

2015 SUSTAINABILITY GOALS UPDATE

2Q 2008



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

Events

- Dow Latin America holds first ever Dow Sustainability Week

Citizenship

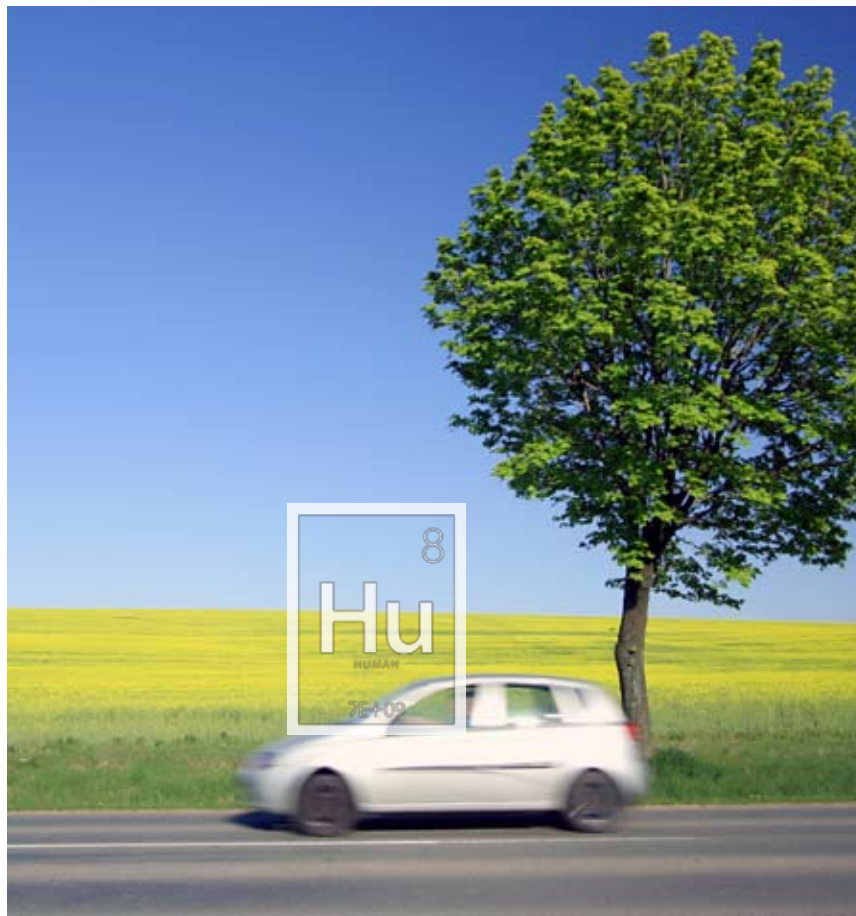
- Local Protection of Human Health and the Environment
- Contributing to Community Success

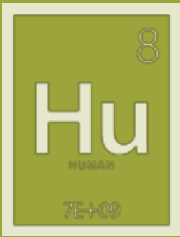
Solutions

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

Footprint

- Addressing Climate Change
- Energy Efficiency and Conservation





Dow Latin America holds first ever Dow Sustainability Week

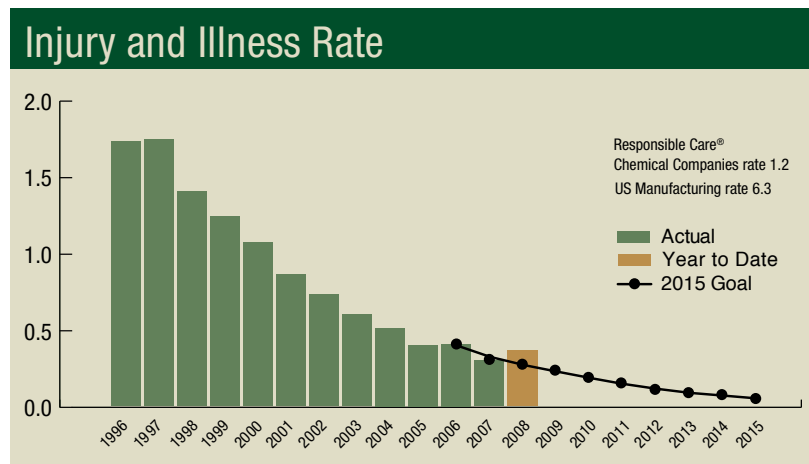
This customer-centered event in Brazil was designed to promote the debate about sustainable development, taking three crucial aspects into consideration: People, Planet, and Sustainable Business. Dow prepared a four-day agenda with activities designed to accelerate collaboration with customers, employees, partners, NGOs, the press, authorities, associations and communities. [Read more about this on dow.com.](#)

Local Protection of Human Health and the Environment

Although our performance during the first half of the year was excellent in the context of industry performance, our results did not keep pace with our 2015 Goal aspirations, and we are engaged in a variety of activities aimed at improving performance in these areas, including:

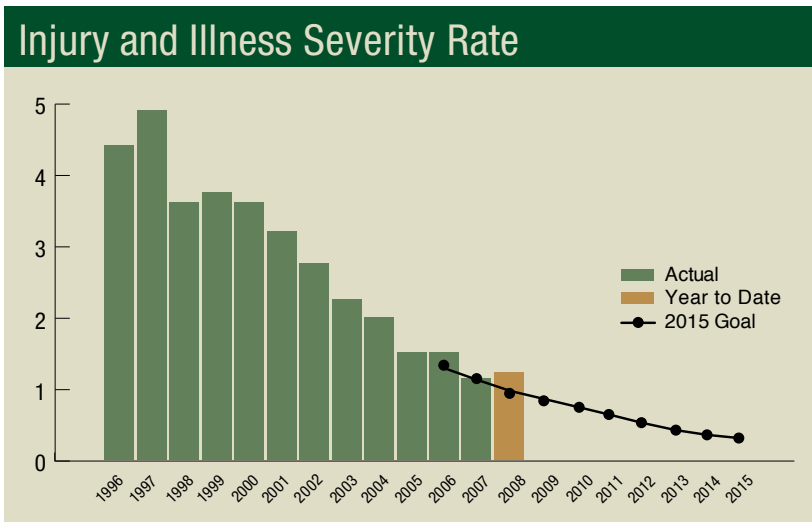
- Developing and implementing intervention plans. Underperforming sites and businesses have been charged with developing specific plans to reverse the trend in the areas of personal and environmental safety, and leaders in our manufacturing and engineering function have developed and implemented a plan specific to Process Safety.
- Identifying and leveraging common solutions. Our EH&S experts have combed through site and business plans to identify areas where they can lead in developing common solutions across all sites and businesses.

At the end of the second quarter of 2008, the Injury and Illness rate was 0.34 per 200,000 hours of work. Performance through the second quarter was 26 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.

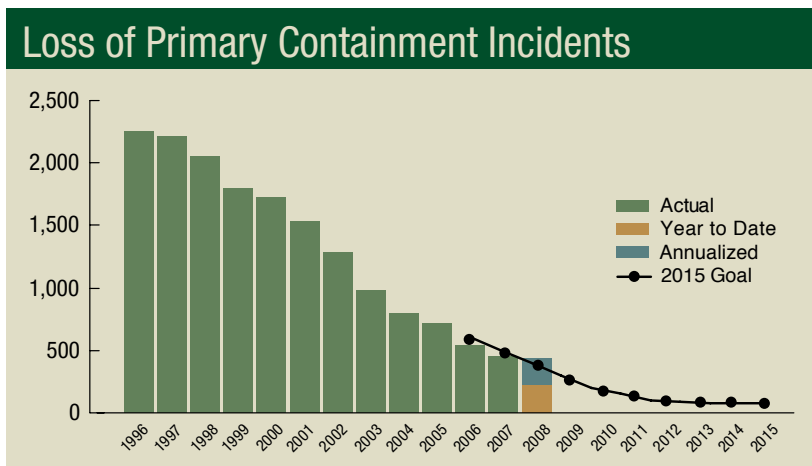


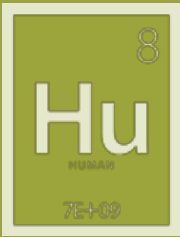


At the end of the second quarter of 2008, the Injury and Illness Severity rate was 1.15 per 200,000 hours of work. Performance through the second quarter was 16 percent worse than the goal for the year. The goal in 2008 is a rate of 0.99. The 2015 Goal to accomplish a rate of 0.39 per 200,000 hours is a 75 percent improvement from 2005.



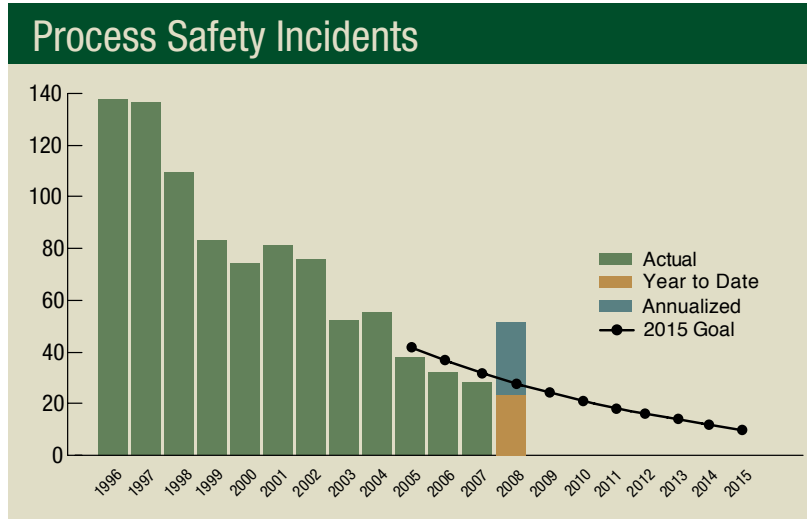
At the end of the second quarter of 2008, Loss of Primary Containment (LOPC) incidents have occurred at an annualized rate of 440 per year. The 2008 performance to date is 10 percent worse than the rate defined as our 2008 goal of 400 or fewer incidents. The 2015 Goal of 75 or fewer incidents is a 90 percent reduction from 2005.



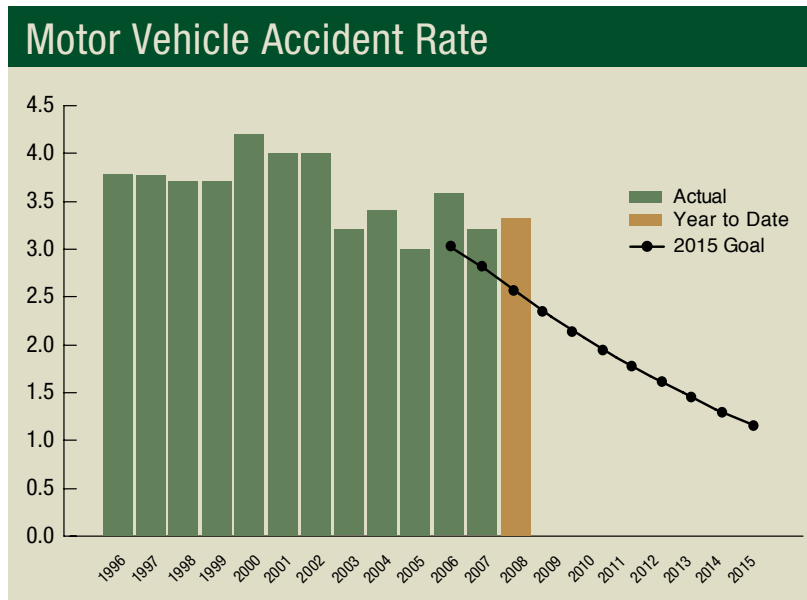


At the end of the second quarter of 2008, there were 27 Process Safety Incidents. When annualized this indicates a rate of 54 events per year. The 2008 performance to date is 64 percent above our 2008 goal level. The 2008 goal is not to exceed 33 incidents. The 2015 Goal of 14 is a 75 percent improvement from 2005.

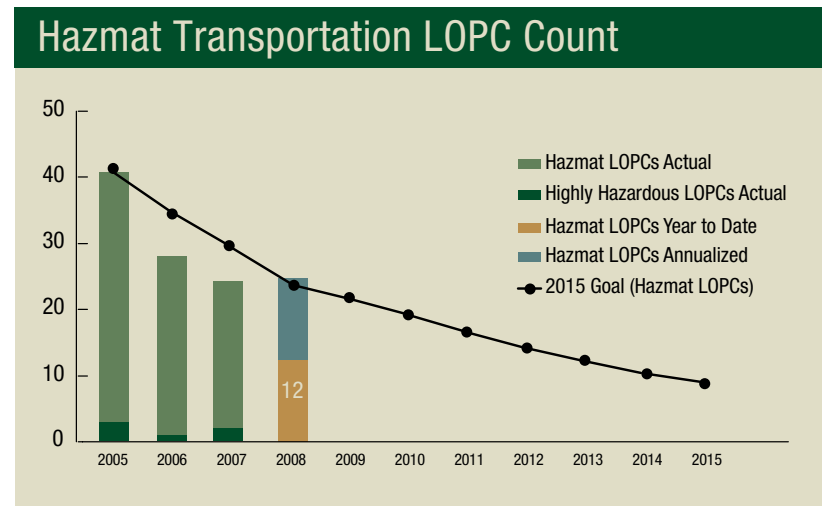
Several actions have been taken or are in progress to begin to address the increase in incidents.



At the end of the second quarter of 2008, the Motor Vehicle Accident (MVA) rate was 3.3 accidents per million miles driven. The 2008 performance is running 26 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.



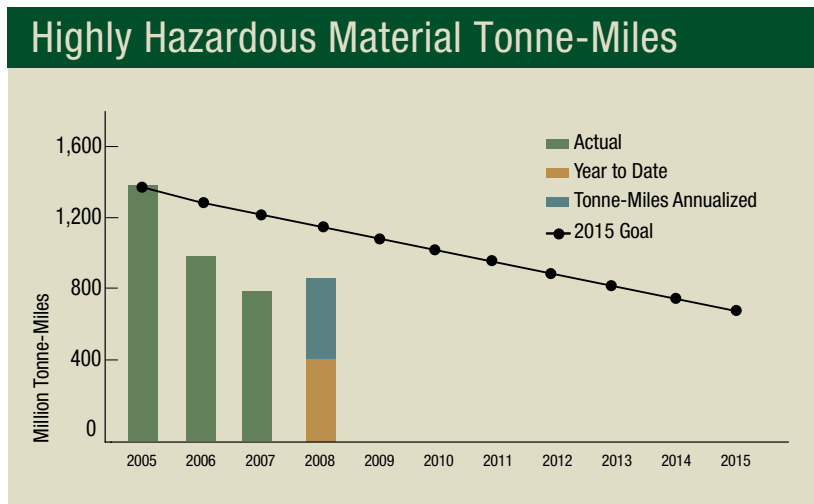
At the end of the second quarter of 2008, Dow had experienced 12 Hazmat Transportation Loss of Primary Containment events. Annualized, this is slightly above target for our internal 2008 goal of 22 such incidents. Our 2015 Goal is to reduce all Hazmat Transportation incidents to 10 or less per year. There have been no LOPC events involving Highly Hazardous Materials (Toxic Inhalation Hazard and Flammable Gas) in 2008.



The following metric is included for the first time in this second quarter 2008 report. 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 2005 total, 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 (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 longer term strategic business effort that may not show annual change. However, strong progress toward this goal has been made over the last two years, and as of second quarter 2008, key businesses are progressing well with actions and future plans that will help us achieve this goal.

Through the second quarter 2008, there were 429 million tonne-miles of Highly Hazardous Materials shipped via road and rail.



Contributing to Community Success

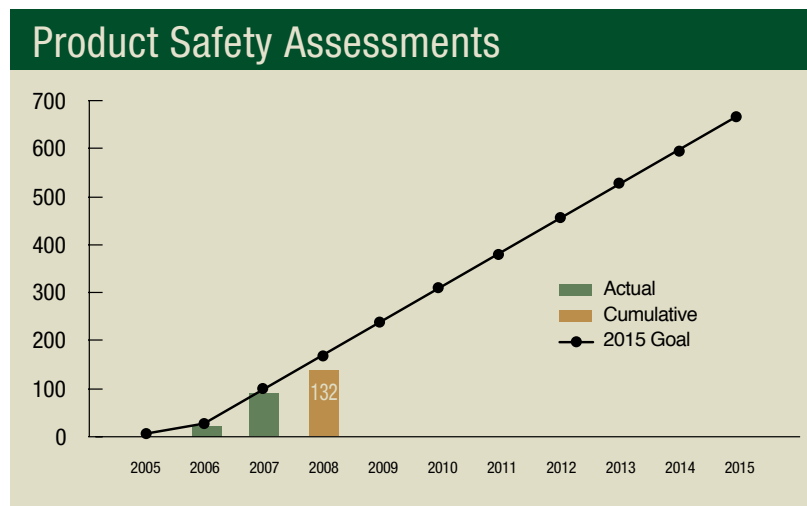
The business growth in China and Dow's commitment to sustainability in that region were drivers for introducing the Community Success planning process to the manufacturing site in Zhangjiagang, China, in the province of Jiangsu. Gathering community input, understanding quality of life issues, and engaging site leaders in Community Success objectives are core components of this process and resulted in a plan of action that will focus on improving local education, working with government on industry park designs that incorporate sustainability principles, and leveraging Dow programs and resources to local community and schools. The Zhangjiagang site is a model of corporate citizenship that enables it to be a leader in driving sustainability in its community.

Communicating Dow's performance remains a top priority – not only to demonstrate progress in attaining the goal, but to enable others to learn about and leverage our experiences. A series of features in *Around Dow*, an external and internal electronic publication reaching all employees and site communities, has highlighted our partnership with Habitat for Humanity and science education in local schools. Upcoming features will focus on Community Advisory Panels and employee volunteerism.

As we progress with implementing Community Success plans at our strategic sites, work has begun to reach all corners of the Dow world. Adaptations of our tools and process have enabled smaller sites in West Virginia and Texas to begin Community Success planning.

Product Safety Leadership

At the end of the second quarter of 2008, there were 132 Product Safety Assessments (PSAs) posted on www.dow.com/productsafety/finder/. Compared with the year-end 2007, we have added 45 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 is in the final phases of discussion with an external third-party consultant to evaluate our product safety assessment processes. We expect to be in a position to announce the arrangements in the third quarter of 2008.

Sustainable Chemistry

Highlights for second quarter 2008 include:

Dow received a Presidential Green Chemistry Challenge Award when its subsidiary, Dow AgroSciences LLC, was presented with the 2008 Award for spinetoram – an innovative insect control technology derived from the fermentation of a naturally occurring soil organism followed by chemical modifications. This is the sixth award that Dow has received since 1996. The award, presented by the U.S. Environmental Protection Agency (EPA) on behalf of the White House,

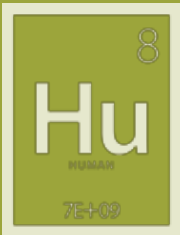
recognizes technologies that incorporate the principles of sustainable chemistry into chemical design, manufacture and use.

Bill Banholzer, chief technology officer, presented a keynote speech to the American Chemical Society (ACS) Green Chemistry and Engineering Conference, about Dow's efforts in the related areas of sustainability and energy, and some of the rationale behind those efforts.

Dow Automotive, a business unit of Dow, has won a PACE (Premier Automotive Supplier's Contribution to Excellence) Award from Automotive News for IMPAXX™ energy management foam. The foam is designed to absorb energy on impact and cushion the blow that a vehicle occupant receives. In addition to its safety features, the foam is 100 percent recyclable, provides design flexibility and assembly advantages, conserves weight and improves vehicle fuel economy. It also improves occupant comfort by offering increased passenger space. One of the automotive industry's highest global honors, the PACE Awards recognize innovation among suppliers who contribute products, processes, materials or services directly to the companies that manufacture cars and/or trucks. More than 250 entries competed this year for the eight PACE Awards.

Dow products and materials were the subject of three case studies this year, as part of a graduate-level Industrial Ecology class at the University of Michigan. Student teams used Life Cycle Assessment (LCA) and life cycle costing to characterize the environmental and economic impacts of functionally equivalent materials or services. The three examples were comparisons of decking made from SYMMATRIX™ composites and wood, of SAFETOUCH™ insulation with soy-based foam, and of salsa packaging in glass or plastic. All three studies yielded useful quantitative analyses and excellent questions and perspectives from the students. In the salsa packaging study, for example, the students found that plastic pouches had lower energy input, greenhouse gas emissions, acid gas and ozone depleter emissions, and solid waste than did glass, even if 80 percent of the glass was recycled.





Dow's Performance Fluids business is enabling three large solar power plants in Spain to collect heat and convert it to electrical energy, through the use of DOWTHERM™ A – a specialized heat transfer fluid. Each plant will supply 50 megawatts of electrical power for a total of 150 megawatts. This is enough electricity for about 90,000 homes. Two of the plants will save approximately 450,000 tons of carbon dioxide that would have been released to the atmosphere had traditional fuels been burned. [Read more about this on dow.com.](#)

Dow Coating Solutions, a market facing business of Dow, has introduced ECOSURF™ SA Surfactants, a new generation of patented, biodegradable, nonionic surfactants that offer excellent performance and economics. Made using naturally occurring palm seed oil alcohols, these new surfactants are ideal candidates for a broad range of applications including coatings, without sacrificing key product attributes. Since they are based on seed oil alcohols and create no VOC emissions, ECOSURF SA Surfactants also give paint systems an improved overall environmental profile. [Read more about this on dow.com.](#)

In an effort to better inform employees about Dow's intentions around Sustainable Chemistry, the company has produced a 15-minute program that provides employees with an overview of Dow's approach to sustainable chemistry, an explanation of Life Cycle Analysis, the changing marketplace dynamics and the public policy implications.

Case studies of how Dow is contributing to sustainability through chemistry are available on [our website.](#)



Breakthroughs to World Challenges

Exploration to define opportunities to contribute to more affordable housing in India were initiated. This project is taking advantage of the perspective of interns from the Haas School of Business at the University of California, Berkeley. The project includes defining the market trends, research in country, and identification of the needs and gaps that frame the challenges involved. Next steps will be defined in the third quarter of 2008.

A Corporate Water Strategy Team has been created to help elevate the effectiveness of the overall Dow effort related to water use by the company and in external market opportunities. They will have an impact in helping to reduce costs, increase market share, and foster awareness of how water-related issues influence company reputation. The team will facilitate a coordinated approach to multiple businesses, geographies and functional teams already involved in aspects of the water issue, which will identify optimization opportunities and provide a place to incubate opportunities for breakthrough contributions in the area of water management. The team will propose a corporate goal about water during the third quarter of 2008.

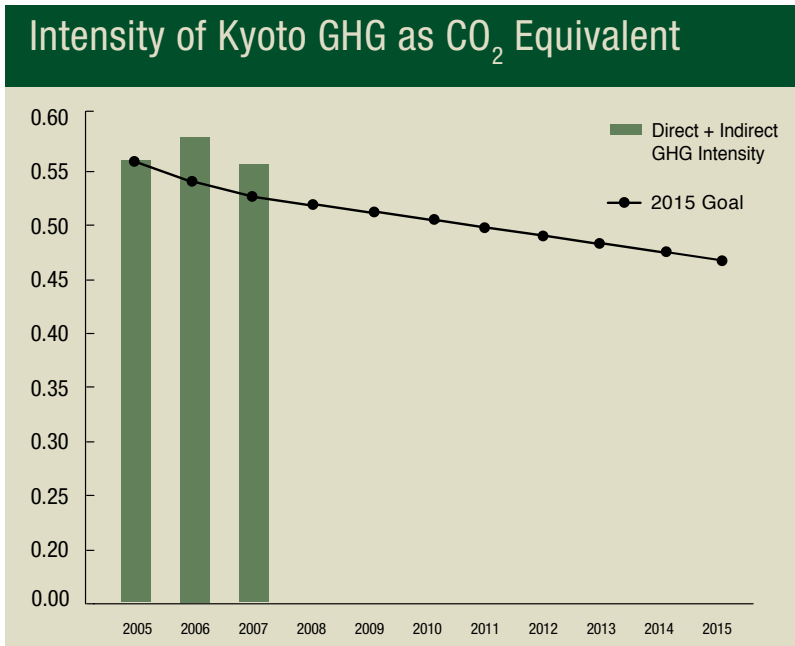
Solutions from Dow – AIRSTONE™ Systems for Wind Energy and STYROFOAM™ Vital Structural Blade Element – are helping wind-energy manufacturers deliver on technical challenges and meet the explosive global demand for wind energy. This participation in the wind energy industry is one example of how Dow and its customers are building solutions together that are sustainable – both environmentally and economically. [Read more about this on dow.com.](#)



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's Energy & Climate Change (E&CC) Business is involved in a number of activities designed to manage GHG reduction for the company. These activities include more than 30 alternative and renewable energy projects in various stages of development around the world. These projects range from biomass power and waste water treatment projects in Indonesia to developing an integrated, world-scale facility to manufacture polyethylene from ethanol derived from sugar cane in Brazil.

In addition, the E&CC Business is identifying and pursuing projects that reduce Dow's GHG footprint through the best technology options available. One identified technology is using byproduct CO₂ streams in enhanced oil recovery (EOR) efforts. Dow is in discussion with leading EOR operators, including companies on the U.S. Gulf Coast.

The E&CC Business continues its focus on energy efficiency efforts. Since 1995, Dow has saved more than 1,400 trillion BTUs of energy, which is equal to the electrical power needs of all California residential homes for more than a year. During this time, Dow's energy efficiency program has prevented more than 70 million metric tons of CO₂ from entering the atmosphere.

In April, Rich Wells, vice president of Energy, was a presenter at Oberlin College in Ohio. During his speech, Wells spoke on the topic of business opportunities in the areas of sustainability, climate change and alternative energy sources.

Dow began piping methane gas, a renewable energy resource, from a local landfill to its Dalton, Georgia, latex manufacturing plant. Using LOMAX™ Technology, Dow expects to use approximately 240 billion BTUs per year of landfill gas instead of natural gas, to generate steam for the production of latex carpet backing. Capturing and burning the methane will help mitigate global warming. The amount of natural gas saved is equivalent to the electricity used in approximately 2,100 U.S. homes annually, and the annual reduction in CO₂ emissions – more than 27 million pounds – equates to keeping 2,300 cars off the road each year. [Read more about this on dow.com](#)

The second quarter of 2008 Energy Intensity performance was 3,825 BTUs/lb, or 97.6 percent of the 2005 baseline. Said differently, compared to 2005, this quarter's Energy Intensity is an improvement of 2.4 percent. This second quarter level is higher than our first quarter performance. The value year to date of 3,815 BTUs/lb is the combined average of the first two quarters.

Our corporate target Energy Intensity for the full year of 2008 is 3,624 BTUs/lb or 92.5 percent of value in 2005. Our goal is to achieve a 25 percent Energy Intensity improvement by 2015 compared to the 2005 base.

