

Dow supports educational initiatives around the world. Through our partnerships with leading educational organizations and the involvement of our employees as volunteers, we are committed to improving students’ understanding of math, science and technology. The Balanced Equation module was developed by The Keystone Center for Education, Keystone, Colorado, in partnership with Dow to introduce teachers and their students to Dow’s emphasis on global sustainability through the use of chemistry infused with the concept of the Human Element and catalyzed by discovery and knowledge. The module provides a hands-on inquiry based unit in which high school students can explore this emerging approach to solving sustainability problems.

In all cases, Dow’s interactions with society are guided by our Company’s values of Integrity and Respect for People. Dow’s Code of Business Conduct summarizes many of the ethical principles and policies created to deal with issues such as bribery, competition, political contributions, equal employment opportunity, and environment, health and safety. All employees at Dow, no matter where they happen to live, are expected to apply these principles in the daily performance of their job responsibilities.

**Society Performance Indicators**

**ASPECT: COMMUNITY**

**SO1 Nature, scope and effectiveness of managing impact on communities**

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.

Citizenship is one of the three frameworks of our 2015 Sustainability Goals, and is comprised of two goals involving community impact:

**Contributing to Community Success:**
By 2015, Dow will strive for 100 percent of Dow sites where we have a strategic presence to have achieved their individual community acceptance ratings, which measure the community’s favorability with how Dow plays a positive role in making the community a better place to live.

Dow will identify the area constituting the community of the Dow location most likely impacted by Dow’s presence, and where Dow is impacted by the community’s acceptance level. Dow will complete the community success assessment process to evaluate quality of life needs and will use this information to develop and implement a community success plan that will be periodically re-evaluated. Locally determined community goals will be established, describing activities and 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. More information about Contributing to Community Success can be found on our website.
Local Protection of Human Health and the Environment:
By 2015, Dow will achieve on average a 75 percent improvement of key indicators for EH&S operating excellence from 2005 baseline. We will also collaborate with our communities to set and commit to local sustainability goals.

Local Sustainability goals will be site-specific and address needs such as security, waste generation and emissions, maintaining and improving employee health, and resource conservation. More information about Local Protection of Human Health and the Environment can be found on our website.

ASPECT: CORRUPTION

SO2 Percentage and total number of business units analyzed for risks related to corruption

Risk reviews are an integral part of Dow’s Ethics and Compliance program. Dow’s CEO has appointed key Dow personnel to serve as members of Dow’s 14 Regional Ethics and Compliance Committees (“RECCs”) to address all the geographical areas where Dow conducts business.

Current practice is for the Director/Deputy Director of Ethics and Compliance and the Corporate Auditor to routinely meet with the RECCs to discuss the status of the Ethics and Compliance programs in the respective regions. These meetings include a detailed discussion of the risks specific to the region.

In addition, Dow has implemented an Enterprise Risk Management program.

See the Dow Code of Business Conduct for more information.

SO3 Percentage of employees trained in organization’s anti-corruption policies and procedures

Since 2006, approximately 4,500 Dow employees have completed the Foreign Corrupt Practices Act on-line training modules addressing corruption. In 2007 approximately 15,000 Dow employees completed a Questionable Payment Certification as an additional measure to identify possible improper payments by Dow.

In addition, all new Dow employees are required to complete the Code of Business Conduct on-line training module. In 2008 all Dow employees will be required to complete the Code of Business Conduct on-line training module.

SO4 Actions taken in response to incidents of corruption

In February, 2007, The Dow Chemical Company consented to a cease-and-desist order in settlement of allegations by the U.S. Securities and Exchange Commission (“SEC”) that Dow violated the books and records and internal controls provisions of the Foreign Corrupt Practices Act (FCPA). The SEC complaint alleged that DE-Nocil Crop Protection Ltd (“DE-Nocil”), a fifth-tier Dow subsidiary, made improper payments to Indian government officials from 1996 through 2001 to expedite the registration of crop protection products. Dow did not admit to or deny the SEC’s allegations, and consented to pay a $325,000 civil penalty.

Immediately after completing its internal investigation, Dow began taking significant steps to ensure compliance with the FCPA by its employees, subsidiaries and intermediaries. Dow and DE-Nocil disciplined several individuals, including the dismissal of employees found to have been
directly involved in the payments. Dow strengthened its internal financial controls and enhanced its global ethics and compliance programs, including requiring state-of-the-art FCPA training at all levels. The Company also improved its due diligence review process for intermediaries.

Dow’s Code of Business Conduct addresses Questionable Payments in the Financial Integrity section and U.S. Foreign Corrupt Practices Act in the Conflicts of Interest section.

ASPECT: PUBLIC POLICY

SO5 Public policy positions and participation in public policy development and lobbying

As a leader in science and technology, Dow believes in sound science and we are proud of the contributions chemistry has made to humanity. As the body of scientific research grows, we are committed to changing, evolving and continuously improving – with the conviction that science and technology can provide solutions. This knowledge, along with our commitment to sustainability, guides us as we responsibly address both the opportunities and challenges in the arena of policy development at local, national, regional and international levels. Dow Government Affairs professionals offer expertise in essential areas of the public and international policy process, including policy development, process expertise, and relationships. They also identify legislative issues of importance to Dow and develop strategies to contribute to the discussion. Our Government Affairs teams build relationships with key government stakeholders, policy influencers, lawmakers, coalitions, and trade and business associations who impact Dow’s interests and business concerns.

More broadly, we work with stakeholders including trade and business associations; academia; NGOs; as well as policy and business partners to help create a positive business environment for innovation and for new product and solution development.

In addition, we are committed to responsibly address the historical issues our 110-year–old company faces, and approach the area of issues and public policy priority management understanding there will also be differences of opinion. We respect the diversity of positions and the exchange of ideas about the world’s challenges and the role Dow plays. It is in this environment of dialogue and exchange that we might open our eyes to new ideas and together resolve the issues we share. We are committed to engaging in dialogue with others who are similarly dedicated to respecting diversity of opinion and constructive exchange of ideas.

Dow.com provides access to many of our commitments, positions and approaches including participation in public policy development and lobbying in our effort to be part of the solution to many world challenges. For example, related to Climate Change, Dow has committed to:

- Advocate for an international framework that establishes clear pathways to slow, stop, and reverse emissions by all major carbon dioxide-emitting countries.
- 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.

For a broader look at our commitments, issues and challenges, visit our website.
Political Action Committees (PACs) provide for United States employee participation in the U.S. election process and resulted in contributions of $95,500 to 52 federal candidates, $6,000 to two leadership committees, $3,000 to two state judicial candidates, and $32,700 to 42 state and statewide candidates in Michigan and Texas. Additional contributions by the company (non-PAC related) totaled $195,080 going to state political candidates, parties and political advocacy organizations where allowed by law.

**ASPECT: ANTI-COMPETITIVE BEHAVIOR**

**SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes**

See Dow’s Form 10K for the fiscal year ending December 31, 2007 – Part 1, Item 3 Legal Proceedings and Part II, Item 8, Note J – Commitments and Contingent Liabilities.

**ASPECT: COMPLIANCE**

**SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations**

See Dow’s Form 10K for the fiscal year ending December 31, 2007 – Part 1, Item 3 Legal Proceedings and Part II, Item 8, Note J – Commitments and Contingent Liabilities.
Product Responsibility Disclosure on Management Approach
Product Responsibility Disclosure on Management Approach

Dow has committed to publicly share our views on the principles that are the foundation for product safety legislation or regulation. Consistent with our commitment to the principles of Responsible Care®, we support the development of responsible, science-based laws, regulations, standards, practices and procedures that safeguard the community, workplace and environment. Dow welcomes appropriate review by governments to maintain and enhance public acceptance of its operations and products. As is described in several Performance Indicators, the approach to Product Responsibility aligns with the Responsible Care® Guiding Principles:

- To lead our companies in ethical ways that increasingly benefit society, the economy and the environment.
- To design and develop products that can be manufactured, transported, used and disposed of or recycled safely.
- To work with customers, carriers, suppliers, distributors and contractors to foster the safe and secure use, transport and disposal of chemicals and provide hazard and risk information that can be accessed and applied in their operations and products.
- To design and operate our facilities in a safe, secure and environmentally sound manner.
- To instill a culture throughout all levels of our organizations to continually identify, reduce and manage process safety risks.
- To promote pollution prevention, minimization of waste and conservation of energy and other critical resources at every stage of the life cycle of our products.
- To cooperate with governments at all levels and organizations in the development of effective and efficient safety, health, environmental and security laws, regulations and standards.
- To support education and research on the health, safety, environmental effects and security of our products and processes.
- To communicate product, service and process risks to our stakeholders and listen to and consider their perspectives.
- To make continual progress towards our goal of no accidents, injuries or harm to human health and the environment from our products and operations and openly report our health, safety, environmental and security performance.
- To seek continual improvement in our integrated Responsible Care Management System® to address environmental, health, safety and security performance.
- To promote Responsible Care® by encouraging and assisting others to adhere to these Guiding Principles.

Performance Indicators – Product Responsibility

ASPECT: CUSTOMER HEALTH AND SAFETY

PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures

Dow businesses use a Business Risk Review process to evaluate health and safety issues across the lifecycle of its products and services. Through this process, risks to human health and the environment are identified and risk mitigation options are identified and implemented. Businesses are to conduct risk reviews when they are triggered by new information, changes in regulation, changes in raw materials, etc., or when triggered by the passage of time (e.g., every 3 years). In the process, and through use of supporting processes and tools, health and safety impacts can be assessed through new product development, manufacture of product, transportation and distribution, use of product
at customer facilities, and through recycle, reuse or disposal. Various Product Stewardship efforts such as distributor auditing, new-customer validation and industry advocacy work are examples of involvement in the storage-distribution-supply and use steps of product life.

**PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes**

There is no collection of incidents of non-compliance that covers the life cycle of the company’s products. One of the ways that Dow strives to protect health and safety throughout the life cycle of its products is through Responsible Care®. The Dow Responsible Care® Management System has been certified externally regarding adherence to the principles of Responsible Care®. For more information about health and safety management over the life cycle of products, see guiding principles at the Responsible Care® website.

**ASPECT: PRODUCT AND SERVICE LABELING**

**PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements**

In various geographies, Dow’s products must comply with hazard communication program requirements including appropriate labeling and Material Safety Data Sheets. Much of the information on the label and data sheet is specified in the laws and regulations of the countries in which Dow does business and would address such things as product contents, safe use of the product and appropriate disposal practices. In addition, Dow provides response to customer requests for additional information that might enable them to use the product safely, including information that supports the use of product in critical applications (food contact, pharmaceuticals, biocidal applications, etc.) and for customs purposes. We provide technical data (physical properties, performance in use) and recommendations for safe handling and storage, as well as approved and not approved uses.

Dow is also undertaking preparation to comply with the recently enacted EU legislation, REACH, which will require the development and production of information on the toxicity and environmental aspects of its products manufactured in or imported into the EU. Dow is also monitoring and will comply with geographic requirements under the Globally Harmonized System for Classification and Labeling. Dow has also announced a 2015 Sustainability goal for Product Safety Leadership in which we have committed to make publicly accessible safety assessments for all its products globally, and to address relevant gaps in information. Examples can be found on our website.

**PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes**

Dow is engaged in the emerging requirements for labeling defined by the Global Harmonized System for Classification and Labeling of Chemicals, as defined in the U.N. Purple Book. The result will be Dow’s development and global implementation of a single labeling solution for classified products.

**PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction**

This information is managed at the business level.
**ASPECT: MARKETING COMMUNICATIONS**

**PR6 Programs for adherence to laws, standards, and codes related to marketing communications, including advertising, promotion and sponsorship**

Marketing communications programs and materials are reviewed by Dow Legal and regulatory specialists to ensure that they are compliant with local laws and regulations, as well as Dow’s Ethics and Compliance policies. This includes product marketing information on the website, literature, news releases, trade shows, product packaging, etc.

Dow also has a set of guidelines/policy for Environmental Marketing Claims, introduced in late 2007, which ensure that any claims we make for products are consistent with emerging standards and guidelines around “green” claims. These standard-setting groups and regulatory agencies include ISO 14021, European Commission, US FTC, US EPA, and the International Chamber of Commerce. Dow Legal also is our check point to ensure all marketing communications materials are consistent with Dow’s Environmental Marketing Claim Guidelines. Dow Legal also engages outside legal counsel if additional expertise is needed.

**PR7 Total number of incidents of non-compliance with regulations and codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes**

No incidents of non-compliance concerning marketing communications were identified for the reporting period.

**ASPECT: CUSTOMER PRIVACY**

**PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data**

We have internal controls in place to prevent the release of customer information. To the best of our knowledge there are no customer privacy complaints.

**ASPECT: COMPLIANCE**

**PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services**

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 2007 was $386,669. An additional amount of $61,196 is identified in the alternate pay category.