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

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Highlights

**Alstom and Dow Collaborate to Combat Climate Change**
Alstom and Dow announced the design and construction of a pilot plant to capture carbon dioxide (CO₂) from the flue gas of a coal-fired boiler at the Dow-owned facility in South Charleston, West Virginia. Alstom will design, construct and operate the pilot plant, which is expected to capture approximately 1,800 tons per year of CO₂ from flue gas using Alstom’s and Dow’s advanced amine technology. Dow will provide the site and utilities, as well as the chemicals and its amine technology expertise for this project. The pilot plant is expected to be operational by 3Q 09. Read more on dow.com.

**AERIFY™ Diesel Particulate Filters Increase Fuel Efficiency**
AERIFY™ diesel particulate filters (DPF) represent Dow Automotive’s most significant sustainability effort. AERIFY diesel particulate filters offer a unique microstructure with high porosity that helps improve engine performance while increasing fuel efficiency, lowering carbon dioxide emissions and achieving regulation compliance at lower cost. Now available for manufacturer trials and testing, AERIFY filters are engineered for both passenger and commercial transportation vehicles. Dow Automotive provides advanced DPF technology to both the Audi R10 TDI and the Peugeot 908 HDi FAP. DPF technology has enabled the Audi R10 TDI diesel-powered sports car to set unprecedented records in endurance racing, including consecutive wins at the prestigious 24 Hours of Le Mans in 2006, 2007, and 2008.

**Dow Recognized as a Leader in Sustainability Reporting**
Ethical Corporation Magazine recognized Dow for its outstanding sustainability reporting and its commitment to transparency regarding progress toward the 2015 Sustainability Goals. Dow’s reporting best practices noted include: quarterly reporting discipline, linkage of the Goals to innovation and long-term business success, fact sheets and position statements on challenging issues, and the multitude of case studies showcasing programs, products and processes. Read more about this on dow.com.
Dow Introduces ECOSURF™ Specialty Surfactants
Three new surfactants have joined the ECOSURF™ brand of specialty surfactants from The Dow Chemical Company. ECOSURF™ EH Specialty Surfactants are a new generation of high performance, readily biodegradable surfactants. They are designed for use in hard surface cleaning, textile processing, inks, paints and coatings, and agricultural chemicals. ECOSURF EH Surfactants have an excellent environmental profile, are biodegradable with low aquatic toxicity and meet the criteria for the U.S. Environmental Protection Agency’s Design for the Environment Surfactant Screen. ECOSURF EH Surfactants are designed to help formulators meet rising expectations for performance and convenience, while at the same time complying with more stringent and demanding environmental safety regulations. Read more about this on dow.com.

Dow Recognized with Corporate Social Responsibility Award in Mexico
For the second year, Dow in Mexico received the Corporate Social Responsibility Award from CEMEFI (Centro Mexicano para la Filantropia) highlighting the importance and impact of Dow’s commitment to foster sustainable development in Mexico. The award is granted to companies with best practices in four main areas: ethics and governance, quality of life in the company, community engagement and commitment, and environmental care and conservation. The alignment of Dow’s social and environmental policies, practices and programs with the vision, mission, values and core business of the Company is essential to determine the level of institutionalization and commitment for this award.

First Dow Building Solutions Plant Converts to Zero Ozone Depleting Foaming Agent Technology
Dow converted its first facility that manufactures STYROFOAM™ Brand Insulation to its new zero ozone-depleting, no-VOC (volatile organic compound) foaming agent technology at the Dalton, Georgia, facility. Dow developed its next-generation foaming agent technology well in advance of the Montreal Protocol and U.S. EPA guidelines, and is on track to convert the rest of its facilities on time. Read more on dow.com.

Dow Chemical Zhangjiagang Site Recognized for Safety
The Dow Chemical Zhangjiagang (ZJG) Site was recognized as “Premier Enterprise of Safe Operation and Environmental Protection in 2008” by Jiangsu Province Safety and Environmental Protection Management Bureau (SEPMB). Additionally, Frank Gong, ZJG Environmental Health and Safety specialist, was recognized as “Premier Personnel” for his outstanding performance on EH&S implementation for the Company. Dedication to safety resulted in zero injuries and zero LOPCs in ZJG operations in 2008.
Local Protection of Human Health and the Environment

At the end of first quarter 2009, the Injury and Illness rate was .20 per 200,000 hours of work. This represents our best quarterly performance ever delivered and is a 39 percent improvement compared to our performance for all of 2008. The rate of .20 is 13 percent better than where we strive to be for all of 2009. The 2015 Goal of .08 per 200,000 hours is a 75 percent improvement from 2005.

At the end of first quarter 2009, the Injury and Illness Severity rate was .69 per 200,000 hours of work. This represents our best quarterly performance ever delivered and is a 42 percent improvement compared to our performance for all of 2008. The rate of .69 is 20 percent better than where we strive to be for all of 2009. The 2015 Goal of .39 per 200,000 hours is a 75 percent improvement from 2005.
At the end of first quarter 2009, Loss of Primary Containment incidents have occurred at an annualized rate of 344 per year. This represents a rate that is 15 percent higher than where we strive to be for all of 2009. The 2015 Goal of 75 or fewer incidents is a 90 percent reduction from 2005.

At the end of the first quarter of 2009, there were five Process Safety Incidents. When annualized this indicates a rate of 20 events per year. This represents a tremendous improvement over 2008 and reflects the impact of actions implemented to reverse the trends in 2008. The annualized value is currently 32 percent better than where we strive to be for all of 2009. The 2015 Goal of 14 is a 75 percent improvement from 2005.
The rate of Motor Vehicle Accidents (MVAs) per million miles driven by employees has been tracked since 1994. During this time, the rate has been reduced by 33 percent. It is difficult to assess how many lost-time injuries and potential fatalities this improvement represents.

In a carefully designed step to improve our performance in the area of motor vehicle safety, a new metric has been implemented beginning in 2009. It focuses on Severe Motor Vehicle Accidents (MVAs) that cause or have high potential to cause injury. The new metric tracks preventable MVAs that take place off-site while on company business and result in an injury or had high potential to cause an injury.

At the end of first quarter 2009, the Severe MVA incident rate was .34 accidents per million miles driven. We are on target to meet our 2009 Goal of .36 or less. Our 2015 Goal is to reduce the Severe MVA rate to no more than .28 accidents per million miles driven. This target represents another 33 percent improvement in our performance over the 2007-2015 timeframe.
Through first quarter of 2009, Dow experienced 4 Hazmat Transportation Loss of Primary Containment events. The annualized total of 16 is 30 percent lower than the 2009 target of 23 incidents. There have been 2 Highly Hazardous LOPC events in 2009. Our 2015 Goal is to reduce all Hazmat Transportation incidents to 10 or less per year.

Dow believes it is part of our corporate responsibility to reduce the volumes of Highly Hazardous Materials that need to be transported. As such, we have 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 will 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 is important to recognize that supply chain redesign is a long-term strategic business effort that may not show annual change. Strong progress toward this goal has been made over the last four years.

In first quarter 2009, there were 178 million tonne-miles of Highly Hazardous Materials shipped via road and rail. Annualized, this is 37 percent better than the 2009 target of 1,130 million tonne-miles.
Contributing to Community Success

Nine of ten strategic Dow communities are beginning to realize the impact and positive results of the implementation of Dow’s community success plans. These strategic sites around the globe have initiated this change by redefining and realigning goal-oriented actions aimed to impact a positive change towards quality of life. Over the next several months we will engage in collaborative efforts within our strategic sites and, more importantly, between our strategic sites to demonstrate a strong reinforcement of site leadership, employee engagement and best practices to ensure a successful Community Success Goal.
Examples of Community Success implementation include:

- In mid-Michigan, as a result of the Community Success survey, Dow has taken a lead role in addressing the harsh reality of today’s economy, especially in a large automotive manufacturing state. Dow initially developed and then partnered with Delta College to deliver and refine the “Fast Start” curriculum. “Fast Start” allows individuals, who may already have a technical associate degree or military experience in a related field, to complete the Chemical Processing portion of an associate degree (25(337,428),(662,510)(337,428),(662,510) in 16 weeks and come out prepared to hit the ground running in jobs and careers as operators and technicians in the chemical manufacturing industry.

- Dow’s site in Pittsburg, California recently hosted groups of teachers on site as a part of their goal to reach out to stakeholders in the community who are involved in education. First, a group of 15 marine biology and environmental science teachers toured the Dow Wetlands to better understand watershed issues. These teachers lead tours for fifth grade students throughout the county on a research vessel called the Robert Brownlee. The second group of teachers participated in BEST Day (Business and Educators Shadowing for Tomorrow). These high school biology and manufacturing teachers toured the Wetlands, then spent a morning with Dow employees who explained Dow’s focus on safety, environment and health, discussed our commitment to the community and showed them our solar farm as well as what takes place in a control room. It was an experience that was assured to be taken back into their classrooms. By providing these on-site experiences to teachers, hundreds of students in the community will be reached.

- Like many of Dow’s major sites, Dow Terneuzen is a key supporter of educational programs in the area. One of the outcomes from their Community Success survey was to provide the opportunity for technology studies in the region. In January 2009, Dow Terneuzen celebrated the grand opening of a technical training pilot plant at the Regional Education Center in Terneuzen, which will enable on-the-job training for future operators. In the coming months, Dow will participate in planning to help develop Terneuzen as a center of innovation for the 21st century.

Product Safety Leadership

Cumulative Product Safety Assessments

At the end of first quarter 2009, there were 159 Product Safety Assessments (PSAs) posted on www.dow.com/productsafety/finder/, reflecting the addition of six new PSAs in the first quarter. We are currently on track to meet our goal of posting 50 new PSAs to the website by the end of 2009. The 2015 Goal is to have a publicly available PSA for all applicable Dow products.
Additionally, Dow demonstrated its product safety leadership and commitment to science-based research and evaluation of chemicals by issuing a statement of support in response to the U.S. Environmental Protection Agency’s (EPA) Strategic Plan for Evaluating the Toxicity of Chemicals, announced in March. This new approach is intended to advance the science upon which the EPA bases its regulatory decisions and policies through the use of new testing methods that benefit from advances in molecular biology, genomics and computational sciences. Dow expressed commitment to working with the EPA to ensure the data generated from these tools complements the wealth of existing product safety information. At the same time, Dow remains focused on its Product Safety Assessment initiative – a voluntary process for characterizing and managing product risk and communicating product information to the public at DowProductSafety.com.

Sustainable Chemistry

Dow continues to deliver breakthrough improvements to our existing products and processes. Sustainable Chemistry optimizes every aspect of sustainability, including environmental, social and economic factors, to deliver smart solutions to our customers, and our customer’s customers.

Dow has established a new recognition program to promote solutions to the world’s most pressing social, economic and environmental problems. The “Dow Sustainability Innovation Challenge” will pay tribute to outstanding developments in Sustainability and Sustainable Chemistry. The program presents a unique opportunity for Dow to recognize students at key strategic universities for their work in Sustainable Chemistry. Winning students from the global strategic universities have been named, and will be recognized for their work in sustainability as part of Dow Chemical’s Sustainability Innovation Student Challenge in an awards ceremony this fall.

We have more than a dozen businesses delivering advancements in our sustainable chemistries over the last quarter. Specifically:

- Under a shared vision of creating sustainable footwear, Grupo Ravi and Dow envisioned and developed the concept of an ecological sandal, which matched Dow’s innovative technologies. Dow developed VORALAST™, a variety of polyols based on natural oils, combining global innovation capabilities with local expertise to create an environmentally sound alternative to shoe soles and insoles, reducing the amount of CO₂ emissions to the atmosphere. The ecological sandal is produced with vegetable-pigmented leathers and zero solvents in the manufacturing process, and is sold with 100 percent recyclable and recycled packaging. Future models that also include recycled material in the leather, or instead of leather, are under consideration. As a pilot test, Wal-Mart offered the “Green Sandal” at 40 of its stores, offering two basic designs in black and brown. Wal-Mart has expanded the distribution to its 155 Super Centers in Mexico starting in April 2009 as part of its “Month of Earth” campaign. Read more on dow.com.

- Dow and Sud-Chemie announced an agreement to research alternative routes to produce chemicals to help reduce dependence on traditional sources of oil and gas. The research aims to convert synthesis gas (syngas), that can be derived from abundant resources such as coal or biomass, to “building block” chemicals in a more efficient and economical process. Read more on dow.com.


- Dow brings recyclable carpet one step closer to reality. Many advances to make carpet recyclable have been achieved over the years, but providing a recyclable backing material has been a significant challenge. Water-based HYPOD™ Polyolefin Dispersions allow carpet manufacturers to apply a thermoplastic backing, rather than a thermoset backing, while still using conventional coating equipment. HYPOD Polyolefin Dispersions are thermoplastic, which tends to be more compatible with carpet fibers and can facilitate easier recycling at the end of the carpet’s life. Read more on dow.com.
Dow Water Solutions has begun construction of its Water Technology Development Center at the Dow facilities in Tarragona, Spain. The center will include capabilities for application development and component testing, and is designed to accelerate the commercialization of Dow’s water treatment technologies, which help to enable the production of clean drinking water from various water sources, including seawater. The new center is expected to open in 2010. Read more on dow.com.

Dow Automotive has developed a novel bonding system for the structural bonding of aluminum roofs with steel car bodies. Compared to the current adhesive systems, this new bonding system provides a sustainable solution that is flexible enough to offset the different expansion coefficients while simultaneously guaranteeing the necessary structural system stability at even higher temperatures. The solution also presents advantages during the assembly process and delivers an economically attractive solution for Original Equipment Manufacturers. Read more about this on dow.com.

Dow Biocides, a business unit of The Dow Chemical Company and global leader in antimicrobial solutions, announced the implementation of an improvement in process technology that has resulted in a significant reduction in energy consumption. The new process is expected to result in a savings of 55 million kW-hr per year, which, according to the average electric consumption for a U.S. household, is enough energy for nearly 5,000 homes. Read more on dow.com.

During the Vibrant Gujarat exposition, Dow India and Royal Castor Products Ltd. (Royal Castor) signed a commitment to conduct research in sustainable, bio-based products and solutions using castor oil. By combining the expertise of the foremost manufacturers and exporters of castor oil derivatives with Dow India’s research and development technologies, a new target will be set toward developing sustainable and environmentally friendly products of the future. Read more on dow.com.

Dow Building Solutions (DBS) participated at the 5th International Green Show in Beijing, China, in March. At the show, DBS displayed its high performance and quality Exterior Insulation Finishing Systems (EIFS) solution, incorporating several Dow products, while Dr. Terry Hu, lead scientist, delivered a technical paper and speech on Dow’s EIFS wall insulation system. Additionally Dow Building Solutions’ Asia leadership team held a roundtable discussion with several Directors and Department Heads of Ministry of Construction regarding energy efficiency and climate change, national code on wall insulation, fire resistance standards, and industry development.

Dow Latin America has set its 2009 geographic goals with a vigilant focus on sustainability principles and strong alignment with Dow’s 2015 Sustainability Goals. One of the priorities is related to the improvement of driving safety and the environmental impact of Dow cars. Effective April 2, 2009, Dow has decided to only use ethanol to fuel all Company vehicles equipped to use flex-fuel technology in Brazil. Additionally, whenever a car needs to be replaced, it will comply with flex-fuel technology.

The world’s largest commercial-scale propylene oxide (PO) plant, and the first based on the innovative hydrogen peroxide to propylene oxide (HPPO) technology jointly developed by BASF and Dow, completed its start-up phase and is running well. The HPPO complex, with a capacity of 300,000 metric tons of PO per year located at BASF’s site in Antwerp, Belgium, provides economies of scale, a reduction of wastewater by 70 to 80 percent and 35 percent lower energy usage compared to conventional PO technologies. Read more about this on dow.com.

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

Over the past quarter, Dow has concentrated efforts on strengthening the links between business development and sustainability. Ventures & Business Development has begun shaping its efforts around the business trends of the future: Energy, Infrastructure and Transportation, Health, and Consumerism. These trends are fundamentally linked to the principles of sustainability and Dow’s search for sustainable products in areas of breakthrough challenges such as alternative energy, water supply and healthy foods.

With the goal to assess and track sustainability opportunities and identify potential products to have a positive impact on social and environmental issues in addition to economic value, Dow has taken two specific actions:

1. Integrated sustainability criteria into Idea Central, a tracking system for capturing employee ideas.

2. Completed a more in-depth assessment of potential sustainability opportunities for each active project to clarify sustainability-related value propositions and articulate the contributions of sustainability attributes to the bottom line.

The Ventures & Business Development pipeline is aligned to Dow’s strategic goals, including Setting the Standard for Sustainability.

Some examples of Dow’s engagements to better understand global challenges and search for breakthrough solutions include:

- USAID, Dow and Ocean Futures Society Partner to Advance Sustainable Environmental Education – Dow Brazil, the U.S. Agency for International Development (USAID) in Brazil, and Ocean Futures Society of Brazil signed an agreement officially establishing USAID’s support for the Ambassadors of the Environment program, an environmental education and sustainability initiative aimed at children across Brazil. Read more on dow.com.

- Dow recently collaborated with IBM on their Global Innovation Outlook (GIO) on Water – a series of brainstorming sessions around the world, which brought together hundreds of the world’s leading water management experts to discuss strategies for improving the efficiency of the world’s water systems. Dow believes that providing sustainable resolution to the global water challenge requires a collaborative approach from governments, businesses and humanitarian organizations. Participating in IBM’s multi-stakeholder GIO process allowed Dow to gain perspectives from other key stakeholders and exchange ideas on how technology can help address the global water challenge. Read more on dow.com.
Energy Efficiency and Conservation  
Addressing Climate Change

In January, the U.S. Climate Action Partnership (USCAP) unveiled A Blueprint for Legislative Action, a comprehensive and detailed set of policy recommendations for developing environmentally effective and economically sustainable climate change legislation. Dave Kepler, executive vice president and chief sustainability officer, represented Dow at the Washington D.C. press conference to launch the Blueprint. Dow is a member of USCAP, which consists of 31 leading businesses and environmental organizations.

Rich Wells, vice president, Energy, offered expert testimony to the U.S. House of Representatives’ Subcommittee on Energy and Environment in February regarding complementary policies for climate change legislation. In his testimony, Wells recommended that Congress include greater energy efficiency measures in climate change policies to extend U.S. energy supplies, slash carbon emissions and help reduce the cost of climate legislation.

In March, the Michigan Climate Action Council (MCAC) completed the Climate Action Plan, a report that provides greenhouse gas (GHG) reduction goals and recommendations for mitigating GHG emissions in Michigan’s economy as well as for state and local governments. Rich Wells has served as a member of the MCAC since his appointment by Governor Jennifer Granholm in November 2007.

Dow convened its second meeting of the Independent Energy Advisory Panel (IEAP) in March. The purpose of the group is to provide expert insight on significant energy trends and technology from a global and regional perspective. The IEAP also presents views and counsels on specific energy business strategies important to Dow.

Russel Mills, director for Global Energy and Climate Change Policy, presented at the Emissions Trading Conference in London as well as at the Carbon Trading Summit organized by The Economist in Paris. Mills’ presentations supported Dow’s strategy of ensuring key stakeholders and regulators understand the views of the industrial energy user as the importance of carbon markets continues to grow.

Rich Wells and Edward Stones, director of energy risk, served on a National Petroleum Council (NPC) subcommittee charged with developing a list of potential study topics that will be presented to U.S. Secretary of Energy Steven Chu. The study topics address areas that the NPC believes are of high importance for U.S. energy policy and that are within the expertise of the Council.
In 1994, Dow set a goal to increase the efficient use of energy by reducing 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. That improvement resulted in a cumulative savings of $4.3 billion over that 10-year goal period. With the increasing cost of energy, savings have continued to accrue rapidly and, through the end of 2008, our savings due to improved energy intensity is now over $8.6 billion. The energy that has been saved since 1994 is now in excess of 1,600 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 (EI) for the full year of 2009 is 5,109 Btu/lb or 90 percent of the value in 2005. Our actual performance for the first quarter of 2009 was 6,024 Btu/lb, which is 106 percent of the 2005 baseline. This result is largely due to the impact of operating at low rates in the first quarter. As plant run rates increase, the EI is expected to recover accordingly.
The first quarter of 2009 represents the first time that a fence-line approach was employed for reporting energy intensity. Previously, intensity was based on output from all Dow processes, but it will now be based on product that leaves the fence line. This revised definition will better reflect improvements that can be achieved by eliminating intermediate unit operations. The year-to-year performance illustrated above is similar to the previous basis for reporting energy intensity. The goal remains unchanged: to strive for a 25 percent reduction in intensity compared to the 2005 baseline value.

During 2008 Dow’s greenhouse gas (GHG) emissions were 0.602 metric tons per metric ton of production. This is about a 7 percent increase in intensity from 2007. The increase was largely due to the impact of operating at low rates in the fourth quarter of 2008. By improving energy efficiency and implementing technology improvements, 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 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.