

Important Proxy Voting Information for Dow Chemical Shareholders Agenda Item # 5 – Report on Dioxin Risks and Liability

Symbol: DOW Cusip: 260543103 AGM: Thursday, May 8, 2003

IS DIOXIN DOW'S NEXT ASBESTOS?

Shareholders are being asked to vote on a resolution seeking a report to provide greater transparency and accountability on potential future liabilities.

The Need For Disclosure

Significant new liabilities could be represented by new class action by Michigan residents alleging dioxin contamination, and lawsuits by Plaquemine, Louisiana residents alleging water contamination with vinyl chloride.

This comes on the heels of Dow's announcement in December that identified long-term estimates of the costs of asbestos liabilities at recently acquired Union Carbide at \$2.2 billion.

Forbes Magazine, March 13, 2003

Dow's Pocket Has a Hole

Phyllis Berman

"Is there no end to the legal liability a corporation incurs for making chemicals? There probably is no end, indeed, and the sickly stock price of Dow Chemical, at \$26 down 13% so far this year, is testimony to the problem....."

"In March 2002, a year and a half after Michael Parker became Dow's chief executive, the company's Securities & Exchange Commission filings declared that future asbestos liabilities were impossible to calculate."

"In December the board brought back former chief William Stavropoulos to replace [Parker]. A month later the company took an \$828 million pretax charge for asbestos."

What Is Dioxin And Its Impact?

- "Dioxins" are a group of substances that exhibit similar chemical and physical properties.
- Experts, including officials of the EPA, believe that 17 of these substances are highly toxic in tiny amounts, disrupting systems of the body.
- Among the expected health effects are cancer, reproductive, developmental and liver damage, and immune suppression.

What This Resolution Would Do

Dow is one of the largest manufacturers of dioxin-generating products in the world, yet management has refused to disclose to investors the risks and liabilities posed by ongoing production and by past disposal and releases.

This resolution asks the company to:

- Account to investors for the array of costs and liabilities associated with dioxins and other persistent bioaccumulative toxics generated at Dow facilities and in Dow products.
- Report on its plans for remediation and for prevention of future risks.

The Dow opposition statement claims that its website on dioxin contains the needed information and the report requested in the resolution would be duplicative. This is not so.

The Dow website does NOT:

- Provide projections, similar to Dow's new asbestos calculations, on the largest potential dioxin liabilities and market risks.
- Inform investors on the extent of contamination at existing Dow facilities or quantify the associated long-term liabilities as requested in the resolution.

Just as Dow management put off calculating its asbestos liabilities at Union Carbide, it has failed to disclose its long-term dioxin liabilities.

MARKET RISKS AND LIABILITIES

Midland, Michigan

High levels of dioxin have been found in a wide swath of Michigan's Tittabawassee watershed, where Dow headquarters and its flagship manufacturing plant are located.

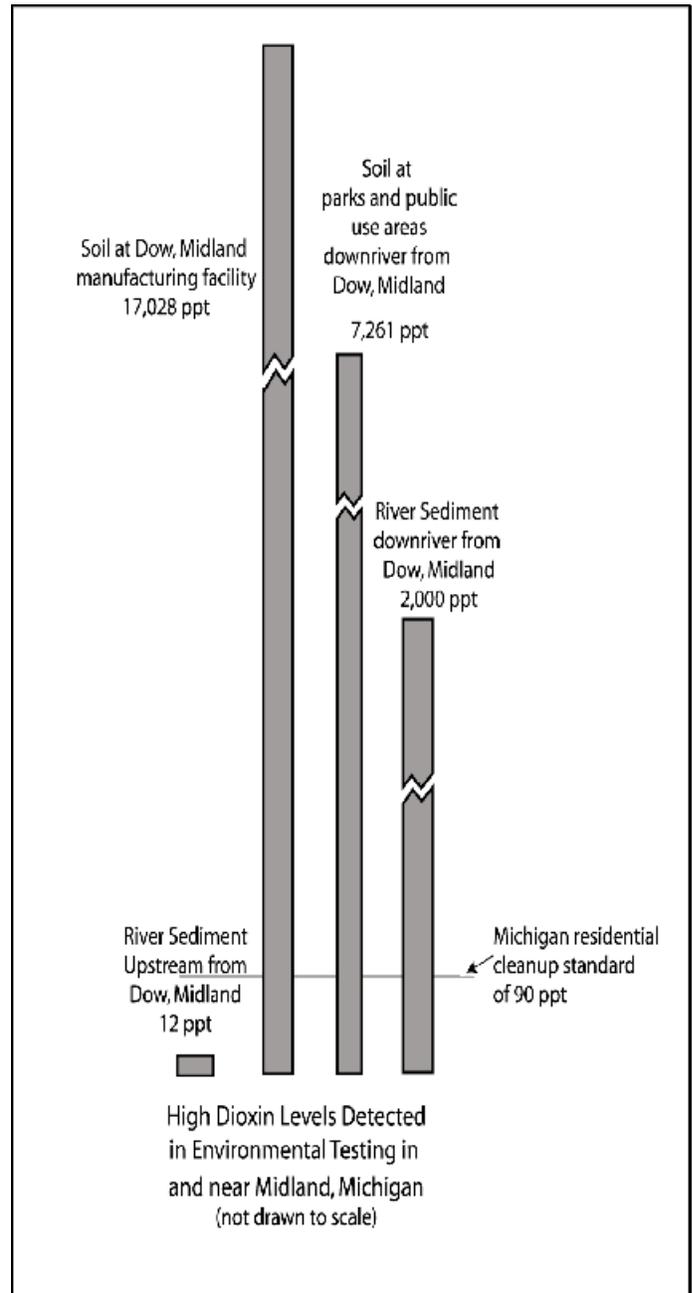
The Midland Dow facility has engaged in dioxin-generating activities for more than 60 years. Over the years, Dow manufactured a number of chemicals that can create dioxin as an unintended byproduct of production or during disposal, including mustard gas, Agent Orange, Dursban (chlorpyrifos) and pesticides like 2,4,5-trichlorophenol, 2,4-D. Production of some of these compounds continues at the site today.

- Dow discharges dioxins to air, water and land in Midland.
- Elevated dioxin levels have been found in the city of Midland near Dow, in parks, public use areas and the floodplain downriver from the manufacturing facility (see graph).
- The Michigan Department of Community Health has issued fish advisories restricting consumption of fish for the Tittabawassee River below Midland based on detected levels of dioxins and PCB's in fish.

Dow has not provided investors with an estimate of remedial costs anticipated in this large area.

“Like Love Canal and Times Beach, the Tittabawassee neighborhood will be gone one day. But for now the residents remain trapped in homes made worthless by the dioxin there. Dioxin that the Dow Chemical Company put there.”

Class action complaint filed March 26, 2003 by residents alleging dioxin contamination from Dow's Midland, Michigan facility



A recent effort by Dow to weaken state dioxin cleanup standards failed. In 2002, Dow attempted to negotiate with the administration of outgoing Governor John Engler. Instead of cleaning up to 90 ppt, their agreement would have allowed contamination to stay in place if it were less than 831 ppt. – nearly 10 times the current standard. A lawsuit was filed arguing that the deal was illegal and the company and state quickly dropped the agreement.

In March 2003, a class action was filed against Dow for property damages and medical monitoring on behalf of 2,000 contaminated residents. According to the attorney for the group, the property damages alone are estimated at \$100 million.

[According to the environmental plaintiffs that blocked the weakened standards for Midland, cleanup of the area] “could be one of the largest corporate pollution cases since the EPA ordered General Electric last year to pay \$500 million to dredge PCBs from the Hudson River.”

WASTES & HAZARDOUS SUBSTANCES; Vol. 10, No. 9, Dec. 6, 2002

Other Sites Of Contamination

The Midland site may be only one of many Dow sites, worldwide, where past dioxin disposal or leakage from Dow facilities must be remediated.

- While the Dow website lists its legally permitted land disposal sites, Dow has declined to provide investors a list of sites, where other releases of dioxin, past and present, may pose costly remedial liabilities.

Dioxin Generating Products

The Dow opposition statement claims that the company is already reporting on dioxin emissions reduction. But emissions are only part of the information investors need to assess potential risks and future profitability.

Public policies are increasingly focused on eliminating dioxin-generating products, not just emissions reduction. Examples:

- **151 nations** have signed the **Stockholm Treaty** with the goal of eliminating persistent organic pollutants.
- An international commission charged with implementing the **Great Lakes Water Quality Agreement** recommends the US and Canada develop timetables to **phase-out** the use of chlorine containing compounds in industry.

The Dow website does NOT address:

- The risks and liabilities associated with Dow's commitment to products whose production lead to dioxin generation after being purchased by consumers.
- The company's plans to act consistently with the emerging phase-out policies.
- The website misleadingly downplays the growing body of science indicating the serious hazards to human health and development from dioxin.

WILL HISTORY REPEAT AT DOW?

Recent product liabilities make shareholders ask: When will the company address Dioxin?

Asbestos: When the Union Carbide acquisition was underway in 1999, and in the year that followed, Dow management did not report or project a material impact on Dow's finances.

- In December 2002, Dow finally disclosed the long-term costs -- a potential of **\$2.2 billion in liabilities** for Union Carbide's asbestos **until the year 2017**.
- Dow immediately charged **\$828 million** to its accounts.

Dursban: The Dow pesticide Dursban is believed associated with illness in thousands of exposed people, including potential neurological damage to children.

- On **April 2, 2003, New York Attorney General Eliot Spitzer** announced his plans to **sue Dow for continuing to market Dursban as “safe,”** in violation of a 1994 agreement to stop making such claims.
- Dow had entered a voluntary agreement to end the sale of Dursban in over-the-counter products by the end of 2000, but still sells Dursban for agriculture in the US, and in other countries even for uses restricted in the US.

DBCP: Dibromochloropropane (DBCP) **was banned in the US in 1978** following evidence linking it to sterilization and cancer.

- In **December 2002**, a Nicaraguan judge ordered three U.S. companies (Dow, Shell Oil and Standard Fruit Co.) to pay **\$490 million** to 583 banana workers allegedly affected by the continued use in Latin America of the pesticide Nemagon, which contains DBCP.

SEND A MESSAGE TO MANAGEMENT

- Reduce Liability?
- Report Dioxin Risks & Response Plans
- Improve Disclosure and Accountability
- Protect Long-Term Shareholder Value

**VOTE FOR
AGENDA ITEM #5**

This resolution is endorsed by Trillium Asset Management

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