This report provides an overview of third quarter progress on Dow's 2015 Sustainability Goals and other significant sustainability highlights.

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**Dow Recognized for Reporting Excellence**
Our commitment to setting the standard for sustainability has resulted in significant third-party recognition for transparency in reporting our implementation progress. Dow earned an "A-" for its 2007 Global Reporting Initiative (GRI) Report, as well as a five-star (highest) rating by the Sustainable Investment Research Analysis Network (SIRAN) for its Sustainability Reporting. The "A" signifies the completeness of the report, based on the topics described in the GRI reporting guidelines, and the "+" denotes that the completeness of the report was verified by an external third-party. In addition, Dow was recently highlighted as “Best Practice,” out of the S&P 100 in a recent report on Sustainability Communications, for its efforts in Transparency and Reporting. The marketing agency IMC2 conducted exhaustive research of 86 of the S&P 100 companies that currently have some level of sustainability communications and recently produced the report: “The State of Sustainability Communication: A Study: How Effectively the S&P 100 Communicates Sustainability.”
Dow Named to Dow Jones Sustainability Index for Eighth Time

The Dow Jones Sustainability World Index recently announced it had rated The Dow Chemical Company as one of the top performers in the global chemical industry—marking the eighth time Dow has received this recognition since the launch of the Index in 1999. The Company was recognized for its operational eco-efficiency, product stewardship, customer relationship management and people development, among other things. Dow's overall score was 85 percent—24 percentage points higher than the average and just two points lower than the top score in the industry. Dow was one of nine chemical companies who made this year’s list—which includes a total of 320 companies from 19 super sectors.

Local Protection of Human Health and the Environment

Our performance in the third quarter was similar to that in the first half of the year. While still considered excellent performance from an industry perspective, we continue to lag the performance improvement required to meet our 2015 Goals.

There were positive results from several of the aggressive intervention plans implemented at underperforming sites and businesses. Improvement was demonstrated in several of our large sites and businesses; however, this was not sufficient to reverse the overall trend. Key activities going forward include:

- Recovering from hurricanes Gustav and Ike. After solid performance in the month of August, the impact of the September storms was felt at all our Gulf Coast sites resulting in a spike of unplanned events as whole sites were shut down, assessed for damage, repaired and re-started. The response of Dow people was exceptional, and we continually learn how to prepare for and respond to these potentially catastrophic events.
- Continuing our focus on Process Safety. Significant effort continues in the development and implementation of strategies to reverse the current trend and continue the improvement Dow has demonstrated in recent years.

At the end of the third quarter of 2008, the Injury and Illness rate was 0.36 per 200,000 hours of work. Performance through the third quarter is 32 percent worse than the goal for the year. The 2015 Goal of 0.08 per 200,000 hours is a 75 percent improvement from 2005.
At the end of the third quarter of 2008, the Injury and Illness Severity rate was 1.24 per 200,000 hours of work. Performance through the third quarter is 25 percent worse than the goal for the year. The goal in 2008 is a rate of 0.99. The 2015 Goal to accomplish a rate of 0.39 per 200,000 hours is a 75 percent improvement from 2005.

At the end of the third quarter of 2008, Loss of Primary Containment (LOPC) incidents have occurred at an annualized rate of 449 per year. The 2008 performance to date is 12 percent worse than the rate defined as our 2008 goal of 400 or fewer incidents. The 2015 Goal of 75 or fewer incidents is a 90 percent reduction from 2005.
At the end of the third quarter of 2008, there were 48 Process Safety Incidents. When annualized, this indicates a rate of 64 events per year. The 2008 performance to date is 94 percent above our 2008 goal level, which was not to exceed 33 incidents. The 2015 Goal of 14 is a 75 percent improvement from 2005.

Several actions have been taken or are in progress to begin to address the increase in incidents.

At the end of the third quarter of 2008, the Motor Vehicle Accident (MVA) rate was 3.5 accidents per million miles driven. The 2008 performance is running 34 percent above our 2008 goal of a rate of 2.6 accidents per million miles driven. The 2015 Goal intends to cut the MVA rate to half of what it was in 2005 — which was 3.0 MVAs per million miles driven.
At the end of the third quarter of 2008, Dow had experienced 18 Hazardous Materials (Hazmat) Transportation Loss of Primary Containment events. Annualized, this is slightly below our target for such incidents. Our 2015 Goal is to reduce all Hazmat Transportation incidents to 10 or fewer per year. There has been one LOPC event involving Highly Hazardous Materials (Toxic Inhalation Hazard and Flammable Gas) in 2008.

Dow believes it is part of our corporate responsibility to reduce the volumes of Highly Hazardous (Toxic Inhalation Hazard and Flammable Gas) materials that need to be transported. As such, we’ve set a 2015 Goal to reduce the number of tonne-miles (a measure of how much we’re shipping and how far) by 50 percent from our levels in 2005, which was 1,410 million tonne-miles. We’ll accomplish this by looking at ways to redesign our supply chain to reduce or eliminate many shipments or the distances they must travel. (A tonne-mile is one metric ton of freight moved 1 mile or 1.6 km.)

By reducing the number of tonne-miles of these materials, we will reduce the chance of in-transit incidents that could impact communities and areas through which our products travel. It’s important to recognize that supply chain redesign is a long-term strategic business effort that may not show annual change. However, strong progress toward this goal has been made over the last two years.

Through the third quarter of 2008, there were 613 million tonne-miles of Highly Hazardous Materials shipped via road and rail. The annualized total of 818 is 32 percent lower than the 2008 target of 1,202 million tonne-miles.
Contributing to Community Success

Community Success surveys have now been completed for all 10 strategic Dow sites (Pittsburg, California; Terneuzen, the Netherlands; Zhangjiagang, China; Freeport, Texas; Plaquemine, Louisiana; Hahnville, Louisiana; Midland, Michigan; Stade, Germany; Rhine Center, Germany; and Aratu, Brazil) on the Sustainability Goal scorecard, setting Dow reputation baselines and providing valuable insight into the quality of life issues for Dow communities. Nine of 10 Community Success workshops have been completed to analyze survey results and to develop action plans to address community issues in positive ways between now and the year 2015.

The Community Success process was implemented at two strategic Dow sites in Europe this quarter:

- Dow’s Rhine Center is a unique example of a multi-national, diverse working environment. It is composed of two different sites — one in Rheinmünster on the German side of the Rhine River and a second across the river in Drusenheim, France. Three languages (German, French and English) are needed to communicate to community and employee stakeholders. Two main quality of life issues were perceived to be important within the communities on both sides of the Rhine River – ecology preservation and economic development. The site leadership is further developing actionable ideas utilizing Dow’s expertise in sustainability, innovative technology and environmental protection.

- Dow’s Stade site in Germany provides employment for 1,500 employees and 600 contractors. Surveys of Stade area residents identified the following quality of life priorities: secure and sustainable jobs for residents, economic growth for the region, and educational improvements for youth. The recent public announcements of three potential power plants planned for the region also elevated the residents’ concerns about the need for environmental protection, specifically in the area of air quality. Plans are being developed according to these priorities.

Community Success surveys (a critical early step in Community Success planning) have now also been completed in Aratu, Brazil, and analysis and action plan development is scheduled for first quarter of 2009.

While Community Success action plans and tactics will be customized for each strategic Dow community around the globe, most are focused on these emerging themes: protecting natural environmental resources, being an influencer for economic development, and supporting science and environmental education.
Product Safety Leadership

At the end of the third quarter of 2008, there were 140 Product Safety Assessments (PSAs) posted on www.dow.com/productsafety/finder/. Compared with year-end 2007, we have added 53 PSAs to the website. We are currently on track to meet our target of 170 PSAs posted by year-end 2008. The 2015 Goal is to have all applicable Dow products covered by publicly available PSAs.

Dow reached a major milestone in the company’s ongoing efforts to encourage improved product safety performance for the global chemical industry. Specifically, Dow secured a commitment from the International Council of Chemical Associations’ (ICCA) board of directors to improve product safety and increase the transparency of information shared with the public. The ICCA Board approved recommendations to invest in the development of standardized safety information on chemicals used in commerce to better protect human health and the environment; share this information in a manner that improves efficiency and effectiveness; and increase the transparency and availability of safety information to the public through open access on the web.

Sustainable Chemistry

The Society of Chemical Industry (SCI), American International Group, awarded the fifth SCI Gordon E. Moore Medal to Ted Carnahan, a Dow scientist in Freeport, Texas. Carnahan received the medal for his contributions and leadership in the breakthrough discovery of a process to produce a highly versatile new product line of fully recyclable thermoplastic elastomers that will be sold as INFUSE™ Olefin Block Copolymers.

Dow announced a $1 million gift to the College of Chemistry at the University of California, Berkeley. The gift, which will be matched by $1 million from the William and Flora Hewlett Foundation under the terms of a challenge grant provided to Berkeley in 2007, will be used to establish the Dow Chair in Sustainable Chemistry. The income from the endowed chair will be used, in part, to advance the research of a distinguished faculty member as well as to support graduate students in the College of Chemistry.

Simon Lee, senior research leader in the Dow Building Solutions business, has received the first Dow Sustainability Innovator Award, a new capstone award recognizing the outstanding innovations of Dow employees that support Dow’s 2015 Sustainability Goals. Winners of this award represent the “best of the best” in sustainability innovation, perseverance, problem-solving, real results on the world stage, and remarkable leadership. Lee has improved and demonstrated the sustainability of STYROFOAM™ brand insulation by implementing next-generation foaming agent technology that reduces greenhouse gas emissions in the manufacture of one of Dow’s flagship products. This achievement is especially significant as insulation solutions play an increasingly important role in delivering energy efficiency benefits for all buildings.
Dow and the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) announced an agreement to jointly develop and evaluate a process that will convert biomass to ethanol and other chemical building blocks. The collaborative effort demonstrates both Dow and NREL's commitment to deliver sustainable solutions to the nation's current energy challenges by reducing dependence on foreign oil. A mixed alcohol catalyst from Dow is seen as the key to unlocking the potential for this promising renewable energy resource. The process will use ingredients such as the leaves from a corn plant or wood wastes, and convert the bio-based material through a gasification process to synthesis gas. Dow's technology helps convert the synthesis gas into a mixture of alcohols, including ethanol that can be used as transportation fuels or chemical building blocks. The joint evaluation program will focus on improving the mixed alcohol catalyst, as well as demonstrating pilot scale performance and the commercial relevance of an integrated facility.

Victor Atiemo-Obeng, Research & Development, participated in the “Transitioning into Green Chemistry” Symposium in Philadelphia, Pennsylvania, as part of Dow's sponsorship of the American Chemical Society (ACS) event. Delivering a presentation titled, “Practice of sustainable chemistry at Dow: Historical and future perspectives,” he used specific examples encompassing both internal and external initiatives, programs and investments to highlight Dow's long history in the practice of sustainability.

Owners of boats, recreational vehicles (RVs), swimming pools and vacation homes are now able to buy DOWFROST™ RVR seasonal antifreeze from any of the 3,800 Wal-Mart stores in the United States. DOWFROST™ RVR antifreeze is a new patent-pending product that contains plant-derived, bio-renewable ingredients. While never intended for ingestion, DOWFROST™ RVR antifreeze, made by Dow, is safe for incidental contact with people or pets, which is important whenever there is a possibility of an accidental spill. Similarly, DOWFROST™ RVR antifreeze will not harm fish, aquatic plants or other animals if it is accidentally spilled outdoors.

Dow Epoxy, a business unit of Dow, featured AIRSTONE™ Systems from September 3 to 5 at the COMPOSITESWORLD Expo in Schaumburg, Illinois. AIRSTONE Systems for Wind Energy are helping wind-energy manufacturers deliver on technical challenges and meet the explosive global demand for wind energy. This participation in the wind energy industry is one example of how Dow and its customers are building solutions together that are sustainable — both environmentally and economically.

Dow Water Solutions, a business unit of Dow, and global leader in water purification, seawater desalination, contamination removal and water reuse solutions, has reached agreement on a multi-year joint development partnership with Virginia Polytechnic Institute and State University (Virginia Tech) and The University of Texas at Austin (UT). Under the agreement, Dow Water Solutions will collaborate with Virginia Tech and UT on the research and development of oxidation-resistant reverse osmosis membranes.

A September hearing by the U.S. Senate Environment and Public Works Committee on children’s health spurred Dow to send a letter to Senators Barbara Boxer (D-CA) and Jim Inhofe (R-OK) on the “Kid-Safe Chemicals Act of 2008.” The Dow letter describes sustainable chemistry and urges Congress to provide incentives for sustainable chemistry if it chooses to reform The Toxic Substances Control Act (TSCA).

Case studies of how Dow is contributing to sustainability through chemistry continue to be added to our website.
Breakthroughs to World Challenges

The newly-named goal project manager is combining her experiences working in international development with her degree from the Haas School of Business at UC Berkeley to approach the Breakthroughs to World Challenges 2015 Goal from a sustainable business perspective. Elizabeth Singleton will focus on harnessing Dow’s expertise in chemistry and innovations in product design and application, while enhancing and creating value for the Company through understanding global needs as market opportunities.

In order to promote market-based solutions to global challenges, Dow is committed to forging stakeholder relationships that foster a long-term focus on innovative approaches to business and sustainability. Neil Hawkins, vice president for Sustainability, reiterated the importance of collaboration in any framework for sustainable consumption and production at the 8th Asia Pacific Roundtable for Sustainable Consumption and Production on September 19 and 20 in Cebu, Philippines. Ningke Peng, director of Government Affairs and Public Policy for Asia Pacific and Greater China, also spoke in the Chemical Session of the conference. Ningke shared what Dow is doing in China in partnership with the Chinese government to help smaller enterprises develop cleaner production, safer production and more energy efficient production practices. The roundtable was attended by more than 200 delegates from 27 countries. Discussions and deliberations at the roundtable provide input into the Marrakech process, a global process to support the elaboration of a 10-Year Framework of Programs (10YFP) on sustainable consumption and production. The process is led by the United Nations Environment Program (UNEP) and the United Nations Department of Economic and Social Affairs (UN DESA) with active participation by national governments, development agencies, and civil society.

Dow signed a Memorandum of Understanding (MOU) with the Agricultural Bureau of Shaanxi Province and the New York-based nonprofit environmental advocacy group Environmental Defense Fund, Inc. (EDF) in August, to fund the implementation of environmentally beneficial land management practices that include precision fertilizer applications, water use efficiency, soil conservation and no-till farming in Shaanxi province of China. Dow will cooperate with Shaanxi Agricultural Bureau and EDF to assess opportunities to reduce and sequester greenhouse gas (GHG) emissions from changes in agricultural production and waste management practices as well as developing joint educational initiatives to promote policies to create, support, and facilitate greenhouse gas crediting opportunities for Shaanxi farmers and land managers. Dow hopes the pilot project will help to set a standard and best practice of how a traditional inland agricultural province like Shaanxi province in Northwest China can also contribute to global climate change abatement efforts while pursuing its own industrialization and modernization path.

Dow’s continued focus on strategic global partnerships will increase the promotion of chemical safety and emergency preparedness in China’s chemical industry. A landmark agreement between officials in China’s Ministry of Environmental Protection (MEP), the United Nations Environment Programme (UNEP) and Dow Chemical (China) Investment Company Limited (Dow) was signed on September 16 in Beijing, creating a project designed to support safer production of chemicals and enhance safety management systems in pilot industries. The first of its kind in China, the partnership will also assist organizations charged with improving local awareness and preparedness for industrial environmental emergencies. This project builds upon Dow’s 2005 three-year pilot program with MEP to demonstrate the safe management of hazardous chemicals among small- to medium-size enterprises.
Addressing Climate Change

Energy Efficiency and Conservation

During 2007 Dow’s greenhouse gas (GHG) emissions were 0.549 metric tons per metric ton of production. Compared to the base year 2005 intensity, 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.

Dow has been very active in advocating for a comprehensive energy plan in the U.S. In August, Andrew Liveris, chairman and CEO, participated in an executive energy roundtable during the Democratic National Convention in Denver, Colorado. He used this forum to emphasize the importance of innovation, energy efficiency and a comprehensive U.S. energy plan.

During his Detroit Economic Club luncheon speech in September, Liveris announced Dow’s Energy Plan for America. The energy plan advocates for policies that promote energy efficiency standards for residential and commercial buildings; accelerate alternative and renewable energy technology including clean coal and nuclear; increase domestic production of oil and natural gas; and promote fair climate change legislation that is economically viable and environmentally sustainable.

Rich Wells, vice president of Energy, testified on behalf of Dow at the U.S. House of Representatives Select Committee on Energy Independence and Global Warming. During his testimony, Wells stressed the need for a sustainable domestic energy policy to help address high energy price volatility.

Consumers United for Energy Solutions (CUES), a new alliance co-founded by Dow, was announced in September. This is a growing coalition of large and small energy consumers urging members of the U.S. Congress to enact bold, bipartisan solutions to the ongoing energy crisis in the U.S.
Also in September, Dow was a main sponsor of the two-day World Environmental Center (WEC) Roundtable on Global Environmental Challenges. David Kepler, executive vice president of Sustainability, spoke on sustainable business solutions to meet pressing environmental challenges, while Rich Wells presented on Dow’s strategy to reduce its energy and greenhouse gas footprint. Peter Molinaro, vice president of federal and state government affairs, and Jane Palmieri, managing director for Dow Solar Solutions, participated in a panel discussion on research and development for energy and environmental solutions.

For the fifth consecutive year, The Dow Chemical Company has been named to the Carbon Disclosure Project (CDP) “Carbon Disclosure Leadership Index.” Dow was honored for its best-in-class strategies related to climate change and carbon disclosure by the Carbon Disclosure Project in their recent report (CDP6). The CDP6, a survey of 1,550 global companies, contains detailed information regarding constituents’ actions on climate change and emissions. The Leadership Index distinguishes companies, like Dow, who have established ambitious carbon-target programs and are emphatically implementing mechanisms for climate change governance.


Mills also presented in October at the fourth annual Sustainable Manufacturing Summit in Düsseldorf, Germany, where he highlighted Dow’s energy efficiency success story.

Dr. Patrick Moore, a former founder of Greenpeace and co-chairman for CASEnergy, spoke to company executives at Dow headquarters in Midland on the need to add more nuclear energy in the U.S. In addition to the Dow visit, Moore also spoke to community and business leaders at a Dow-sponsored luncheon in Mt. Pleasant, Michigan.

Jennifer Bowman has been named program director for the Climate Change and Energy Policy and Issues Management Team. Bowman coordinates the Energy and Climate Change team, which is responsible for delivering against Dow’s commitments in climate change and energy including 2015 Goal attainment, technology development, business strategies, public policy advocacy and communications.

Energy efficiency is the cheapest, cleanest form of energy available. Back in 1994, Dow set a 10-year goal to reduce its energy intensity (the amount of energy per pound of product produced) by 20 percent. That goal was exceeded, as the energy per pound of product was driven down by 22 percent. Through the end of 2007, our savings, due to improved Energy Intensity, are over $7 billion. The energy that has been saved since 1994 is about 1,500 trillion Btu.
The 2015 Sustainability Goal for Energy Efficiency and Conservation challenges the company to continue the pace of efficiency improvement, striving to reduce energy intensity by another 25 percent by 2015, compared to the 2005 base.

Our corporate target for Energy Intensity for the full year of 2008 is 3,628 Btu/lb or 92.5 percent of the value in 2005. Our actual performance, year to date, is 3,844 Btu/lb, which is 98 percent of the 2005 baseline.

Dow remains committed to continuously improving our performance and to publicly reporting our progress. Please visit www.dow.com for the latest Dow Sustainability, Business and Performance news.