

**Important Proxy Voting Information for Dow Chemical Shareholders**  
Vote FOR Item # 4 – SHAREHOLDER RESOLUTION REGARDING BHOPAL  
Symbol: DOW    Cusip: 260543103    AGM: Thursday, May 13, 2004

## **DOW CHEMICAL OWES INVESTORS BETTER INFORMATION REGARDING BHOPAL**

Shareholders are being asked to vote on a resolution seeking a report describing new measures to respond to the problems facing survivors of the Bhopal disaster and to assess the impact that the Bhopal matter may have on the company, its reputation, its finances and its expansion in Asia and elsewhere.

### **WHAT IS BHOPAL?**

**Bhopal is the site of the largest chemical industry disaster in history.**

- In 1984 the Bhopal, India pesticide plant of Union Carbide India released a massive toxic cloud of methyl isocyanate gas.
- As the cloud drifted across the city of 900,000 residents it killed thousands, injured tens of thousands and it is estimated that over half a million people were exposed to toxic gas.
- An estimated 15-20,000 people have been killed and 10,000 widowed or orphaned.
- Although it occurred nearly 20 years ago it poses a continuing health and economic crisis for Bhopal residents and survivors as an estimated 150,000 people continue to suffer from exposure-induced chronic illnesses.

**Bhopal is also the site of long-term toxic contamination.**

- Long before the toxic gas leak occurred, the Bhopal plant discharged thousands of tons of toxic waste into 35 acres of open evaporation pits near human dwellings.
- Obsolete pesticides including the poison HCH and mercury have been abandoned at the factory site, and water sources have become contaminated.

### **DOW ACQUIRES UNION CARBIDE**

- In 2001 Dow Chemical acquired Union Carbide as a wholly owned subsidiary, claiming that it was clear of all liabilities or responsibilities for Bhopal.
- Shareholders assert that significant liabilities exist and management is not providing full disclosure regarding potential risks.

### **IS DOW MISLEADING INVESTORS?**

#### **LEGAL LIABILITIES**

### **DISASTER CLAIMS SETTLEMENT**

#### **Management's Opposition Statement:**

- Refers to a 1989 settlement between Union Carbide (UCC), Union Carbide India Ltd. (UCIL) and the Indian government covering civil penalties and compensation that was upheld by India's Supreme Court.

#### **What management fails to say:**

- The settlement and court decision applies to civil penalties but not criminal charges.
- That the ongoing criminal case for culpable homicide resulting from the disaster lists both Warren Anderson and Union Carbide - now a Dow subsidiary - as defendants.
- That UCC was declared an "absconder from justice" (criminal fugitive) for failing to stand trial by the Indian Court.
- Efforts are underway in India to have the courts place responsibility on Dow to require UCC to appear at its criminal court. Failure to do so could potentially affect Dow's Indian assets.
- By Indian law, a criminal judgment may include restitution for victims limited only by the defendant's ability to pay.

**Management's Opposition Statement:**

- Cites that the \$90 million sale of UCIL shares "... were provided to the Bhopal Hospital Trust under the direction of the Supreme Court of India..."

**What Management Fails to Say:**

- Due to its failure to appear for its criminal charges, UCC's assets were attached by the Indian Courts and these in turn were used in the sale of its UCIL's shares to support the Bhopal Hospital Trust.

**SITE OWNERSHIP AND OTHER TOXIC CONTAMINATION**

Although the claims settlement addresses the toxic gas survivors, it does not cover economic, environmental and health impacts from Bhopal's long-term toxic contamination, nor remediation costs for cleaning this site.

**Management's Opposition Statement:**

- Admits there is current litigation related to property damage but blithely dismisses (without any explanation) that UCC will be found liable.

**What Management Fails to Say:**

- That a March 2004 US Appeals Court decision overturned the Federal Court rulings thus allowing litigation in US courts for property damages of the plant's neighbors and for personal injuries related to environmental contamination from the Bhopal plant.
- That the US Appeals Court invited the Indian Government to seek remediation of the UCC Bhopal site in US courts - indicating it believes there are sufficient allegations for such a case to be heard.

*"A process for cleaning up of the site has to be set in motion and I agree that this is a neglect that has to be rectified."*

Dr. Abdul Kalam, President of India on being informed of the New York Court of Appeals March 2004 decision.

**Management's Opposition Statement:**

- Claims that the 1994 sale by UCC of its interest in UCIL - later renamed Eveready Industries India Ltd. (EIIL) left this "... as a company totally separate from UCC..."

**What Management Fails to Say:**

- UCC's sale of UCIL shares and its restructuring as EIIL was declared 'mala fide' (in bad faith) by an Indian Court due to UCC's intent to use the transaction to evade responsibility, and does not release UCC from criminal liabilities.
- Under Indian Law when a company acquires 'controlling interests' in another company, it is responsible for what happens to its assets and liabilities.

**Management's Opposition Statement:**

- Claims that the Indian state government is the only party with "... responsibility for the Bhopal site today."

**What Management Fails to Say:**

- The Indian state government of Madhya Pradesh stated it would pursue legal action against Dow for Bhopal site clean up.

**SUMMARY - LEGAL STATUS**

While a settlement was reached regarding some civil liabilities related to the Bhopal disaster in 1984 (and that decision was upheld by Indian and US courts) - it does not address:

- The ongoing criminal case against UCC relating to the 1984 gas leak disaster.
- Additional claims by victims from prior toxic waste contamination such as:
  - **Property Damages**
  - **Environmental Remediation**
  - **Water Contamination**
  - **Personal Injuries**

*"Dow appears to have settled on an inadequate strategy to address the issue prior to merging with Union Carbide."*

Innovest Strategic Value Advisors, downgrading Dow from AA to BB, January 2004

## OTHER FINANCIAL LIABILITIES

Dow's actions regarding Bhopal have serious implications for the company and its subsidiaries in India and elsewhere.

### MARKET RISKS

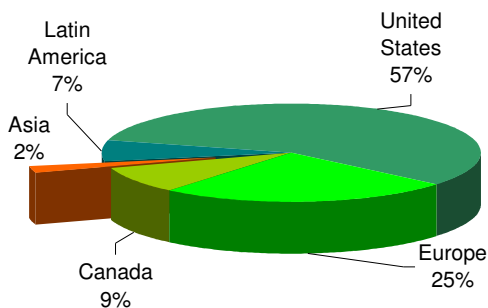
#### India – One of the World's Fastest Growing Economies

- As a growing net export market in chemicals, India will be an important player in Asia where Dow has 12% of revenues but only 2% of Fixed Assets.
- India's agricultural sector – a key chemical industry market – is estimated to grow twice as fast as India's economy.
- The potential legal liability of asset attachment by Indian courts should Dow become a party to Bhopal lawsuits represents a financial constraint for Dow's expansion in India. Dow has at least three holdings in India and two joint ventures.

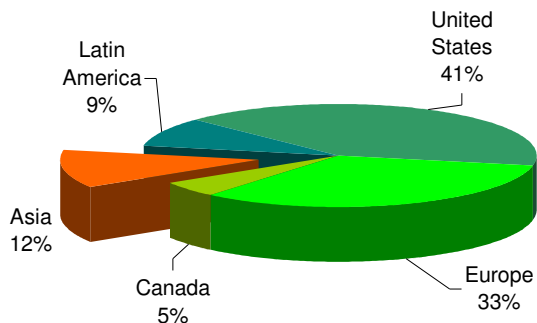
Figure 1: Breakdown of Dow's Fixed Assets and Revenue by Region

Source: William Stravropoulos, CEO, Dow Chemical, Presentation to Morgan Stanley Conference, 02/22/04

#### Fixed Assets



#### Revenue



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## PUBLIC OPPOSITION

### Reputation and Headline Risk

- Dow's opposition statement and website make it seem as if this issue is not having an impact on the company, yet it has made the company a major target of international protests.
- In Dec. 2003 - the 19th anniversary of the Bhopal disaster, protests were held at Dow facilities worldwide. This included the first organized student protest of Dow Chemical since Vietnam, on 25 American campuses and protests in 65 cities worldwide.
- In January 2004, about 500 people protested at Dow Chemical's headquarters in Bombay, India. The survivors and supporting organizations worldwide have announced their intent to escalate pressure on the company in conjunction with this December's 20th anniversary of the gas disaster.
- In April 2004, Rashida Bee and Champa Devi Shukla – two survivors of Bhopal – won the prestigious Goldman Award, often called the Environmental Nobel Prize. The award and their Survivors Tour will increase worldwide attention to this issue.

## INVESTOR BACKLASH

### Analysts

- In January 2004, Ininvest Strategic Value Advisors downgraded Dow from a AA rating to a BB ranking, stating possible material liability because of Bhopal, Agent Orange, Michigan dioxin contamination, and the market risks and reassessment of asbestos liabilities arising from the merger with Union Carbide- as significantly increasing Dow's risk profile

### Investors

- The \$2.18 trillion market currently under Socially Responsible Investment funds worldwide may remove Dow as a potential investment as a result of these controversies.

## LACK OF DISCLOSURE

### Management's Opposition Statement:

- Claims its website contains the needed information and the requested resolution report would be duplicative. This is not so.

### The Dow Website Does NOT:

- Identify the potential liabilities associated with the pending criminal case in Bhopal, and the litigation for personal injuries and property damages in the US Appeals Court.
- Identify the potential costs to the company in lost business, reputational damage, blocked development and other costs in Asia and elsewhere associated with failing to respond to issues regarding Bhopal.
- Describe new actions that the company is taking to respond to survivors' concerns.

### Dow Web and Publications Contain Contradictory Statements:

- According to Dow's website, when Dow acquired UCC in 2001, "...the company conducted an exhaustive assessment to ensure that there was absolutely no outstanding liability in relation to Bhopal. There was none; the company that Dow acquired retained absolutely no responsibility for either the tragedy or for the Bhopal site."
- Yet according to Dow's Global Report, "... for some people, responsibility for the Bhopal tragedy continues to be an unresolved issue...some people would have us take action to resolve their concerns. But, we are aware of **potentially significant legal risks** associated with such actions ..." – (emphasis added)

Dow denies liability but asserts that there are significant legal risks associated with assisting survivors further, and yet fails to provide a balanced review of those risks as against the other costs posed to the company of failing to respond to survivors' needs.

## WILL HISTORY REPEAT AT DOW?

Other product liabilities make shareholders ask: When will the company address Bhopal?

**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 for UCC's asbestos liabilities until 2017.
- Dow immediately charged \$828 million to its accounts.

**Dioxin:** This manufacturing byproduct is believed to be highly toxic in tiny amounts.

- In March 2003 a class action suit was filed against Dow on behalf of 2000 contaminated residents for property damages estimated at \$100 million and medical monitoring.

**Dursban:** This pesticide is associated with illnesses in thousands of exposed people including fetal damage.

- In 2003 Dow settled a consumer fraud lawsuit for \$2 million with New York State for falsely marketing the product as safe for various uses.

### The Bigger Picture:

Dow also has obligations regarding breast implant litigation, faces liability risk from new Agent Orange lawsuits not covered under previous settlements, and its subsidiary is involved in semi-conductor liability litigation.

- In 2003 Dow had environmental accruals of \$381 million equal to 22% of net after income.
- Dow has \$10.7 billion in debt and a debt to capital ratio of 53% straining reserves.
- Dow has above average risk exposure relative to industry peers.

**Yet Dow continues to under-report or fails to report major developments and risks**

## SEND A MESSAGE TO MANAGEMENT

- Report Bhopal Risks & Response Plans
- Improve Disclosure and Accountability
- Protect Long-Term Shareholder Value

## VOTE FOR AGENDA ITEM #4

This resolution was filed by Boston Common Asset Management and the Brethren Benefit Trust