

# SQM Green Finance Report

September 2022



Soluciones  
para el  
desarrollo  
humano

# Introduction

Sociedad Química y Minera de Chile S.A. (“SQM”, “the Company”, “we”, “us” or “our”) is a global company that is listed on the New York Stock Exchange and the Santiago Stock Exchange (NYSE: SQM; Santiago Stock Exchange: SQM-B, SQM-A). SQM develops and produces diverse products for several industries essential for human progress, such as health, nutrition, renewable energy and technology through innovation and technological development. We aim to maintain our leading world position in the lithium, potassium nitrate, iodine and thermo-solar salts markets by:

- 1 Ensuring access to the best assets related to our current business lines by expanding our global presence;
- 2 Actively searching for attractive minerals allowing us diversification opportunities to replicate and expand our existing mining capacities;
- 3 Strengthening our operational, logistical and commercial excellence process from beginning to end, while looking to be a cost leader; and
- 4 Maintaining a conservative financial policy which allows us to successfully endure economic cycles that could impact the markets in which we sell.

We are a company built and managed by a culture based on excellence, safety, sustainability and integrity. We work every day to expand this culture through the attraction, retention and development of talent as well encouraging an inclusive and diverse work environment ensuring the unique knowledge and innovation needed to sustain our business. We strive for safe and accident-free operations by promoting conduct that favors the physical safety and psychological well-being of everyone who works directly and indirectly with the Company.

We position ourselves as leaders in sustainability and commit to a sustainable future where we constantly work to responsibly manage natural resources, protect human rights, care for the environment, form close and trusting relationships with our neighboring communities and create value. Within these communities, we support projects and activities with a focus on education, business development, and protection of the environment and historical heritage. We create value for our clients through established commercial models and the production and development of differentiated products that respond to their industry and market specific needs, constantly creating and providing a sustainable improvement in the quality of life. We will continue to create value for all of our stakeholders through responsible management of natural resources, sustainable expansion projects and improvement of our

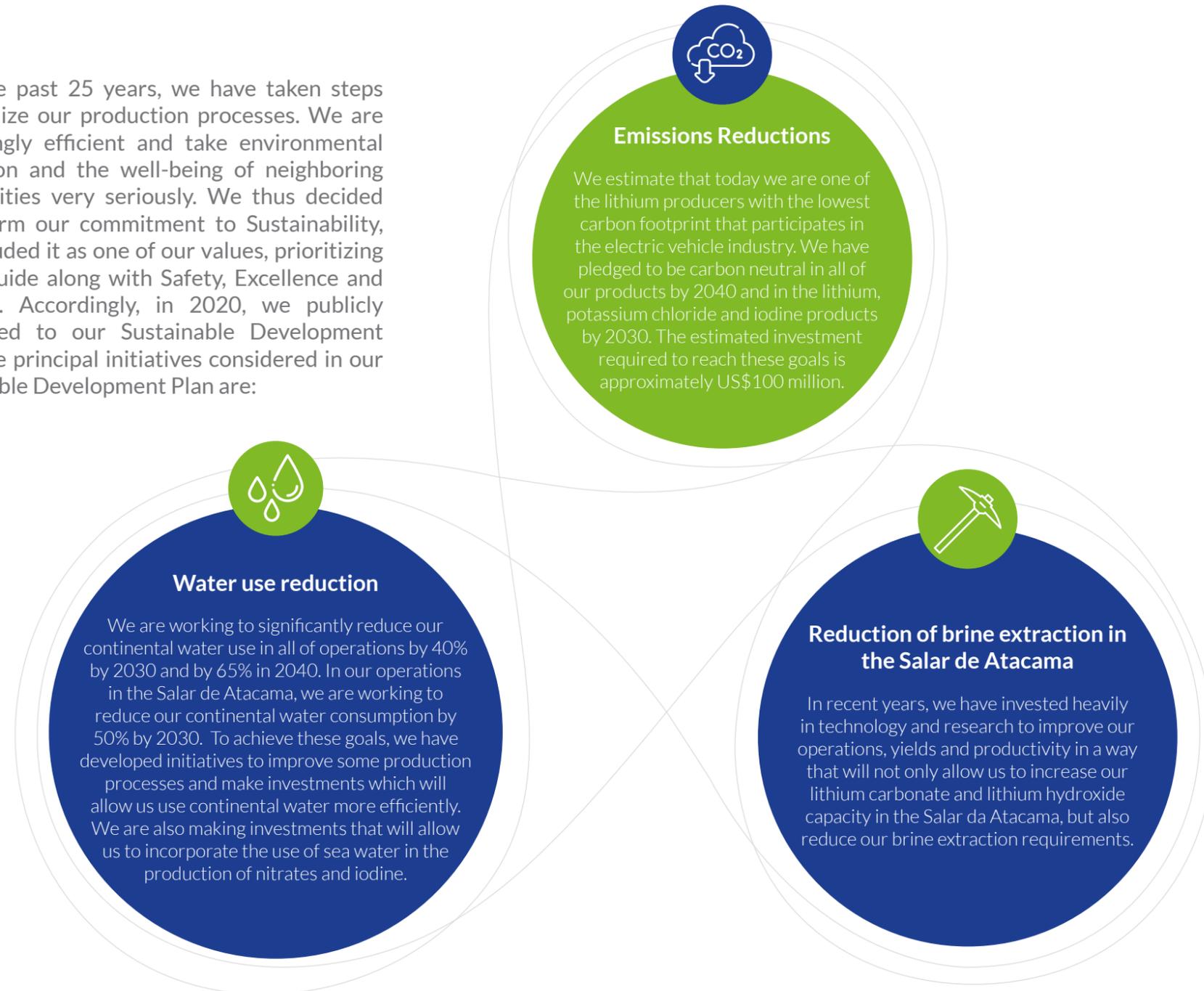
existing operations, with a focus on minimizing our environmental impacts by reducing our carbon, energy and water footprints and working together with our shareholders, employees, customers, suppliers and communities.



Our products are mainly derived from mineral deposits found in northern Chile from which we mine and process caliche ore and brine deposits. The caliche ore in northern Chile contains nitrate and iodine deposits and is the world's largest commercially exploited source of natural nitrates. The brine deposits of the Salar de Atacama, a salt-encrusted depression in the Atacama Desert in northern Chile, contain high concentrations of lithium and potassium, as well as significant concentrations of sulfate and boron. From caliche ore deposits, SQM produces a wide range of nitrate-based products used for specialty plant nutrients and industrial applications, as well as iodine and iodine derivatives. At the Salar de Atacama, we extract brines rich in potassium, lithium, sulfate, and boron in order to produce potassium chloride, potassium sulfate, lithium solutions and bischofite (magnesium chloride). We produce lithium carbonate and lithium hydroxide at our Carmen Lithium Facility plant near the city of Antofagasta, Chile, from the solutions brought from the Salar de Atacama.

In 2021, we had sales to over 110 countries through its worldwide distribution network, with 92% of its sales in 2021 derived from countries outside of Chile. We are a global leader in each of our five business lines: Specialty Plant Nutrition; Iodine and Derivatives; Lithium and Derivatives; Potassium; and Industrial Chemicals.

Over the past 25 years, we have taken steps to optimize our production processes. We are increasingly efficient and take environmental protection and the well-being of neighboring communities very seriously. We thus decided to reaffirm our commitment to Sustainability, and included it as one of our values, prioritizing it as a guide along with Safety, Excellence and Integrity. Accordingly, in 2020, we publicly committed to our Sustainable Development Plan. The principal initiatives considered in our Sustainable Development Plan are:



**Emissions Reductions**

We estimate that today we are one of the lithium producers with the lowest carbon footprint that participates in the electric vehicle industry. We have pledged to be carbon neutral in all of our products by 2040 and in the lithium, potassium chloride and iodine products by 2030. The estimated investment required to reach these goals is approximately US\$100 million.

**Water use reduction**

We are working to significantly reduce our continental water use in all of operations by 40% by 2030 and by 65% in 2040. In our operations in the Salar de Atacama, we are working to reduce our continental water consumption by 50% by 2030. To achieve these goals, we have developed initiatives to improve some production processes and make investments which will allow us use continental water more efficiently. We are also making investments that will allow us to incorporate the use of sea water in the production of nitrates and iodine.

**Reduction of brine extraction in the Salar de Atacama**

In recent years, we have invested heavily in technology and research to improve our operations, yields and productivity in a way that will not only allow us to increase our lithium carbonate and lithium hydroxide capacity in the Salar de Atacama, but also reduce our brine extraction requirements.

In parallel, with these ambitious environmental goals, we started to significantly expand our lithium production several years ago. While our lithium carbonate production capacity was 48,000 metric tons in 2018, it had increased to 120,000 metric tons per year by the end of 2021. We are now finalizing our lithium carbonate capacity to 180,000 and will reach 210,000 metric tons and 40,000 metric tons per year, respectively during 2023. As a result of this success, we believe our sales volumes could surpass 140,000 metric tons during 2022. This means that output will almost triple as a result of five years of investment.

At least equally important as the capacity increases described above is our environmentally and socially compatible lithium production. The Initiative for Responsible Mining Assurance (IRMA)-approved certifier ERM CVS conducted an on-site audit, involving key stakeholders including local communities and SQM employees. We are one of only two lithium producers globally to undergo an independent audit and are aiming for the "IRMA Transparency Level" this year.

We actively participated in the Dow Jones Sustainability Index (DJSI) assessment for the first time in 2020. In 2020 and 2021 and were accepted in the two categories to which we were invited to participate, DJSI Chile and DJSI MILA Pacific Alliance. This major achievement is

reflected in our efforts to promote sustainability as part of our development strategy. Along these same lines, we committed to complying with the Global Battery Alliance (GBA) sustainability principles, which is part of the World Economic Forum, and signed our commitment to the Chile Global Compact Principles and to working towards the United Nations 2030 Agenda.

Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA



We also earned voluntary certificates in Responsible Conduct from ASIQUIM, Ecovadis and Protect & Sustain, and currently hold the Stewardship Excellence classification. We are working towards other certifications that we know will encourage us each day to reinforce our commitment to being a better company, and to contributing to the development of the region, the country and the industries that share our goal of sustainability for the world.

During 2021, we submitted our first disclosure report under Climate Disclosure Project (CDP) and in our first participating in the ranking, we were categorized as B, meaning that according to CDP, management is taking coordinated action on climate issues.

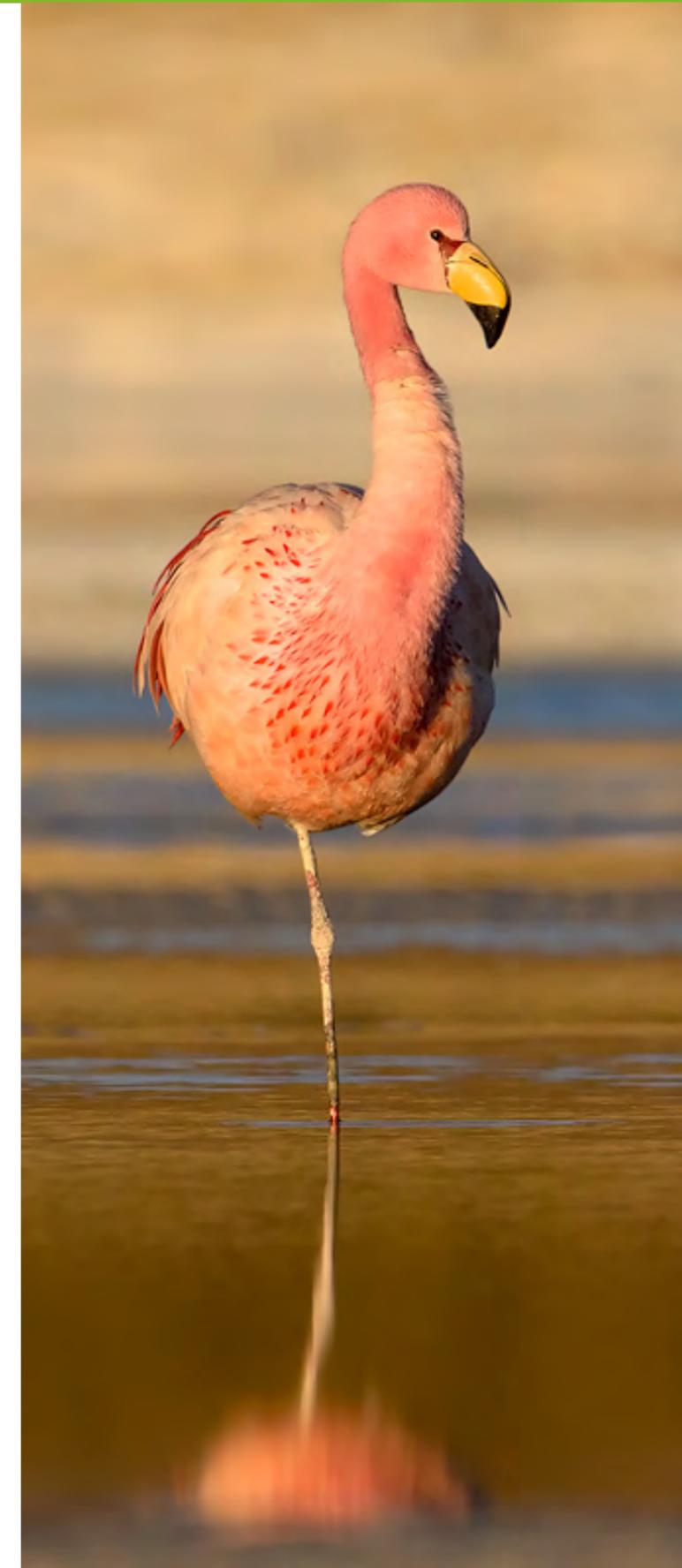
In the early months of 2022, our environmental management system in our Port at Tocopilla was

certified under  
**ISO 14,001**



We are working to certify in our Carmen Lithium facilities, Salar de Atacama and in Coya Sur during this year.

Additionally, we are making progress in certifying our Occupational Health and Safety Management System under  
**ISO 45,001.**



As part of Race to Zero initiative and our aim to reduce our logistics carbon footprint, we have established an ambitious agenda to develop high tonnage transportation via electric trucks. This agenda considers several pilots in 2022 of different trucks that will perform tests in our operations. This will allow us to acquire the right knowledge and to accelerate the adoption of this new technology with the right technical support and competitiveness.

In regard to Safety, we decreased our operational risk index, achieving a lost time injury frequency rate (LTIFR) of 1.33 on 2021. We continue to work towards zero accidents and to reinforce selfcare measures, which we know are increasingly strict and more complex due to the pandemic.

Each challenge is a lesson for moving forward in our commitment to applying the principles of respect and inclusion.

Our workforce is made up of approximately

19% Women

The mining industry average in Chile is

13% Women

30%

of the executive positions at SQM are filled by women

We are proud that in the Northern regions of Chile, our we employment base is over

82% Local

In April 2022, we published our audited 2021 Sustainability Report. For the twelfth consecutive year, the information was presented under the GRI standards (Global Standard Initiative) and for first time, under SASB (Sustainability Accounting Standards Board) standards. For more detail on our environmental and social efforts, we invite you to read our Sustainability Report in detail. [Report](#)

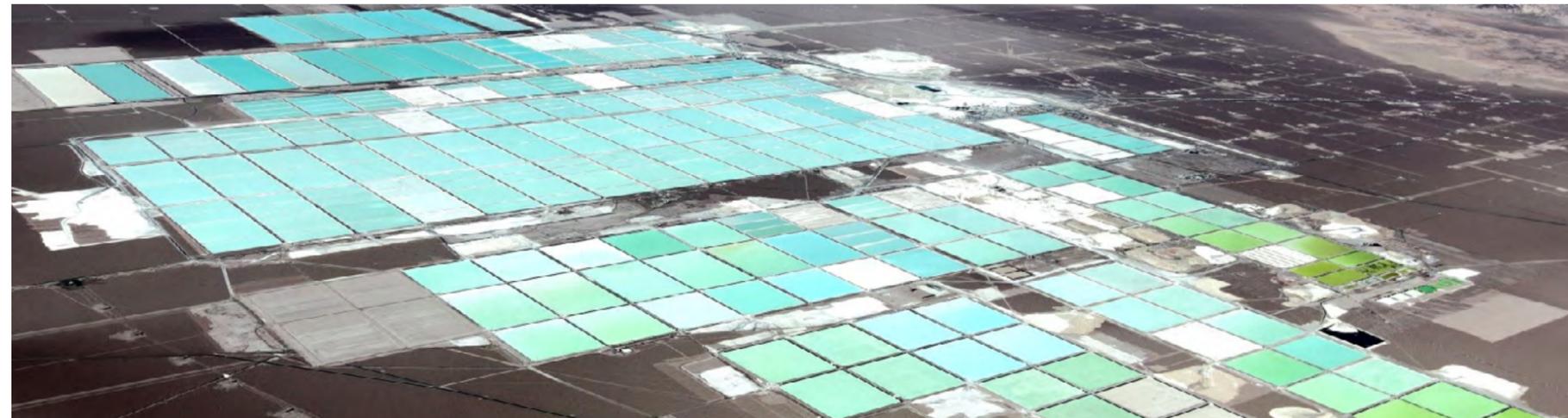




# SQM Completes final allocation of its first Green Bond

On September 20, 2021, we issued and sold

**US\$700**  
million



Principal amount of senior secured notes to qualified institutional buyers in the United States under Rule 144A under the U.S. Securities Act of 1933 to investors outside the United States under Regulation S under the Securities Act. This bond was sold as a green bond and the notes have an annual interest rate of 3.500% and mature in 2051.

As of June 2022, SQM had fully allocated the net proceeds of the green bond:

Use of proceeds (millions USD)	2018 Sept - Dec	2019 Jan - Dec	2020 Jan - Dec	2021 Jan - Dec	2022 Jan - Jun	Total
Increase of Capacity						
<b>AUSTRALIA</b>						
Spodumene mine and Lithium hydroxide plant	91	3	36	189	96	415
<b>CHILE</b>						
Lithium carbonate plant	53	40	49	96	100	339
Lithium hydroxide plant	0	9	28	43	21	101
<b>Total</b>	<b>144</b>	<b>53</b>	<b>113</b>	<b>328</b>	<b>217</b>	<b>855</b> ✓

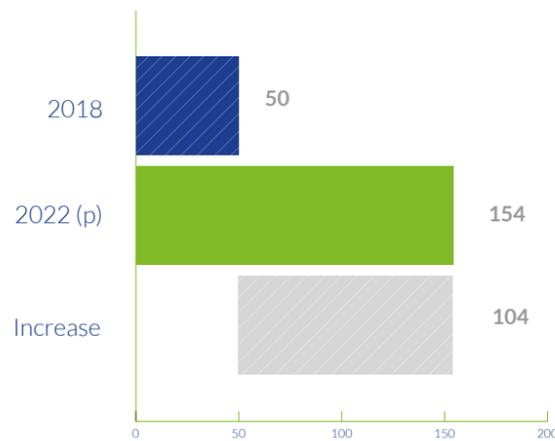
The disbursements shown in the chart above were prepared in accordance with SQM's Green Bond Financing Framework ([See Framework](#))



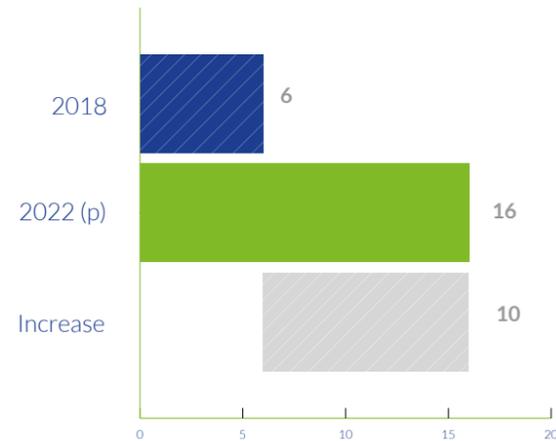
# Impact Reporting

The Increase in capacity of Lithium was:

## Li<sub>2</sub>CO<sub>3</sub> Production Th.MT



## Li OH Production Th.MT



### Results<sup>1</sup>:

- 1** The increase on capacity of Li<sub>2</sub>CO<sub>3</sub> & LiOH is equivalent to an increase of 113 Th. MT LCE
- 2** The resulting LCE could create energy storage capacity of 141 GWh
- 3** That capacity could power 2.6 million EVs
- 4** Those EVs could replace the same number of internal combustion vehicles reducing carbon emissions in 6.3 million tons of CO<sub>2</sub> a year.

<sup>1</sup> Results considering the following assumptions:

- 1 Kg Li<sub>2</sub>CO<sub>3</sub> = 1 Kg LCE
- 1 Kg LiOH = 0.88 Kg LCE
- 1 KWh = 0.8Kg LCE
- The BEV average battery capacity is 53.4 KWh (<https://www.ev-volumes.com/>)
- An Internal combustion vehicle produce on average 120gr of CO<sub>2</sub>/Km (<https://www.greencarcongress.com/2021/06/20210602-eea.h9tml>)
- A vehicle travels on average 20.000 Km a year





# Report of Independent Accountants



## INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

Santiago, September 15, 2022

To the Board of Directors and Shareholders  
Sociedad Química y Minera de Chile S.A.

We have been engaged to perform a limited assurance engagement on the disclosures related to the Use of Proceeds in accordance with the SQM Green Bond Financing Framework (hereafter the “Use of Proceeds”) and denoted with “√” in the section “SQM Completes final allocation of its first Green Bond” of the SQM Green Finance Report as of September, 2022 (hereinafter the “Green Finance Report”) of Sociedad Química y Minera de Chile S.A. (hereinafter the “Company”), for the period from September 20, 2018 to June 30, 2022. Our engagement in this context relates solely to the disclosures related to the Use of Proceeds denoted with the symbol “√”.

### *Sociedad Química y Minera de Chile S.A.'s Responsibility for the Identified Information*

Sociedad Química y Minera de Chile S.A. is responsible for the preparation of the Use of Proceeds in the SQM Green Finance Report in the section “SQM Completes final allocation of its first Green Bond”, in accordance with the criteria defined in the SQM Green Bond Financing Framework section 5.1 Use of Proceeds – Eligible Green Projects. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Identified Information that is free from material misstatement, whether due to fraud or error.

# Report of Independent Accountants



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## *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## *Our Responsibility*

Our responsibility is to express a limited assurance conclusion on the Use of Proceeds in the section “SQM Completes final allocation of its first Green Bond” according to the SQM Green Bond Financing Framework specified in the section 5.1 Eligible Green Projects identified in the SQM Green Finance Report, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the Identified Use of Proceeds in the section “SQM Completes final allocation of its first Green Bond” is free from material misstatement.

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A limited assurance engagement involves assessing the suitability in the circumstances of Sociedad Química y Minera de Chile S.A.'s use of the criteria as the basis for the preparation of the Use of Proceeds presented in section "SQM Completes final allocation of its first Green Bond" in the SQM Green Finance Report, assessing the risks of material misstatement of the Identified Use of Proceeds whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Use of Proceeds. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling to underlying records. Given the circumstances of the engagement, in performing the procedures listed above:

- We have obtained an understanding of Eligible Green Projects and the projects for which the proceeds of the Green Bond have been used, according with the SQM Green Bond Financing Framework.
- We have made inquiries of the Company's management responsible for the preparation of the Identified Use of Proceeds.

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- We obtained an understanding of the process for collecting and reporting the Use of Proceeds.
- We obtained a listing prepared by the management of investments, according to the eligible Green Projects, including expenditures for the developments and expansion projects from September 20, 2018, to June 30, 2022.
- We have inspected minutes of the Board of Directors regarding the consideration and approval of investments in developments and expansion incurred in connection with the Eligible Green Projects.
- We have, on a sample basis,
  - Agreed the disclosures related to the Use of Proceeds according to the SQM Green Bond Financing Framework in section 5.1 Use of Proceeds – Eligible Green Projects.
  - Evaluated whether the investments in expenditures incurred in connection with the Eligible Green Projects were used in accordance with the Eligibility Criteria.
- We have considered the disclosure and presentation of the Use of Proceeds disclosed in the “SQM Completes final allocation of its first Green Bond” in the Sociedad Química y Minera de Chile S.A.’s in the SQM Green Finance Report.

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The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Sociedad Química y Minera de Chile S.A.'s Use of Proceeds information contained in the SQM Green Finance Report in the section 5.1 Use of Proceeds – Eligible Green Projects. “SQM Completes final allocation of its first Green Bond” has been prepared, in all material respects, in accordance with the SQM Green Bond Financing Framework.

#### *Limited Assurance Conclusion*

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Sociedad Química y Minera de Chile S.A.'s Use of Proceeds in the section “SQM Completes final allocation of its first Green Bond” for the period from September 20, 2018, to June 30, 2022 is not prepared, in all material respects, in accordance with the SQM Green Bond Financing Framework.

# Report of Independent Accountants



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## *Use and distribution*

This report, including the conclusion, has been prepared solely for the Directors of Sociedad Química y Minera de Chile S.A.'s as a body, to assist them in reporting on Sociedad Química y Minera de Chile S.A.'s Use of Proceeds in Eligible Green Projects, according to the SQM Green Bond Financing Framework.

We permit the disclosure of this report only within the SQM Green Finance Report, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report, in connection with the Use of Proceeds for Eligible Green Projects according to SQM Green Bond Financing Framework. To the fullest extent as permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and Sociedad Química y Minera de Chile S.A. for our work or this report, save where terms are expressly agreed and with our prior consent in writing. This report shall not be distributed or used by any other party without the prior written consent of PwC.

DocuSigned by:



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Juan Agustín Aguayo B.





**Soluciones  
para el  
desarrollo  
humano**