The Dow Chemical Company 2005 Global Reporting Initiative Report

For the third consecutive year The Dow Chemical Company (TDCC) has compiled a report in the format recognized by the Global Reporting Initiative (GRI). This year’s report is based on latest guidelines available (GRI 2002 Guidelines). 2006 also marks the second year that we have combined the Dow Annual Report and the Dow Public Report into a single Corporate Report – organized against the triple bottom line of economic prosperity, environmental stewardship, and corporate social responsibility. The 2005 GRI report is designed as a supplement to our Corporate Report for 2005, not as a stand-alone piece.

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

• TDCC 2005 Corporate Report to Stakeholders

• TDCC Code of Business Conduct (revised in 2003)
  http://www.dow.com/about/aboutdow/ethics.htm

• TDCC 2005 10-K and Stockholder Summary

• TDCC 2006 Annual Meeting Proxy Statement

Even though we have made significant progress towards reporting on many of the relevant GRI Indicators, there are some areas where we do not have data to report, or where we have not consolidated the information at the corporate level. These sections, which are clearly indicated in the report represent areas for improvement in future reports.

1.1 SD Vision and Strategy

The articulation of TDCC’s vision and strategy with respect to sustainability is no different than the overall vision and mission of the Company:
Vision: “To be the largest, most profitable, most respected chemical company in the world”

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

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

Our mission statement is comprised of three key components:

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

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

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

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

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

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

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

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

The second strategic theme, “Set the standard for sustainability,” has five distinct components:
Local Citizenship
   Strengthen relationships through collaboration and world-class EH&S performance

Product Stewardship and Innovation
   Achieve innovations and transparency in solving critical human challenges

Global Footprint
   Reduce footprint on the world

Ethics, Compliance and Governance
   Support and promote exemplary conduct and compliance

Corporate Reputation
   Earning the respect of our stakeholders

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

1.2 CEO / Management Letter

Dear Shareholders:
In a year of outstanding performance, it seems appropriate to start this letter by citing someone whose personal leadership throughout his career has had much to do with our Company’s leadership in the chemical industry. Bill Stavropoulos will retire from Dow in April, 39 years after his first job in pharmaceutical research. I have had the privilege of knowing Bill and learning from him for 13 years – no year more vivid than 2002, when Bill returned from retirement to lead our Company’s remarkable turnaround, which was the starting point for the record results you see in this report.

Rather than recount Bill’s many accomplishments on behalf of our Company, our industry and its stakeholders, I will simply note that his legacy is evident in one fundamental fact: Dow has never been stronger as a company than it is today. We have the strategy, the people and the resources to succeed now and in the future. And we largely have Bill to thank for that. We will miss his wisdom, his integrity, his sheer will to succeed and how it rubs off on all those around him. We know he will be supporting us in building an even greater company for you, our shareholders.

A record setting year
2005 was a year of record highs in both earnings and revenues for Dow, a notable achievement under the best of conditions. But against the backdrop of relentlessly escalating feedstock and energy costs and two major hurricanes that caused significant disruption to our Company’s manufacturing sites on the U.S. Gulf Coast, this was a truly remarkable achievement – and a tribute to the hard work of Dow people throughout the world.
Earnings were $4.62 a share versus $2.93 a share in 2004. Excluding unusual items from both years, 2005 earnings were $4.37 a share, a 61% increase from 2004’s $2.71 a share. Sales reached an all-time high of $46.3 billion, a 15% increase from the previous year. And in the face of a staggering $4 billion year-over-year increase in our feedstock and energy costs, we improved profit margins by $2.9 billion.

Meanwhile, we continued to strengthen our balance sheet, reducing total debt by $1.9 billion and bringing down our total debt-to-capital ratio by 9 percentage points to 39%.

You may recall that in last year’s letter, we introduced the four key themes, or drivers, that we are using to accelerate the implementation of our strategy. It is therefore appropriate to review our results in the context of those themes.

1 | Drive financial discipline and low cost-to-serve
Just three years ago, few would have imagined, much less have predicted, that the price of oil and natural gas – which our Company uses both to power our plants and as raw materials to make our products – would rise so dramatically.

In 2002, Dow’s hydrocarbon costs were $8 billion, or 29% of sales, while in 2005 they were nearly $20 billion, or 42% of sales – which begs the question: How did we do so well in the face of such adversity?

First, we skillfully managed the tradeoff between price and volume to maximize value. Striking the right balance is very difficult, and our commercial organization deserves a great deal of credit for understanding both the needs of our customers and the value that our products and services bring to them. Second, we benefited from our long-standing position in joint ventures, among them Dow Corning, which had a record year.

Discipline was also essential to our success. Structural costs for 2005 were held in tight check, and capital spending was kept to $1.6 billion, well below depreciation. Our SARD expenses (sales, administration and research and development) reached an all-time low of 5.7% of sales. We have also steadily improved productivity. Consider the fact that in 2000, our sales per employee were $559,000; in 2005, that number had risen to $1.1 million per employee.

Despite our restrained capital spending, we did not sacrifice the reliability of our plants or the safety of our employees and communities. In fact, our injury and illness rate – a key measure of safety – reached an all-time low.

2 | Set the standard for sustainability
2005 marked the target year of our 10- year program to dramatically improve our Company’s performance in the areas of environment, health and safety (EH&S). In 1996, we set a number of ambitious goals, ranging from reductions in leaks, breaks and spills, to more efficient use of energy, to fewer instances of injuries and illness. At the time we set those goals – many demanding 90% improvements – we were unsure if they could be
met. But thanks mainly to a mindset of safety and productivity among every one of our employees, we made enormous progress toward meeting them.

In 2006, we will announce another set of 10-year goals that will be much broader, including not only EH&S, but standards of governance, ethics and community involvement that we believe will set the standard of sustainability in our industry. This part of our strategy has much to do with maintaining our Company’s good name; for example, as vigilant stewards of our products and our plants ... as being the best place to work ... and being the best neighbor in our communities throughout the globe.

We think our Company’s response to the natural disasters of 2005, including the tsunami that struck the Asia Pacific region, the earthquake in South Asia, and the devastating hurricanes in the Gulf of Mexico, showed that Dow cares deeply about its communities. In each case, Dow people demonstrated a spirit of generosity and endurance that can only be described as extraordinary. In all, Dow employees and retirees donated more than $2.5 million in cash to the relief efforts, while our Company pledged $8.5 million in matching cash grants and in kind products and services.

In addition, during hurricane Rita, our Company shut down nearly all of our sites in Texas and then safely restarted them – all in the face of a mass evacuation that in many cases meant the families of Dow employees moved out of harm’s way while our employees stayed behind to secure the safety of their plants and communities. In Louisiana during hurricane Katrina, employees who had lost their homes still came to work, and the rest of the Dow world swung into action to help them with housing and other emergency services.

I have no doubt that many Dow people consider our response to these disasters as our single greatest achievement during the year.

3 | Build a people-centric performance culture
Because we are convinced that the quality of our Company’s workforce is our single most important source of competitive advantage, we stepped up our efforts to recruit and retain the most talented and dedicated people – so that our future workforce is as good as, or even better than, the current one (which is saying a lot). Toward that end, we developed a new performance management system that objectively assesses people’s performance and rewards them accordingly.

We convened the inaugural class of the H.H. Dow Academy to provide advanced education for our Company’s future leaders, including the opportunity to work on some of our most pressing challenges. And we accelerated our efforts to develop a more diverse workforce, including the recruitment and training of more women, more minorities and more in-country employees in leadership positions, particularly in the world’s emerging economies.
4 | Invest for strategic growth
We took a number of important steps during the year to position our Company for growth, most notably in China, India, Russia and Brazil. To better manage our resources and to leverage shared services, we re-aligned our plastics and chemicals businesses into two portfolios: Basics (which are cyclical, but generate a substantial amount of cash at peaks of the industry cycle) and Performance (which are less cyclical and generate more consistent earnings).

We announced our plans to open a new research and development center as well as an information technology center in China, which are part of our drive to capture the best minds and the most innovative science from around the globe. In order to improve the overall productivity of R&D, we intensified efforts to identify the most promising projects in both product and process development, and worked to develop more meaningful metrics to chart our progress.

In China, the country we see as our most immediate growth venue, we posted sales of $2.3 billion in 2005, with significant additional sales from our joint ventures. We also announced an agreement to explore the development of a plant in China that would use coal gasification to manufacture chemicals and plastics. Coal is an abundant resource in China, and the plant’s proposed location in the interior of that country is a high priority in the Chinese government’s program to accelerate economic development throughout the country.

Meanwhile, in India, we expanded our local presence in downstream businesses, continuing the successful licensing of UNIPOL™ polypropylene technology. In Russia, we accelerated our entry strategy by starting construction of a new STYROFOAM™ extruded polystyrene plant and signed an agreement with a Gazprom company for the supply of low-density polyethylene. The Russian energy firm, LUKOIL-Neftekhim, also signed a licensing agreement for UNIPOL™ polypropylene.

In our ongoing effort to remain the low-cost producer in our industry and fuel growth in emerging economies, we continued to explore partnerships in regions with access to advantaged feedstocks, particularly the Middle East. We have new projects underway with our partners in Kuwait as well as an agreement in Oman, and further partnerships are being explored. Securing advantaged feedstocks is becoming increasingly critical to our Company’s long term competitiveness, as the price of oil and natural gas shows no sign of declining.

Value growth based on clear strengths
In a rapidly consolidating and globalizing industry, we believe there are few companies with Dow’s array of strengths, including our geographic reach, business and product mix, range of customers and markets, and global manufacturing capability.

Although we continue to improve our earnings, we are aware that in order to increase the value of our Company’s stock, we need to do two things better: grow earnings across the industry cycle and generate more consistent earnings from year to year. That means
managing the cycle by staying fit as a company, then dampening – and finally breaking –
the cycle by gaining lasting sources of competitive advantage and an ever-increasing tilt
toward our Performance business portfolio.

We believe our strategy to strengthen our franchise Basics businesses while preferentially
growing our Performance businesses will get us there. So we will continue to concentrate
on building low cost, world-scale assets with partners who will not only share the
investment, but also offer local expertise as well as access to advantaged feedstocks. In
doing so, we will maintain the benefits of site and product integration and leveraged
services.

At the same time, we will grow our Performance businesses both organically and through
bolt-on acquisitions. In pursuing this part of our strategy, we will use different business
models, including more businesses that focus on specific end-use markets such as
automotive, building and construction, and personal care.

A new vision and the people to realize it
Finally, during the year, we developed a new vision for our Company: To be the largest,
most profitable and most respected chemical company in the world.

We understand that this is an ambitious vision, especially given the many challenges we
face: continuously high feedstock and energy costs, more demanding customers and
tougher global competitors, to name a few.

But we also understand that we have a workforce that is second to none. The people of
Dow have been put to the test over the past few years, and every time they have risen to
the occasion. They have reached the tough goals of our turnaround plan in 2003 and the
equally tough challenges of 2004 and 2005 that have brought us to this record-setting
year.

The continuing excellence of our employees’ performance convinces us that, given a
task, no matter how difficult, Dow people will always come through. And it is that spirit
of accepting and meeting challenges that gives us confidence that we will continue to
move to ever higher levels of performance, generating value for all of our stakeholders:
investors, customers, employees and the communities where we work and live.

On behalf of our leadership team and all Dow employees, I thank you for your continuing
support of our efforts.

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

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

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

2.0 Profile

2.1 Name of reporting organization  
The Dow Chemical Company

2.2 Major products, services, brands

Dow is a diversified chemical company that harnesses the power of science and technology to improve living daily. The Company offers a broad range of innovative products and services to customers in more than 175 countries, helping them to provide everything from fresh water, food and pharmaceuticals to paints, packaging and personal care products. Built on a commitment to its principles of sustainability, Dow has annual sales of $46 billion and employs 42,000 people worldwide. The Company has 156 manufacturing sites in 37 countries and supplies more than 3,200 products grouped within the operating segments listed on the following pages.

Performance Plastics  
Global businesses include:

• Building and Construction  
• Dow Automotive  
• Engineering Plastics  
• Epoxy Products and Intermediates  
• Polyurethanes and Thermoset Systems  
• Technology Licensing and Catalyst  
• Wire and Cable Compounds

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

**Performance Chemicals**
Global businesses include:

- Acrylics and Oxide Derivatives
- Dow Latex
- Specialty Chemicals
- Specialty Polymers

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

**Agricultural Sciences**
Dow AgroSciences develops, manufactures and markets products that improve crop
production; manage weeds, insects and plant diseases; and protect property from pest
damage. It is also discovering revolutionary solutions in the plant genetics and bio-
technology arena, including agricultural seeds, traits, healthy oils and animal health.

**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.

**Chemicals**

- Core Chemicals
- Ethylene Oxide / Ethylene Glycol

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

**Hydrocarbons and Energy**

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

2.3 Operational Structure

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

Dow has received the highest rating possible for corporate governance for the fourth consecutive time by Governance Metrics International (GMI), an independent corporate governance research and ratings agency. GMI’s rating system incorporates numerous performance attributes across six broad categories of analysis: board accountability, financial disclosure and internal controls, executive compensation, shareholder rights, ownership base and take over positions, plus corporate behavior and social responsibility.

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

**Board Committees**

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

2.4 Description of major divisions, operating companies, subsidiaries, and joint ventures
Principal Partly Owned Companies

Dow’s principal non-consolidated affiliates at December 31, 2005, including direct or indirect ownership interest for each, are listed below:

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

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

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

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


The OPTIMAL Group [consisting of OPTIMAL Olefins (Malaysia) Sdn Bhd – 23.75 percent; OPTIMAL Glycols (Malaysia) Sdn Bhd – 50 percent; OPTIMAL Chemicals (Malaysia) Sdn Bhd – 50 percent] – Malaysian companies operating an ethane/propane cracker, an ethylene glycol facility and a production facility for ethylene and propylene derivatives within a world-scale, integrated chemical complex located in Kerteh, Terengganu, Malaysia.

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

2.5 Countries of operation

The Company operates 156 manufacturing sites in 37 countries. Properties of Dow include facilities which, in the opinion of management, are suitable and adequate for the manufacture and distribution of Dow’s products. During 2005, the Company’s chemicals and plastics production facilities and plants operated at approximately 84 percent of capacity. 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.

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: 46 manufacturing locations in 16 states.
- Canada: 6 manufacturing locations in 3 provinces.
- Europe: 54 manufacturing locations in 19 countries.
- Latin America: 25 manufacturing locations in 5 countries.
- Asia Pacific: 25 manufacturing locations in 11 countries.

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

2.6 Nature of ownership

TDCC is a publicly traded company.

At the close of business on the record date, March 13, 2006, there were 962,992,006 shares of Dow common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote. There are no shares of preferred stock outstanding.

2.7 Nature of markets served

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

2.8 Scale of reporting organization (year-end 2005 data)

Number of employees – 42,410
Products/ Services offered – Over 3200 products and over 120 billion pounds
Net Sales – $46,307 Million

Total Capitalization in 2005

| Total Assets     | $45,934 Million |
| Total Debt       | $10,706 Million |
| Stockholders’ Equity | $15,324 Million |

2.9 List of stakeholders

At Dow, we consider the following as our major stakeholders:
- Customers
- Shareholders
- Employees
- Communities where we operate
- Key Influentials (including NGO’s, media, government)

2.10 Contact person for the report

Scott D. Noesen
Director of Sustainable Development

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

2.11 Reporting Period

Based on 2005 Corporate Data

2.12 Date of most recent previous report

This is the third GRI “in accordance with” report for TDCC. The previous report can be found at:

2.13 Boundaries of the report

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

2.14 Significant changes in size and structure

2005 was a year of tremendous achievement for Dow, as the Company set new records for sales and earnings despite an environment of persistently rising feedstock and energy costs, and the impact of two major hurricanes which caused significant disruption in Dow’s operations on the U.S. Gulf Coast and logistics across the region. Continued global economic growth and favorable industry supply/demand balances provided support for margin expansion (i.e., the increase in the spread between selling prices and feedstock and energy costs). The benefits of solid industry fundamentals were supplemented by the Company’s actions to improve its earnings and financial strength by continuing its focus on financial discipline and low cost to serve while investing for strategic growth.

As a result of these actions, sales increased 15 percent to $46 billion, establishing a new sales record for the Company. Prices rose 17 percent, with substantial increases in all operating segments and all geographic areas. Volume declined 2 percent from last year’s strong levels, in part because customers reduced inventories that were built during 2004, but also due to the disruption caused by two major hurricanes which temporarily reduced demand in the United States. Also contributing to the decline in volume were divestitures completed by the Company in 2004, principally those related to the formation of two joint ventures. Feedstock and energy costs remained high and volatile, increasing $4.0 billion, or 26 percent, from 2004. Despite this increase in costs, the improvement in Dow’s product prices resulted in an expansion in margin of $2.9 billion, restoring a portion of previously lost margin.

The Company continued its focus on controlling expenses. Sales, general and administrative expenses and Research and development expenses fell to 5.7 percent of sales, the lowest percentage in the Company’s history. Despite the significant increase in the Company’s sales, total structural costs (such as labor, materials and supplies, purchased services and travel costs) increased only slightly from 2004, after adjusting for the impact of currency. The Company reduced its workforce by 790 people, almost 2 percent, despite the addition of employees related to investments in new businesses and emerging geographies. Over the past three years, the Company has reduced its workforce by over 15 percent.

Capital expenditures were held below $1.6 billion, $307 million below depreciation, without sacrificing the efficiency, safety and environmental performance of Dow’s manufacturing facilities. In addition, the Company’s key environmental and safety measures continued to improve in 2005.
While the substantial increase in sales resulted in a $1.4 billion increase in working capital, the Company maintained tight control of working capital ratios, reducing days-sales-outstanding-in-receivables from 40 days to 39 days, the lowest level in the Company’s history. Days-sales-in-inventory was 59 days, slightly higher than the 57 days reached at the end of 2004, but below historical averages.

During 2005, the Company took a number of steps to maximize the value of its business and asset portfolio. In January 2005, Dow announced it had exercised its option to acquire certain assets (ethylene and chlorinated elastomers, including ENGAGE™, NORDEL™ and TYRIN™ elastomers) from DuPont Dow Elastomers L.L.C. (“DDE”), Dow’s 50:50 joint venture with E.I. DuPont de Nemours and Company. The transaction, which closed on June 30, 2005, included the redemption of the Company’s equity interest in DDE.

In November 2004, Union Carbide sold an interest in EQUATE Petrochemical Company K.S.C. (“EQUATE”) to National Bank of Kuwait. In March 2005, these shares were sold to private Kuwaiti investors thereby completing the restricted transfer, which resulted in a pretax gain of $70 million in the first quarter of 2005 and reduced Union Carbide’s ownership interest from 45 percent to 42.5 percent.

In November 2005, Union Carbide sold its indirect interest in UOP LLC (“UOP”), a 50:50 joint venture with Honeywell International, Inc., recording a pretax gain of $637 million in the fourth quarter of 2005 (reflected in “Sundry income – net”). UOP is a supplier and licensor of process technology, catalysts, process plants and consulting services to the petroleum refining, petrochemical and gas processing industries. It was determined that UOP was not a strategic fit and therefore Union Carbide sold UOP to maximize the value of the business.

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During the year, the Company shut down a number of small, non-competitive facilities. In most instances, production was or will be shifted to more efficient facilities; in a few cases, the Company decided to exit a business because of inadequate financial returns.

With the significant improvements in the Company’s earnings and financial position over the past two years, in July 2005 Dow’s Board of Directors authorized the repurchase of up to 25 million of the Company’s outstanding common shares over a period ending on December 31, 2007. The Company believes that a share repurchase program is a wise use of Dow’s cash and supportive of its objective to maximize long-term shareholder value. In addition, during 2005, the Company contributed over $1 billion to its pension plans and, in the fourth quarter, made a cash donation of $100 million to The Dow Chemical Company Foundation to fund future contributions for education and community development in the communities in which Dow operates.
2.15 Basis for economic reporting on joint ventures

Investments in non-consolidated affiliates (20-50% owned companies, joint ventures, and partnerships) are accounted for on the equity basis. Additional details can be found in Note G to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005.

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

2.16 Explanation of nature and effect of any restatements of information provided in earlier reports
None identified

2.17 Decision not to apply GRI principles or protocols in the preparation of the report
None

2.18 Definitions
None at this time

2.19 Significant changes in measurement methods
None

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

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

Where possible, we have incorporated their comments and suggestions. In cases where this was not possible, the comments and the reasoning behind them were documented for use in planning the next edition of our public report.
2.21 Policies and current practice with regard to providing independent assurance for the full report

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

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

2.22 Access to additional information

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

3.0 Governance Structure and Management System

3.1 Governance Structure

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

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

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

In 2003, Dow announced the formation of the Office of the Chief Executive (OCE), an executive leadership team. The OCE is responsible for managing the corporation as a whole, including governance and enterprise-wide issues, and for assuring that Dow delivers on its strategic priorities.
**Board of Directors**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arnold A. Allemang</td>
<td>Senior Advisor; Member of the Board of Directors</td>
</tr>
<tr>
<td>James M. Ringler</td>
<td>Retired Vice Chairman, Illinois Tool Works, Inc.; Member of the Board of Directors</td>
</tr>
<tr>
<td>Jacqueline K. Barton</td>
<td>Arthur and Marian Hanisch Memorial Professor of Chemistry, California Institute of Technology; Member of the Board of Directors</td>
</tr>
<tr>
<td>Geoffrey E. Merszei</td>
<td>Executive Vice President and Chief Financial Officer; Member of the Board of Directors</td>
</tr>
<tr>
<td>James A. Bell</td>
<td>Executive Vice President, Finance, Chief Financial Officer, The Boeing Company; Member of the Board of Directors</td>
</tr>
<tr>
<td>J. Pedro Reinhard</td>
<td>Member of the Board of Directors</td>
</tr>
<tr>
<td>Jeff M. Fettig</td>
<td>Chairman and Chief Executive Officer, Whirlpool Corporation; Member of the Board of Directors</td>
</tr>
<tr>
<td>Ruth G. Shaw</td>
<td>President and Chief Executive Officer, Duke Power Company; Member of the Board of Directors</td>
</tr>
<tr>
<td>Barbara Hackman Franklin</td>
<td>President and Chief Executive Officer, Barbara Franklin Enterprises and Former U.S. Secretary of Commerce; Member of the Board of Directors</td>
</tr>
<tr>
<td>Paul G. Stern</td>
<td>Chairman, Claris Capital; Member of the Board of Directors</td>
</tr>
<tr>
<td>Andrew N. Liveris</td>
<td>President, Chief Executive Officer &amp; Chairman; Member of the Board of Directors</td>
</tr>
<tr>
<td>Corporate Officers</td>
<td></td>
</tr>
<tr>
<td>Andrew N. Liveris</td>
<td>President, Chief Executive Officer &amp; Chairman; Member of the Board of Directors</td>
</tr>
<tr>
<td>Romeo Kreinberg</td>
<td>Executive Vice President, Performance Plastics and Chemicals Portfolio</td>
</tr>
<tr>
<td>Geoffery E. Merszei</td>
<td>Executive Vice President and Chief Financial Officer; Member of the Board of Directors</td>
</tr>
<tr>
<td>William H. Weideman</td>
<td>Corporate Controller</td>
</tr>
</tbody>
</table>
William F. Banholzer  
Corporate Vice President and Chief Technology Officer

Fernando Ruiz  
Corporate Vice President and Treasurer

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

Gary R. Veurink  
Corporate Vice President, Manufacturing and Engineering

Phillip H. Cook  
Corporate Vice President, Strategic Development and New Ventures

Douglas J. Anderson  
Corporate Auditor

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

Charles J. Hahn  
Assistant Secretary

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

W. Michael McGuire  
Assistant Secretary

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

Thomas E. Moran  
Assistant Secretary

Office of the Chief Executive

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

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

William F. Banholzer  
Corporate Vice President and Chief Technology Officer

Romeo Kreinberg  
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Executive Vice President, Basic Plastics and Chemicals Portfolio

Gary R. Veurink  
Corporate Vice President, Manufacturing and Engineering

Charles J. Kalil  
Corporate Vice President, General Counsel and Corporate Secretary
For the fourth consecutive time, Dow has received the highest rating possible for corporate governance by GovernanceMetrics International (GMI), an independent corporate governance research and ratings agency. Dow was awarded a perfect score of 10 in the most recent assessment, after achieving the same result in September 2005, March 2005 and September 2004. Dow was one of more than 3,400 companies reviewed for this honor.

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

3.2 Percentage of the Board of Directors that are independent

The Board has assessed the independence of each non-employee Director based upon the Company's Director independence standards described in the Company's Corporate Governance Guidelines (available at www.DowGovernance.com). These standards incorporate the criteria in the listing standards of the New York Stock Exchange, as currently in effect, as well as additional, more stringent criteria established by the Board. They are set forth in Appendix A to the Proxy Statement for The Dow Chemical Company. Based upon these standards, the Board has determined that the following seven members of the Board are independent: Directors Barton, Bell, Fettig, Franklin, Ringler, Shaw and Stern. These independent Directors constitute approximately 64% of the full board, a substantial majority of the Board, consistent with Board policy.

3.3 Process for determining expertise board members need

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

Under the Company's Bylaws, stockholders wishing to formally nominate a person for election as a Director at the next Annual Meeting must notify the Corporate Secretary between November 28, 2006, and January 27, 2007. Such notices must comply with the provisions set forth in the Bylaws. A copy of the Bylaws may be found on the Company's website at www.DowGovernance.com. Alternatively, a copy of the Bylaws will be provided without charge to any stockholder who requests it in writing. Such requests should be addressed to the Corporate Secretary.

There are certain minimum qualifications for Board membership that Director candidates should possess, including strong values and discipline; high ethical standards; a commitment to full participation on the Board and its committees; relevant career experience; and a commitment to ethnic, racial and gender diversity. The Committee has adopted guidelines to be used in evaluating candidates for Board membership. In addition to the characteristics mentioned above, the guidelines provide that candidates should possess individual skills, experience and demonstrated abilities that help meet the current needs of the Board, such as experience or expertise in some of the following areas: the
chemical industry; global business; science and technology; finance and/or economics; competitive positioning; corporate governance; public affairs; and experience as Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of a major company. Other factors that are considered include independence of thought, willingness to comply with Director stock ownership guidelines, meeting applicable Director independence standards (where independence is desired) and absence of conflicts of interest. The Committee may modify the minimum qualifications and evaluation guidelines from time to time as it deems appropriate. Such modification would be described in the next Committee Report.

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

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

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

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

Environment, Health and Safety Committee

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

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

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

The Compensation Committee of the Board of Directors (the "Committee") is comprised entirely of independent Directors, none of whom are current or former employees or officers of the Company. All meet the independence standards of the New York Stock Exchange, the U.S. Securities and Exchange Commission, the U.S. Internal Revenue Service and the Company, as set forth in Appendix A to the Company’s Proxy Statement. The Committee operates pursuant to the Compensation Committee Charter, adopted by the Committee, which is available on Dow's corporate governance website at www.DowGovernance.com.

The Committee is responsible for reviewing and approving all aspects of compensation (base salaries, annual performance awards, long-term incentives, benefits, and perquisites) for the Chief Executive Officer ("CEO") and other Senior Executives of the Company, consistent with the business objectives of the Company, the results achieved by the executive and competitive salary practices. Senior Executives comprise the highest levels of management in the Company and currently number 16 employees.

Compensation Philosophy

The Committee approves all policies and programs under which compensation is paid or awarded to Dow's Senior Executives. The Committee's policy is to structure Senior Executive compensation so that it is:

- Appropriately competitive in the attraction and retention of qualified leaders.
- Closely linked to individual performance, Company performance, and increases in Dow stockholder value.
- Determined and disclosed in compliance with applicable rules and regulations.

Further information on the executive compensation policies of TDCC can be found in the 2006 Proxy at: http://www.dow.com/financial/2006prox/financial/report.htm

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

The committee responsible for this activity is the Audit Committee of the Board, which monitors the integrity of the financial statements of the Company and the qualifications, independence and performance of the independent auditors. Additionally, this committee has oversight responsibility for the performance of the Company's internal audit function and compliance with legal and regulatory requirements.
The highest level of management below the board of directors directly responsible for setting and implementing environmental policies is the EH&S Management Board. In addition, social policies and issues management responsibility resides with the Public Issues Strategy Board of the company. Ultimately, the Office of the Chief Executive has overall management responsibility for all policies of TDCC.

3.7 Mission and Values Statement, Codes of Business Conduct

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

The Mission Statement can be broken into three components:

- **Constantly Improve** – This concept is bedrock to Dow’s culture and has been since H.H. Dow first said, "If you can’t do it better, why do it?” It underscores our drive to become an ever better and bigger company.

- **Essential to Human Progress** – The products we make find their way into products that provide people the world over with improved lifestyles. All of us at Dow must understand and take pride in this. We must also use this concept to further connect Dow with the external markets we serve. When we think in terms of the markets we serve, we become more outside-in focused and we can better seek growth opportunities.

- **Mastering Science and Technology** – We must put our science and technology to work to create solutions for our customers and for society.

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

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

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

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

The Code of Business Conduct was revisited in 2003, and can be found at: [http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm](http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm)
In 2003, online training for the Code of Business Conduct was developed and became a mandatory component of training for all employees of the Company. In 2005, over 98 percent of all employees had taken the Code of Business Conduct online training. In 2005, over 99 percent of all employees had taken the training.

**Guiding Principles of Sustainability**

Fundamental to our success are the values we believe in and practice. Our Vision is to be the largest, most profitable, and most respected chemical company in the world. We will make continuous progress toward our Vision by adhering to the following set of Guiding Principles of Sustainability:

- **Measurement and Transparency**
  We will report our progress and challenges in an open and transparent manner.

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

- **Local versus Dow Standards**
  Our products, operations and practices will meet applicable government, or Dow standards, whichever are more stringent.

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

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

- **Eco-System and Cultural Integrity**
  We will understand and respect the limits of eco-systems and protect areas of recognized ecological and cultural significance.
• **Employee and Public Outreach**

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

• **Quality of Life**

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

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

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

3.9 Basis for identification and selection of major stakeholders

Our stakeholders are identified through Community Advisory Panels (CAP’s), our understanding of key customers and suppliers on a business-by-business basis and customer loyalty surveys, employee communications panels (eCAP’s), and through the help of our Corporate Environmental Advisory Council (CEAC).

We also develop major stakeholder lists through our internal issues management process on an issue by issue basis.

3.10 Approaches to stakeholder consultation

3.11 Type of information generated by stakeholder consultations

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

**Corporate Success Factors:**
The CEAC provides insights relating to overall corporate strategy, e.g. corporate energy policies and next generation goals. The Council often helps Dow by seeing a strategic issue in a broader (or even totally different) context or over a longer time horizon. Sometimes the Council identifies stakeholder concerns, attitudes or perceptions that Dow needs to know about, but doesn’t.

**Business/Portfolio Success Factors:**
Business specific issues have been part of the CEAC agenda from the early days of discussion on plastics, the environment and chlorine to more complex discussions around growth options, biotechnology and alternative feedstocks. The CEAC is a great opportunity for direct contact in a “safe” setting between Dow’s business leaders and independent external thought leaders reflecting a broad range of stakeholder interests. The agenda topics brought to the Council today reflect a high degree of insight on the Council’s part into the business leaders’ goals, options and concerns. Allowing them to provide Dow council on questions such as: What is our (CEAC’s) greatest concern? What do we or should we fear? What do not know? Council members provide informed feedback and identify business related issues, threats and opportunities.

**Public affairs and stakeholder engagement:**
From its early days, the CEAC has played a valuable role as a sounding board on the interface between Dow and the external world. Council members’ familiarity and links with various external groups have given Dow helpful direction in stakeholder dialogue. Over time the Council has moved from providing feedback on policy to helping develop and define policy.

**Externalities and wildcards:**
From time to time the CEAC identifies issues that Dow may not be aware of or is not paying sufficient attention to. Some of the most notable issues in this category include the UN Millennium Development Goals, the increasing importance of freshwater as a limited resource, and implications of growing in emerging economies like China.

3.12 Use of information generated

In 2005, our Corporate Environmental Advisory Council provided critical input into the development of our Next Generation Goals for 2015. While not an “approving” body, their counsel was key in helping forward the development of these goals, which will be launched in 2006.

On a business issue basis, CEAC advice is provided to senior leadership as input into the management of key issues facing the business.
3.13 Explanation of the Precautionary Principle

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

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

3.14 Externally developed principles

The Dow Chemical Company is an active participant in the American Chemistry Council’s Responsible Care® initiative. While initially developed in Canada, Dow applies these principles globally.

Guiding Principles of Responsible Care®.

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

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

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

*The Dow Chemical Company has adopted the following principles to guide its decision-making in applying biological knowledge and techniques to develop products and services for the benefit of our customers, shareholders, and society. We will pursue biotechnology in alignment with Responsible Care® and Dow's Values, Code of Business Conduct and Sustainable Development Principles. We recognize that the unique scientific, philosophical and ethical implications of biotechnology must be considered.*

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

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3.15 Principle memberships

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

• American Chemistry Council (ACC)
• European Chemical Industry Council (CEFIC)
• Plastics Europe – formerly Association of Plastics Manufacturers of Europe (APME)
• Chlorine Chemistry Council (CCC)
• World Chlorine Council (WCC)
• World Business Council for Sustainable Development (WBCSD)
• US Business Council for Sustainable Development (USBCSD)
• World Environment Center (WEC)
• Global Environmental Management Initiative (GEMI)
• International Council on Chemical Associations (ICCA)
• The Business Roundtable (BRT)
• China Business Council for Sustainable Development (CBCSD)
• US Business Council for Sustainable Development (USBCSD)
• Alliance to Save Energy
• American Council for an Energy Efficient Economy
• World Resources Institute Green Power Market Development Group
• Alliance with US OSHA to share health and safety expertise
• Participant in OSHA VPP program (8 sites verified as VPP sites and Corporate Pilot)
• EPA Performance Track (West Virginia operations)
• Alliance with China SEPA to share pollution prevention practices with SME’s
• Alliance with China SAWS to share worker safety practice with SME’s

3.16 Policies or systems for managing upstream and downstream performance

Dow's EH&S Policy:

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

– Revised April 1993

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

In addition, our **Code of Business Conduct** has a number of policies outlining our values and standards. We expect our suppliers and contractors to embrace similar values and standards. The full Code of Business Conduct is located online at:  
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

### 3.17 Managing indirect impacts

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

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

The impacts relative to our communities are assessed and measured through our Community Advisory Panels, and our Community Survey work.  
(See: [http://www.dow.com/commitments/responsibility/favor.htm](http://www.dow.com/commitments/responsibility/favor.htm))

The impacts relative to our employees are assessed and measured through our Global Employee Opinion Annual Survey.  
(See: [http://www.dow.com/commitments/responsibility/empower.htm](http://www.dow.com/commitments/responsibility/empower.htm))

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

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

See section 2.14
3.19 Programs and procedures pertaining to economic, environmental and social performance

Since 1996, Dow has been guided by its overall EH&S 2005 goals located at:

http://www.dow.com/commitments/stewardship/goals.htm

In 1996, we publicly announced aggressive, voluntary, global EH&S Goals for the Year 2005. While we continue to make progress as compared against our baseline year, several of our goals will require additional attention and action. The data indicates that our performance is improving overall. We update our performance records annually or quarterly, depending on the goal.

Responsibility and Accountability
Global Progress on Responsible Care® Codes of Management Practice

Prevent EH&S Incidents
Injury and Illness Rate
Fatalities
Loss of Primary Containment (Leaks, Breaks, and Spills)
Transportation Incidents
Process Safety Incidents
Motor Vehicle Incident Rate
Repeat Incidents at Customer Facilities

Increase Resource Productivity
Chemical Emissions
Emissions of Priority Compounds
Dioxin Emissions to Air and Water
Global Production
Waste
Waste Water
Energy Use

Dow recently announced a new set of Attainability 2015 goals for introduction in 2006 that encompass the full range of global footprint, product stewardship and innovation, and local citizenship. The website for tracking these new goals can be found at:

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

Collaborate, Innovate, Elevate

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

We will **collaborate** with people in our communities and others to help create stronger, safer communities. Our goals:

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

We will **innovate** to improve confidence that our products are managed safely throughout their lifecycle and develop products that will make a lasting, positive improvement on the world. Our goals:

Product Safety Commitment
Sustainable Chemistry
Products Designed to Solve World Challenges

We will **elevate** our understanding of our impact on global ecosystems and work towards the efficient and effective use of our precious resources. Our goals:

Energy Efficiency and Conservation
Addressing Climate Change

### 3.20 Status of certification programs

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

"In October 2002, Lloyd’s Register Quality Assurance, Inc. (LRQA) carried out a review of Dow’s Operating Discipline Management System (ODMS) documentation. The review compared the Environmental Management System components of the ODMS (based on Responsible Care) against the requirements of ISO 14001:1996. The ODMS documents reviewed consisted of the relevant sections of the Company’s Level 1 (Requirements) and Level 2 (Processes) of the ODMS. It was concluded from the review that the ODMS manuals addressed or exceeded all the ISO 14001 requirements and provided the necessary direction for ISO 14001 conformance at the operational level."

Martin Brown
LRQA
Global Account Manager
March 19, 2003

### 4.0 GRI content index

Available at the end of this report in Appendix A
5.0 Performance Indicators

Economic Performance Indicators

EC1 Net sales

Net Sales (in US Millions)
1999 – $26,131
2000 – $29,798
2001 – $28,075
2002 – $27,609
2003 – $32,632
2004 – $40,161
2005 - $46,307

EC2 Geographic breakdown of markets

Approximately 43 percent of the Company's sales are in North America; 36 percent are in Europe; 11 percent in Asia Pacific and 10 percent in Latin America.

EC3 Cost of all goods, materials, services

Cost of sales (in US Millions)
1999 – $20,422
2000 – $24,310
2001 – $23,892
2002 – $23,780
2003 – $28,177
2004 – $34,244
2005 - $38,276

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

This information is not collected or consolidated for the Company at this time and data systems to collect it are not available. At the moment there are no plans to develop these either.
EC5 Total payroll and benefits broken down by country or region

2005 payroll data by region (in US Millions):
North America – $2,778
Europe – $1,115
Pacific – $182
Latin America – $143
Total – $4,218

EC6 Distribution to providers of capital

<table>
<thead>
<tr>
<th>Total Debt at December 31</th>
<th>2005</th>
<th>2004</th>
</tr>
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<tbody>
<tr>
<td>In millions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>$241</td>
<td>$104</td>
</tr>
<tr>
<td>Long-term debt due within one year</td>
<td>1,279</td>
<td>861</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>9,186</td>
<td>11,629</td>
</tr>
<tr>
<td>Gross debt</td>
<td>$10,706</td>
<td>$12,594</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,806</td>
<td>$3,108</td>
</tr>
<tr>
<td>Marketable securities and interest-bearing deposits</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>Net debt</td>
<td>$6,868</td>
<td>$9,402</td>
</tr>
<tr>
<td>Gross debt as a percent of total capitalization</td>
<td>39.1%</td>
<td>47.9%</td>
</tr>
<tr>
<td>Net debt as a percent of capitalization</td>
<td>29.2%</td>
<td>40.7%</td>
</tr>
</tbody>
</table>

Additional information regarding capital distributions can be found in the Company’s Annual Report on Form 10-K filing for the year ended December 31, 2004, Note L:


EC7 Increase/decrease in retained earnings

Retained Earnings

| Balance at beginning of year | 11,527 | 9,994 | 9,520 |
| Net income                  | 4,515  | 2,797 | 1,730 |
| Common stock dividends declared | (1,292) | (1,264) | (1,233) |
| Other                       | (21)   | -    | (23)  |
| Balance at end of year      | 14,719 | 11,527 | 9,520 |

EC8 Total sum of all taxes paid

TAXES PAID BY GEOGRAPHIC AREA
(dollars in millions)

<table>
<thead>
<tr>
<th>Area</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>$800</td>
<td>$858</td>
</tr>
<tr>
<td>Europe</td>
<td>$194</td>
<td>$533</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>$82</td>
<td>$127</td>
</tr>
<tr>
<td>Latin America</td>
<td>$93</td>
<td>$81</td>
</tr>
</tbody>
</table>

34
EC9 Subsidies received

This information is not consolidated for TDCC at this time. Next year we will look at what would be required to collect this information.

EC10 Donations

CHARITABLE CONTRIBUTIONS BY GEOGRAPHIC AREA*  
(dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>$13.9</td>
<td>$14.0</td>
</tr>
<tr>
<td>Europe</td>
<td>$ 2.1</td>
<td>$ 2.3</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>$ 0.7</td>
<td>$ 0.9</td>
</tr>
<tr>
<td>Latin America</td>
<td>$ 0.4</td>
<td>$ 0.3</td>
</tr>
</tbody>
</table>

* Does not include various donations totaling $5.7 million (out of a total $8.6 million pledged) to support disaster relief efforts during 2006.
Does not include $100 million donated to the Dow Chemical Company Foundation in the fourth quarter 2005.

Environmental Performance Indicators

EN1 Total materials use
The Company operates in an integrated manufacturing environment. Basic raw materials are processed through many stages to produce a number of products that are sold as finished goods at various points in those processes.

The two major raw material streams that feed the integrated production of the Company's finished goods are chlorine-based and hydrocarbon-based raw materials. Salt, limestone and natural brine are the base raw materials used in the production of chlor-alkali products and derivatives. The Company owns salt deposits in Louisiana, Michigan and Texas, USA; Alberta, Canada; Brazil; and Germany. The Company also owns natural brine deposits in Michigan and limestone deposits in Texas.

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

Other significant raw materials include acrylic acid, acrylonitrile, aniline, bisphenol, cellulose, octene, toluene diamine, and methanol. The Company purchases these raw materials on both short- and long-term contracts.
EN2 Percentage of materials used that are waste from other organizations
This information is not collected and consolidated by the Company at this time – but the actual number is likely to be quite small, so we do not intend to develop the system to collect this information.

EN3 Direct energy use by primary source
Our energy focus is on reducing energy intensity. One of our 2005 goals was the reduction of the amount of energy needed to produce a pound of product by two percent per year from 1995–2005. This is in addition to a 20 percent improvement from 1990–1994.

High energy prices and energy price volatility – coupled with the environmental impact of energy production and consumption – makes energy use a critical issue for Dow. Implementing an aggressive energy efficiency and conservation effort is an important part of Dow’s plan to address this critical issue.

Business and site energy efficiency teams have been established throughout the Company to focus both up and down as well as across the product chain. As a result of focused business and site efforts, over 700 Six Sigma projects have been chartered in the past four years to address all aspects of energy production, use, efficiency and cost reduction.

At the end of the year our energy intensity had improved (decreased) compared to the 2004 average. Energy Intensity has improved 22 percent since 1994 baseline, exceeding the 2005 EH&S Goal of 20 percent improvement.
**EN4 Indirect energy use by primary source**

This information is not collected and consolidated by the Company at this time, but we will evaluate how to develop and report on this metric in future reports.

**EN5 Total water use**

In 2005, we continued to refine our data collection efforts on total water intake and usage. We intend for this data to be collected each year and we will report on our overall efforts to reduce water usage, as well as refine our measurements as needed. Below is a summary of both intake and usage for TDCC for 2004 and 2005, and the definitions for the various intake and usage streams.

<table>
<thead>
<tr>
<th>Intake Streams</th>
<th>2004</th>
<th>2005</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Captured Water</td>
<td>6,420,612,848</td>
<td>7,056,456,887</td>
<td>9.9</td>
</tr>
<tr>
<td>Groundwater</td>
<td>39,140,663,259</td>
<td>26,842,453,334</td>
<td>(31.4)</td>
</tr>
<tr>
<td>Purchased Steam/Condensate</td>
<td>36,760,306,467</td>
<td>36,596,704,539</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Purchased Water</td>
<td>245,631,308,555</td>
<td>254,826,866,757</td>
<td>3.7</td>
</tr>
<tr>
<td>Seawater/Brackish</td>
<td>2,705,950,013,379</td>
<td>2,609,527,173,658</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Site Level Recycle</td>
<td>20,228,395,341</td>
<td>20,565,203,798</td>
<td>1.7</td>
</tr>
<tr>
<td>Surface Water</td>
<td>4,135,720,381,189</td>
<td>3,683,844,219,453</td>
<td>(10.9)</td>
</tr>
<tr>
<td>Grand Total</td>
<td>7,189,851,681,038</td>
<td>6,639,259,078,426</td>
<td>(7.7)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Usage Streams</th>
<th>2004</th>
<th>2005</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>15,456,980,000</td>
<td>15,462,166,982</td>
<td>0.0</td>
</tr>
<tr>
<td>Freshwater One Pass Cooling</td>
<td>3,529,058,785,997</td>
<td>3,142,430,208,314</td>
<td>(11.0)</td>
</tr>
<tr>
<td>Mining</td>
<td>129,317,611,733</td>
<td>126,012,852,156</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Potable Water</td>
<td>18,404,118,323</td>
<td>17,115,585,261</td>
<td>(7.0)</td>
</tr>
<tr>
<td>Process Water</td>
<td>632,856,302,810</td>
<td>603,292,591,610</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Steam/Condensate</td>
<td>145,361,479,004</td>
<td>141,995,636,327</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Transfer to Third Party</td>
<td>97,490,950,379</td>
<td>106,455,564,078</td>
<td>9.2</td>
</tr>
<tr>
<td>Grand Total</td>
<td>4,567,946,228,245</td>
<td>4,152,764,604,728</td>
<td>(9.1)</td>
</tr>
</tbody>
</table>
## Site Intakes

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundwater</td>
<td>Water streams from underground via wells for beneficial use (not remediation)</td>
</tr>
<tr>
<td>Purchased Water</td>
<td>Anything purchased from a third party for beneficial use (no matter how they obtained it such as underground or surface water). Comes in from a pipeline and we pay someone for it. (Excludes Purchased Steam and Condensate)</td>
</tr>
<tr>
<td>Surface Water (fresh only)</td>
<td>Captured by Dow from canals, lakes, rivers.</td>
</tr>
<tr>
<td>Captured Water</td>
<td>Rainwater captured or stored for beneficial use. Note beneficial use only...not captured and let out of an outfall.</td>
</tr>
<tr>
<td>Externally Recovered</td>
<td>Any intake of recycle from a 3rd party for beneficial use. For example, the city puts their wastewater into our canal for our beneficial use...we take water from someone else and recycle.</td>
</tr>
<tr>
<td>Site Level Recycle</td>
<td>Water that is reused and therefore, avoids an additional intake. It does not include condensate recycle or cooling tower recycle. Usually multiple units onsite involved in recycling larger amounts. For example, Stade takes water off of wastewater plant recycle to brine mines then back to feed chlor-alkali plants. Another example, Terneuzen treats wastewater that leaves site and goes to 3rd party. The 3rd party treats and returns to site as process water.</td>
</tr>
<tr>
<td>Seawater &amp; Brackish</td>
<td>Surface or goundwater capture from brackish or seawater sources.</td>
</tr>
<tr>
<td>Purchased Steam &amp; Condensate</td>
<td>Water that is brought on site via purchased steam or condensate.</td>
</tr>
</tbody>
</table>
EN6 Location and size of land owned, leased, or management for biodiversity habitats
This information is not collected and consolidated by the Company at this time while it is considered primarily a local/ regional issue. However, please refer to our various Site Public Reports for examples of management for biodiversity habitats:
http://www.dow.com/commitments/pbreports/index.htm

EN7 Description of major impacts on biodiversity
This information is not collected and consolidated by the Company at this time – as this is primarily a local/ regional issue. However, please refer to our various Site Public Reports for examples of management for biodiversity habitats:
http://www.dow.com/commitments/pbreports/index.htm

EN8 Greenhouse gas emissions intensity reduction
The graph below shows Dow’s emissions of all greenhouse gases restated in CO2 equivalents per pound of production:

<table>
<thead>
<tr>
<th>Site Usages</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>Water that is used for mining (Salt extraction from salt domes)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Water that is used for agricultural purposes.</td>
</tr>
<tr>
<td>Transfer to Third Party</td>
<td>For beneficial use. Product water only. NOT outfalls, run-off, wastewater.</td>
</tr>
<tr>
<td>Freshwater One Pass Cooling</td>
<td>Water that is used for non-evaporative cooling and then is discharged</td>
</tr>
<tr>
<td>Process Water</td>
<td>Anything that goes into a process and has the potential to touch chemical. For example, cooling tower feed, heat exchangers, quench feed. Exclude water used to make steam &amp; condensate</td>
</tr>
<tr>
<td>Steam &amp; Condensate</td>
<td>Steam/condensate make-up plus net mass of steam/condensate purchased but not returned.</td>
</tr>
<tr>
<td>Potable Water</td>
<td>Water that is of a quality that is can be used for human consumption</td>
</tr>
</tbody>
</table>
EN9 Use and emissions of ozone-depleting substances

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

Dow set a goal of 75% reduction of these priority compounds in the 10 year period. Dow achieved an overall reduction of 84% in the 10 year period from 1995 to 2005.
The graph below shows the performance for all priority compounds for TDCC:

**Emissions of Priority Compounds**

**EH&S 2005 Goals**

**GOAL = 75% REDUCTION**

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

This data is not rolled up and reported on at this time. We do collect overall emissions and have set a target of a 50 percent reduction from 1995 through 2005. We do collect NOx, SOx, and VOC data – but are in the process of doing data quality evaluation on this data and do not yet feel comfortable publishing this data this year. We have reduced our overall chemical emissions by 56% since 1995 – exceeding our goal.
EN11 Total waste by type and destination
TDCC reports on total waste per pound of product produced, not on an absolute basis. We are evaluating this type of information for future reporting. Below is the rolled-up data for 2005 for waste per pound of production – we have made a significant reduction of 35% since 1994.
EN12 Significant discharge to water by type
TDCC reports on total wastewater per pound of product produced, not on an absolute basis. We are evaluating this type of information for future reporting. Below is the rolled-up data for 2005 for wastewater per pound. Although we did not meet our EH&S 2005 goal of a 50% reduction, we did achieve an overall reduction of 38% during this time frame and will continue to report on our progress in the future.
EN13 Significant spills of chemicals, oils, fuels
Dow set a goal of a 90% reduction in Leaks, Breaks, and Spills as part of the EH&S 2005 goals. This measure includes loss of containment of materials, whether lost to the environment or captured in engineered containment systems. The goal focuses us on operational excellence – keeping materials where they are intended to be.

Our actual performance over the 10 year period was a 72% reduction – short of the 90% goal, but significant progress. Our 2015 goals indicate that we will continue towards a further 75% reduction in leaks, breaks, and spills.
EN14 Significant environmental impact of principle products and services
Environmental matters are covered in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, on page 46. (see link below)


EN15 Percentage of products sold which are reclaimable at the end of useful life of the product
No information regarding this collected or consolidated for the Company at this time – our products go into thousands of products and product market segments, and it would be virtually impossible to collect this information. The biggest Dow market segment where recycling does occur is in the area of plastics – where Dow sells polyethylene into bottles, films and various bag applications, we also sell PET through a joint venture into soda bottle and other bottle markets. The current recycling level in this particular market segment is significant in North America, Europe and developed Asia. Since our plastics are mixed with other producers it would be impossible to separate out a number. However, it is factual to say that billions of pounds of these plastics are recycled each year and the numbers are increasing each and every year.

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

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

EN16 Incidents of fines for non-compliance
Fines and penalties are tracked globally and are recorded in the year they are paid. In lieu of paying a fine or penalty, alternate pay amounts usually encompass projects benefiting the environment or local community, such as pollution prevention or remediation programs, public awareness, education activities, or wetland conservation activities.
Fines and penalties are troubling not only because they indicate government-mandated performance, but also because they require cash outlays at the same time we are so focused on cost containment within the Company.

The actual dollars paid in fines for year 2005 was $109,966. There was also $45,400 paid in the alternate pay category. Combined, these totals are the lowest level experienced since 1999 and 85 percent less than 2004.
Social Performance Indicators

LA1 Breakdown of workforce

2005 EMPLOYEES BY GEOGRAPHIC AREA

- North America: 22,646
- Europe: 13,276
- Asia Pacific: 2,782
- Latin America: 3,709

Employees Gender: Female: 24.4% Male: 75.6%

Percentage of Female Managers: 15.3%

Age:

- <35 Female: 7.3% Male: 14.1%
- 35-50 Female: 12.7% Male: 40.9%
- >51 Female: 24.4% Male: 20.6%

LA2 Net employment creation and average turnover

Personnel count was 42,413 at December 31, 2005; 43,203 at December 31, 2004; 46,372 at December 31, 2003; 49,959 at December 31, 2002; and 52,689 at the end of 2001.

LA3 Percentage of employees represented by independent trade unions

US: 16%
Total: 10%

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

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

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

Regarding serious safety releases or accidents impacting the local community, process safety events, etc. – it is policy for businesses to contact the VP of EH&S and the Executive VP of Operations ASAP – certainly within 24 hours.
In Health Services we have organized all Dow sites into geographic regions. Each region has a regional health director. These regional health directors are responsible to implement our requirements and standards within their entire region. Part of this includes an obligation to assure that all local laws and regulatory requirements are followed. Most states and countries have regulations requiring reporting of occupational injuries and illness to the government authorities. It is the obligation of the regional health director to accomplish this reporting according to expectations. It is also their responsibility to fulfill reporting requirements internally.

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

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

**LA7 Injury and Illness rates**

As a component of our EH&S 2005 Goals, we set a target reduction of 90% of Injuries and Illnesses rate for 2005. During the year, we took significant steps forward in several areas, most notably in relation to employee safety, improving our injury and illness rate by 22 percent in 2005 compared with 2004. Our final reduction of illnesses and injuries was 84% - just short of an ambitious 90% reduction goal. We will continue to report our progress on this goal in future years.

To put this in perspective, 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. While good, this achievement was sadly overshadowed last year by the loss of three co-workers, in separate incidents, on Dow sites. We will continue to do all we can to drive practices, procedures and behaviors that prevent such tragedies so that all of our employees and contractors return safely to their homes at the end of each workday.
In 2003, the US American Chemistry Council did a benchmarking study with its members regarding injury and illness performance within its industry and compared to other industries. The following is a table of the results (note for US operations only!), showing TDCC performance against others in our industry and other industries:

- Injury/ Illness Rate (#/ 200,000 hours)
- Dow US Employees and Contractors 0.40 (2005 data)
- Chemical Industry (SIC Code 28) 4.00 (2001 data)
- All Industry 7.50 (2001 data)
- All Manufacturing 8.10 (2001 data)

**LA8 Description of policies and programs on HIV/AIDS**

TDCC does not have a "special" global policy on HIV/ AIDS. We do have a commitment and processes for dealing with employee health and their experiences with any "serious illness" which does include HIV/ AIDS. We see no value in developing separate "policies" for every single serious illness such as a cancer illness program/ policy and a HIV/AIDS and a MS process etc. Instead, many years ago, we established a process for dealing with employees with serious illness. This was created by Health Services and HR. The official process is the Medical Review Board (MRB). This is global and has been in place for years.

When an employee has a medical condition that impacts work, the employee and his/her leader/supervisor work together collaboratively to find solutions that benefit both the employee and the Company. In some cases, the situation is complex. The leader needs the help of other resources within the Company to learn of all available options, and to insure both consistent and fair treatment and compliance with employment law. In such
cases, the leader consults with his/her Human Resources Business Partner, who may suggest a MRB or other options.

A MRB is a cross functional team brought together to determine the best course of action to manage an employee whose work is impacted by an illness, injury, disability or mental condition. A representative from the employee’s management line, a Human Resources professional, a representative from the Legal Department and a Health Services medical representative are the required members for a MRB. Additional members may be appointed as needed, such as a psychological services (EAP) representative or a representative from the Diversity department. MRBs are management boards and therefore do not include the employee whose work is being impacted.

**DOW SOUTH AFRICA HIV / AIDS POLICY**
Given the special situation in South Africa, we have developed a regional policy, driven by the World Economic Forum Best Practice Road Map:

Dow South Africa:
• Acknowledges the seriousness and implications of the HIV / AIDS epidemic for Dow South Africa Southern Africa and its employees;
• Seeks to minimize the social, economic, development and health consequences to the Company and its staff; and
• Commits itself to providing effective resources and leadership to implement an HIV / AIDS program.

**PRINCIPLES**

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

**HIV / AIDS PROGRAM IN THE WORKPLACE**
**CO-ORDINATION AND IMPLEMENTATION**
Dow South Africa will appoint an HIV / AIDS Program Coordinator/Focal Point and working group within the Health Services and EAP structure to:
• Monitor that the policy is communicated to all staff;
• Monitor and evaluate the Company’s HIV / AIDS program;
• Advise management regarding program implementation and progress;
• Liaise with local AIDS service organizations and other resources in the community; and
• Promote the creation of a supportive and non-discriminatory working environment.

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

PLANNING
Dow South Africa will conduct periodic AIDS impact analyses in order to determine the present and future impact of the epidemic on Dow South Africa’s Human Resources.

POLICY REVIEW
This policy will be reviewed on a regular basis to take account of the progression of the epidemic, developments in medical care and its impact on employee benefits.

LA9 Average hours of training per year per employee
The average hours of training per employee was 11 hours in 2005, up significantly from 8 hours in 2004. The continued use of web-based learning tools and our dedicated Intranet training site learn@dow now play an important role in the training strategy.

LA10 Description of equal opportunity programs
At Dow, we recognize value and leverage our differences for competitive advantage. It is a key to our success. We encourage a culture of mutual respect in which everyone understands and values the similarities and differences among our employees, customers, communities and other stakeholders. We work to provide an atmosphere that encourages positive interaction and creativity among all employees. Dow attracts and hires talented and motivated people who wish to excel. We provide equal access to the best jobs in the world for people who are willing to compete, and equal employment opportunity to all employees regardless of age, race, color, national origin, sexual orientation, gender, disability or religion.

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

LA11 Composition of senior management and corporate governance bodies
Full details on Dow’s senior management, the board of directors, and the various board committees can be found at our Corporate Governance website:
http://www.dow.com/corpgov/index.htm
HR1 Policies related to human rights relevant to operations
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

HR2 Evidence of human rights issues being included in investment decisions
This information is not collected and consolidated for the Company at this time.

HR3 Policies on how human rights performance is monitored
This information is not collected and consolidated for the Company at this time.

HR4 Policy on non-discrimination
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

HR5 Freedom to associate
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

HR6 Child labor policy
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

HR7 Forced Labor policy
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

SO1 Managing impact on communities
We use both Community Advisory Panels and Community Surveys to assess the impact of our operations on the communities in which we operate. This is managed through our Community Relations Network within the Company.

Community Relations develops relationships and partnerships through continuous, productive and honest dialogue with communities. Education Initiatives are also a part of Community Relations. We have 37 operational Community Advisory Panels that meet periodically throughout the year at our major sites of operations. We do community survey work in many, but not all of these locations, depending on costs and issues of concern. The following webpage contains a summary of the most recent Community Survey results:

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

SO2 Policies around bribery and corruption
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm
SO3 Policies around lobbying and contributions
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

PR1 Policy for preserving customer health and safety during use of products and services
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

PR2 Policy around customer use of products/services, product information and labeling
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

PR3 Policy around consumer privacy
See our Code of Conduct:
http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm

The Dow Chemical Company and Subsidiaries
Trademark Listing

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The following trademark of Ashland, Inc. appears in this report: DERAKANE
The following trademark of Dow Corning Corporation appears in this report: SYLTERM
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## The 2005 Dow Chemical Global Reporting Initiative Index

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