



SUSTAINABILITY REPORT 2016



For more information on this report and sustainable development efforts at SQM, please contact us at:

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Cover photo: Flamingos in lagoon, San Pedro de Atacama, Antofagasta Region



**SUSTAINABILITY
REPORT
2016**

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01. OUR COMPANY IN 2016

Sustainable development is and has been one of the cornerstones at SQM; we are convinced that our present and future as a Company are closely tied to what happens around us. That is why our current operations and our long-term vision are aligned with both the sustainable development of the locations where we operate and the creation of value for our workers, shareholders, suppliers and customers.

SQM is a Chilean company with global operations. We are the world's largest producer

of iodine, potassium nitrate, solar salts, lithium hydroxide and an important producer of lithium carbonate. Thanks to positive product demand projections, a robust financial policy and the market's lowest production costs, each of our business lines has a sound economic and institutional foundation.

In corporate social responsibility, in 2016 we focused more than ever on improving education in the regions where we operate. As a result, we donated Ch\$400 million to the second phase of construction of the Don

Bosco technical industrial school in Calama. In the same spirit, we expanded our participation in the Crea+ mathematics support program in San Pedro de Atacama, María Elena and Pintados, where results on district-wide assessments have been excellent.

Another major highlight this year was our work to refurbish heritage sites. The María Elena Master Tourism Plan, scheduled for implementation in 2017, aims to harness the potential for tourism in Chile's last nitrates town.

SQM'S CURRENT OPERATIONS AND LONG-TERM DEVELOPMENT ARE TIED TO THE SUSTAINABILITY OF THE COMMUNITIES SURROUNDING OUR PRODUCTION CENTERS.

As in years past, we continue to partner with neighboring communities to work on agricultural development. The Atacama Tierra Fértil program has had important results, including production of high-altitude wine and alfalfa in Talabre. Several projects related to technical advising and training on good sustainable agriculture practices have strengthened our participation in the Agricultural Production Development Plan in Pintados.

For SQM, 2016 was a period of growth, important project announcements and aligning our vision and future plans with our abilities, experience and recent lessons learned.

This year was very intense; special emphasis was placed on improving employee knowledge and applying the Code of Ethics as well as the crime prevention model instituted in compliance with Chilean Law No. 20,393.

In terms of projects, we began 2016 by announcing expansion of our lithium business into Argentina. The joint venture to mine the Salar de Cauchari, in Argentina's Jujuy province, has an annual production potential of 50,000 tons of lithium carbonate. The project is divided into two 25,000-ton phases. The first phase is scheduled to begin production during the first half of 2019; investment is estimated at approximately US\$500 million. This important project complements our lithium operations in Chile and consolidates our global market leadership.

SQM also announced that its annual lithium hydroxide production capacity in Chile would increase from 6,000 to 13,500 metric tons following construction of a new production plant. We also decided to invest approximately US\$20 million in a potassium project located in Africa's Democratic Republic of the Congo.

Each and every one of these projects is in alignment with the Strategic Plan presented in mid-2016, which will guide the Company over the next five years. The plan, based on an assessment of our abilities and opportunities for continued growth, establishes a clear strategy for each line of business and, most importantly, identifies opportunities to harness these abilities in order to do new things.

Lean production (known internally as M1) is a cornerstone of the strategic plan. Implementation has garnered very positive results in terms of production, cost savings and, over all, the way we lead and seek solutions to countless immediate and long-term challenges. This M1 experience has even become a model for other Chilean and international companies, which have visited our facilities to learn about its successful implementation.

WE BELIEVE WE HAVE DEMONSTRATED COMMITMENT AND RESPONSIBILITY AS WE TAKE ON THE ENVIRONMENTAL, COMMUNITY AND ECONOMIC CHALLENGES ARISING FROM OUR PROJECTS. ACCOMPLISHMENTS, LIKE DIFFICULTIES, ENCOURAGE US TO CONTINUE IMPROVING IN THE CHALLENGING AREA OF SUSTAINABILITY. WE KNOW THAT THE DEMANDS OF THIS TASK ARE INCREASINGLY HIGH AND WE ARE PREPARED TO MEET THEM.

We are also proud to report that the Nueva Victoria operations were re-certified by Responsible Care, an international initiative managed in Chile by the Chilean Industrial Chemical Association (ASIQUM). This valuable accomplishment highlights SQM's commitment to the safety and health of its workers, the communities surrounding its operations and to the care of the environment.

We believe we have demonstrated commitment and responsibility as we take on the environmental, community and economic challenges arising from our projects.

Accomplishments, like difficulties, encourage us to continue improving in the challenging area of sustainability. We know that the demands of this task are increasingly high and we are prepared to meet them.

For the past 48 years, SQM has been operating in Chile's Tarapacá and Antofagasta regions with genuine interest in improving the wellbeing of the area and its inhabitants. I would like to invite you to review this report, which provides thorough, detailed information on all sustainability efforts undertaken in 2016.

PATRICIO DE SOLMINIHAC T.,
Chief Executive Officer



Solar evaporation ponds, Nueva Victoria operations, Tarapacá Region



Presenting 2015 Sustainability Report in community of San Pedro de Atacama.




02.

ABOUT THIS REPORT

WE HAVE BEEN REPORTING IN ACCORDANCE WITH THE GLOBAL REPORTING INITIATIVE (GRI) SINCE 2009.



Salt harvesting and stockpiling at Salar de Atacama operations, Antofagasta Region.



This Sustainability Report outlines SQM's performance in social, environmental and financial matters for the year ended December 31, 2016.

This is the eighth report of its kind published by the Company in accordance with the Global Reporting Initiative (GRI) principles. For the third consecutive year, it has been prepared in accordance with the "Core" option offered in the fourth version of the GRI principles, known as GRI4.

SQM has chosen not to externally verify this report.

All quantitative information presented in charts and tables uses the same methodology as the 2015 report. GRI4 indicators have been used as guidelines for all indicators and aspects incorporated into the report. This allows the reader to compare this year to the Company's sustainability actions in former years. However, we have made some modifications in this Sustainability Report to add indicators incorporated by the Global Reporting Initiative in 2016.

For additional information regarding this report and SQM's work in the field of sustainability, please contact us at:

sqmsustentable@sqm.com
www.sqm.com

STAKEHOLDERS G4-24/ G4-25/ G4-26/ G4-27

SQM has independently identified those persons or institutions with which it engages based on four categories: needs, impacts, interests and expectations.

Stakeholders were reviewed and redefined in 2014 as part of the materiality analysis and stakeholder selection exercise proposed by GRI4. We have considered these same

stakeholders, since the criteria based on the four aforementioned categories has been maintained in this year's report.

| STAKEHOLDERS | WHO THEY ARE | INTERESTS AND EXPECTATIONS | HOW WE ENGAGE |
|--------------|---|---|--|
| Employees | Workers directly employed by SQM with open- and fixed-term contracts. | Salaries, benefits, quality of life, professional development, information about the Company. | <p>Daily interactions in the workplace. SQM encourages an open door policy with direct communication between supervisors and area managers and the workers reporting to them. This enables the timely detection of opportunities for improvement or for settling conflicts.</p> <p>Regular union meetings and meetings bringing together the workers, the CEO, senior vice-presidents and managers.</p> <p>Internal communication channels, such as data screens in common areas, a newsletter published three times per year, intranet and mailings are used to inform the entire organization at different facilities, thus bridging the geographic gap between workers.</p> |

| STAKEHOLDERS | WHO THEY ARE | INTERESTS AND EXPECTATIONS | HOW WE ENGAGE |
|---------------------------|--|---|--|
| Contractors and Suppliers | Contractors and suppliers of goods and services (both general and sales). | Transparent bidding processes, payments within agreed deadlines and conditions, establishing lasting commercial relations, supplier development. | Meetings with personnel from the supply and contracting departments, as well as operational managers and supervisors where services are provided; induction courses, safety training; Monitoring and ongoing contact with service providers that sell our products to guarantee delivery, consolidating a long-term, mutually beneficial relationship with each of them. Special programs for supplier development for SQM operations in Chile's regions; meetings with the company's union organizations. |
| Shareholders | The Company's main series A and B shareholders. | Capitalization of their investment and financial performance that allows for the sustainability of the Company over time. | Board meetings, regularly issued information, financial reports, webpage, site visits and shareholder meetings. |
| Customers | Farmers, pharmaceutical companies, car manufacturers and technology companies, among others. | Fulfillment of commitments made regarding product supply and quality in accordance with agreed-upon deadlines, production processes with good standards, product safety. | Periodic, direct communication with and visits to clients, client site visits, surveys on products and operating standards. |
| Community | Residents of communities near our operations, including pertinent local, regional and national authorities, associations, foundations and institutions, and media outlets. | Creation of direct and indirect jobs, support for the social and economic development of the community and care and appreciation for the environment and community at large that lasts over time. Pertinent, fluid communication. | Communication and regular meetings with representatives/leaders, site visits, involvement in local working groups and community activities and daily interaction with programs developed alongside the community or organizations. Open and fluid communication with authorities and institutional leaders. Contact with the media through press releases, interviews and events organized by the Communications Department. |

RELATIONS WITH ORGANIZATIONS AND INSTITUTIONS G4-16

| Relations with Chilean Organizations and Institutions * | Associate / Member | Partner | Board Member | Agreement |
|---|--------------------|---------|--------------|-----------|
| Aguas Blancas Indigenous Association | | ▶ | | |
| Alma de Antofagasta Artistic and Cultural Group | | | | ▶ |
| Altos del Mar Neighborhood Council | | ▶ | | |
| Antofagasta Industrial Association (AIA) | ▶ | ▶ | ▶ | ▶ |
| ArteAmerica Cultural Foundation | | | | ▶ |
| Belgian-Luxembourg Chamber of Commerce | ▶ | ▶ | | |
| Brotos de Mi Tierra Folk Group - María Elena | | ▶ | | |
| Camar Atacameña Community | | ▶ | | |
| Camar Neighborhood Council | | ▶ | | |
| Carlos Condell School - Tocopilla | | ▶ | | |
| Celeste Indigenous Association | | ▶ | | |
| Chacabuco Nitrates Museum Foundation | ▶ | ▶ | ▶ | ▶ |
| Chilean Federation of Industry (Sofofa) | ▶ | ▶ | | |
| Chilean Industrial Chemical Association (Asiquim) | ▶ | ▶ | | |
| Chilean-Chinese Chamber of Commerce, Industry and Tourism | ▶ | | | |
| Crea Más Foundation | | | | ▶ |
| Deportes Tocopilla | | | | ▶ |
| Foundation for Farming Innovation | | | | ▶ |
| Ganamos Todos Foundation | | | | ▶ |
| Hijos del Salitre Foundation | | ▶ | | |
| Hijos of Pedro de Valdivia Center | | ▶ | | |
| Hogar de Cristo Foundation | | ▶ | | ▶ |
| Huanchaca Ruins Foundation | ▶ | ▶ | ▶ | ▶ |
| Incuba2 Foundation | | | | ▶ |

| | Organizations and institutions to which the Company belongs and is an active member. This may include payment of membership fees or dues. | Organizations and institutions for which the Company provides support for initiatives of common interest. | Organizations and institutions to which the Company belongs and holds a position on the executive board. | Organizations and institutions with which the Company has signed collaboration agreements to develop projects of common interest. |
|--|---|---|--|---|
| Relations with Chilean Organizations and Institutions * | Associate / Member | Partner | Board Member | Agreement |
| Industrial-Technical Educational Development Foundation of Antofagasta (Codetia) | | | | ▶ |
| Iquique Industrial Association (AII) | ▶ | ▶ | ▶ | ▶ |
| Juventud del Desierto Indigenous Association | | ▶ | | |
| Los Terralitos Cultural Folk Group | | ▶ | | |
| María Elena District Civic Prevention and Emergency Committee | ▶ | | | ▶ |
| Municipality of María Elena | | ▶ | | ▶ |
| Municipality of Pozo Almonte | | ▶ | | ▶ |
| Municipality of San Pedro de Atacama | | ▶ | | |
| Municipality of Tocopilla | | ▶ | | ▶ |
| National Forestry Corporation (CONAF) Antofagasta | | | | ▶ |
| National Forestry Corporation (CONAF) Tarapacá | | | | ▶ |
| National Indigenous Development Corporation - San Pedro de Atacama Office | | ▶ | | |
| National Institute for Agricultural Development (Indap) | | ▶ | | |
| National Mining Society (Sonami) | ▶ | ▶ | | ▶ |
| Nitrates Museum Foundation | ▶ | ▶ | ▶ | ▶ |
| Pedro de Valdivia Nitrates Museum Foundation | ▶ | ▶ | ▶ | ▶ |
| Pedro de Valdivia Women's Center | | ▶ | | |
| Pontificia Universidad Católica de Chile (Care Chile UC) | | ▶ | | ▶ |
| Quillagua Aymara Community | | ▶ | | ▶ |
| Quillagua Neighborhood Council | | ▶ | | |
| Regional Council on Mining Safety (Coresemin) - Antofagasta | ▶ | ▶ | | |
| Regional Council on Mining Safety (Coresemin) - Tarapacá | ▶ | ▶ | | |

*Data in this table updated as of December 2016.

CONTINUED

| Relations with Chilean Organizations and Institutions * | Associate / Member | Partner | Board Member | Agreement |
|--|--------------------|---------|--------------|-----------|
| Sagrada Familia School - Tocopilla | | ▶ | | ▶ |
| San Pedro de Atacama Council of Civil Organizations | ▶ | | | |
| San Pedro de Atacama District Civic Prevention and Emergency Committee | ▶ | | | |
| Socaire Atacameña Community | | ▶ | | |
| Socaire Parents' Center | | ▶ | | ▶ |
| Talabre Atacameña Community | | ▶ | | |
| The Antofagasta Station Cultural Center | | ▶ | | ▶ |
| Toconao Atacameña Community | | ▶ | | ▶ |
| Toconao Neighborhood Council | | ▶ | | ▶ |
| Toconao Parents' Center | | ▶ | | ▶ |
| Tocopilla District Civic Prevention and Emergency Committee | ▶ | | | |
| Tocopilla Fishermen's Union | | ▶ | | |
| Universidad Católica del Norte | | ▶ | | ▶ |
| Universidad de Antofagasta | | ▶ | | ▶ |
| Universidad de Chile | | | | ▶ |
| Villa Prat Neighborhood Council | | ▶ | | |

*Data in this table updated as of December 2016.



| | | | |
|---|---|--|---|
| Organizations and institutions to which the Company belongs and is an active member. This may include payment of membership fees or dues. | Organizations and institutions for which the Company provides support for initiatives of common interest. | Organizations and institutions to which the Company belongs and holds a position on the executive board. | Organizations and institutions with which the Company has signed collaboration agreements to develop projects of common interest. |
|---|---|--|---|

| Relations with International Organizations and Institutions * | Associate / Member | Partner | Board Member | Agreement |
|--|--------------------|---------|--------------|-----------|
| American Hort | ▶ | | | |
| Arab-Belgian-Luxemburg Chamber of Commerce | ▶ | | | |
| Belgium Mineral Fertilizer Association (BELFERTIL) | ▶ | | | |
| California Certified Organic Farming (CCOF) | ▶ | | | |
| China Inorganic Salts Industry Association - Potash Branch | ▶ | | | |
| European Association of Chemical Distributors (FECC) | ▶ | | | |
| European Lubricating Grease Institute (ELGI) | ▶ | | | |
| European Solar Thermal Electricity Association (ESTELA) | ▶ | | ▶ | |
| Florida Fertilizer and Agrochemical Association (FFAA) | ▶ | | | |
| Florida Fruit and Vegetable Association (FFVA) | ▶ | | | |
| Fluid Fertilizer Forum (FFF) | ▶ | | | |
| International Fertilizer Industry Association (IFA) | ▶ | | ▶ | |
| International Life Sciences Institute (ILSI) | ▶ | | | |
| International Plant Nutrition Institute (IPNI) | ▶ | | | |
| International Society for Horticultural Science (ISHS) | ▶ | | | |
| Meststoffen Nederland (Dutch Fertilizer Association) | ▶ | | | |
| Plant Food Association of North Carolina (PFANC) | ▶ | | ▶ | |
| Potassium Nitrate Association (PNA) | ▶ | | | |
| Proefstation voor de Groenteteelt vzw (Trial Station in Belgium) | ▶ | | | |
| Soil and Fertilizer Alliance of China | ▶ | | | |
| Spanish Commercial Fertilizers Association (ACEFER) | ▶ | | | |
| Spanish Research Center | | | | ▶ |
| Sulphate of Potash Information Board (SOPIB) | ▶ | | ▶ | |
| The Trade Fertilizer Institute (TFI) | ▶ | | | |
| VOKA – Vlaams Netwerk Van Ondernemingen (Flemish Network of Enterprises) | ▶ | | | |
| Western Plant Health (WPHA) | ▶ | | | |
| World Iodine Association (WIA) | ▶ | | ▶ | |



Coya Sur, María Elena, Antofagasta Region.



03 SQM

SOCIEDAD QUÍMICA Y MINERA DE CHILE S.A. IS A NON-METAL MINING COMPANY AND GLOBAL LEADER IN MOST OF ITS FIVE BUSINESS LINES OF SPECIALTY PLANT NUTRITION, IODINE AND DERIVATIVES, LITHIUM AND DERIVATIVES, INDUSTRIAL CHEMICALS AND POTASSIUM, OBTAINED FROM CALICHE ORE AND BRINES IN NORTHERN CHILE'S ANTOFAGASTA AND TARAPACÁ REGIONS.

Heir to the nitrate industry, SQM has been in business for 48 years. In this time, the Company has built a reputation as a global pioneer by developing technology for its production processes. These advancements have helped the Company maintain and strengthen its global leadership in each of its business lines, which now reach demanding markets in over 115 countries.

With sales in over 115 countries. SQM's development strategy aims to maintain and strengthen its global leadership in each of its business lines.

OUR HISTORY

1926 - 1951



1926: The Guggenheim family acquires land in the El Toco sector and opens the María Elena nitrate office.

1931: The Pedro de Valdivia office begins operating using the Guggenheim production system to manufacture sodium nitrate and iodine.

1951: A nitrate crystallizing plant is built in Coya Sur in order to take advantage of nitrate precipitation from solar evaporation ponds.



1968 - 1971



1968: SQM is created through the merger of Corporación de Ventas de Salitre y Yodo, Compañía Salitrera Anglo Lautaro, Compañía Victoria and the Chilean government.

1971: SQM is nationalized, with CORFO taking 100% control of the Company.

1983 - 1986



1983: The SQM privatization process starts, concluding in 1988, when Chilean pension funds purchase a stake in the Company.

1985: The heap leaching process is first applied in extracting nitrates and iodine and other important changes are made to the production system.

1986: Potassium nitrate is first produced at Coya Sur using a completely new process designed by SQM.

1993: The Company begins leasing mining claims in the Salar de Atacama from CORFO, paving the way for the production of potassium and lithium. Operations begin at a technical-grade potassium nitrate facility in Coya Sur and the Company completes its first share issuance on international markets through its ADR program.

1994: SQM earns an international quality certification (ISO 9001) for its iodine plants, making it one of the first Chilean companies to become certified.

1993 - 1994



1995 - 1997



1995: SQM obtains the first environmental permit to operate in the Salar de Atacama and begins producing potassium chloride. The Company signs an agreement with the Chilean National Forestry Corporation (CONAF) to monitor lagoons and bird fauna in the Salar de Atacama. The Company completes a second issuance through its ADR program, gaining access to international capital.

1997: SQM begins producing lithium carbonate in its facilities in the Salar del Carmen. Iodine production begins at the Company's plant in Nueva Victoria, Tarapacá Region.

2000 - 2002

2000: The Company expands its potassium chloride production in the Salar de Atacama and builds a new potassium nitrate plant at Coya Sur.

2001: A commercial distribution agreement is signed with the Norwegian company Yara International (ASA), enabling SQM to achieve significant cost synergies and geographic coverage for its specialty plant nutrition business. SQM begins a new stage of expansion by signing several commercial agreements with important international companies, expanding its production capacity and the extensive sales network for which it is known today.

2002: An environmental management and corporate quality system is implemented. The Company implements the "Lend a Hand to Your Community" grant program to support social initiatives proposed and carried out by SQM employees to benefit neighboring communities.



2003 - 2005

2003: Lithium carbonate production capacity in the Salar del Carmen is increased to 32,000 tons per year.

2004: The lithium carbonate production process is certified under ISO 9001:2000.

2005: SQM purchases Kemira Emirates Fertilizers Company (Kefco), which manufactures soluble fertilizers. Production of lithium hydroxide begins at a new plant in the Salar del Carmen.

OUR HISTORY

CONTINUED

2006



2006: The Company issues its first Sustainable Development Policy. SQM acquires DSM's iodine business in Chile and invests in expanding production capacity at its iodine plant in Nueva Victoria. The Company obtains environmental approval to increase extraction in the Salar de Atacama, with a robust environmental monitoring and early warning plan. In collaboration with CONAF and the community, improvements are made to tourist facilities at Laguna de Chaxa. The first "Stories from the Pampa" literary competition is held.

2007



2007: Production begins at the new nitrate prilling and granulation plant at Coya Sur. The microenterprise funding competition was created as a way to support business initiatives in communities near our operations. The project to refurbish the industrial area of the Humberstone nitrate office begins. The lithium hydroxide production process is certified under ISO 9001:2000.

2008



2008: SQM increases its lithium carbonate capacity to 40,000 tons per year. A joint venture agreement is signed with Migao Corporation for the production and distribution of potassium nitrate in China. The Company invests in rebuilding the town of María Elena after the 2007 earthquake. SQM builds two modern residential facilities for 772 workers in the same town. The Company first implements its innovative agricultural development program "Atacama Tierra Fértil" in collaboration with local farmers and the Likan Antai Agricultural School. The production process at the Coya Sur prilling and granulation plant is certified under ISO 9001:2000.

2009



2009: SQM signs new joint ventures with Coromandel (India), Qingdao Star (China) and Roullier (France).



2010



2010: SQM Vitas launches a new line of soluble phosphate products in Dubai. Environmental approval is obtained for the Pampa Hermosa project to expand production of iodine and nitrates in Nueva Victoria, Tarapacá Region, with complete environmental monitoring and early warning plans.

2011



2011: Production starts at a new potassium nitrate plant in Coya Sur, increasing annual production by 300,000 tons. SQM and Migao Corporation inaugurate a potassium nitrate plant in China. Ayllu, a new brand of wine, is produced in Toconao at 2,400 meters above sea level. This was made possible by the Atacama Tierra Fértil community program sponsored by SQM that started in 2008. In collaboration with Corporación Crea+, a mathematics assistance program is started in the town of San Pedro de Atacama.

2012



2012: SQM expands production capacity of potassium products in its facilities in the Salar de Atacama, yielding approximately 2 million tons per year, while lithium carbonate production capacity in the Salar del Carmen reaches 48,000 tons per year. Iodine production in Nueva Victoria is expanded, bringing the Company's total installed capacity up to 12,500 tons of iodine per year. The production process at the Coya Sur NPT III plant is certified under ISO 9001:2008.

2013: SQM's operations in Nueva Victoria are certified in Responsible Care by the Chilean Industrial Chemical Association (ASIQUM). Capstone Mining Corp. signs an agreement with SQM for an option to acquire a majority interest in any metals found in a prospecting project in the province of Taltal. SQM sells the Antucoya project to Antofagasta Minerals and implements a corporate plan to increase productivity and reduce costs. The Center for Environmental Education in the Pampa del Tamarugal National Reserve is inaugurated in the Tarapacá Region, in partnership with the National Forestry Corporation. As part of its community programs, the Company and the town of Quillagua begin operating a high-tech, hydroponic greenhouse.

2013



OUR HISTORY

CONTINUED

2014



2014: The Company places US\$250 million in international bonds in the United States. The LEAN work methodology is successfully implemented through a program known as M1 as part of the Company's efforts to cut costs and enhance productivity. The Puquios de Llamara Observation Trail is inaugurated in the Pampa del Tamarugal National Reserve. An exhibit entitled "Industrial Life in the Nitrates Industry" opens at the Huanchaca Ruins Museum in Antofagasta.



2015



2015:

- » The Company earns "Protect & Sustain" certification from the International Fertilizer Industry Association (IFA).
- » Production is suspended in Pedro de Valdivia. The production of iodine, iodide and nitrate salts is now concentrated in Nueva Victoria.
- » Sixty percent of the Company's operations have implemented the Lean work methodology, thus consolidating the M1 program.
- » Over 5,700 new Tamarugo trees have been planted through SQM's Tamarugo Planting Program. These efforts have considerably increased the population of this native tree in the areas of Llamara and Bellavista in the Tarapacá Region.



2016

HIGHLIGHTS G4-13



- » SQM expands its lithium business to Argentina. The Company has formed a joint venture to mine property in the Salar de Caucharí, located in northern Argentina. This project has an annual production potential of 40 thousand tons of lithium carbonate. SQM subscribed a capital increase of US\$25 million to acquire its stake in this joint venture. This project complements the Company's operations in the Salar de Atacama.
- » The Company has continued to expand the Lean methodology (M1) to new areas. The program has made such significant progress that SQM is considered a model for getting to know this innovative system. Domestic and international companies periodically visit the Company's facilities to learn more about the best practices it has implemented. For SQM, this marks a step toward operational excellence and the continual improvement of processes. The program's main objectives include enhancing productivity through effective and efficient processes and establishing new management and leadership methods.
- » The Company has continued to strengthen practices related to SQM's Crime Prevention Model, in compliance with Law 20,393, and has fortified all team members' knowledge of and adherence to the Code of Ethics.
- » SQM maintains its global leadership in the production of solar salts (refined sodium nitrate and potassium nitrate) used to store energy in solar power plants, thus enabling these plants to operate throughout the night and at other times when there is no sunlight. Along these lines, SQM organized the farewell dinner at the most important international conference on the advances of concentrating solar power systems, "SolarPACES", held in Abu Dhabi in 2016.
- » SQM's operations in Nueva Victoria were recertified in Responsible Care, an initiative that is managed in Chile by the Chilean Industrial Chemical Association (ASIQUIM). This process confirms the Company's commitment to the safety and health of its workers, to communities adjacent to its operations and to the care of the environment.
- » The Company was recognized by "Impulsa Talento Femenino" as the best company in the commodities sector, along with eight other companies from a variety of industries, for its contribution to the inclusion of women in the workplace.
- » SQM received the award for "Best Value Creation 2015 in Raw Materials Sector" as part of the Top 100 Ranking published annually by Revista Capital and Banco Santander Chile.
- » In collaboration with the town of Maria Elena, the Company began developing a strategic plan to strengthen local tourism, highlighting its attractions as a nitrates town with a vibrant local culture and traditions.
- » SQM's different departments and divisions joined forces to draft its new Strategic Development Plan. This plan sets guidelines for the Company's medium and long-term development and defines its main lines of action, which are already being implemented.

CORPORATE GOVERNANCE POLICY

G4-14

SQM has corporate governance guidelines that are designed to guide the board in exercising its duties with the Company and its shareholders. These guidelines are not intended to serve as a set of legal obligations, but rather a flexible framework that the board can use to manage its dealings. They can be modified at the board's discretion when it deems necessary.

Harvesting nitrate-rich salts, Sur Viejo, Nueva Victoria operations,
Tarapacá Region.



ORGANIZATION AND CORPORATE GOVERNANCE G4-34

BOARD OF DIRECTORS

The Board of Directors of SQM is comprised of eight members elected by the Company's shareholders. Based on the Company's needs, at the annual shareholders meeting held on April 26, 2016, a new board was elected for a three-year period and Eugenio Ponce L. was appointed chairman.

In addition, the board has three committees: The Audit and Financial Risk Committee, the Safety, Health and Environment Committee and the Corporate Governance Committee. The efforts of the board and its committees help to fortify SQM's corporate governance and reinforce good practices at the Company.

No board member holds a managerial position within the Company.

The board's main duties include:

- » Developing the Company's vision, strategy and objectives.
- » Hiring and continuously evaluating the Chief Executive Officer and top-ranking executives.
- » Approving new investment over US\$ 5 million. This does not include capital expenses for maintenance included in the annually approved investment plan.
- » Approving the annual budget.
- » Approving the Investment and Financing Policies to be presented for shareholder consent at the annual shareholders meeting.
- » Analyzing and evaluating the convenience, timely filing and relevance of annual reports filed in Chile and in the United States in order to continuously improve information disclosed by the Company.
- » Analyzing and approving matters required by Chilean regulations.

The board of directors monitors management's performance and meets each month to analyze the Company's progress, assess investment opportunities and approve general guidelines and directives for SQM's development.

In compensation for his or her time, each director and committee member receives a stipend that is proposed annually by the board for subsequent shareholder approval at annual shareholders meetings. Board stipends shall be customary, reasonable and competitive.

SQM's board of directors must exercise its best judgment in order to act in line with what it reasonably believes to be the interests of the Company and its shareholders.

SQM has corporate governance guidelines that are designed to guide the board in exercising its duties with the Company.



SGM's Corporate Headquarters, Santiago.

The Company has a Code of Conduct for the board and employees. This code describes the conduct that is expected of employees and directors. It also defines a conflict of interest and describes the procedures a director must follow to report and resolve a possible conflict of interest. This code and the Company's Code of Ethics serve as a navigation chart for the board and employees.

The Company and its executives, employees and directors must conduct themselves in accordance with the Code of Ethics. Such conduct reflects a commitment to transparency and integrity and rejects acts of corruption, based on the provisions of Law No. 20,393 in Chile and the Foreign Corrupt Practices Act (FCPA) in the United States.

AUDIT AND FINANCIAL RISK COMMITTEE

The objective of the Audit and Financial Risk Committee (AFRC) is to help the board fulfill its duties with respect to control and financial reporting matters. The AFRC works to control the Company's maximum exposure to financial risk in accordance with defined policies.

It is comprised of three directors. Independence requirements under Chilean and NYSE regulations must be taken into consideration in selecting the members of the AFRC.

This committee must meet at least four times per year. The AFRC presents pertinent information to the board after each meeting.

This committee works to control the Company's maximum exposure to actual financial risk according to defined policies. The AFRC acts in accordance with article 50 bis of Law No. 18,046.

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The purpose of the Safety, Health and Environment Committee (SHEC) is to support the board in fulfilling its duties by reviewing and recommending policies related to safety, health and environmental matters affecting the Company.

The SHEC is comprised of three directors. It meets at least twice a year, or more frequently if necessary. It is responsible for periodically reviewing the Company's safety, health and environmental policies and monitoring the status of compliance with these policies and applicable regulations. The board works to ensure that policies, indicators and reports are defined in accordance with international standards such as the "Global Reporting Initiative" guidelines or other equivalent

standards. This committee is also responsible for reviewing emergency response plans. The SHEC periodically reports key findings to the board.

CORPORATE GOVERNANCE COMMITTEE

The purpose of the Corporate Governance Committee (CGC) is to support the board in fulfilling its duties by reviewing and recommending policies related to corporate governance matters affecting the Company.

The CGC is comprised of three directors. It meets at least twice a year, or more frequently if necessary.

The committee's responsibilities include:

- » Reviewing the corporate governance policy once per year and recommending any changes it deems necessary.
- » Reviewing compliance of the corporate governance policy once per year and ensuring that applicable regulatory requirements are being met. As part of this process, the board will examine corporate governance best practices implemented by other local and international entities.

» Ensuring the Company has a proper succession plan in place for the CEO and other senior executives. This will include a list of possible candidates available to replace the CEO if the board decides to remove him or in the event of an emergency. This list should take into consideration the skills, experience, independence and knowledge required for the position.

» Ensuring that there is a proper succession plan for the Chairman of the Board based on the skills, experience, independence and knowledge required for the position. The committee will do its best to identify possible, suitable candidates to be proposed to the board.

» Reviewing modifications to communications intended for the Company's shareholders, including institutional shareholders and analysts as well as potential shareholders.

» Reviewing any directors' and officers' liability policy before it is contracted by the Company.

SQM's Corporate Governance Policy is available on the Company's website www.sqm.com.

ORGANIZATION

The following individuals serve on SQM's board:

CHAIRMAN
EUGENIO PONCE L.

Mechanical Engineer
Universidad Católica de Valparaíso
Chilean National ID: 5.370.715-7



BOARD MEMBER
ROBERT A. KIRKPATRICK

Lawyer
University of Saskatchewan
Chilean National ID: 48.187.982-5

VICE CHAIRMAN
EDWARD J. WAITZER

Lawyer
University of Toronto
Chilean National ID: 21.376.788-7



BOARD MEMBER
HANS DIETER LINNEBERG A.

Economist
Universidad de Chile
Chilean National ID: 8.321.556-9

BOARD MEMBER
JOANNE L. BOYES

Accountant
University of Saskatchewan
Chilean National ID: 48.188.014-9



BOARD MEMBER
ARNFINN F. PRUGGER

Geoscientist
University of Saskatchewan
Chilean National ID: 48.187.981-7

BOARD MEMBER
GONZALO GUERRERO Y.

Lawyer
Universidad de Chile
Chilean National ID: 10.581.580-8



BOARD MEMBER
JULIO REBOLLEDO D.

Commercial Engineer
Universidad de Talca
Chilean National ID: 12.587.799-0

The current board of directors was elected for a three-year period at the annual shareholders meeting held April 26, 2016. As established in the Company's corporate governance framework, anyone may contact the directors by email at directores@sqm.com.

MANAGEMENT

SQM's senior management consists of:



CHIEF EXECUTIVE OFFICER
PATRICIO DE SOLMINIHAC T.
Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 6.263.302-6



CORPORATE SERVICES SENIOR VICE-PRESIDENT
RICARDO RAMOS R.
Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 8.037.690-1



POTASSIUM AND LITHIUM OPERATIONS SENIOR VICE-PRESIDENT
JUAN CARLOS BARRERA P.
Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 10.528.182-K

DEVELOPMENT AND PLANNING SENIOR VICE-PRESIDENT
PABLO ALTIMIRAS C.

Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 13.657.862-6



LEGAL SENIOR VICE-PRESIDENT
GONZALO AGUIRRE T.

Lawyer
Universidad Católica de Chile
Chilean National ID: 13.441.419-7



PEOPLE AND PERFORMANCE SENIOR VICE-PRESIDENT
JOSÉ MIGUEL BERGUÑO C.

Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 10.903.992-6



NITRATES AND IODINE OPERATIONS SENIOR VICE-PRESIDENT
CARLOS DÍAZ O.

Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 10.476.287-5



POTASSIUM AND NITRATES COMMERCIAL SENIOR VICE-PRESIDENT
FRANK BIOT

Master's in Applied Economics
University of Antwerp, Belgium
National ID: BEL592009828/2054



PUBLIC AFFAIRS AND SUSTAINABILITY SENIOR VICE-PRESIDENT
PAULINE DE VIDTS S.

Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 9.668.138-0



IODINE, LITHIUM AND INDUSTRIAL CHEMICALS COMMERCIAL SENIOR VICE-PRESIDENT
DANIEL JIMÉNEZ SCH.

Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 6.362.533-7



INTERNAL AUDITING
RAÚL PUERTO M.

Industrial Engineer
Pontificia Universidad Javeriana de Colombia
Chilean National ID: 14.757.436-3



RISK MANAGEMENT AND COMPLIANCE
ANDRÉS YAKSIC B.

Industrial Engineer
Universidad Católica de Chile
Chilean National ID: 15.313.670-K





Prilling Plant, Coya Sur, María Elena, Antofagasta Region.

LEGAL AND OWNERSHIP STRUCTURE G47

SQM S.A. is a publicly traded corporation with shares listed on the Santiago (Chile) and New York (U.S.) stock exchanges.

As of December 31, 2016, the Company's majority shareholders are:

| SERIES A + B | NO. OF SHARES | OWNERSHIP INTEREST (%) |
|--|--------------------|------------------------|
| THE BANK OF NEW YORK MELLON ADRS | 59,373,011 | 22.56% |
| SOCIEDAD DE INVERSIONES PAMPA CALICHERA SA | 51,901,840 | 19.72% |
| INVERSIONES EL BOLDO LIMITADA | 45,693,872 | 17.36% |
| INVERSIONES RAC CHILE LIMITADA | 21,403,015 | 8.13% |
| POTASIOS DE CHILE SA | 18,179,147 | 6.91% |
| INVERSIONES PCS CHILE LIMITADA | 17,126,000 | 6.51% |
| BANCO DE CHILE ON BEHALF OF NON-RESIDENT THIRD PARTIES | 8,962,355 | 3.41% |
| INVERSIONES GLOBAL MINING CHILE LIMITADA | 8,798,539 | 3.34% |
| BANCO ITAU ON BEHALF OF FOREIGN INVESTORS | 6,523,167 | 2.48% |
| INVERSIONES LA ESPERANZA CHILE LIMITADA | 3,758,098 | 1.43% |
| BANCO SANTANDER ON BEHALF OF FOREIGN INVESTORS | 3,676,006 | 1.40% |
| MBI CORREDORES DE BOLSA SA | 2,070,193 | 0.79% |
| SUBTOTAL LARGEST SERIES A AND B SHAREHOLDERS | 247,465,243 | 94.02% |
| Total Series A and B Shares | 263,196,524 | 100% |

| SERIES A | NO. OF SHARES | OWNERSHIP INTEREST (%) |
|---|--------------------|------------------------|
| SOCIEDAD DE INVERSIONES PAMPA CALICHERA SA | 44,894,152 | 31.43% |
| INVERSIONES EL BOLDO LIMITADA | 29,330,326 | 20.54% |
| INVERSIONES RAC CHILE LIMITADA | 19,200,242 | 13.44% |
| POTASIOS DE CHILE SA | 18,179,147 | 12.73% |
| INVERSIONES PCS CHILE LIMITADA | 15,526,000 | 10.87% |
| INVERSIONES GLOBAL MINING CHILE LIMITADA | 8,798,539 | 6.16% |
| INVERSIONES LA ESPERANZA CHILE LIMITADA | 3,711,598 | 2.60% |
| KOWA CO LTD | 781,429 | 0.55% |
| KOCHI S.A. | 737,057 | 0.52% |
| LA ESPERANZA DELAWARE CORPORATION | 227,550 | 0.16% |
| BANCHILE CORREDORES DE BOLSA S.A. | 163,576 | 0.11% |
| INVERSIONES RENTAMAX LIMITADA | 154,000 | 0.11% |
| SUBTOTAL LARGEST SERIES A SHAREHOLDERS | 141,703,616 | 99.22% |
| Total Series A Shares | 142,819,552 | 100% |

| SERIES B | NO. OF SHARES | OWNERSHIP INTEREST (%) |
|--|--------------------|------------------------|
| THE BANK OF NEW YORK MELLON ADRS | 59,373,011 | 49.32% |
| INVERSIONES EL BOLDO LIMITADA | 16,363,546 | 13.59% |
| BANCO DE CHILE ON BEHALF OF NON-RESIDENT THIRD PARTIES | 8,962,355 | 7.45% |
| SOCIEDAD DE INVERSIONES PAMPA CALICHERA SA | 7,007,688 | 5.82% |
| BANCO ITAU ON BEHALF OF FOREIGN INVESTORS | 6,502,217 | 5.40% |
| BANCO SANTANDER ON BEHALF OF FOREIGN INVESTORS | 3,676,006 | 3.05% |
| INVERSIONES RAC CHILE LIMITADA | 2,202,773 | 1.83% |
| MBI CORREDORES DE BOLSA SA | 2,070,193 | 1.72% |
| INVERSIONES PCS CHILE LIMITADA | 1,600,000 | 1.33% |
| BANCHILE CORREDORES DE BOLSA SA | 1,513,836 | 1.26% |
| BOLSA DE COMERCIO DE SANTIAGO BOLSA DE VALORES | 1,242,803 | 1.03% |
| EUROAMERICA CORREDORES DE BOLSA SA | 1,035,334 | 0.86% |
| SUBTOTAL LARGEST SERIES B SHAREHOLDERS | 111,549,762 | 92.67% |
| Total Series B Shares | 120,376,972 | 100% |

CORPORATE PRINCIPLES

WE STRIVE TO CONSERVE AND CONSOLIDATE OUR GLOBAL LEADERSHIP IN OUR MAIN BUSINESS LINES. THIS IS ONLY POSSIBLE IF OUR ACTIONS ARE GUIDED BY VALUES THAT ARE REFLECTED IN HOW WE TREAT OUR SHAREHOLDERS, ASSOCIATES, CUSTOMERS, SUPPLIERS, THE ENVIRONMENT AND THE COMMUNITY.

VISION

We aspire to maintain and strengthen our global leadership position in our main business lines: specialty plant nutrition; iodine and derivatives; lithium and derivatives; industrial chemicals and potassium, with a flexible strategy in the event of market changes that keeps production costs low. We hold ourselves to high ethical standards in our dealings with shareholders, employees, customers, contractors, suppliers, the environment and the community.

VALUES

EXCELLENCE

We commit to working with the best standards of quality, efficiency and effectiveness. We rationally use the resources we manage and promote actions that add value. We act responsibly and fulfill our commitments.

INTEGRITY

We conduct business in an honest, fair, ethical, respectful and transparent manner. Our language is open and consistent with our actions towards people, the environment, the community, customers and other entities we interact with.

SAFETY

We value everyone's lives and health. We believe that caring for people is an organizational, personal and social commitment that is put into practice in the workplace and in our private lives.

TEAMWORK

We encourage people to work together. We value the personal traits and skills of each person and foster the exchange of ideas, opinions and experiences, thus stimulating joint efforts. We treat people with respect, dignity and courtesy in order to build relationships of trust.

INNOVATION

We address work and challenges creatively. We encourage flexible and varied approaches to the way we do business, constantly pursuing better solutions and ways to achieve our objectives.

CODE OF ETHICS

G4-S02- G4-S03 - G4-S04- G4-S05- G4-S07-G4-S08- G4-56

SQM HAS A CODE OF ETHICS THAT MUST BE FOLLOWED BY THE BOARD, MANAGEMENT AND ALL COMPANY EMPLOYEES.

SQM has a Code of Ethics that must be followed by everyone that works at the Company, with no exceptions. In general terms, the code states that:

SQM is committed to abiding by the laws, rules and regulations of the countries where it operates and does business. SQM understands that there may be traditions and customs that vary from country to country. Nevertheless, these differences cannot deviate the Company from its decision to act with the highest standards of integrity and honesty.

Acting with a high sense of integrity and rejecting corruption is our cornerstone for maintaining the confidence and credibility of our shareholders, directors, employees, customers, suppliers, government

organizations, regulators, and in general all parties that engage with SQM in any manner.

SQM has formulated a set of policies to guide the actions of its employees and directors, as well as their relations with third parties. These jointly determine the underpinnings of the ethics and integrity of SQM, its employees and directors, and comprise what we know as the SQM Code of Ethics.

In order to enforce and safeguard compliance with this Code, SQM has the following:

» **A Compliance Officer**, who is responsible for overseeing and monitoring policy and procedure execution and has the means and powers to do so.

» **An Ethics Committee**, comprised of the Chief Executive Officer, the Compliance Officer, the SQM General Counsel, the Public Affairs and Sustainability Senior Vice-President and the People and Performance Senior Vice-President. This committee will take disciplinary measures for cases of corruption or incidents related to Law N° 20,393 and the FCPA, as well as for other situations breaching this Code that involve SQM employees.

» **Complaint reporting systems available for all employees and contractor workers**, together with complaint reporting policies.

» **Disciplinary measures** to be applied in the event of breach of the Code of Ethics.

The full text of the SQM Code of Ethics is available at the Company's website www.sqm.com

ALL
COMPANY
EMPLOYEES MUST
ADHERE TO THE CODE
OF ETHICS.

Prilling Plant, Coya Sur, María Elena, Antofagasta Region.

COMPLIANCE INITIATIVES G4-S06

After updating the Code of Ethics in 2015, we have continued a series of actions to successfully implement and enforce the new code, such as distributing the document to the entire organization, including the Management Council. Each employee signs a statement indicating that he or she has received and read the Code. In turn, each employee is required to declare any conflict of interest he or she may have, as well as any connection to public officials or politically exposed persons.

In 2016, we continued to provide e-learning training sessions to workers on the contents of this Code and to show a training video to strengthen the execution of corporate procedures. We also held online trivia contests with questions about our Code of Ethics. These initiatives were well received by our employees and reported high participation levels. In 2017 we will continue efforts to train

All SQM employees receive a copy of the Code of Ethics and participate in related training sessions.





employees and executives on the code through e-learning and classroom sessions.

In addition to its Code of Ethics, SQM also has a complaint reporting protocol. All complaints received are fully investigated.

The Company investigated 10 complaints in 2016 but found no cases of corruption or risks of corruption. It completed 30 audits as part of its regular compliance review procedure.

The Company prepared a handbook on free competition for the entire Company, which will be available in 2017.

The Company is upholding its commitments with its neighbors by participating in a variety of social, cultural, educational and other projects.

In order to ensure additional transparency and control, all community initiatives are centrally managed by the Sustainable Development Division. Each initiative must be approved by the Public Affairs and Sustainability Senior Vice-President in the framework of contributions and donations approved by the Management Council for the year. If the grantees are public entities, PEPs or related entities, these also require authorization by the Chief Executive Officer, the Compliance Officer and SQM's General Counsel.

In addition to these measures, the Company has incorporated thorough control of receipts and invoices from suppliers, which must declare any relationship with public entities, PEPs or related entities before doing business with the Company.

The Company has established reporting channels in the event of potential breaches of the Code of Ethics, and separated the Internal Auditing and Compliance functions into two independent areas: Internal Auditing, which reports to the Directors' Committee, and Risk Management and Compliance, which reports to the CEO with direct access to the Directors' Committee.

SUSTAINABLE DEVELOPMENT POLICY

SQM IS COMMITTED TO SUSTAINABLY DEVELOPING ITS BUSINESS, INTEGRATING CONCERN AND RESPECT FOR ITS EMPLOYEES AND CONTRACTORS, THE ENVIRONMENT, THE COMMUNITY AND ITS CUSTOMERS.

SQM is committed to sustainably developing its business, integrating concern and respect for its employees and contractors, the environment, the community and its clients. Optimum performance in these areas is key to the success of its operations and future development. Therefore, SQM commits to the following actions across all business lines (specialty plant nutrition, iodine, lithium, potassium and industrial chemicals) at its sales and production facilities in Chile and abroad:

1. Abiding by the current laws and regulations applicable to its activities, products and services, as well as meeting voluntary agreements and standards to which it has committed.
2. Implementing preventative measures and controls needed, in a timely manner, to minimize the risk of injury and harm to the health of its own employees and those of contractors and subcontractors, thus promoting active participation of all workers in risk prevention matters.
3. Minimizing the potential environmental impact of its activities by incorporating environmental variables into its operations from the design stage, thus implementing control and mitigation measures and avoiding contamination by properly managing waste and emissions.
4. Providing its customers with high quality products that meet committed standards and assistance and service to ensure a mutually beneficial, long-term relationship.
5. Maintaining good neighbor relations and participating in the development of communities near its operations, supporting projects and activities designed to improve the quality of life in these communities, emphasizing education, culture and environmental protection.
6. Maintaining open and ongoing communication with its employees, contractors, customers, shareholders, neighbors and authorities.



STATEMENT OF SUSTAINABILITY

7. Promoting continual improvement in its performance in terms of risk prevention, the environment, quality and community relations.
8. Training, developing and evaluating its employees and personnel from its contractors, as all are active agents in the effective implementation and maintenance of this policy.
9. Promoting responsible and efficient use of natural resources and production inputs in line with national and international standards and good practices in this area.
10. Providing its customers with high quality products that meet committed standards and assistance and service to ensure a mutually beneficial, long-term relationship.
11. Maintaining good neighbor relations and participating in the development of the communities near our operations, supporting projects and activities designed to improve their quality of life, emphasizing education, culture and environmental protection.
12. Maintaining open and ongoing communication with its employees, contractors, customers, shareholders, neighbors and authorities, periodically informing them of its performance.
13. Promoting continual improvement in its performance in terms of safety, health, the environment, quality and community relations.
14. Training, developing and evaluating its employees and personnel from its contractors.

IN KEEPING WITH THE PRINCIPLE OF CONSTANT IMPROVEMENT, THE COMPANY'S WORK IS ALIGNED WITH THE COMMITMENTS THAT IT HAS MADE TO ITS SHAREHOLDERS, CUSTOMERS, EMPLOYEES AND PARTNERS AS WELL AS NEIGHBORING COMMUNITIES TO CARRY OUT ITS COMMERCIAL AND PRODUCTIVE WORK IN HARMONY WITH THE ENVIRONMENT. SQM WILL TAKE STEPS TO PROTECT PEOPLE AND THE ENVIRONMENT IN ORDER TO MAKE ITS BUSINESS SUSTAINABLE. EVERYONE WHO WORKS FOR AND COLLABORATES WITH THE COMPANY SHARES IN THIS RESPONSIBILITY.

IN ACCORDANCE WITH THIS SUSTAINABLE DEVELOPMENT POLICY, SQM CONTINUOUSLY REVIEWS AND OUTLINES NEW CHALLENGES THAT ALLOW IT TO FURTHER ADVANCE ITS PERFORMANCE IN ALL AREAS.

SQM IN CHILE AND THE WORLD

G4-4/ G4-5 /G4-6/ G4-8/ G4-9

THE COMPANY OPERATES IN THE HEART OF THE ATACAMA DESERT IN CHILE'S TARAPACÁ AND ANTOFAGASTA REGIONS.

The Atacama Desert is abundant in mineral reserves of incomparable magnitude and quality. The iodine and nitrate reserves in its caliche ore fields are the largest on the planet and the Salar de Atacama contains brine with some of the highest concentrations of lithium and potassium in the world.

SQM is an integrated producer and seller of specialty plant nutrients, iodine, lithium, potassium fertilizers and industrial chemicals. Our products are developed from high-quality natural resources, making us a cost leader. Our efforts are supported by a specialized international commercial network with sales in over 115 countries.

The Company's leadership strategy is based on its competitive advantages and the sustainable growth of the diverse markets where it does

business. SQM's main competitive advantages in most of its business lines are:

- » Synergies arising from the production of a large variety of products derived from two unique natural resources.
- » Low production costs thanks to vast high-quality natural resources.
- » Know-how and in-house technological development of its diverse production processes.
- » Infrastructure, logistics and high production volumes that help to curb distribution costs.
- » A significant international market share for its main products.
- » An international commercial network with



SQM OFFICES IN CHILE

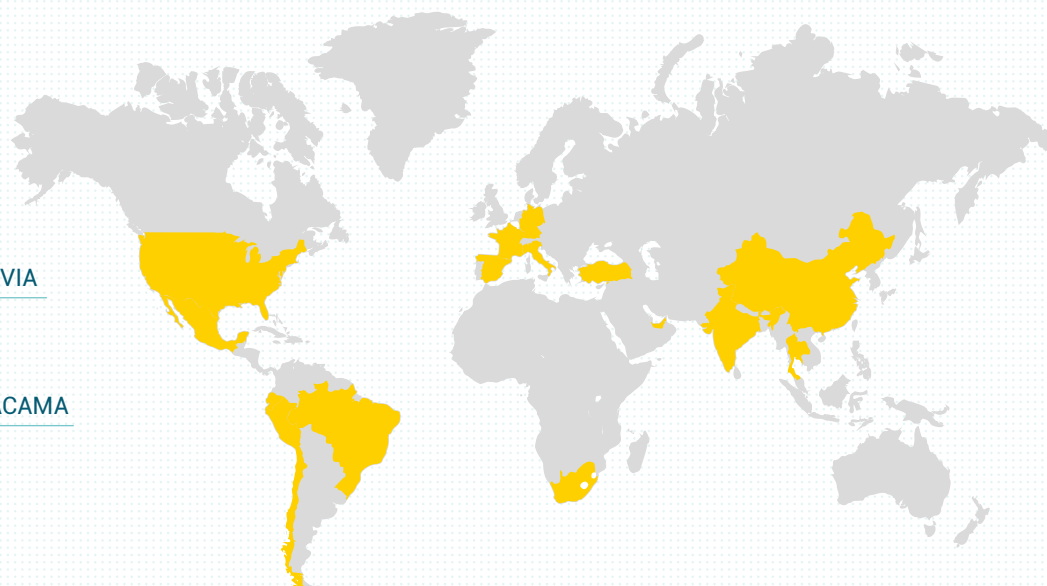


company-owned offices in 20 countries and sales in over 115 countries.

- » Ongoing product development based on customer needs.
- » A sound, conservative financial position.

OPERATIONS IN CHILE

OFFICES AND PRODUCTION FACILITIES IN THE WORLD



COMMERCIAL OFFICES

20

OUR PRODUCTS REACH

115 COUNTRIES THROUGHOUT THE WORLD.

COMMERCIAL OFFICES

- Atlanta / United States
- Antwerp / Belgium
- Madrid / Spain
- Barcelona / Spain
- Guadalajara / Mexico
- Guayaquil / Ecuador
- Florence / Italy
- Mülheim an der Ruhr / Germany
- Bangkok / Thailand
- Beijing / China
- Johannesburg / South Africa

PRODUCTION FACILITIES

- Jackson / United States
- Topolobampo / Mexico
- Manzanillo / Mexico

JOINT VENTURE / COMMERCIAL OFFICES

- Lima / Peru
- Paranagua / Brazil
- Johannesburg / South Africa

JOINT VENTURE / PRODUCTION FACILITIES / COMMERCIAL OFFICES

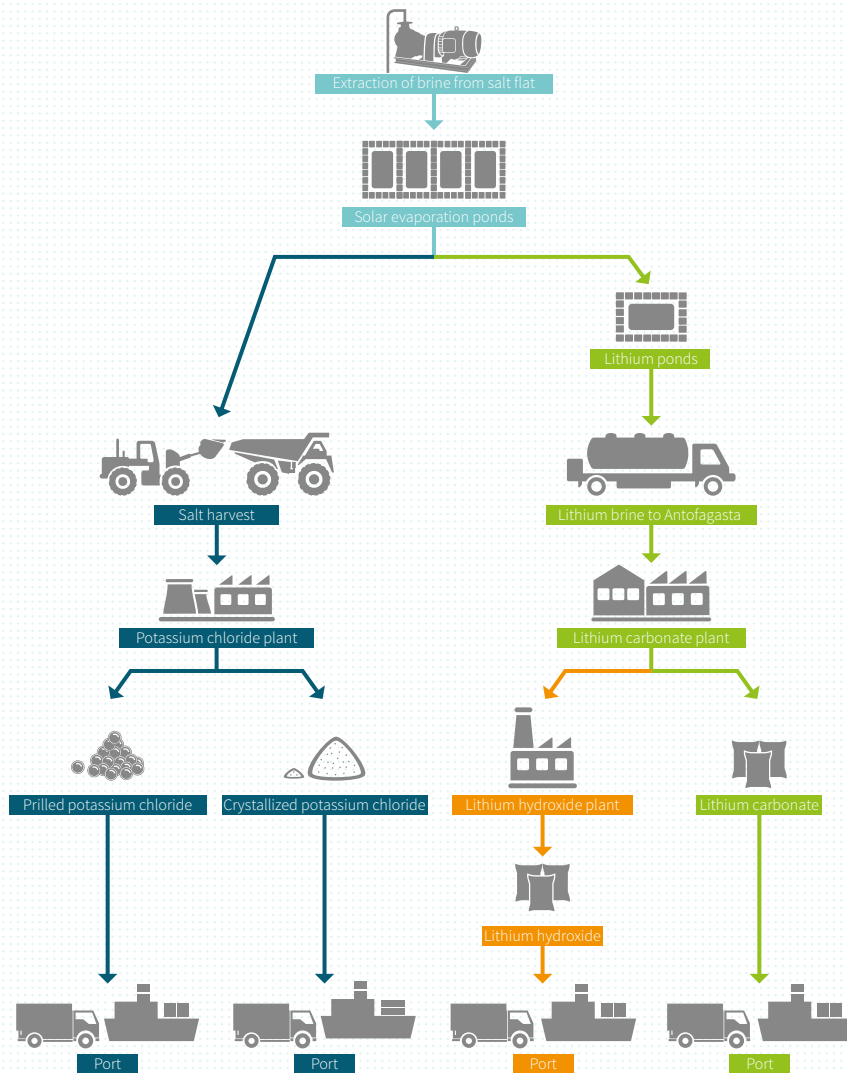
- Atlanta / United States
- Chile
- Candeias / Brazil
- Fauville / France
- Cádiz / Spain
- Abu Dhabi / United Arab Emirates
- Dubai / United Arab Emirates
- Andhra Pradesh / India
- Bangkok / Thailand
- Qingdao / China
- Chengdu / China

JOINT VENTURE / PRODUCTION FACILITIES

- Düsseldorf / Germany
- Durban / South Africa
- Cape Town / South Africa

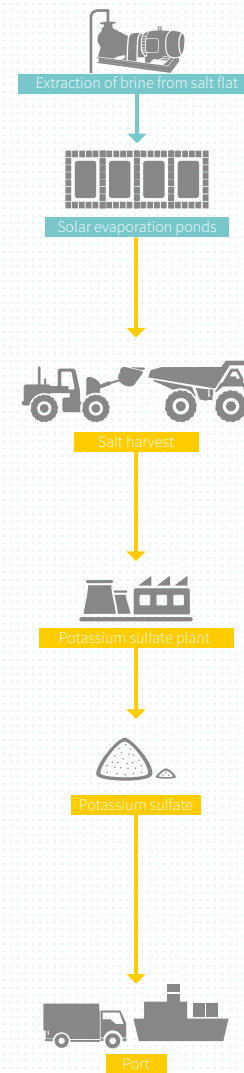
PRODUCTION PROCESSES

LITHIUM/POTASSIUM CHLORIDE PROCESSES



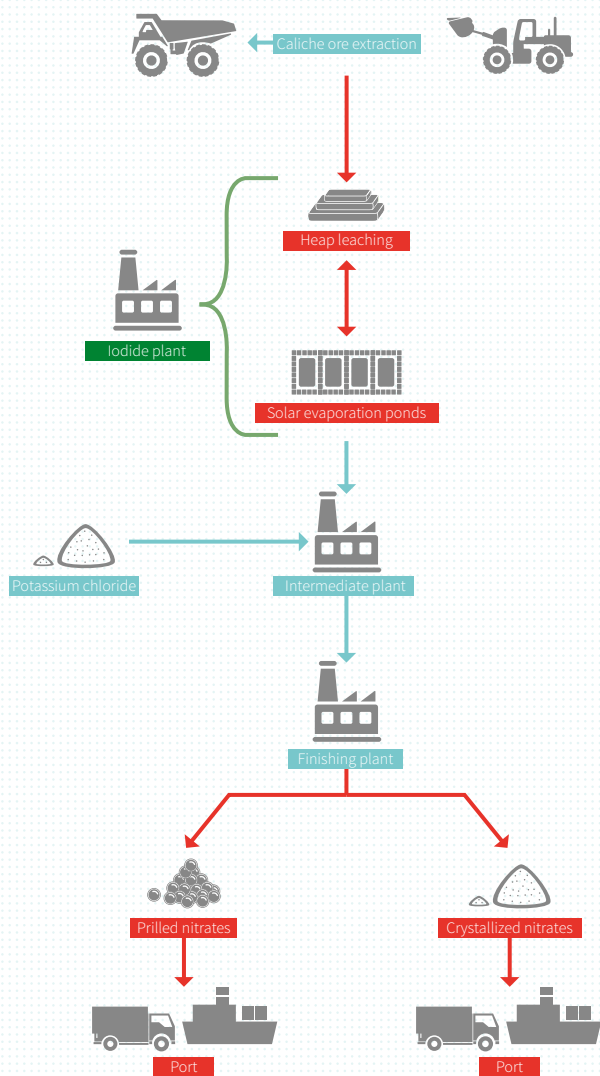
■ Potassium Chloride ■ Lithium Carbonate ■ Lithium Hydroxide

POTASSIUM SULFATE PROCESS



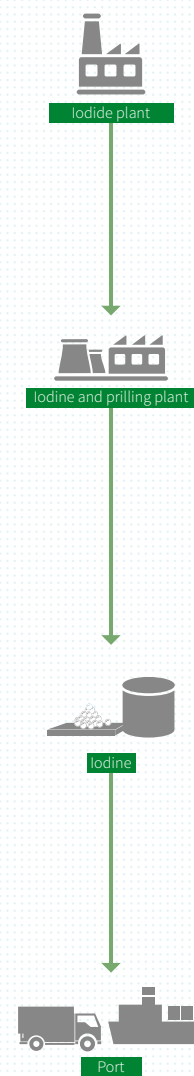
■ Potassium Sulfate

NITRATES PROCESS



■ Nitrates

IODINE PROCESS



■ Iodine

OUR PRODUCTS

SQM'S BUSINESS STRATEGY IS BASED ON BEING A MINING OPERATOR THAT INTEGRATES PRODUCTION AND SALES, WHILE EFFICIENTLY SUPPLYING PRODUCTS TO INDUSTRIES THAT ARE ESSENTIAL TO DIFFERENT FIELDS OF HUMAN DEVELOPMENT.

SQM has an innovative business model based on the use of efficient technology to obtain a variety of products from the mineral resources it mines. These products are sold through a broad, efficient distribution and sales network that meets the needs of very diverse markets all around the world.

These products are: specialty plant nutrition; iodine and derivatives; lithium and derivatives; industrial chemicals and potassium.

SPECIALTY PLANT NUTRITION

Through this business line, SQM provides specialized nutrition solutions for agriculture to boost growth, production and reproduction. They are especially useful on farms as part of a strategy for enhancing productivity and quality in order to add value to products.

These products deliver advanced solutions such as application by means of fertirrigation, soil and foliar applications, and are complemented by the experience and know-how of our team of agricultural experts that directly advise customers.

Specialty plant nutrients are mineral substances that fulfill specific, irreplaceable functions in crops. This business line includes sodium nitrate, sodium potassium nitrate and potassium nitrate, the last of which is the most important.

IODINE AND DERIVATIVES

As one of SQM's primary business lines, the Company is deeply committed to developing the iodine industry.

Iodine is known for its antiseptic and germicidal properties because of its ability to rapidly penetrate the cell walls of microorganisms, causing their protein structure and DNA to rupture.

Some of the most common uses of iodine include health care applications such as contrast media for X-ray exams, povidone-iodine and inclusion as a component in synthesizing pharmaceuticals, bactericides, fungicides and disinfectants. It also has industrial applications in nylon and water repellent agents.



It is also frequently used in the food industry to prevent iodine insufficiency. Low iodine levels during pregnancy and infancy can lead to neurological and physical development issues in children, as well as goiters and thyroid malfunction at all ages.

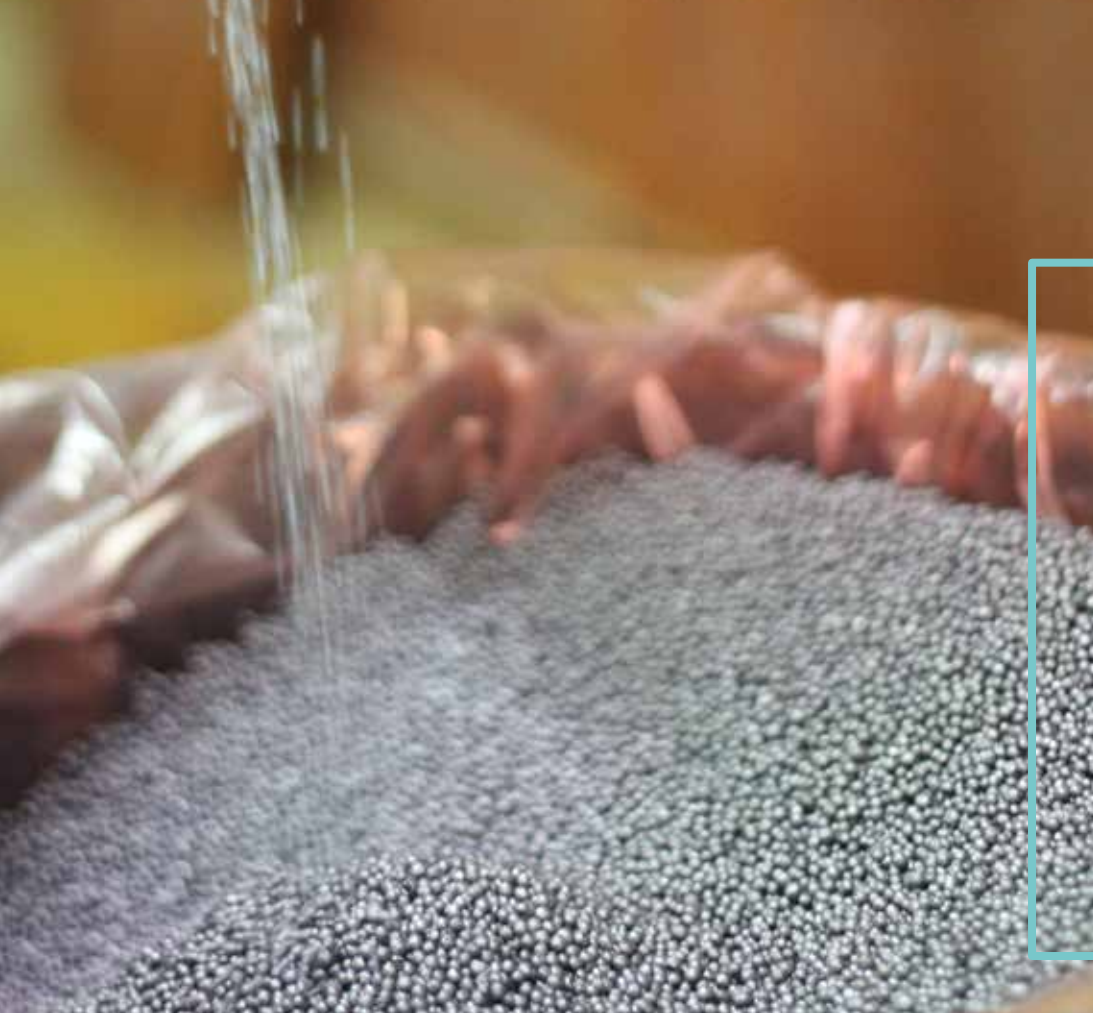
SQM's production and sale of iodine is certified under ISO 9001:2008 Quality Management Systems.

LITHIUM AND DERIVATIVES

As the world's largest producer of lithium, SQM is committed to the development and sustainability of the lithium industry.

Lithium, the lightest of all metals, can be used in a variety of products including rechargeable batteries, high-resistance glass and ceramics, lubricating grease, air conditioning, pharmaceuticals, aluminum, cement, adhesives and dyes.





SQM HOLDS 16 VALID INVENTION PATENTS FOR PROCESSES AND PRODUCTS IN CHILE, THE UNITED STATES AND JAPAN, FOR THE PRODUCTION PROCESSES OF LITHIUM, IODINE AND NITRATES.

One of the most well known uses is in lithium batteries, which have higher energy density than traditional batteries, which allows them to store more energy per weight and volume.

For the production and sale of lithium carbonate and lithium hydroxide, SQM is certified under ISO 9001:2008 Quality Management System. This certification demonstrates the Company's commitment to both customer satisfaction and the continual improvement of its processes in order to compete in a dynamic world.

INDUSTRIAL CHEMICALS

Nitrates, potassium chloride and magnesium chloride are used for industrial applications such as explosives, thermal energy storage, metals treatments, lubricants for oil extraction, fire retardants, among others.

One of the most recent industrial applications of potassium and sodium nitrates is thermal energy storage in solar power plants. Concentrated solar power (CSP) plants equipped with a molten salt storage system store solar energy in the form of heat, enabling 24/7 continuous operation for power generation.

POTASSIUM

In order to supply itself with potassium chloride, the raw material for producing potassium nitrate, SQM began operating in the Salar de Atacama in the 1990s.

SQM is currently the only producer of the three main types of potassium: Potassium nitrate, potassium sulfate and potassium chloride.

Potassium is a nutrient with multiple industrial applications that plays a key role in the development of basic functions in humans and plants.

In people, it helps prevent and treat diseases such as high blood pressure, cerebrovascular complications and cognitive impairment, while in plants it improves resistance to stressors such as extreme temperatures, droughts, parasites and other elements.

PROMOTING RESEARCH

In 2016 we continued to support scientific studies on the positive effects of lithium and potassium on human health initiated in 2014 and 2012, respectively, conducted by the Aging and Regeneration Center, Care Chile UC. The main objective is to conduct scientific and applied research to develop new products and/or services that improve quality of life. This research has led to significant advances to establish a biomedical basis for the beneficial use of these elements in humans. Potassium has been identified as having positive effects on the prevention and treatment of high blood pressure, cerebrovascular complications and cognitive impairment. The benefits of lithium are associated with the role it plays in activating the nervous system and generating neurons, which can help in the treatment of Alzheimer's and Parkinson's disease and other neurological diseases and conditions.

"PROTECT & SUSTAIN" CERTIFICATION FROM THE INTERNATIONAL FERTILIZER INDUSTRY ASSOCIATION

Companies earning this certification are committed to responsible and safe management product management, covering quality, health, occupational safety, industrial safety and environmental aspects throughout the different product life cycle stages.

IFA SHE principles are in line with the SQM Sustainable Development Policy, a correlation that was essential for complying with standards under the Protect & Sustain program.

SQM areas certified in November 2015 include production, product development, fertilizer storage and shipping at the Salar de Atacama, Coya Sur, Antofagasta, Santiago and Tocopilla Port operations.

WORLD IODINE ASSOCIATION (WIA)

The World Iodine Association (WIA), which is presided by SQM, aims to develop, support and promote the use of iodine and its derivatives, and to provide information about the benefits for human and animal health and industry.

Another of the entity's missions is to bring together and represent iodine producers, processes, formulators, distributors and end users from all over the world in their dealings with authorities or regulatory entities.

A total of six members founded this association in 2015: Ajay Europe SARL -SQM Europe NV, Calibre Chemicals, GE Healthcare, Hybred SAS (Roullier Group) and Iofina. Associate members include: Deepwater Chemicals, the European Salt Producers' Association and Akzo Nobel.



Mine operations at Nueva Victoria, Tarapacá Region.



04 OUR PEOPLE

SQM'S TEAM IS THE FOUNDATION FOR THE COMPANY'S DEVELOPMENT. Therefore, it is essential that the Company foster good leadership practices and labor relations to help maintain a positive work environment.

SQM promotes corporate social responsibility initiatives involving employees and provides benefits for them and their families.



EMPLOYEE PROFILE

As of December 2016, SQM had 4,751 employees throughout the world. These employees breathe life into all areas of our Company's operations.

Our Company is made up of a diverse group of people, including operators, technicians and professionals, both men and women of different ages, each of whom contributes their individual capacities and skills to the Company's development.

In keeping with its principles, SQM has emphatically rejected any kind of child labor.

Certifying that employees are 18 or over is a pre-requisite for hiring, in strict conformity with Chilean legislation, which determines legal age to be 18 years old. In turn, this principle is explicit in our internal personnel selection standards.

All positions available within the Company are organized into: general staff, supervisory staff and executive staff, carrying out duties at different production, commercial and administrative facilities.

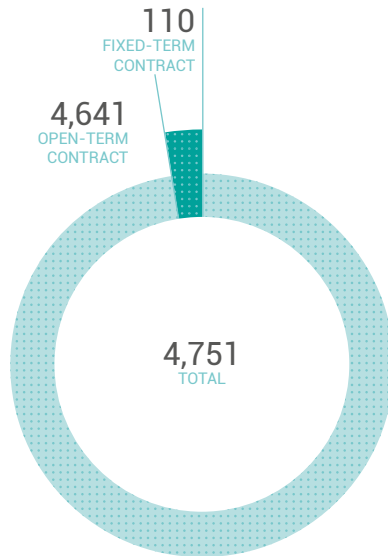
OF OUR EMPLOYEES BASED
IN CHILE,

83%

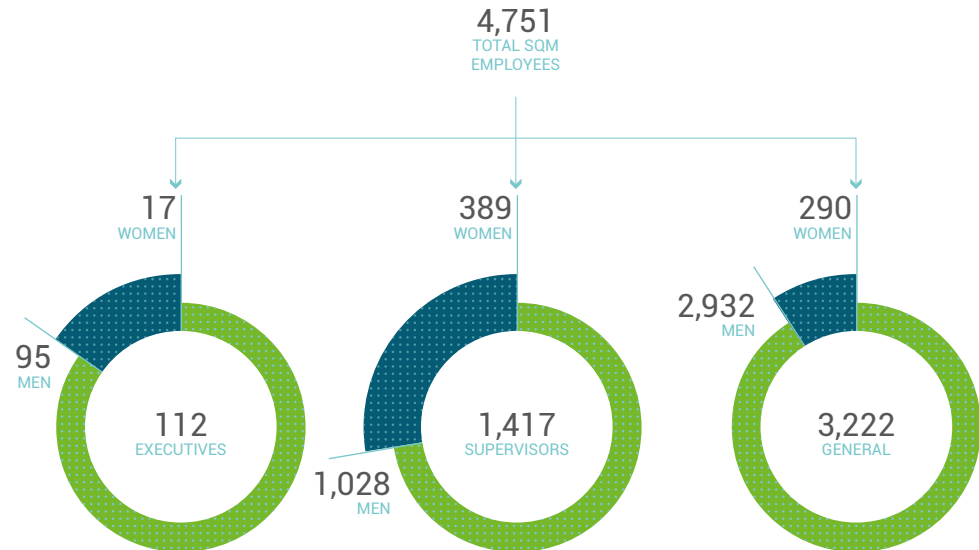


work in the Tarapacá and Antofagasta regions.

EMPLOYEES BY CONTRACT TYPE AS OF DECEMBER 31, 2016



EMPLOYEES BY CATEGORY AND GENDER AS OF DECEMBER 31, 2016



EMPLOYEE STATISTICS AS OF DECEMBER 2016 G4-9/ G4-LA1

- » SQM provides an annual average of 10,050 jobs in Chile and around the world, including company personnel and contractors.
- » The Company has 4,751 direct workers, of which 4,534 are based in Chile and 217 are located abroad. Contractors accounted for an annual average of 5,299 workers in 2016.
- » 3,927 workers (83%) work in the Tarapacá and Antofagasta regions, while 10.7% are based in the Metropolitan Region.
- » 32.1% of executives are based in the Tarapacá and Antofagasta regions, while 62.5% work in the Metropolitan Region.
- » Of all employees (in Chile and abroad), 97.7% had open-term contracts and 2.3% were employed for a fixed term.



JOB

10,050

COMPANY
EMPLOYEES
IN CHILE

4,534

14.6%

WOMEN WORKING AT SQM
AROUND THE WORLD

PERSONNEL IN CHILE AND OVERSEAS BY AGE GROUP, GENDER AND GEOGRAPHIC DISTRIBUTION AS OF DECEMBER 31, 2016

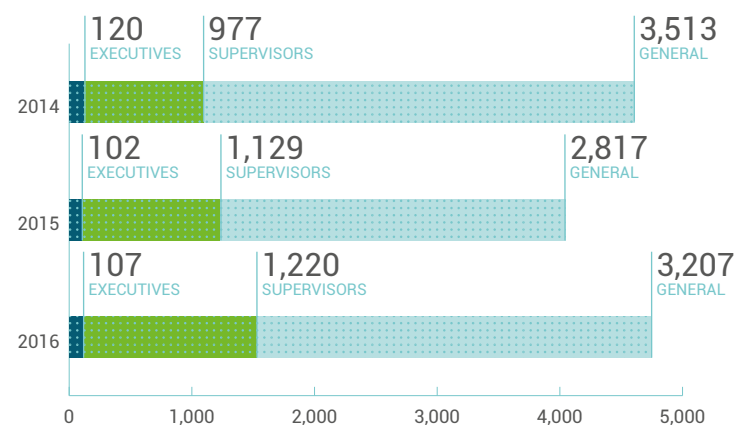
| AGE RANGE | TARAPACA | | ANTOFAGASTA | | METROPOLITAN | | OTHER REGIONS | | OVERSEAS | | TOTAL | | OVERALL TOTAL |
|--------------|------------|-----------|--------------|------------|--------------|------------|---------------|-----------|------------|-----------|--------------|------------|---------------|
| | ♂ | ♀ | ♂ | ♀ | ♂ | ♀ | ♂ | ♀ | ♂ | ♀ | ♂ | ♀ | |
| Under 30 | 114 | 6 | 546 | 104 | 81 | 39 | 6 | 5 | 13 | 16 | 760 | 170 | 930 |
| 30 - 40 | 319 | 14 | 967 | 153 | 118 | 65 | 19 | 18 | 49 | 44 | 1,472 | 294 | 1,766 |
| 41 - 50 | 229 | 4 | 707 | 73 | 82 | 52 | 25 | 8 | 48 | 25 | 1,091 | 162 | 1,253 |
| Over 50 | 155 | 2 | 499 | 35 | 56 | 18 | 10 | 6 | 12 | 9 | 732 | 70 | 802 |
| TOTAL | 817 | 26 | 2,719 | 365 | 337 | 174 | 60 | 37 | 122 | 94 | 4,055 | 696 | 4,751 |

DISTRIBUTION BY AGE, TURNOVER AND ABSENTEEISM G4-LA1 / G4-LA6



As of December 2016, 43.3% of our employees in Chile and overseas were over the age of 40, while 56.7% were younger than 40. This mixture of experience and new generations gives the Company a solid foundation and vitality.

- » The turnover rate for the year 2016 was 13.53%, up from 10.3% in 2015. The turnover rate for women was 6.6%, compared to 14.7% for men.
- » The absenteeism rate reached 2.7%, considering both men and women.

SQM EMPLOYEES BY CATEGORY IN CHILE





PEOPLE WHO LEFT THE COMPANY IN CHILE IN 2016 BY AGE GROUP AND GENDER

| AGE RANGE |  |  | TOTAL |
|--------------|---|---|------------|
| Under 30 | 95 | 38 | 133 |
| 30 - 39 | 169 | 56 | 225 |
| 40 - 50 | 96 | 21 | 117 |
| Over 50 | 61 | 12 | 73 |
| Total | 421 | 127 | 548 |

In 2016, 548 people (11.5% of the workforce) left the Company. Of this total, 23.2% were women and 76.8% were men.

PEOPLE WHO JOINED THE COMPANY IN CHILE IN 2016 BY AGE GROUP AND GENDER [G4-LA1](#)

| AGE |  |  | TOTAL |
|--------------|--|--|------------|
| Under 30 | 223 | 66 | 289 |
| 30 - 39 | 304 | 53 | 357 |
| 40 - 50 | 201 | 14 | 215 |
| Over 50 | 127 | 4 | 131 |
| Total | 855 | 137 | 992 |

992 people (20.9% of the workforce) joined the Company in 2016. Of this total, 13.8% were women and 86.2% were men.

WOMEN AT SQM [G4-LA13](#)

SQM has an open policy for searching for talent and determining salaries, free of discrimination of any kind, which enables both men and women to fill positions with different requirements and characteristics, such as: laboratory analysts, heavy-duty machinery drivers, administrative workers, executives and plant managers, among others.

Women represent 13.3% of SQM's employees in Chile and 14.6% when considering employees in Chile and overseas in aggregate.

Salaries are determined for each position based on factors such as education, experience, job responsibilities, etc., and do not differ by gender.

In addition, SQM participates in a gender working group coordinated by the Antofagasta and Tarapacá Regional Mining Agencies. These task forces are working to design a regional strategy for incorporating more women into the mining industry.

13.3%

OF SQM EMPLOYEES IN
CHILE ARE WOMEN.

PATERNITY AND MATERNITY LEAVE AS OF DECEMBER 2016 G4-LA 13

During the reporting period, 32 female employees went on maternity leave. Of these, 28 female employees resumed their duties at the end of their leave. The 4 female employees that did not return to work voluntarily resigned from the Company.

| TYPE OF LEAVE | 2016 | 2015 | 2014 |
|---------------|-----------|-----------|-----------|
| Maternity | 32 | 39 | 49 |
| Paternity | 32 | 28 | 36 |
| Total | 64 | 67 | 85 |

AS PART OF OUR CONTINUAL IMPROVEMENT PROCESS, EACH YEAR WE REVIEW EMPLOYEE BENEFIT PACKAGES AND MAKE IMPROVEMENTS TO THE FACILITIES WHERE OUR WORKERS LIVE AND WORK.

OPERATIONAL EXCELLENCE PLAN

In 2016, our Company continued the M1 program started in 2014, implementing and strengthening the Lean methodology across all areas.

Thanks to this methodology, we have cut costs, boosted efficiency and optimized processes, while establishing new management and leadership methods by implementing good organizational practices, setting standards and reducing losses of all types and process variability.

This M1 experience has made SQM a model for other Chilean and international companies, which have visited the Company to learn about its successful implementation. SQM is proud to report that the program was extended to the Controller's Office, the Tax Unit

and the Compensation and Organizational Development Area in 2016. In Salar de Atacama, the first contractor, Constructora Excon S.A., was incorporated into the program, applying the Lean methodology to its safety and prevention processes. The Company expects to incorporate an additional 24 contractor companies in March 2017.

EMPLOYEE RELATIONS [G4-LA 4/ G4-11 /G4-LA8 /G4-RH3 / G4-RH4](#)

SQM is concerned with maintaining and fostering smooth relations and a sense of collaboration with the Company's employees. As of December 31, 2016, the Company had 22 unions, which represent 65% of all employees, primarily at its main production centers: María Elena, Coya Sur, Pedro de Valdivia, Salar de Atacama, Salar del Carmen, Nueva Victoria, Tocopilla, Antofagasta and Santiago. The

Company protects and promotes its workers' freedom of association and encourages non-discriminatory policies. As of December 2016, 3,225 of SQM's employees in Chile, or 71.1 % of our Chilean workforce, were covered by a collective bargaining agreement.

These agreements do not explicitly address safety-related matters, since SQM considers these to be a right its workers are entitled to and an obligation and duty that the Company must fulfill at all times. Most of these agreements consequently did not incorporate safety aspects as benefits. SQM has implemented plans covering safety issues and provides regular training sessions regarding safety. With regard to health care, 100% of the Company's employees receive health care benefits.

The Company has a general policy of meeting periodically with unions to explain the origin and expected effect of any operating changes that may affect workers and their compensation. Notices about significant change may be given weeks or months in advance, depending on the degree to which that change may affect employees.

The Company completed 16 collective bargaining processes in 2016. There were no strikes or operation shutdowns at SQM throughout the period.



BENEFITS G4-EC3 / G4-LA2

THE COMPANY PROVIDES A VARIETY OF BENEFITS TO EMPLOYEES WITH OPEN-TERM CONTRACTS. SOME OF THESE BENEFITS ARE LEGAL OBLIGATIONS WHILE OTHERS ARE GIVEN AT THE COMPANY'S INITIATIVE OR ARE OPTIONAL FOR EMPLOYEES.



WE STRIVE TO CONTINUOUSLY IMPROVE OUR FACILITIES AND SERVICES TO ENHANCE OUR EMPLOYEES' QUALITY OF LIFE.

- » National holiday and Christmas bonuses.
- » Special bonuses: education, funeral assistance, marriage and birth.
- » Special leave: death, marriage, moving and to perform mammograms and prostate exams.
- » Life insurance for each employee that covers natural or accidental death and disability.
- » Supplementary health insurance.
- » Catastrophic health insurance.
- » Dental insurance.
- » Termination benefits in case of employee resignation, with varying benefits based on position.
- » Scholarships for children of employees who demonstrate academic excellence at the university level.
- » University and graduate-level scholarships for outstanding employees.
- » Group Voluntary Retirement Savings (APVG) Agreement to encourage employees to save for retirement. SQM partially matches employee contributions.
- » Gift upon the birth of a son or daughter.
- » Special celebrations (Father's Day, Mother's Day, Women's Day, Secretary's Day, Mining Day and Labor Day).
- » Box of traditional Christmas foods for each employee and his or her family.
- » Christmas gifts for sons/daughters and/or dependents under 12 years of age.
- » Birthday gift.
- » The Company adjusts salaries each year based on a comparative compensation study of companies from comparable industries. This ensures fair and transparent salaries for non-unionized employees.

WORK SITE LIVING STANDARDS AND COMFORT [G4-EN31](#)

SQM is concerned with providing good living conditions, infrastructure and services for employees during time spent at our offices and accommodation facilities.

In this spirit, our accomplishments in 2016 include:

- » Remodeling 450 rooms at Andino Camp, Salar de Atacama.
- » Adding new direct routes to transport employees between our Nueva Victoria facilities and their homes in the cities of Arica, Antofagasta, Tal Tal, María Elena, Tocopilla and Santiago.
- » Purchasing new bedroom furnishings and installing a self-service laundromat at the Iris Camp in Nueva Victoria.
- » Building a new cafeteria for workers in the MOP sector in Salar de Atacama.



PROFESSIONAL DEVELOPMENT G4-LA10

The Company creates opportunities for technical and educational growth and development, maintains an attractive internal mobility program and provides scholarship benefits for employees and their children.

SCHOLARSHIPS

SQM supports families' well-being by providing the opportunity to reach their educational goals with financial assistance for employees and their children, including:

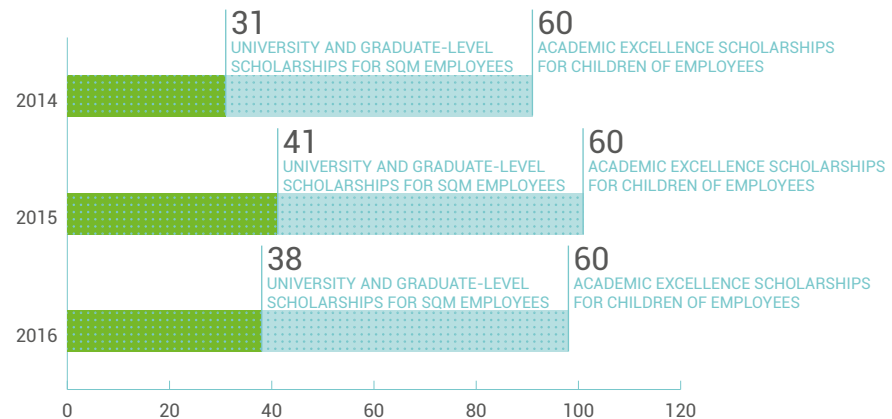
- » University and graduate-level scholarships: 38 employees received scholarships in 2016.
- » Scholarships for children of employees: In 2016, 60 outstanding students received scholarships.

98
SCHOLARSHIPS
AWARDED
IN 2016

368
POSITIONS
WERE FILLED THROUGH
THE INTERNAL MOBILITY
PROGRAM.

52,175
TRAINING
HOURS

SCHOLARSHIP TYPE



INTERNAL MOBILITY PROGRAM

We recognize our employees' talent by providing growth opportunities at the Company according to their competencies, skills and experience. In this spirit, SQM has been working on its internal mobility program for the past six years. This initiative helps general employees and supervisors plan their professional futures and gives them access to new positions within the organization by first identifying ideal candidates from within our teams to fill any vacancies as they arise.

In 2016, 368 positions were filled with internal hires. This program helps benefit the

organization's culture because it:

- » Encourages good performance and meritocracy.
- » Retains and rewards the best talent.
- » Reinforces commitment and motivation.
- » Favors opportunities for personal development.
- » Increases employability by providing learning opportunities within the organization.
- » Enriches the Company through collaboration among areas.
- » Strengthens the idea that people are valuable assets for the Company.

WORKPLACE TRAINING [G4-LA11 / G4-LA12](#)

- » SQM trained 3,021 employees in Chile in 2016.
- » The 52,175 hours of training provided involved an investment of US\$702,500.
- » Our training program centered on the core concepts of Risk Prevention, Orientation, Technical Skills, Skill Development, Technology and Languages for the ongoing further education of employees, supervisors and executives.

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE BY EMPLOYEE CATEGORY IN 2016, 2015 AND 2014 G4-LA9

AVERAGE TRAINING HOURS



| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, ALL EMPLOYEES, 2016 | NO. OF EMPLOYEES 2016 | INDICATOR |
|----------------------|---|-----------------------|-------------|
| Operator | 16,905 | 1,341 | 12.6 |
| Administrative staff | 908 | 187 | 4.9 |
| Executives | 987 | 127 | 7.8 |
| Professionals | 12,586 | 1,195 | 10.5 |
| Technicians | 20,789 | 1,860 | 11.2 |
| | 52,175 | 4,710 | 11.1 |

| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, MALE EMPLOYEES, 2016 | NO. OF MALE EMPLOYEES, 2016 | INDICATOR |
|----------------------|--|-----------------------------|-------------|
| Operator | 16,773 | 1,323 | 12.7 |
| Administrative staff | 390 | 69 | 5.7 |
| Executives | 747 | 104 | 7.2 |
| Professionals | 9,349 | 896 | 10.4 |
| Technicians | 19,989 | 1,627 | 12.3 |
| | 47,248 | 4,019 | 11.8 |

| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, FEMALE EMPLOYEES, 2016 | NO. OF FEMALE EMPLOYEES 2016 | INDICATOR |
|----------------------|--|------------------------------|------------|
| Operator | 132 | 18 | 7.3 |
| Administrative staff | 518 | 118 | 4.4 |
| Executives | 240 | 23 | 10.4 |
| Professionals | 3,237 | 299 | 10.8 |
| Technicians | 800 | 233 | 3.4 |
| | 5,909 | 663 | 8.9 |

| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, ALL EMPLOYEES, 2015 | NO. OF EMPLOYEES 2015 | INDICATOR |
|----------------------|---|-----------------------|-------------|
| Operator | 45,542 | 1,489 | 30.6 |
| Administrative staff | 708 | 174 | 4.1 |
| Executives | 965 | 99 | 9.7 |
| Professionals | 15,782 | 1,196 | 13.2 |
| Technicians | 27,560 | 1,248 | 22.1 |
| | 90,557 | 4,206 | 21.5 |

| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, MALE EMPLOYEES, 2015 | NO. OF MALE EMPLOYEES, 2015 | INDICATOR |
|----------------------|--|-----------------------------|-------------|
| Operator | 44,013 | 1,459 | 30.2 |
| Administrative staff | 479 | 65 | 7.4 |
| Executives | 798 | 83 | 9.6 |
| Professionals | 12,149 | 870 | 14.0 |
| Technicians | 26,187 | 1,049 | 25.0 |
| | 83,626 | 3,526 | 23.7 |

| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, FEMALE EMPLOYEES, 2015 | NO. OF FEMALE EMPLOYEES 2015 | INDICATOR |
|----------------------|--|------------------------------|-------------|
| Operator | 1,529 | 30 | 51.0 |
| Administrative staff | 229 | 109 | 2.1 |
| Executives | 167 | 16 | 10.4 |
| Professionals | 3,633 | 326 | 11.1 |
| Technicians | 1,373 | 199 | 6.9 |
| | 6,931 | 680 | 10.2 |

| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, ALL EMPLOYEES, 2014 | NO. OF EMPLOYEES 2014 | INDICATOR |
|----------------------|---|-----------------------|-------------|
| Operator | 30,182 | 1,844 | 16.4 |
| Administrative staff | 1,303 | 177 | 7.4 |
| Executives | 1,263 | 110 | 11.5 |
| Professionals | 20,734 | 1,263 | 16.4 |
| Technicians | 23,241 | 1,359 | 17.1 |
| | 76,723 | 4,753 | 16.1 |







| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, MALE EMPLOYEES, 2014 | NO. OF MALE EMPLOYEES, 2014 | INDICATOR |
|----------------------|--|-----------------------------|-------------|
| Operator | 29,714 | 1,824 | 16.3 |
| Administrative staff | 715 | 72 | 9.9 |
| Executives | 1,072 | 93 | 11.5 |
| Professionals | 16,992 | 942 | 18.0 |
| Technicians | 22,321 | 1,159 | 19.3 |
| | 70,814 | 4,090 | 17.3 |

| EMPLOYEE CATEGORY | TOTAL TRAINING HOURS, FEMALE EMPLOYEES, 2014 | NO. OF FEMALE EMPLOYEES 2014 | INDICATOR |
|----------------------|--|------------------------------|------------|
| Operator | 468 | 20 | 23.4 |
| Administrative staff | 588 | 105 | 5.6 |
| Executives | 191 | 17 | 11.2 |
| Professionals | 3,742 | 321 | 11.7 |
| Technicians | 920 | 200 | 4.6 |
| | 5,909 | 663 | 8.9 |

PERFORMANCE EVALUATION PROGRAM G4-LA 11

Every year, the Company evaluates its employees' performances in their diverse functions. Evaluations start in the month of January for supervisors and executives, followed by general staff employee evaluations in April.

AVERAGE NUMBER OF EMPLOYEES EVALUATED BY CATEGORY AND GENDER IN 2016

| EMPLOYEE CATEGORY | GENDER | NUMBER OF EMPLOYEES EVALUATED | PERCENTAGE OF EMPLOYEES EVALUATED |
|-------------------|---|-------------------------------|-----------------------------------|
| Executives |  | 93 | 68% |
| |  | 17 | 71% |
| Supervisor |  | 937 | 98% |
| |  | 344 | 96% |
| General |  | 2,675 | 98% |
| |  | 238 | 92% |





SQM'S TEAM IS A KEY COMPONENT OF OUR DEVELOPMENT. THEREFORE, IT IS ESSENTIAL FOR US TO RECOGNIZE THE COMMITMENT AND DEDICATION OF EMPLOYEES THAT HAVE BEEN WITH THE COMPANY FOR AN EXTENDED PERIOD OF TIME.

RECOGNIZING YEARS OF SERVICE

Each year SQM recognizes employees that have been with the Company for ten-year increments. In 2016, 114 people in different sites were honored for their commitment and dedication.

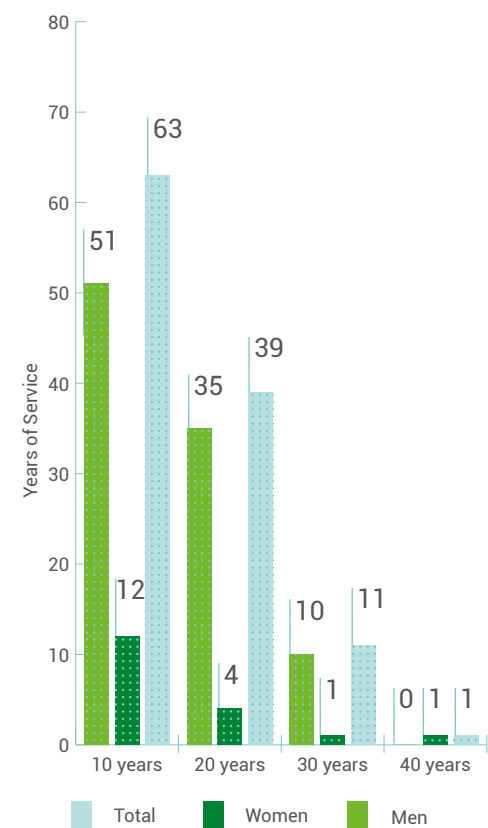
Similarly, the Company gives several awards throughout the year to its employees to acknowledge and reward their commitment to SQM values, especially Safety, Teamwork, Excellence and Innovation. In 2016 over 255 employees were honored for exemplary behavior in accordance with Company values.

Fifty-eight people were recognized as the "best employee" on their teams and 128 awards were given as part of the "SQM Recognizes You" program. Moreover, 69 employees were recognized for their outstanding safe conduct.

SPECIAL RETIREMENT AND REINSERTION PLANS

The Company had no large-scale workforce reductions during 2016.

RECOGNIZING YEARS OF SERVICE





WORKPLACE
SAFETY

SAFETY IS A CORE VALUE AT SQM AND IS INTEGRATED INTO OUR WORK SYSTEM AND DAILY ACTIONS. WE STRIVE TO BUILD A PREVENTATIVE CULTURE, WHICH HAS ENABLED US TO TAKE CARE OF AND PROTECT OUR EMPLOYEES.

SQM is deeply committed to caring for our employees and contractors. In this spirit, we have developed a working system that controls health and safety risks at all times.

We promote a culture focused on preventing risk, integrating actions that encourage safety into our daily operations. We also aim to integrate this safety culture into our workers' families.

OPERATIONAL RISK MANAGEMENT SYSTEM (SISGRO) G4-LA7

We work continuously and rigorously to apply the Operational Risk Management System (SISGRO), which involves a series of activities that must be performed each day.

These activities have also been integrated into the M1 Operational Excellence Program. As a result, we have brought our Risk Management System into line with the M1 Lean tools

to create one single process, thus making SQM's prevention efforts more effective. The Company has incorporated the risk prevention department into performance dialogues, role confirmations, problem solving and operational standards, among other activities. This has enabled it to identify, evaluate and control the hazards and risks associated with the tasks performed in each area. It has also generated necessary synergies between production and prevention and brought about a cultural change in how things are done at SQM at all levels from senior management to plant operators. New preventative tools such as "ABC" and "Prevention Dynamic" have also been incorporated, which has enabled each worker, his or her work team and supervisors to detect and immediately resolve substandard actions or conditions that could lead to injury to people or damage to equipment or the environment.

The objective of these actions is to control the causes of accidents and work-related illnesses in order to prevent them from happening. This goal stems from the Company's ethical commitment to its employees beyond any obligation to comply with regulations.

The system covers 13 concepts to ensure that the safety elements we need are in place:

- » Leadership
- » Behavior-based prevention
- » Joint committees
- » Reporting and investigating incidents
- » On-site activities
- » Compliance
- » Contractor oversight
- » Personal protective equipment
- » Occupational hygiene and health
- » Emergency plans
- » Training
- » Order and cleanliness
- » Audits



Salar de Atacama Joint Committee on Hygiene and Safety participating in the JCHS meeting for the Antofagasta Region.

At SQM, we strive to encourage safe work through programs with individual goals, such as tasks performed by supervisors, consisting of periodic reviews of critical inventory, work procedures, observation and inspection of activities and visible leadership.

We are committed to ensuring full compliance with our 13 Basic Safety Rules (BSR). These programs are designed to identify types of incidents that have a high potential to harm people. Should an incident occur, even if no

one was injured, it must be investigated in detail to identify the root cause and apply the proper controls to prevent it from happening again. These rules, which must be followed by both SQM employees and contractors, have played an important role in taking action to prevent serious accidents.

Since 2012, SQM has been a member of the Chilean Safety Association (ACHS), which provides medical attention in the event of accidents and advises member companies,

working to ensure ongoing compliance with health and safety standards in our organization.

In 2016, we worked alongside the association at our operations in Coya Sur, Pedro de Valdivia and Nueva Victoria to update our Occupational Health and Hygiene Program for silicon dioxide as part of the "National Silicosis Eradication Plan" (PLANESI) and for industrial noise in accordance with the "Protocol for Occupational Exposure to Noise" (PREXOR).

We updated lists of exposed workers (INE), quantitative assessments and verification and control measures. During the last quarter of 2016, we started a new assessment for the Musculoskeletal Disorder Surveillance Protocol (TMERT). Results of qualitative assessments will help identify what needs to be done in this area in 2017.

At our facilities in Salar de Atacama and Salar del Carmen, qualitative and quantitative assessments established by the Industrial Noise (PREXOR) protocol were updated. The Chemical Agents Assessment Program was also carried out in accordance with regulations, including the respective qualitative and quantitative assessments mandated by the Ministry of Health. Personnel was trained and certified to perform the qualitative assessments under the Musculoskeletal Disorder Surveillance Protocol (TMERT).

The Company began applying its Psychosocial Risk Surveillance Protocol in 2015 and implemented improvement plans in some areas of Santiago, Antofagasta and Coya Sur in 2016. In this same area, it obtained high scores in the categories of "double presence" and "retribution" on the ISTAS 21 short-form survey, which is the Spanish language

version of the Copenhagen Psychosocial Questionnaire (COPSOQ). The complete ISTAS 21 survey was applied at the María Elena Hospital as part of the Surveillance Program for this protocol. Once the results of this assessment have been reported, improvement plans can be defined and executed in 2017.

As part of efforts to strengthen the Company's preventative culture, with support from the ACHS in partnership with Behavioral Science Technology (BST), Safety Coaching Programs were developed in the Nitrates and Iodine and Potassium and Lithium Operations Divisions. These programs are geared towards upper-level supervisors in both divisions, who receive on-site training and guidance to improve preventative management. Supervisors in charge of the different jobs and activities performed at our operating facilities also participated in workshops on "Leading Safely".

COMMITTEES AND COMMISSIONS [G4-LA5](#)

SQM, its employees and the unions that represent them share this concern for safety and interest in the quality of life at camp accommodation facilities. In this spirit, they work together to reach agreements and make improvements, resulting in the creation of committees and commissions to address

risk prevention, health and quality of life at camps. Company-employee participation mechanisms include:

- » Safety, Food, Health and Camp Facility Commissions.
- » Joint Committees on Hygiene and Safety.
- » Worker representation in accident inspections and investigations.
- » Identification of situations in violation of standards.
- » Coordination with risk prevention departments at each site.

The safety and food commissions are comprised of worker representatives and members of the Company's management. The focus areas of the commissions are workplace safety and food service quality. The work of these commissions is supported by the Company in order to identify opportunities for improvement.

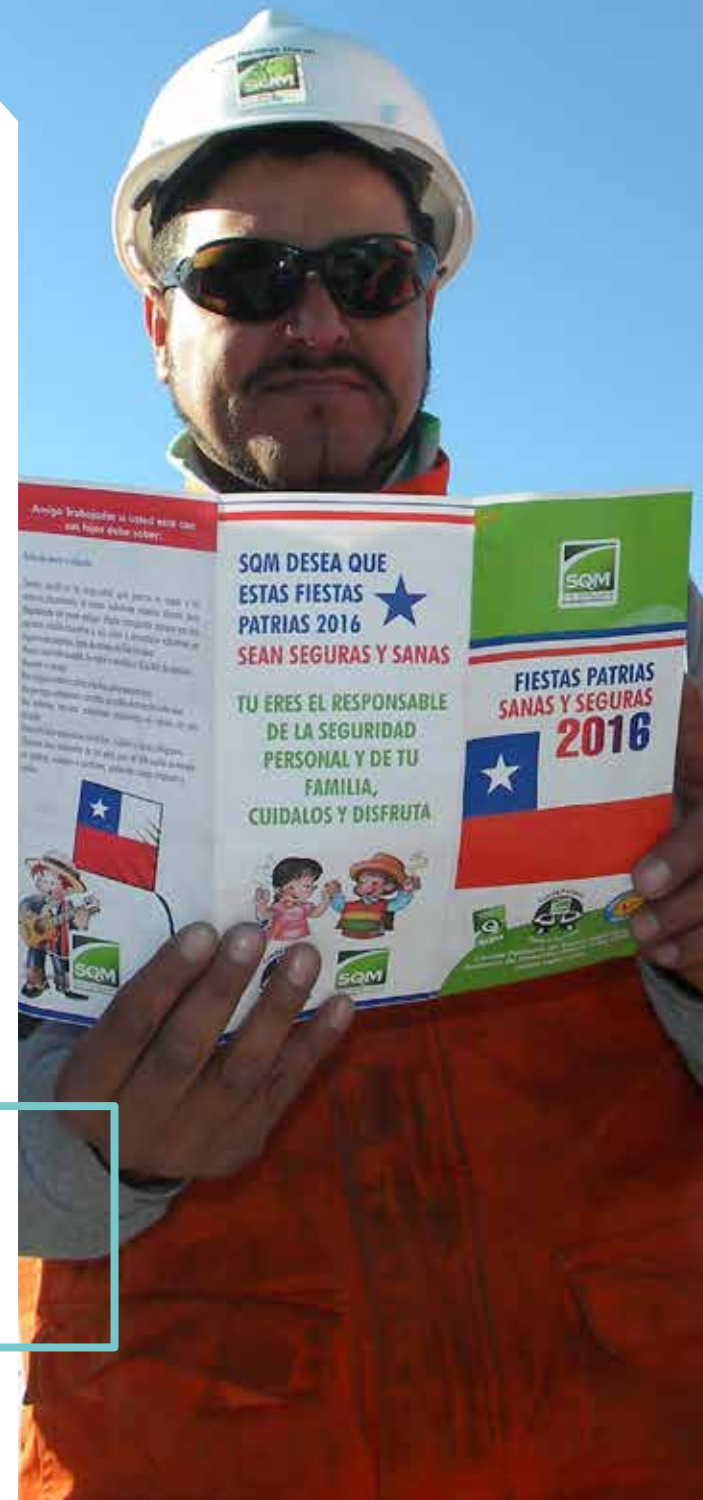
Thanks to these commissions, agreements have been reached between management and workers that help our personnel perform their job in a clean, safe and comfortable environment.

JOINT COMMITTEES ON HYGIENE AND SAFETY G4-LA6

Our goal is to achieve zero workplace accidents, which is why we have made an effort to strengthen and support the work of the 13 Joint Committees on Hygiene and Safety that represent 100% of SQM workers in Nueva Victoria, María Elena, Tocopilla, Salar de Atacama, Salar del Carmen, Antofagasta, Iquique and Santiago.

These committees are models on safety matters and play an important role in promoting best practices for workplace safety among all workers. They also offer educational activities for employees and their families regarding risk prevention matters such as drug prevention, first aid and fire extinguisher use, thus encouraging safe practices across the entire organization.

We organize campaigns to remind employees to celebrate in moderation during special occasions such as the Chilean national holidays.



STRESSING SAFETY

We conducted a variety of special activities at our operations in 2016 as part of our preventive management and received several awards for these efforts:

- » SQM's Nitrates and Iodine Operations Senior Vice President was recognized by the College of Professional Mining Safety Experts in Antofagasta for his commitment to safety and his outstanding leadership and close relationship with employees, excelling above his peers in the region.
- » The Salar de Atacama Joint Committee for Hygiene and Safety, winner of the "Coresemin 2015" award from the Antofagasta Regional Mining Safety Council, played an important role in the Joint Committee Conference for the Tarapacá Region, which was organized by the council. At the event, SQM representatives gave a presentation on "Management tools for cultural change in controlling fatalities," to their peers from other committees attending the conference.
- » Several safety workshops were put on in Nueva Victoria, the Port of Tocopilla and Salar de Atacama in order to promote and identify new safety best practices, reinforcing organization-wide safe conduct and scheduling of daily tasks.
- » Workers were encouraged to be creative and show initiative in contests designed to foster a preventative culture in work areas, including: A contest in Salar de Atacama to produce videos to visually convey safety concepts and standards known as Lights, Camera, Safety! and an initiative in Coya Sur to come up with catchy phrases to strengthen the preventative culture. SQM employees and contractors were invited to participate.
- » Two contractor companies were incorporated into programs to foster a preventative culture at SQM: Thecma Limitada, in Coya Sur, was involved in implementing the ABC preventative tool and Constructora Excon S.A., in Salar de Atacama, joined in the implementation of M1 (Lean methodology for operational excellence).
- » Drones were used in the Mining Area at Nueva Victoria to help clear blasting areas and ensure that nobody was within the defined safety radius so blasting could take place safely.
- » At Nueva Victoria, Francisco "Chaleco" López, an accomplished Chilean motorcycle racer, gave a motivational talk to employees. Attendees enjoyed the captivating event

designed to promote the values of safety and self-care, key concepts in SQM's preventative culture and core values.

HEALTH AND SAFETY PERFORMANCE G4-LA6 /G4-LA9

The Company has consistently improved its risk prevention performance over the last several years. From 2004 to 2009, SQM reduced its accident rate by 80%, and from 2009 to 2015, this indicator fell another 27%. In 2016, the accident rate continued to improve, dropping 6.3% from 2015, measured using the Company's frequency index (i.e. lost-time accidents).

The reduction is even more significant if all workplace accidents are considered. Lost-time and non-lost-time accidents in aggregate fell 24% from 2016 to 2015.

WE HAVE PREVENTED ACCIDENTS BY STAYING ALERT AND BEING MORE CAUTIOUS. SAFETY-RELATED TRAINING COMBINED WITH OUR OPERATIONAL EXCELLENCE PROGRAM HAVE MADE OUR PREVENTATIVE EFFORTS MORE EFFECTIVE.

In addition to this reduction in accident rates, and most importantly for SQM and its employees, the Company has successfully managed to avoid fatal accidents at SQM facilities every year since 2011. These results reinforce our vision of zero accidents, a commitment that we demonstrate and renew every day. With this conviction and persistent work from the entire SQM team, we can continue to improve how we care for our people.

ACCIDENT RATES OVER LAST THREE YEARS (BASE 200,000 HOURS WORKED)

| | SQM EMPLOYEES | | CONTRACTORS | | TOTAL | |
|------|---------------|----|-------------|----|-------|----|
| | LTIR | SR | LTIR | SR | LTIR | SR |
| 2016 | 0.36 | 25 | 0.23 | 20 | 0.30 | 22 |
| 2015 | 0.34 | 32 | 0.31 | 6 | 0.32 | 16 |
| 2014 | 0.51 | 27 | 0.12 | 7 | 0.32 | 18 |

() The variation in the SR for 2015 with that originally reported in 2015 stems from a discount of 293 days lost for an SQM employee. According to an ACHS ruling, the date of his medical clearance to resume work was changed from 12-23-2015 to 03-05-2015.*

In terms of permanent disabilities, no new cases of workers with the work-related illness silicosis were registered in 2016.

ACCIDENT RATES OVER LAST THREE YEARS (BASE 1,000,000 HOURS WORKED)

The Company obtained a Lost Time Injury Rate (LTIR) of 0.30 for 2016 (base 200,000 Hours Worked), which includes company personnel and contractors.

| | SQM EMPLOYEES | | CONTRACTORS | | TOTAL | |
|------|---------------|-----|-------------|----|-------|-----|
| | LTIR | SR | LTIR | SR | LTIR | SR |
| 2016 | 1.81 | 123 | 1.14 | 98 | 1.50 | 111 |
| 2015 | 1.70 | 127 | 1.56 | 29 | 1.64 | 81 |
| 2014 | 2.53 | 137 | 0.61 | 35 | 1.62 | 89 |

200,000

HW.

0.36

LOST TIME
INJURY RATE

↓ 24%

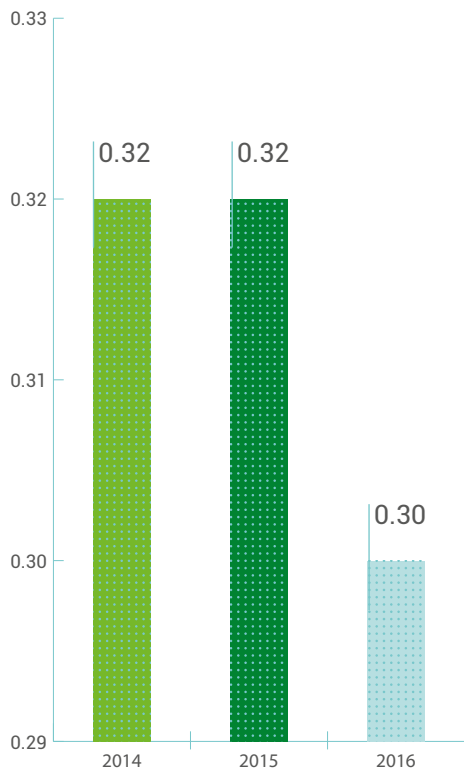
REDUCTION IN
ACCIDENTS



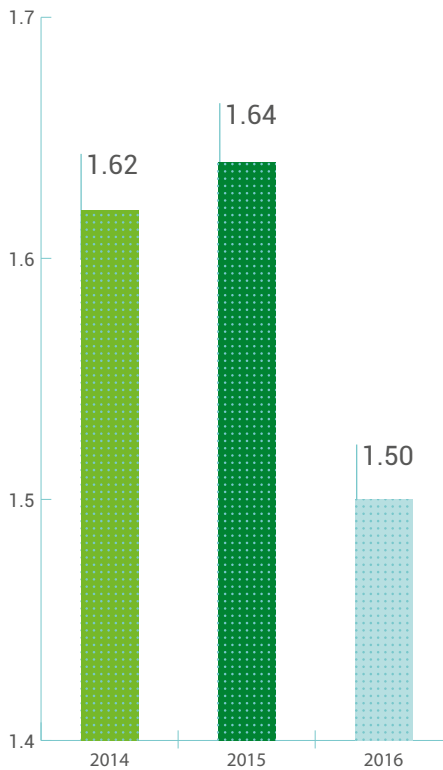
Risk Management employees at workshop on accident root cause analysis.

IN 2016, THE COMPANY LOGGED A TOTAL OF 37,492 TRAINING HOURS FOR CONTRACTOR EMPLOYEES.

EVOLUTION OF LOST TIME INJURY RATE
(BASE 200,000 HOURS WORKED)



EVOLUTION OF LOST TIME INJURY RATE
(BASE 1,000,000 HOURS WORKED)



SAFETY TRAINING

In 2016, the Company logged a total of 33,946 training hours on risk prevention and work-related illnesses for SQM employees and 37,492 training hours for contractors.

SQM is committed to both good work and safe work, which is why its risk prevention policy applies to all personnel and contractors. The Company gathers information regarding entry protocols for contractors and performs audits.



Operations at Nueva Victoria, Tarapacá Region.

SAFETY TRAINING FOR CONTRACTORS BY GENDER

| TYPE OF TRAINING | NUMBER OF MEN | HW* OF MEN | NUMBER OF WOMEN | HW* OF WOMEN | TOTAL WORKFORCE | HW* TOTAL |
|--|---------------|------------|-----------------|--------------|-----------------|-----------|
| Safety training for contractor employees | 7,297 | 34,479 | 539 | 3,013 | 7,836 | 37,492 |

*HW: Hours worked



Harvest, Salar de Atacama operations, Antofagasta Region.

VALUE CHAIN

Part of SQM's workforce consists of contractors who work at our Tarapacá and Antofagasta region locations and our offices in Iquique, Antofagasta and Santiago. During 2016, an average of 5,299 contractors worked at our operational facilities and on projects. All external employees and contractors doing work commissioned by SQM must comply with the same standards as our employees, particularly in the areas of safety, labor rights and ethical behavior.

SQM periodically engages in oversight activities in order to verify that all contractors comply with labor and social security requirements.

Contractor companies are also audited on matters such as health and safety, basic sanitary and environmental conditions in the workplace, the health and safety management system, and the existence and functioning of joint committees and compliance with labor laws.

PRESERVING OUR VALUES [G4-LA15](#)

When contractors start working at SQM, no matter how big or how small their companies may be, they receive a copy of our Contractor and Subcontractor Regulations. These regulations inform them of the Company's standards, including obligations and responsibilities regarding the protection of the life and health of all workers.

In 2016, contractors participated in 37,492 training hours focused specifically on safety matters as part of the Company's efforts to contribute to risk prevention and align workers

93% OF SQM'S SUPPLIERS OF GOODS OR SERVICES ARE LOCATED IN THE TARAPACÁ, ANTOFAGASTA AND METROPOLITAN REGIONS.

with our Sustainable Development Policy and other SQM standards.

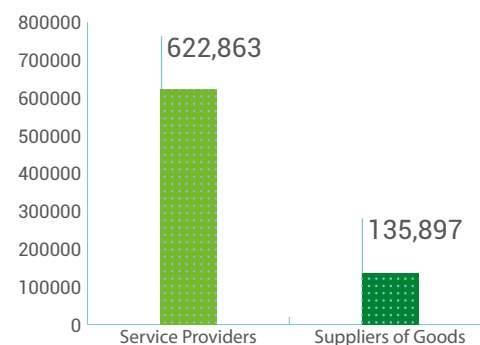
SQM's purchasing strategy takes safety and labor regulation elements into account for its procurement processes. Essential requirements include: membership in a safety association (mutual in Spanish), accident rate certificates, authorization to subcontract, health examinations, compliance with labor laws and employment contracts, personnel skills, equipment certifications, among others.

Suppliers are key to the development of our products, which is why SQM seeks to promote and strengthen the development of local businesses in areas where it has important operations.

MORE SUPPLIERS IN TARAPACÁ

SQM has been actively participating in the development of local suppliers for the last five years. This is exemplified by the Company's commitment to the "More Suppliers in Tarapacá" program. The initiative promotes supplier development, empowering capacities and installing know-how for its participants so that they will be able to submit bids for tenders and secure contracts with mining companies while complying with strict requirements for the mining industry. Since the program began, participating companies have taken part in technical visits to the Nueva Victoria facilities and business rounds with SQM representatives. The program represents an opportunity for both suppliers and the Company since it enables them to identify newly offered goods and services to meet the Company's needs.

CONTRACTOR EXPENSES IN 2014



NUMBER OF SUPPLIER COMPANIES AND ORIGIN 2016

| | TARAPACÁ | ANTOFAGASTA | METROPOLITAN REGION | OTHER | FOREIGN |
|------------------------------|----------|-------------|---------------------|-------|---------|
| Number of suppliers | 168 | 588 | 1,847 | 196 | 299 |
| Number of service providers | 111 | 390 | 1,226 | 130 | 185 |
| Number of suppliers of goods | 57 | 198 | 622 | 66 | 114 |

OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|------------|---|------------|--|---|
| Our People | Host recognition workshops at operating areas in order to stress meaning more than tools. | 100% | We designed an SQM recognition system, known as VIVO M1, and conducted a pilot program and later implemented the full program in Nueva Victoria. | Implement company-wide recognition system that incorporates improvements identified in pilot program. |
| | Continue SQM training program based on results of survey to identify needs, and based on requirements established in the M1 Continuous Improvement System. | 100% | The training program was carried out as scheduled, logging 52,175 training hours for employees. | No commitments have been made for 2017. |
| | Conduct a skill matrix pilot in three Company areas. | 80% | A skill matrix program was implemented in Nueva Victoria (leaching) and Salar de Atacama (potassium production at MOP G3 plant). | Continue to expand this methodology to the rest of the Company. |
| | Review scholarship program conditions considering the new free education law, reviewing how this affects SQM workers in pursuit of efficiencies in the Program. | 100% | We granted 98 scholarships (38 to employees and 60 to children of employees). | Carry out scholarship program defined for 2017. |
| Our People | Continue to fund Employee Grant Program to strengthen bonds with neighboring communities. | 100% | Employee Grant Program was carried out in the towns of María Elena and Tocopilla. | Evaluate a new way for employees to participate by promoting assistance projects to help their communities. |

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-------------------|---|------------|--|---|
| Safety and Health | Continue making progress towards “zero accident” goal in operations and attaining better results than the prior year. | 100% | In 2016, the accident rate fell 24% (TRI), including employees (TRI Total Recordable Injury) and contractors (92 accidents in 2016 vs. 121 in 2015). More specifically, there was a 14% decrease in the lost-time injury rate (LTIR) and a 27% decrease in restricted work cases (RWC). The LTIR in 2016 was 1.5 lower than the LTIR attained in 2015. | Continue making progress towards “zero accident” goal in operations and attaining better results than the prior year. The Company set a reference goal of attaining a Lost Time Injury Rate (LTIR) less than or equal to 1.3. |
| | Maintain the Operational Risk Management System (SIGRO), obtaining over 95% compliance for each operating unit. | 100% | Continue making progress towards “zero accident” goal in operations and attaining better results than the prior year. The Company set a reference goal of attaining a Lost Time Injury Rate (LTIR) less than or equal to 1.3. | Maintain the Operational Risk Management System (SIGRO), obtaining over 97% compliance in regulatory aspects. |

OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-------------------|---|------------|--|--|
| SAFETY AND HEALTH | Continue to improve reporting of incidents, encouraging the use of this tool through our intranet. Implement weekly accident rate report. | 100% | <p>In 2016, improvements were made to monthly accident reporting, incorporating information on SIGGRO compliance with Supervision and Compliance of Execution of Corrective Measures for accidents and high-potential incidents, as well as a reporting on Traffic and Transport Accidents involving vehicles during the period.</p> <p>As part of M1 implementation, for each of the Performance Dialogues (PD) any noncompliant actions and conditions are reported on a daily basis.</p> <p>These are analyzed and a date is set for resolution and short and medium-term execution for employees and area supervisors.</p> <p>A weekly accident report is also sent to the prevention areas, which then distribute it to the areas that report to them. This report also includes projections for LTIR, TRIR and SR as of the date of the report. (LTIR: Lost Time Injury Rate, TRIR: Total Recordable Injury Rate, and SR: Severity Rate)</p> | Continue to improve reporting of incidents, encouraging the use of existing tools and continuously analyzing the need for new tools to improve the system. |

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-------------------|---|------------|---|--|
| SAFETY AND HEALTH | Complete programs for leaders and supervisors established in the action plans corresponding to each VP. In addition, formulate new working strategies to strengthen the leadership programs executed in 2015. | 100% | The Lead with Safety (LWS) program was conducted in the Nitrates/Iodine, Potassium/Lithium and People and Development divisions, including coaching for vice-presidents, managers and superintendents and workshops for supervisors in charge of employees. | Conduct OCDI survey to measure SQM's Safety Culture and use results to identify aspects that need reinforcing and define the corresponding plan. |
| | Continue timely follow-up of risk prevention audits. Continue to integrate SISGRO and M1, standardizing tools for both systems as required. | 100% | We completed 100% of PAWS integrated internal audits. In Salar de Atacama, new audits were added and M1 was integrated. | Continue timely follow-up of risk prevention audits. |

OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-------------|---|------------|--|--|
| Contractors | Continue oversight of contractors through semi-annual audits of each contractor, strengthening follow-up of action plans presented by them for deviations in compliance with SQM standards. | 100% | We conducted 105 P3 audits and 452 DS No. 594 audits of contractors. Joint Committees in Salar de Atacama re-audited contractors. | Continue oversight of contractors through semi-annual audits; monitor and verify action plans presented by them for deviations in compliance with SQM standards. |
| | Incorporate incidents of unsafe conduct in performance dialogues under the M1 methodology in different areas as they integrate M1 into their operations, and strengthen execution in areas that have already integrated M1. | 100% | In 2016, Performance Dialogues were implemented within the ABC tool in the offices of the Nitrates and Iodine Operations Senior VP and the Nitrates and Potassium Commercial VP, as well as prevention dynamics in the office of the Potassium and Lithium Operations Senior VP. | Incorporate more contractors in Lean methodology in SQM areas that have already implemented M1. |
| | Maintain fluid and direct communication with them in order to ensure that their work is aligned with SQM's health and safety objectives. | 100% | SQM maintains ongoing communication with contractors through monthly safety meetings, audits, new contract evaluation and training sessions. | Maintain fluid and direct communication with them in order to ensure that their work is aligned with SQM's health and safety objectives. |
| | Continue efforts to ensure contractor compliance with labor laws. | 100% | Contractor compliance with labor laws was controlled to ensure full compliance before and during the provision of services to SQM. | Ensure contractor compliance with labor laws. |



Worker taking samples in lithium ponds, Salar de Atacama operations, Antofagasta Region.



Hydroponic greenhouse in Socaire, San Pedro de Atacama.



05

OUR NEIGHBORS G4-S01

MAINTAINING AND PROMOTING GOOD NEIGHBOR RELATIONS WITH THE COMMUNITIES SURROUNDING OUR OPERATIONS IS VERY IMPORTANT TO SQM.

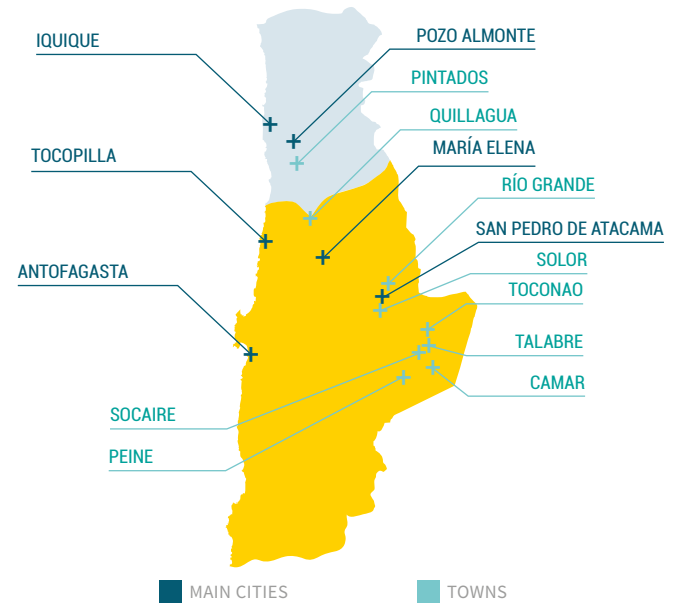
In this spirit, we have developed an outreach plan with three main themes:

- » Historical Heritage
- » Education and Culture
- » Social Development



Ayllu winemaker, San Pedro de Atacama, Antofagasta Region.

COMMUNITIES NEAR SQM OPERATIONS IN THE TARAPACÁ AND ANTOFAGASTA REGIONS.



The following towns have been granted top priority status within our Social Responsibility Program: María Elena, Quillagua, San Pedro de Atacama, Toconao, Socaire, Peine, Talabre, Camar, Solor, Río Grande, Tocopilla, Antofagasta, Pozo Almonte, Pintados and Iquique.

The Company's actions are always consensual and validated by the community. That type of relationship cements important bonds of trust and, consequently, creates new and better opportunities for the local people. SQM periodically assesses the performance and acceptance of our actions using impact indicators and qualitative studies. One

example of such assessments is the Socio-community Diagnostic and Stakeholders Map created by an external company between July and October 2016.

SQM's production plants are located in the desert regions of Tarapacá and Antofagasta in northern Chile, where human settlements are few and far between.

IN 2016, SQM PARTICIPATED IN 11 WORKING GROUPS, REAFFIRMING OUR COMMITMENT TO OUR NEIGHBORS.

The small towns around our operations find their livelihood in farming, tourism, mining or port operations. One of these communities, María Elena, is a former nitrates office that is positioning itself as a service provider for the mining industry and a future tourist attraction.

As part of the environmental assessments for our projects and in keeping with regulatory requirements, SQM has conducted public consultation processes to measure the impacts that our operations have on neighboring communities

The Company is also involved in or promotes different working groups in the communities where it operates, thus supporting the design and implementation of programs directed to the community and also facilitating early detection of conflicts or opportunities.

G4-SO1/ G4-SO2

COMMUNITY WORKING GROUPS AND MULTISECTORIAL COORDINATION IN NEIGHBORING TOWNS

| WORKING GROUP | DISTRICT |
|---|---|
| Council of Civic Organizations (COSOC) | San Pedro de Atacama |
| Mining camp working board, an opportunity for developing a tourism-sustainable development project for adding value to the SQM mining camp in Toconao | San Pedro de Atacama |
| Direct dialogue in the framework of the Atacama Tierra Fértil program to develop Ayllu wine, alfalfa and hydroponics projects | San Pedro de Atacama |
| District Civic Prevention and Emergency Committee (COE) | San Pedro de Atacama - María Elena - Tocopilla |
| Production, Agricultural and Tourism Development Board of Quillagua | María Elena |
| Private-Public Production and Social Development Board of Quillagua | María Elena |
| María Elena/Pedro de Valdivia Tourism Board | María Elena |
| Tocopilla Dreams, Public-Private Board | Tocopilla |
| Public-private Working Group "Agricultural Production Development Plan in Pintados | Pozo Almonte |



HISTORICAL HERITAGE

Pilgrimage to cemeteries by students from Tin Flower Workshop.

SQM PLACES SPECIAL MEANING ON THE PRESERVATION OF HISTORICAL HERITAGE AND, THEREFORE, THE COMPANY BELIEVES THAT THE DEVELOPMENT OF NEIGHBORING TOWNS MUST BE BASED ON AN APPRECIATION FOR THEIR HERITAGE AND THEIR DIVERSE CULTURAL EXPRESSIONS.

Given our roots in the nitrates industry of the past, SQM is motivated to support its preservation and dissemination while supporting various efforts by neighboring communities to perpetuate their traditions and rituals.

We are long-term active members on the boards of the Nitrates Museum Foundation, Chacabuco Museum Foundation, Corporación Pedro de Valdivia Foundation and the Huanchaca Ruins Foundation. Together with these organizations, SQM has put forth considerable effort to preserve the legacy of the nitrates industry in the Tarapacá and Antofagasta regions.

SQM's donations to these institutions cover a portion of their operating expenses as well as research, conservation and restoration projects such as operating the Santiago Humberstone and Santa Laura nitrates offices, opening the former Chacabuco nitrates office to the public, restoring the Philharmonic Building, and inaugurating the permanent exhibit, "Industrial Life in the Nitrates Industry: Legacy of Culture and Development", at the Huanchaca Ruins Foundation's Desert Museum in Antofagasta.

We have also concerned ourselves with the intangible heritage of the nitrates industry. This year's continued support of the Hijos del Salitre Foundation in the Tarapacá Region included Nitrates Week in November. The theme for this year's event, "Little school houses of the Pampa", came to life through posters and photography exhibits.

137



PARTICIPANTS IN THE TIN FLOWER WREATH WORKSHOP.



As part of its projects with the Nitrates Museum Foundation, for the fifth year in a row, traditional creole games were hosted at the Santiago Humberstone nitrates office. The event was designed to showcase traditional games such as hopscotch, sack races, marbles and yincana, among others, besides the festivities bringing together several generations. The event is much anticipated by schools and institutions, which come to the Pampa in groups for a morning of games and memories.

In 2016, the "Iquique, la Pampa y su Historia" program continued being broadcasted on Iquique's Radio Caribe.

For the fifth straight year, we joined families from the Pampa and the community to make the tin flower wreaths historically used to adorn grave sites at old nitrate offices. In 2016, 137 participants attended these workshops, hosted in Iquique, María Elena, Tocopilla and Quillagua. As is now tradition, each workshop

ends with an All Saints' Day pilgrimage to the old nitrates office cemeteries to place the wreaths on the graves.

A documentary filmed in conjunction with the Arteamérica Foundation during the 2015 workshops and pilgrimage, *Hojalatas para el Adiós*, was premiered at the 2016 workshop launch. It was screened at each workshop location and seen by more than one hundred people.



Chilean national holiday celebrations to revive pampa traditions in Humberstone.

We continue to keep thorough records of the pre-Hispanic and historical ruins found near SQM operations and implement preventative and mitigation measures to protect them, especially around María Elena and Nueva Victoria.

RECOVERING HERITAGE

SQM supports several initiatives to recover the traditions of neighboring communities. Examples include the Pedro de Valdivia nitrates office day celebrations and Quillagua's San Miguel Archangel festival, featuring traditional dances from northern Chile, in homage to the town's patron saint. In 2016, SQM also participated in the community's second most important religious celebration, Corpus Cristi.

In order to help the Quillagua community preserve its identity, we celebrate the Machaj Mara or the Aymara new year each year on June 21st.

PROMOTING TOURISM IN MARÍA ELENA AND PEDRO DE VALDIVIA

In 2016, SQM served on the María Elena Tourism Board along with the municipality, the Hijos de Pedro de Valdivia Center, the Ladies Center, the neighborhood council and micro-entrepreneurs. The board aims to implement a comprehensive tourism project for the towns of Pedro de Valdivia and María Elena.

The Company hired Verse Consultores to conduct the project. The first phase aimed to encourage participation in the implementation of the Tourism Development Plan (PLADETUR), which was based on an assessment of tourism opportunities and potential. It also exposed gaps that must be resolved such as hotel capacity, culinary offerings and human capital, in order to launch a comprehensive tourism program.

ONE OF SQM'S MAIN MOTIVATIONS HAS BEEN TO RECOVER AND PRESERVE HERITAGE SITES IN ORDER TO GIVE LIFE TO TOURISM PROJECTS. THIS IS REFLECTED IN OUR SUPPORT FOR SEVERAL FOUNDATIONS THAT WORK TO PROTECT HERITAGE SITES AND OUR ACTIVE INVOLVEMENT IN DEVELOPING A TOURISM PLAN FOR MARIA ELENA AND PEDRO DE VALDIVIA.

In 2017, four commissions will begin to execute and implement the main work areas set forth in the PLADETUR.

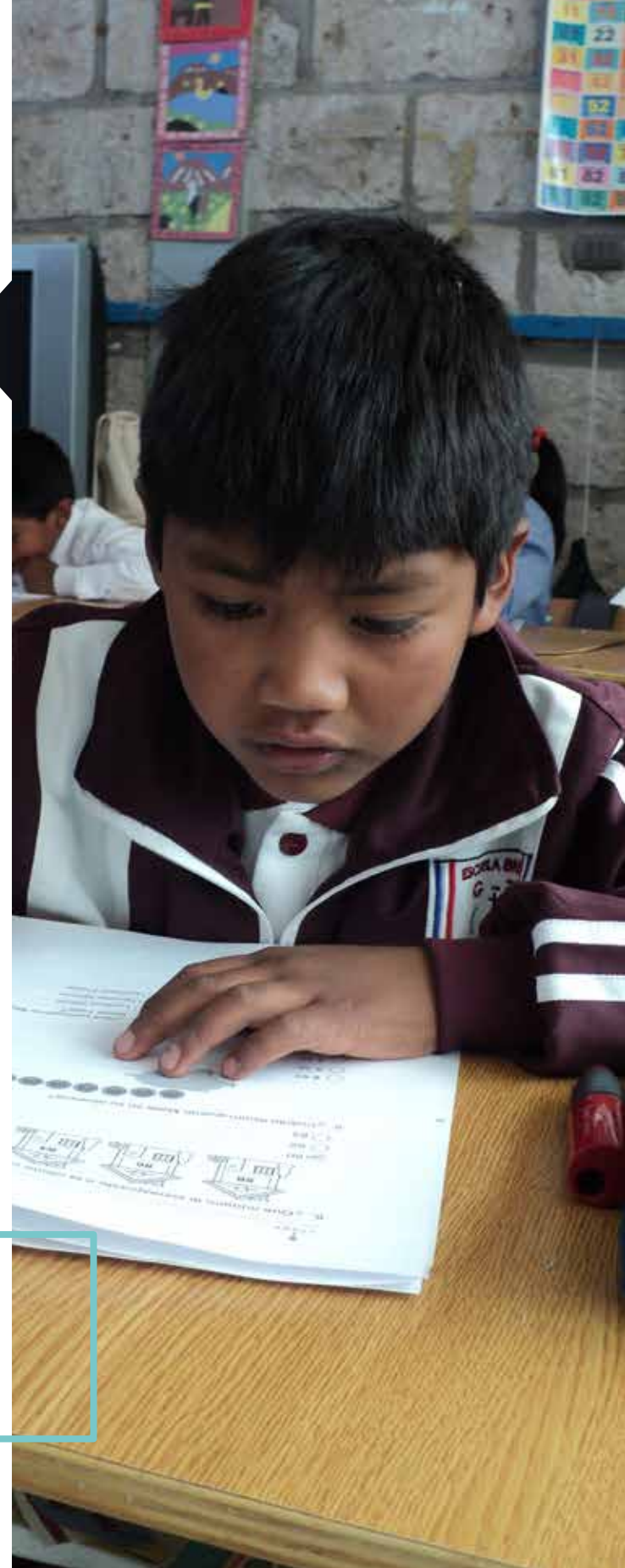
A third and final phase will analyze which investments need to be made in order to restore and preserve heritage.

EDUCATION AND CULTURE

THE EXPANDED +MATEMÁTICA PROGRAM BENEFITS 700 STUDENTS AND THEIR FAMILIES IN THE REGIONS OF TARAPACÁ AND ANTOFAGASTA.

We are convinced that education can create new growth opportunities for children, youth and adults living in the remote communities surrounding our operations.

Student from Socaire school in San Pedro de Atacama participating in the Más Matemática Program from the Crea+ Foundation, sponsored by SQM.



WE SUPPORT SEVERAL EDUCATION INITIATIVES BECAUSE WE KNOW EDUCATION CAN CREATE NEW DEVELOPMENT OPPORTUNITIES FOR OUR NEIGHBORS IN REMOTE COMMUNITIES.

Our actions in this field include:

- » We continued funding the Crea+ Program. It has been implemented in 100% of the 7 public schools in San Pedro de Atacama recognized by the Ministry of Education. It is also being implemented at the Oasis en el Desierto and Ignacio Carrera Pinto schools, in Pozo Almonte and María Elena, respectively. In total, it benefits 700 students, their families and teachers as well as school administration. All participating schools continue to show significantly improved scores on the national standardized mathematics tests.
- » In San Pedro de Atacama, we support psychopedagogical programs in public schools to strengthen student learning processes.

- » Our close relationship with the Oasis en el Desierto School in Pintados, located in the Tarapacá Region's Pozo Almonte district, began 10 years ago with educational improvement initiatives. In recent years, the relationship has included the mathematics assistance program as well as reinforcement, folk dance and music workshops.
- » English classes were offered for the second year in a row. They benefit 14 students from the Ignacio Carrera Pinto School in Quillagua, located in the María Elena district. Parents and guardians value the initiative, which brings children as young as first grade into contact with English. At the end of each year, the entire educational community gathers for an activity that

includes presentations, songs and games to showcase what they have learned.

- » In 2016, we implemented a university prep program that benefited 35 students at Tocopilla's Sagrada Familia School. A three-party agreement between the school, Pre Universitario Cepech and SQM made the initiative possible. As part of the Children's Day celebration in August, a mobile movie theater visited 16 neighborhood councils in Tocopilla.

We have continued the mathematics assistance program by Corporación Crea+, with important progress in 2016. At the Toconoa School in San Pedro de Atacama, the number of program sessions for freshman and sophomore levels was increased at the school's request. This is in addition to a new

program for all levels at San Pedro de Atacama Elementary School, a 21-point increase on national standardized tests (SIMCE) for fourth grade at the school in Peine and a 29-point increase for sixth graders in Toconao.

Sixth graders at the Ignacio Carrera Pinto School in Quillagua in María Elena earned 326 points on this standardized testing, which is especially noteworthy because they are on par with the results of urban schools in the region.

More than 700 students and their families have benefited from these programs. Importantly, in addition to specialized teacher training and classroom planning support, this year's program featured community

activities, including "Family + School" by Sylvia Langford, a psychologist specializing in parenting. This event was hosted in Pintados, Pozo Almonte, Toconao and San Pedro de Atacama.

Another of the year's highlights was the "Solving Classroom Problems" teacher training in San Pedro de Atacama, led by Universidad de Chile's Advanced Research Center, which works in partnership with Corporación Crea+. Through this partnership, Patricio Felmer, a mathematician from Universidad de Chile and national science award winner, visited Pozo Almonte and San Pedro de Atacama to meet with teachers from all of the districts' public schools.

PROMOTING SPORTS

SQM has worked with the Ganamos Todos Foundation since 2013, setting up sports projects to promote well-rounded students, values and a healthy lifestyle. We started a soccer school for boys and girls in 2016 that attracted 50 children from different areas of Tocopilla. They trained twice a week on the fields in Villa Prat. While sharpening their skills and ball handling over six months of continuous growth, the boys and girls also learned sports-related values like fair play, respect and teamwork. This initiative is scheduled to continue in 2017 and offer 100 spots.

The use of the Villa Prat fields, which are owned by the Company, is another highlight of the Company's sporting initiatives. Thanks to training by Ganamos Todos Foundation

SQM HAS COMMITTED TO ENVIRONMENTAL EDUCATION THROUGH ITS OWN PROGRAMS AS WELL AS JOINT INITIATIVES WITH CORPORATIONS, UNIVERSITIES AND INSTITUTIONS.

in 2015, the fields are co-managed with the community, which makes them available to the residents of Tocopilla for various sporting and training events. The children's division of Deportes Tocopilla trains on the fields free of cost. Furthermore, in May ten teams of SQM employees took part in the first-ever Company soccer tournament.

ENVIRONMENTAL EDUCATION

As part of the Company's commitment to education and the environment, we continue to organize different initiatives to showcase the area's natural and historical heritage, emphasizing care and preservation of the environment and giving the community tools to facilitate understanding and encourage conservation.

These efforts continued in 2016 as we strengthened the environmental education program that began in 2015 at the Center for Environmental Education (CEDAM). The program's objective is to promote cultural change regarding practices, conduct and attitudes on conservation and the sustainable use of ecosystems in the Pampa del Tamarugal National Reserve.

As part of the program, we support school and institutional visits to CEDAM, as well as visits on important days such as Environment Day or World Water Day. This initiative is aligned with the environmental education objectives developed by the National Forestry Corporation (CONAF) in the Tarapacá Region.

We provide ongoing support for the Environmental Trailblazers Network in Tocopilla; SQM worked with this network to provide a guided tour for students and their teachers to CEDAM in Tarapacá as part of the Environment Day celebration. Additionally, we supported the School Garden project at the República de Estados Unidos School in the same town.

PROMOTING SCIENTIFIC DEVELOPMENT

For the second straight year, SQM supported the ViLTI SeMANN's "Sowing Innovative Pedagogical Methods and Strategies for the Future of Tocopilla". This program aims to provide new and improved growth and development opportunities as well as activities using technology and robots that encourage

cognitive development, critical thinking and problem solving skills. Participants in the 2016 session included 63 preschool students between 4 and 5 years of age as well as first and second graders from various schools in Tocopilla. In September and October, we supported the Ibero-American Conference on Education for Creativity and Innovation in the city of Tocopilla, organized by ViLTI SeMANN. Teachers from all Tocopilla schools participated in the event.



ViLTI SeMANN Program carried out by Universidad Católica del Norte in Tocopilla with support from SQM.



SOCIAL DEVELOPMENT

MICRO-ENTREPRENEURIAL FUNDS

The 2016 Micro-entrepreneurial Funding Competition—hosted by the Company in conjunction with the municipalities of María Elena, San Pedro de Atacama and Tocopilla and with the support and specialized consulting services of Incuba2 Corporation—drew a large crowd. The fund aims to support business initiatives proposed by inhabitants of these towns. Proposals range from crafts and tourism to production development, among others.

This year, more than one hundred proposals were submitted. Grants were awarded to 12 from San Pedro de Atacama, 9 from María Elena and 15 from Tocopilla.

| TOWN | YEAR PROGRAM BEGAN | PROJECTS AWARDED FUNDS AS OF 2016 |
|----------------------|--------------------|-----------------------------------|
| San Pedro de Atacama | 2007 | 102 |
| María Elena | 2011 | 61 |
| Tocopilla | 2015 | 31 |

2016 MICRO-ENTERPRENEURIAL FUNDING GRANTS

MARÍA ELENA – QUILLAGUA

| NAME | PROJECT | TOWN |
|----------------|--|-------------|
| Ronny Guerra | Ice cream machine | María Elena |
| Lorena Cortés | Lodging | María Elena |
| Rosa Perines | Herb farming | María Elena |
| Patricio Alliu | Hydroponics | María Elena |
| Miguel Mena | Chinese cooking | María Elena |
| Martín Vega | El Pimiento tour | María Elena |
| Danisa Castro | Recycling materials from the Pampa into crafts | María Elena |
| Gianina Soza | Ice cream shop | Quillagua |

SAN PEDRO DE ATACAMA

| NAME | PROJECT | TOWN |
|-------------------|---|----------------------|
| Carolina Castillo | Flower from the Chilean palo verde tree | San Pedro de Atacama |
| Viviana Durán | SUYI LIG´CAU craft and design workshop | Toconao |
| Sonia Reales | Improving production of pataska | Socaire |
| Donato Cruz | Traditional crafts with wood and local stone | Socaire |
| Olivia Cruz | Kapin embroidery | San Pedro de Atacama |
| Raquel Gavia | Indigenous products store | Toconao |
| Treicy Plaza | Fresh juice and local products | Toconao |
| Diana Salas | Creceer Therapy Center, individual and group stress management retreats | San Pedro de Atacama |
| Herminda Varas | El Trigal | Socaire |
| Mariana Talento | KUSA | San Pedro de Atacama |
| Delfina Esquivel | Delfín Events | Peine |
| Patricio López | Less plastic, more color | San Pedro de Atacama |

36

PROJECTS AWARDED
FUNDS IN 2016

ALBERTO BACHO, ENTREPRENEUR WHOSE "HYDROPONICS, FOR PRODUCING VEGETABLES IN TOCOPILLA" PROPOSAL WON THE 2015 SQM FUNDING COMPETITION, WAS NAMED TOCOPILLA'S OUTSTANDING ENTREPRENEUR IN 2016 AND WENT ON TO PARTICIPATE IN THE REGIONAL MICRO-ENTREPRENEURSHIP FAIR IN ANTOFAGASTA. HE WAS THEN SELECTED TO REPRESENT THE REGION OF ANTOFAGASTA AT THE MICRO-ENTREPRENEURSHIP FAIR IN SANTIAGO IN MARCH 2017.



TOCOPILLA

| NAME | PROJECT | TOWN |
|-------------------------------|--|-----------|
| Javier Peralta | Turistoco | Tocopilla |
| Neyerka Guerra | Optimizing and improving my business | Tocopilla |
| Georgine Molina | Continued creation of macramé items and crochet crafts | Tocopilla |
| Ángel Vera | The Magic of your Hands | Tocopilla |
| Francisco Gonzalez | Tocopilla Alarms | Tocopilla |
| Soledad de las Mercedes Adoni | Josué ice cream shop and café | Tocopilla |
| Carolina Flores | Flavors of Caleta Buena | Tocopilla |
| Misael Rojas | EL JHONNY bread shop | Tocopilla |
| Sandra Matamala | Car wash | Tocopilla |
| Yasna Carmona | Building my store | Tocopilla |
| Dorothy Figueroa | Alternative therapy | Tocopilla |
| Alfredo Frías | Model ships | Tocopilla |
| Jeniffer Rojas | Souvenirs and mosaics | Tocopilla |
| Delia Flores | Lobos clothing and embroidery | Tocopilla |
| Luis Cortes | Furniture and metallic structures | Tocopilla |

TIERRA FÉRTIL PRODUCTION DEVELOPMENT PROGRAM

SQM has been supporting an innovative and profitable agribusiness development plan since 2008.

The plan has been implemented in Quillagua, San Pedro de Atacama, Toconao, Talabre, Camar, Peine and Socaire via public-private support networks involving Antofagasta regional government (FIC projects), Ministerial Secretariat of Public Works of Antofagasta (Directorate of Hydraulic Works), Ministerial Secretariat of Agriculture of Antofagasta, Foundation for Agricultural Innovation (FIA), SERCOTEC, National Corporation for Indigenous Development (CONADI), National Institute for Agricultural Development (INDAP), as well as associations and indigenous communities in the areas around our mining sites. ATF projects have been carried out in the fields of agriculture and non-conventional renewable energy, with emphasis on hydroponics, animal fodder (including value-added products like alfalfa bales and pellets), wine production

194
 PROJECTS CONDUCTED
 WITH MICRO-
 ENTREPRENUERIAL
 FUNDING TO DATE. OF
 THESE, 36 WERE AWARDED
 FUNDS IN 2016.



First sale of lettuce grown in hydroponic greenhouse in Socaire, San Pedro de Atacama.

and crop growth in controlled environments, like greenhouses.

The program has a multidisciplinary team of professionals including agronomists, oenologists, viticulturists and specialists in fertility, alfalfa and hydroponics to provide technical assistance to implement participants' crop and production projects. The initiative draws upon the ancestral agricultural knowledge and heritage of the Aymara and Atacameño people, respecting cultural elements while integrating modern techniques to improve crop performance and their ability to sell quality products.

TIERRA FÉRTIL PROGRAM, QUILLAGUA

HYDROPONICS:

A project co-sponsored with the Quillagua Rural Hydroponics Cooperative involved 11 farmers growing lettuce in a 1,000 m² greenhouse connected to a NCRE system powered by solar energy panels.

During 2016, the Company worked with the Quillagua Rural Hydroponics Cooperative to position the business in the town of María Elena, supplying local supermarkets and cafeterias at mine sites. The Cooperative and SQM joined forces to apply for a regional project by SECROTEC, called "Together: Business Development Fund." The proposal

aimed to improve the hydroponic production system; provide operating inputs; improve clean, sustainable energy infrastructure; and develop members' abilities through training in several business areas, including accounting, software management, hydroponic systems and handling.

In 2016, SQM and the Cooperative were instrumental in beginning the Foundation for Agricultural Innovation (FIA) program called "Improving the physical and chemical characteristics of the irrigation water from the Loa river for production of alfalfa in Quillagua." Recipient of regional and national FIA funds to support 25 farmers, the project aims to improve the quality of the water used for irrigation and supplement the water supply for the Ministry of Public Work's Rural Potable Water project.

FIA ALFALFA PROJECT, QUILLAGUA

A storage facility was built as efforts continue to further establish alfalfa crops on farmland in Quillagua. The results and growth of alfalfa seedlings in hydroponic greenhouses are being evaluated as participants experiment with different direct-from-river watering conditions. These greenhouses will later be transplanted to their permanent location.

TOURISM DEVELOPMENT

In Quillagua, the tourism development plan

is still underway as the last signs are being installed at established tourist attractions. There are a total of 36 information points that provide useful, interesting information about the site (in English and Spanish). A portion of the signs was installed in 2015.

This year, at the northern and southern entrances of Quillagua, two totem poles were erected to offer visitors information about the town's attractions. Additionally, six information points were created in different locations. Additionally, a shade structure was built at the Encañada Sur geoglyphs so that tourists may stop and view the site comfortably, protected from the sun.

ATACAMA TIERRA FÉRTIL PROGRAM AT SALAR DE ATACAMA

ALFALFA

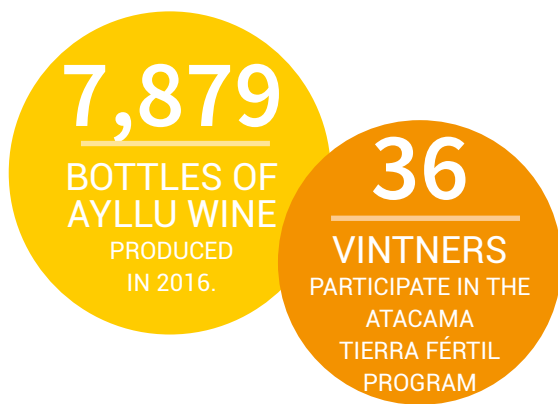
In 2016, as part of a project with the Foundation for Agricultural Innovation (FIA), six alfalfa storage facilities were built in Socaire and Camar for participating farmers. The new infrastructure benefits the local cattle industry by storing animal fodder and protecting it from loss due to improper storage. In parallel, a theoretical-practical training workshop was offered on the new machinery: a combine harvester with a mower and built-in grinder. The equipment reduces waste and enables alfalfa to be stored under optimal conditions. Funds were also used to install and make

improvements to two new water collection tanks.

AYLLU WINE

In 2016, 36 farmers (19 individuals and an association that participates in the Ayllu wine program) achieved several of their goals.

- » SQM's 4th Toconoa Wine Harvest-Cultural Fair directly benefited sixty-one families as well as local restaurants and tour operators. The activity provided an important opportunity to highlight the main elements of the Atacama culture. Ayllu wine producers celebrated their most recent harvest in the presence of more than 2,000 people.
- » As part of the ATF program, the Chilean Agricultural and Livestock Service (SAG) continues working with farmers to certify their respective vineyards.
- » New varieties were introduced into the program, such as Grenache.
- » Despite this year's frost during sprouting season, processed grape production rose to 9.5 tons for a total of 7,879 bottles.
- » Spurred by market demands, the vineyard acquired equipment to produce wine in



barrels.

- » A tasting of Ayllu wines from the 2016 harvest led by Ph.D. oenologist and Universidad de Chile scholar, Marcela Medel, was featured at an expo called “In its Own Juices: The Antofagasta Region's First Food Fair”. Widely publicized in the food and hotel sector of the region's capital, the gourmet food event was attended by local and regional authorities and a range of small and medium-sized businesses from the food industry.

LIKAN ANTAI AGRICULTURAL SCHOOL

SQM continues to work with and provide technical support for Likan Antai Agricultural School in San Pedro de Atacama. The results have been significant and include growing vegetables and crops in a greenhouse—which has become a learning methodology at the

high school.

We have also continued the co-op program, which complements the agriculture-focused classroom curriculum with on-site learning guided by our specialists. Eleventh and twelfth grade students alternate each week doing hands-on agricultural work with the Company in different towns around the San Pedro de Atacama district.

AGRICULTURAL PRODUCTION DEVELOPMENT PLAN, PINTADOS, POZO ALMONTE [G4-15](#)

Since 2009, SQM has continued to play an active role in the Working Group for Agricultural Production Development in the town of Pintados. The municipal government of Pozo Almonte took part in this initiative along with the National Institute for Agricultural Development (INDAP), the Pozo Almonte Local Action Development Program

(PRODESAL), Teck-Quebrada Blanca and the farmers themselves. The process resulted in the definition of a strategy and projects that benefit farmers from local organizations: Asociación Indígena Aymara Tierras de Jehová, Asociación Indígena Aymara Juventud del Desierto and Cooperativa Agrícola Nuevo Amanecer.

This initiative benefits 50 farmers from the three groups. In 2016, as a result of round table agreements, projects were undertaken to improve irrigation infrastructure with construction of collection tanks, Californian and drip irrigation systems. The objective is to encourage farming methods that use water and energy resources in a more sustainable manner. Also, fulfilling the dream of a single commercial image, a “Pintados” logo and merchandising material were created so that all products from the associations could be

sold under the same brand.

In the area of production improvements, SQM worked with the Ministerial Secretariat of Agriculture to support and oversee farmer certification in handling and use of agrochemicals as well as construction of a warehouse to store them. The joint project benefited all farmers.

CELEBRATING CHRISTMAS WITH OUR NEIGHBORS

As part of our social commitment, SQM sponsors different Christmas celebrations and employee gift drives to benefit children and the elderly each year. The most noteworthy are the contributions to students at schools and preschools around San Pedro de Atacama, Tocopilla, Antofagasta, Pintados and Santiago.



Alfalfa fields in town of Talabre, San Pedro de Atacama.



Valle de Puques vineyards in town of Toconao, San Pedro de Atacama.

AWARDS IN 2016

1. The Antofagasta Industrial Association recognized SQM during Mining Month for our contribution to the second phase of construction of the Don Bosco Technical Industrial School in Calama. The project was the result of an agreement in which SQM contributed an investment of Ch\$400 million.
2. Reflecting the Company's contribution to inclusion of women in the workplace, Impulsa Talento Femenino highlighted SQM as the best commodities segment employer (along with eight companies in other industries).
3. SQM received the award for "Best Value Creation 2015 in Raw Materials Sector" as part of the Top 100 Ranking published annually by Revista Capital and Banco Santander Chile.
4. SQM received an award for innovative capacity at the International Seminar on Competitiveness and Innovation in Exporting Businesses, organized by Universidad de Chile's School of Economy and Business and the Association of Manufacturers and Exporters (ASEXMA). Our Company was recognized among the most innovative Chilean exporters.
5. The Regional Council on Mining Security - Tarapacá recognized SQM at its Nueva Victoria mine for its low accident rate (with an accident frequency index of 25%).
6. Reflecting SQM's steadfast commitment to safety, the College of Professional Mining Safety Experts in Antofagasta recognized Nitrates and Iodine Operations Senior Vice President, Carlos Díaz Ortiz, for his outstanding leadership and close relationship with employees.
7. The Company was recognized at the 10th anniversary celebration of Incuba2 for its collaboration on diverse development and entrepreneurship initiatives.

8. The Hijos de Pedro de Valdivia Center honored SQM for its support of the nitrate office's anniversary celebration.



9. The Los Terralitos Cultural and Folk Music Association recognized the Company's sponsorship of the IX Interregional Folk Music Showcase.

10. The 2016 San Miguel Arcangel festival's steering committee recognized the Company's support for the religious festival.



OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|---------------------|--|------------|---|--|
| Historical Heritage | Continue to support community folk music, educational, cultural and recreational programs designed to preserve and add value to local culture. | 100% | Our activities in 2016 included: The "Tin Flower Workshop" (initiative to restore Pampa heritage) in the towns of Quillagua, María Elena and Tocopilla and support for several events, including "Cien Pañuelos al Viento", the 9th version of the Tocopilla Folk Gathering, the Aymara New Year's celebration and festivities for the Patron Saint of Quillagua. | Continue to support community folk music, educational, cultural and recreational programs designed to preserve and add value to local culture. |

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-----------------------|---|------------|---|---|
| Education and Culture | Continue executing educational and cultural programs designed to enable community development in order to empower and generate a greater impact on these communities. | 100% | We continued to carry out the Más Matemáticas program in seven schools in San Pedro de Atacama, one in María Elena and one in Pozo Almonte. We also provided support for educational and recreational activities for students at schools in Toconao and Socaire, and for the second year we organized an English workshop at the school in Quillagua and the Vilti SEMMAN Program, "Planting Innovative Pedagogical Strategies and Methods" in Tocopilla. | Continue executing educational and cultural programs designed to enable community development in order to empower and generate a greater impact on these communities. |
| Solidarity Work | Continue assisting with emergency situations that may arise in towns near our operations. | 100% | Every summer we have provided assistance for the towns near San Pedro de Atacama with irrigation channels that overflow as a result of Altiplano winter rains. | Continue assisting with emergency situations that may arise in towns near our operations. |

OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|--------------------|---|------------|--|---|
| Social Development | Continue with the Micro-Entrepreneurial Funding Competition Program in San Pedro de Atacama, María Elena and Tocopilla with a focus on training, grants for small initiatives and on-site assistance. | 100% | Support was provided for 35 micro-entrepreneurial projects: 12 in San Pedro de Atacama, eight in María Elena and 15 in Tocopilla. | Redesign the Micro-Entrepreneurial Funding Competition Program in order to make it more suitable for Tocopilla with a focus on training, grants for small initiatives and on-site assistance. |
| | Continue with the production development programs for farming, commerce and value-added products, especially "Atacama Tierra Fértil" in the towns around the Salar de Atacama, "Quillagua Tierra Fértil" and the Pintados program that emerged from the working group in that area. | 100% | We continued to move forward on several existing programs with local farmers: quality grape production and Ayllu wine with a grape harvesting festival in Toconao and wine tasting in Antofagasta; hydroponic production in Quillagua and Socaire, alfalfa production in the towns of Talabre and Socaire, including a co-op program for agriculture students at Likan Antai School. | Continue to support Ayllu wine initiative, strengthening vineyards with better irrigation and nutrition systems. Continue supporting hydroponic growing program in Quillagua and Socaire, including the co-op program, increase surface area of alfalfa plantations in Talabre and help with training and start-up of Conadi greenhouses. |

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|--------------------|--|------------|---|--|
| Social Development | Foster programs to promote special-interest tourism in neighboring towns that add value to the existing supply and generate production chains. | 100% | We continued to support the Chaxa tourist circuit managed by the Community of Toconao, including installing tourism signs along the Quebrada Kezala archaeological trail and trained community guides in the town of Talabre; in María Elena we worked together with the community to prepare a Tourism Development Plan (Pladetur) and set up a Tourism Working Group. | Foster programs to promote special-interest tourism in neighboring towns that add value to the existing supply and generate production chains. |
| | Continue to develop and support new initiatives in neighboring towns that generate social impact through recreational activities and sports. | 100% | In Tocopilla, we signed an agreement with the Ganamos Todos Foundation and organized a summer soccer tournament for youth from different parts of the city. We also organized a Soccer Training School for 50 boys and girls from Tocopilla and implemented a Soccer School project with the Tocopilla Sports Club. | Continue to support new initiatives in neighboring towns that generate social impact through recreational activities and sports. |



San Pedro de Atacama, Antofagasta Region.



06

COMMITMENT WITH THE ENVIRONMENT

WE EMBRACE OUR COMMITMENT TO CARING FOR THE ENVIRONMENT BY CONSTANTLY STRIVING TO PREVENT, MINIMIZE AND MITIGATE possible environmental impacts in a timely manner and working to ensure that natural resources and production inputs are used responsibly and efficiently.

ENVIRONMENTAL MANAGEMENT SYSTEM

G4-EN29/G4-EN34/MM10

SQM HAS IMPLEMENTED ITS ENVIRONMENTAL MANAGEMENT SYSTEM AT ALL PRODUCTION SITES IN ORDER TO SAFEGUARD AND PROTECT THE ENVIRONMENT AND COMMUNITIES NEAR OUR OPERATIONS.

The Company carries out its operations in harmony with the environment and works to ensure that natural resources and production inputs are used sustainably and to minimize the possible impacts of our production processes. Based on the Company's work and research studies, it has built a solid knowledge base of the ecosystems surrounding its operations and implemented prevention, mitigation, monitoring and control plans in order to ensure that these environments are protected.

Flamingo banding at Puilar Lagoon, San Pedro de Atacama,
Antofagasta Region.

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PROJECTS WITH
ENVIRONMENTAL
ASSESSMENT
AND APPROVAL



It is very important for SQM that new investment projects consider environmental and social aspects starting from the earliest design stages, which guarantees that all new initiatives or important modifications to projects underway have the corresponding environmental approval. Fifty-seven projects have been assessed and granted environmental approval to date (15 by SQM Nitratos S.A, 10 by SQM Industrial S.A, 14 by SQM S.A and 18 by SQM Salar S.A.). Of these 57 projects, 11 were approved with an Environmental Impact Study (EIA) and 46 with an Environmental Impact Statement (DIA).

In 2016, the Company filed an Environmental Impact Statement with the Environmental Impact Assessment Service (SEIA) to expand its lithium hydroxide production capacity. This statement is still being examined by the SEIA.

All SQM production facilities have closure plans that have been approved by the respective authorities. These plans are based on criteria and measures that meet current environmental regulations. In 2016, the Company completed the second phase of the process of providing performance bonds to the National Geological and Mining Service (SERNAGEOMIN) based on the value of these closure plans.

In order to guarantee that its actions are environmentally responsible, SQM carries out

the following Environmental Management System (EMS) activities on an ongoing basis:

- » Annual internal environmental audits at all production facilities. It also conducts independent environmental audits for the operations at Salar de Atacama and Salar del Carmen.
- » Environmental monitoring and early warning plans at all operations.
- » Identification of opportunities for improvement and implementation of continuous improvement actions for environmental performance.
- » Annual environmental training program for SQM workers and contractors.

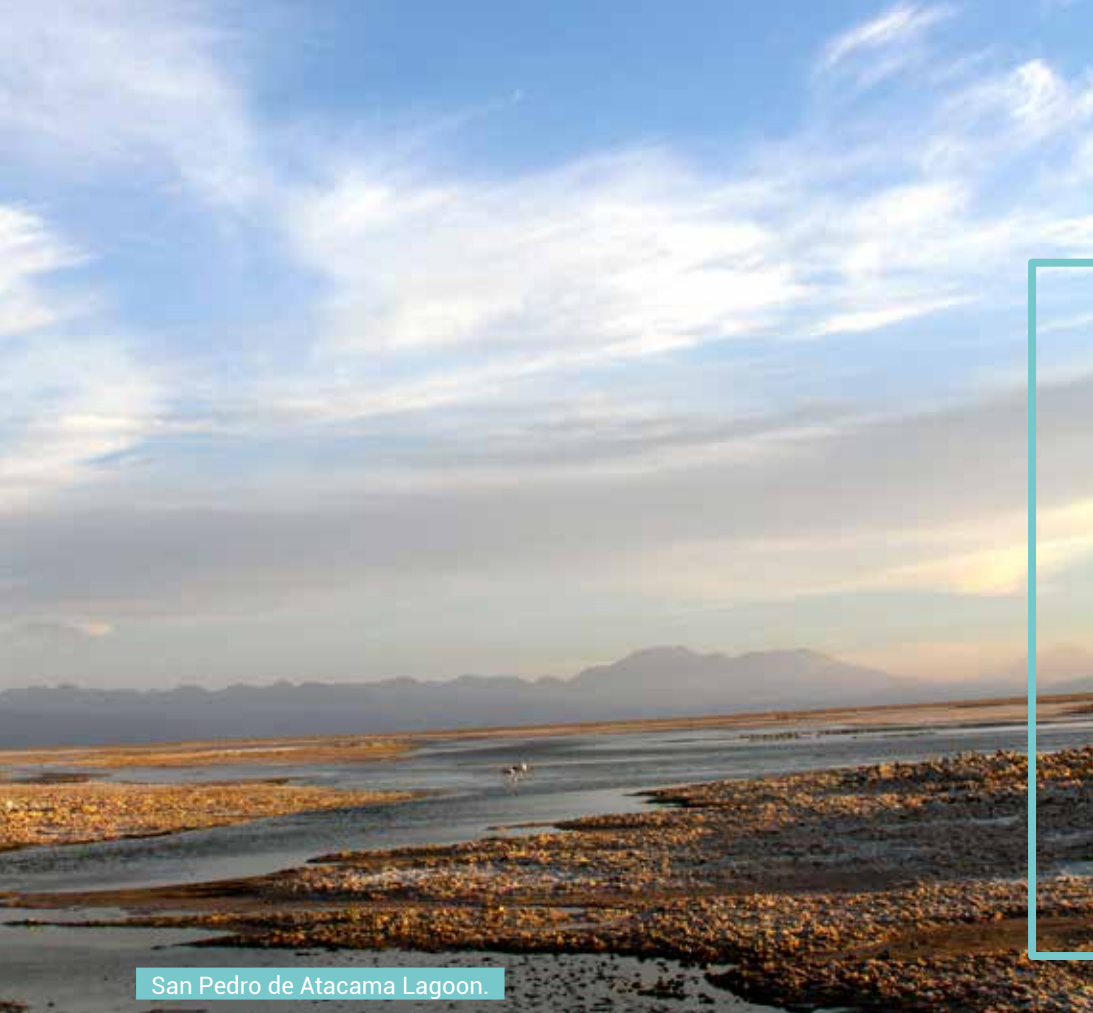
As occurs every year, SQM's operations in Salar de Atacama, Nueva Victoria, María Elena, Coya Sur, Pedro de Valdivia and Tocopilla were inspected by authorities during 2016 as part of the government's annual oversight program. These inspections involved the following agencies: the Regional Health Agency, the Superintendency of the Environment (SMA), the National Geological and Mining Service (SERNAGEOMIN) and the General Water Bureau (DGA).

As of publication of this report, SQM has not received any significant fines and/or penalties for violations of environmental laws or regulations. In 2016, the Superintendency

THE COMPANY'S ENVIRONMENTAL RISK ASSESSMENT FOR PRODUCTION PROCESSES WAS FULLY REVIEWED AND UPDATED AS PART OF ITS ANNUAL ENVIRONMENTAL AUDIT PROGRAM.

of the Environment notified SQM that it was initiating two sanctioning processes involving the Company's compliance with its Environmental Qualification Resolutions, one for the operations in Salar de Atacama and the other in Nueva Victoria. SQM is working to remedy the charges filed. The Company presented compliance plans and is now awaiting a ruling from the regulator.

During 2016, the Company fully updated its environmental risk assessments, taking into account risks related to its production processes, measures committed to in Environmental Qualification Resolutions and applicable environmental regulations. Based on that analysis, preventative and/or mitigating controls were defined in collaboration with the respective individuals responsible for each control. The EMS is used to analyze and control each identified risk.



San Pedro de Atacama Lagoon.

BIODIVERSITY

G4- EN 11/ G4- EN 12/ G4-EN 13/ G4-EN14

Our production facilities are located in desert areas that do not have significant biodiversity. However, there are areas near our operations with ecological value for which the Company has developed protection and mitigation plans. We wish to highlight the following ongoing activities:

- » At Salar del Llamara, close to the Nueva Victoria operations: Environmental monitoring plan for groundwater, aquatic biota (“puquios”), fauna and vegetation.
- » National Flamingo Reserve, close to the Salar de Atacama operations: Environmental

monitoring plan for aquatic biota, flora, soil, fauna, water levels and quality, and meteorology in the Soncor and Aguas de Quelana sectors.

These plans consider variables such as: vegetation, flora, fauna and aquatic biota, among others, and are complemented by programs to monitor responsible water management and the hydrology of the aquifers from where we extract industrial water (Salar de Atacama, Salar de Llamara and Salar de Sur Viejo) and mineral resources, as is the case with the brine deposits in Salar de Atacama.

ALL SQM MONITORING PLANS COVER: VEGETATION, FLORA, FAUNA, AQUATIC BIOTA, AMONG OTHER VARIABLES.

SQM OPERATIONS NEAR PROTECTED AREAS AND UNPROTECTED AREAS WITH HIGH BIODIVERSITY

| FACILITY | GEOGRAPHIC LOCATION | PROTECTED AREA OR UNPROTECTED AREA WITH HIGH BIODIVERSITY | SIZE OF PROTECTED AREA | TYPE OF OPERATION | SQM PRESENCE IN AREA |
|------------------|---|---|------------------------|--|---|
| Salar de Atacama | Antofagasta Region, Loa Province, San Pedro de Atacama District | National Flamingo Reserve | 73,986 ha. | | |
| | | Soncor sector | 5,017 ha. | No production facilities; environmental monitoring performed. | Environmental monitoring: 1 meteorological station, 84 hydro-geological monitoring points, 8 fauna monitoring points and 5 marine life monitoring points. |
| | | Aguas de Quelana sector | 4,136 ha. | No production facilities; environmental monitoring performed. | Environmental monitoring: 61 hydro-geological monitoring points, 9 fauna monitoring points, 10 marine life monitoring points and 2 vegetation monitoring transects. |
| Nueva Victoria | Tarapacá Region, Huara Province, Pozo Almonte District | Pampa del Tamarugal National Reserve | 102,264 ha. | | |
| | | Bellavista sector | 2,654 ha. | No production facilities; environmental monitoring performed. | Environmental monitoring: 30 hydro-geological monitoring points, 20 tamarugo monitoring points, 4 fauna monitoring stations and 8 vegetation monitoring transects. |
| | | Pintados sector | 14,146 ha. | No production facilities; environmental monitoring performed. | Environmental monitoring: 20 hydro-geological monitoring points. |
| | | Salar de Llamara | 4,310 ha. | 7 wells for extracting water in use; environmental monitoring performed. | Water extraction wells, pipelines and electrical lines. Environmental monitoring: 63 hydro-geological monitoring points, 1 marine life monitoring point, 7 fauna monitoring points, 9 vegetation monitoring transects, 16 retama monitoring points and 24 tamarugo monitoring points. |

SPECIES WITH CONSERVATION STATUS

THE CONSERVATION STATUS OF LOCAL SPECIES IS FUNDAMENTAL FOR SQM AND IS FACTORED INTO EACH MONITORING PLAN FOR ITS OPERATIONS.

- ▶ ENDANGERED
- ▶ VULNERABLE
- ▶ DATA DEFICIENT
- ▶ RARE
- ▶ LEAST CONCERN

▶ TAMARUGO TREES
(*Prosopis tamarugo*)



▶ LAVA LIZARD
(*Microlophus theresioides*)

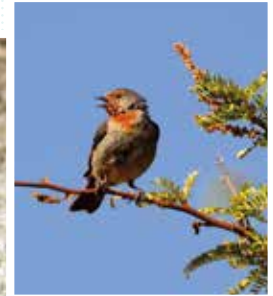


▶ PERUVIAN SERPENT
(*Tachymenis peruviana*)

▶ GECKO
(*Phyllodactylus gerrhopygus*)



▶ TAMARUGO CONEBILL
(*Conirostrum tamarugense*)



▶ TAMARUGO TUCO TUCO
(*Ctenomys robustus*)



▶ SOUTH AMERICAN GREY FOX
(*Lycalopex griseus*)

+ NUEVA VICTORIA
(SALAR DE LLAMARA, SUR VIEJO, BELLAVISTA)



+ SALAR DE ATACAMA

ENVIRONMENTAL MONITORING PLAN IN THE SALAR DE ATACAMA G4-EN14

WE CARRY OUT ONGOING ENVIRONMENTAL MONITORING PLANS TO TRACK DIFFERENT FACTORS IN ORDER TO ENSURE THE STATUS OF ALL RELATED SYSTEMS.

As part of the project entitled "Changes and Improvements to Mining Operations at Salar de Atacama", SQM has an Environmental Monitoring Plan to evaluate the status of the systems in the Salar de Atacama. The monitoring plan entails:

AN ONGOING HYDRO-GEOLOGICAL MONITORING PLAN WITH 225 MONITORING POINTS IN THE SALAR DE ATACAMA AQUIFER, WHICH INVOLVES:

- » Measuring the levels and physical and chemical qualities of water distributed among shallow and deep wells, metric rods at lagoon level and gauging stations.
- » Measuring meteorological variables at meteorological stations known as "Chaxa" and "KCI".

CARRYING OUT AN ENVIRONMENTAL MONITORING PLAN THAT INCLUDES AQUATIC LIFE MONITORING PERFORMED EACH YEAR IN APRIL.

This monitoring controls a set of variables that allows it to detect changes in lake systems and vegetation in a timely manner using direct, on-site measurements and high-resolution satellite images (QuickBird or WorldView 2). The variables observed as part of this biotic monitoring in the Salar de Atacama include:

- » Vegetation with 99 monitoring points along the eastern edge of the Salar de Atacama.
- » Vegetation in connection-aquifer area with 18 monitoring points along the eastern edge of the Salar de Atacama (performed in January and April).
- » Flora with 75 plots distributed in 7 transects along the eastern edge of the Salar de Atacama.

- » Bioindicators with 66 vegetation transects in 8 profiles, of which 12 transects are controls and 54 are indicators.
- » Fauna with 18 sampling stations distributed among areas with vegetation.
- » Soil moisture content with 18 sampling points.
- » Aquatic life with 25 sampling stations distributed among the three lake systems in the Salar de Atacama (Soncor, Aguas de Quelana and Peine).

In addition, since 1995 we have taken part in an environmental monitoring program as part of a collaborative agreement with the National Forestry Corporation (CONAF), entitled "Bird Life Habitat and Population in the Salar de Atacama." The program, which is carried out in January, April, June and October of each year, is aimed at opportunely detecting changes in the lake's surface and depth, the



Flamingo monitoring in Salar de Atacama.

bird population, flamingo food supply, local physical and chemical conditions and human activities.

The variables monitored include:

- » Lake surface in the Soncor and Peine lake systems.
- » Water column depth.
- » Bird populations.
- » Population of high Andean flamingos.
- » Abundance of food supply for flamingos.
- » Physical and chemical properties determining food supply of wildlife in lakes.

As a result of this monitoring program, the Company has collected 20 years' worth of data on flamingo populations in the Salar de Atacama and contributed to activities carried out by CONAF, including an annual census of flamingos in approximately 52 high Andean wetlands in northern Chile and the



Hydrogeological monitoring in Salar de Atacama.



Flamingo banding, Salar de Atacama, Antofagasta Region.

Antofagasta Region, conducted since 1997. The census is taken at several important sites, including the Atacama, Tara, Aguas Calientes 1 and Pujsa salt flats within the National Flamingo Reserve, as well as other salt flats such as Ascotán, Carcote, Aguas Calientes 2, El Laco, Aguas Calientes 3, Punta Negra, Aguas Calientes 4 and Pajonales. The census focuses on three flamingo species that mainly inhabit the high plateaus of Chile: the Andean flamingo (*Phoenicoparrus andinus*), the Chilean flamingo (*Phoenicopterus chilensis*) and the James flamingo (*Phoenicoparrus jamesi*).

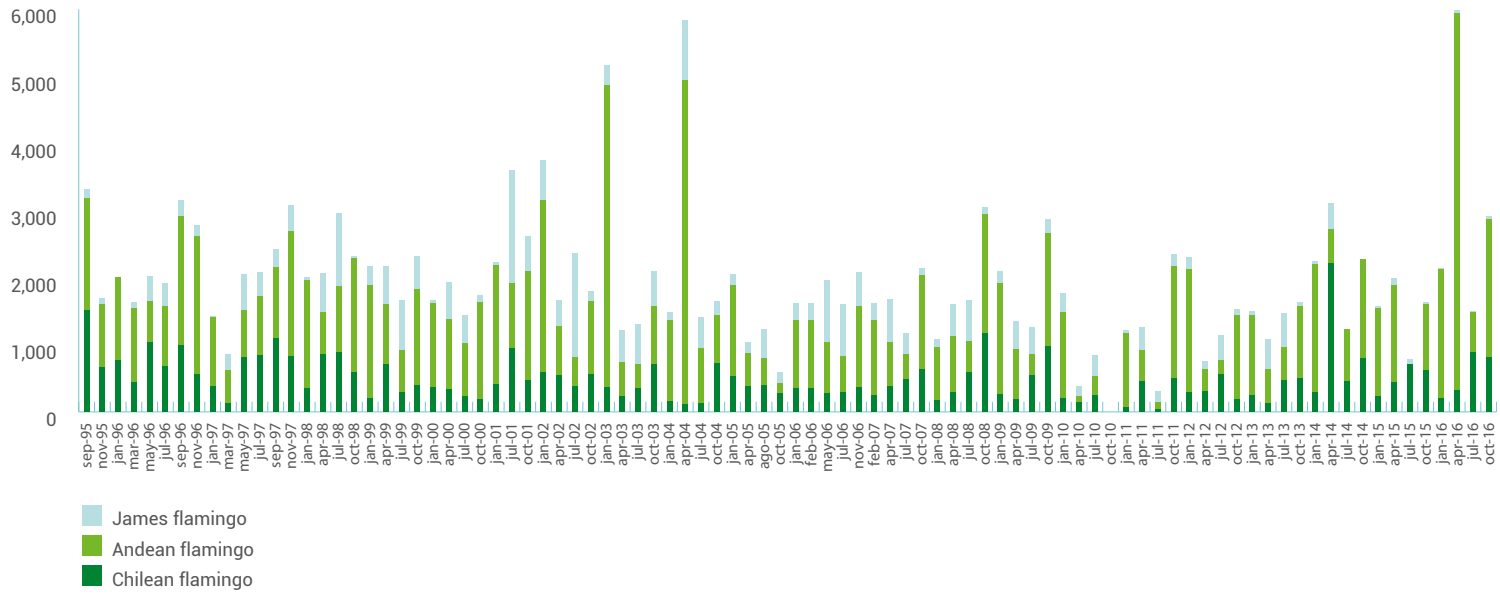
MONITORING OF FLAMINGO REPRODUCTIVE CYCLE – SALAR DE ATACAMA

SQM has been voluntarily monitoring the flamingo reproductive cycle since 2007, observing the three species of flamingos found at Salar de Atacama: the Andean flamingo, the Chilean flamingo and the James flamingo. This activity is executed throughout the entire reproduction period, which starts in August and finishes in early April of the following year. The Company visits the lake systems in Soncor, Aguas de Quelana and Peine during this period. The objective of this voluntary monitoring is to prevent any disturbances due

to the presence of humans that could affect flamingos during their reproduction cycle. In addition, this monitoring generates data needed to study the different stages of the reproductive cycle and determine where these take place each year.

Information generated as a result of this initiative has made an important contribution to current knowledge regarding the flamingos' reproductive process, as part of the work done by the High Andean Flamingo Conservation Group.

FLAMINGO ABUNDANCE IN THE SALAR DE ATACAMA 1995 - 2016



ENVIRONMENTAL MONITORING PLAN IN THE SALAR DE LLAMARA

WE HAVE A ROBUST ENVIRONMENTAL MONITORING PLAN IN PLACE FOR VEGETATION, AQUATIC BIOTA AND SURFACE WATER, AMONG OTHER VARIABLES, IN ORDER TO PREDICT EACH PROJECT'S IMPACT.

Salar de Llamara was classified as a regional strategic priority site and was incorporated into the Pampa del Tamarugal National Reserve in 2013 to protect a native tamarugo forest and "puquios" with bacterial formations located there. SQM executes the following activities within its environmental monitoring plan to ensure that the Pampa Hermosa project adheres to the provisions of the environmental assessment:

MONITORING TAMARUGO TREES AND VEGETATION IN LLAMARA

- » The Company monitors tamarugo tree vitality using high-resolution satellite images (Quickbird, WorldView 2 or Geoeye) and field data taken each year in November, when vegetation is most abundant.
- » A series of physiological measurements of tamarugo trees are taken periodically, including measuring the foliar hydric

potential of branches, stomatal resistance, isotopic discrimination of carbon 13 and enrichment with oxygen 18. These measurements are determining factors in analyzing the hydric status of tamarugos.

- » Experts also monitor retama thickets and hygromorphic meadows in the area around the lagoons known as Puquios de Llamara in order to evaluate the status of these plants. Measurements include the percentage of green growth, vigor and phenology.

MONITORING AQUATIC BIOTA AND SURFACE WATER IN LLAMARA

- » We also conduct semi-annual monitoring of aquatic biota and surface water in Puquios de Llamara in order to verify that there are no unforeseen effects on biotic and aquatic systems.

» The variables controlled by monitoring of aquatic biota include:

- » Composition of phytoplankton and phytobentos.
- » Diversity of zooplankton and bentos.
- » Development and status of macrophytes.
- » Status of fish fauna.

MITIGATION MEASURES FOR HYDRIC SYSTEM IN PUQUIOS DE LLAMARA

- » A mitigation measure has been implemented to reduce the effects of the decline in the water table on the Llamara aquifer as a result of pumping taking place approximately 8 km north of this site. Maintaining the levels and chemical quality of the water with minimal variations facilitates adequate development of biotic systems.

HYDROGEOLOGICAL ENVIRONMENTAL MONITORING PLAN

» This monitoring involves monthly measurements of aquifer levels, chemical quality, water volumes and flows extracted from wells, which enables the Company to verify predicted impacts during project operation, which is a key component of its Early Warning Plan.

In 2016 SQM continued activities as part of the Tamarugo Environmental Management Plan that involved tamarugo tree production in greenhouses from seeds collected in the area, tamarugo tree planting, phytosanitary control, ex-situ conservation of tamarugo tree germoplasma and tamarugo tree productivity studies.

All data and knowledge generated through these activities and complementary studies are used in the environmental education



Puquíos de Llamara Trail.



Environmental monitoring in Salar de Llamara.



Tamarugo trees in Salar de Llamara, Tarapacá Region.

program carried out in conjunction with CONAF in the Pampa del Tamarugal National Reserve and displayed for visitors to the Puquios de Llamara Trail inaugurated in 2014.

The Pampa del Tamarugal National Reserve in the Tarapacá Region has considerably increased the number of tamarugo trees in the Llamara and Bellavista sectors, thanks to the Company's work and its Tamarugo Tree Planting Program, which planted 5,522 trees in Bellavista and 247 in Llamara, for a total of 5,769 new specimens of this endemic species.

Planting included a greenhouse stage with seed germination tests. This required ongoing monitoring and an irrigation system to ensure the preservation of this species and the ecosystem.

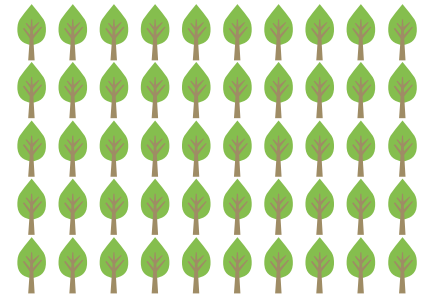
THE TAMARUGO PLANT PRODUCTION PROGRAM INCLUDES DIFFERENT STAGES SUCH AS SEED COLLECTION AND GERMINATION TESTS, WHICH ARE DEVELOPED AS PART OF THE TAMARUGO TREE GERMOPLASMA EX-SITU CONSERVATION PROGRAM.

Tamarugo seeds were collected and germination tests were taken before planting. This was executed in the framework of the Ex Situ Tamarugo Tree Germoplasma Conservation Program. Seedlings were developed at a nursery built as part of the Tamarugo Plant Production Program. In addition, previous rooting tests were required in order to select planting locations, together with irrigation system tests to determine what system would be used and irrigation frequency for plants to take root at the site.

In 2016, irrigation and monitoring programs were conducted for all 5,769 trees planted.

+5,000

TAMARUGO TREES PLANTED BY SQM



WASTE MANAGEMENT

G4-EN2/G4- EN 22 / G4- EN 23/ G4- EN 24/
G4- EN 25/ G4- EN 26/G4-EN28

SQM WORKS HARD TO ENSURE THAT ALL WASTE GENERATED AT ITS OPERATIONS IS SAFELY AND PROPERLY HANDLED THROUGHOUT THE ENTIRE WASTE MANAGEMENT CYCLE, WHICH INCLUDES OBTAINING NECESSARY AUTHORIZATION FOR TRANSPORT COMPANIES AND FINAL DISPOSAL SITES.

The Company has designated authorized sites for temporary storage and disposal of waste and implemented waste management plans at all operations.

SQM also has 9 sites authorized for storing hazardous industrial waste, 6 yards for storing non-hazardous industrial waste and an area for storing and disposing of domestic waste. In 2016, 93.5% of the industrial waste generated in our production facilities was sent offsite to authorized companies for final disposal.



Hazardous waste storage yard



423,731 M3

OF WATER FROM TREATED DOMESTIC LIQUID WASTE WAS REUSED IN THE PRODUCTION PROCESSES AT OUR FACILITIES IN COYA SUR AND PEDRO DE VALDIVIA IN 2016.

The execution and implementation of all stages of waste management plans are verified using ongoing internal audits.

In 2016, SQM did not generate hazardous waste that was disposed of or treated internationally. In addition, 29% of the hazardous waste generated at our operations was reutilized, using an external company that uses this waste as alternative fuel.

We continued efforts to train employees and contractors in order to guarantee proper waste management at our facilities.

Proper management of water resources is a priority at SQM, which is why we are constantly looking for new supply alternatives and working to ensure that liquid waste is correctly treated. These efforts have enabled us to implement water supply alternatives such as: Reutilizing domestic liquid waste in our production processes. This waste has been treated in accordance with regulatory requirements at authorized sewage treatment plants in María Elena and Pedro de Valdivia. Industrial water used at our Salar del Carmen operations is supplied by treated domestic liquid waste from the city of Antofagasta.

Sewage treatment plants are maintained and monitored by specialized service providers.

Domestic liquid waste from our operations in Antofagasta and Tocopilla is disposed of in the public sewer system and, therefore, no dumping occurs that could affect biodiversity and protected habitats.

SQM safely handles solid domestic waste at all facilities and camp accommodations or disposes of this waste in authorized landfills.

The following table details total waste sent for final disposal by type:

TOTAL WASTE SENT FOR FINAL DISPOSAL AND/OR TREATMENT

| TYPE OF WASTE SENT FOR FINAL DISPOSAL | 2016 | 2015 | 2014 |
|---------------------------------------|--------------|--------------|--------------|
| Hazardous industrial waste (ton) | 1,438 | 1,085 | 1,249 |
| Non-hazardous industrial waste (ton) | 961 | 2,289 | 1,843 |
| | 2,398 | 3,374 | 3,092 |

In 2016, no significant spills contaminating the soil or water (surface or groundwater) were reported at the Company's operating facilities and production sites.

Most of our products are handled in bulk, which significantly reduces packaging and waste. We have also implemented a joint initiative with our suppliers to reuse packaging in which supplies are delivered.

9
YARDS
FOR TEMPORARY
STORAGE OF HAZARDOUS
INDUSTRIAL WASTE.

6
YARDS
FOR TEMPORARY
STORAGE OF
NON-HAZARDOUS
INDUSTRIAL WASTE.

PROJECT STATISTICS:

9 
120-LITER
CONTAINERS

9 
1,100-LITER
CONTAINERS

6 
RECYCLING CENTERS
IN THE DISTRICT OF
POZO ALMONTE

Materials recycled: cans,
paper and plastics

PROMOTING COMMUNITY RECYCLING



As a way to promote recycling, SQM set up several recycling centers around the town of La Tirana, in the Tarapacá Region, which hosts an important religious festival each year known as Virgen del Carmen de La Tirana. Since this celebration attracts more than 250 thousand people, significant trash and waste are generated during the festivities.

These "Recycling Centers for the Virgen del Carmen de La Tirana Festival" were part of a joint project to care for the environment. The project was sponsored by SQM and the Regional Environmental Agency (Seremi de Medio Ambiente), coordinated by the Municipality of Pozo Almonte and implemented by the Small Industrial Trade Association of Pozo Almonte (AGIMPA).

This initiative has a variety of activities planned for 2017, including reinstalling recycling centers in different parts of the district of Pozo Almonte to collect plastic, cans and paper. The objective is to bring about a cultural change in local residents by educating them on the benefits of working together to recycle waste they generate on a daily basis. The initiative has also led to local job creation for members of AGIMPA, which is in charge of recycling and selling the waste.



RAW MATERIALS AND INPUTS

G4-EN1 / G4-EN30

Salar de Atacama operations, Antofagasta Region.

SQM'S MAIN RAW MATERIALS ARE CALICHE ORE AND BRINES, BOTH OF WHICH ARE EXTRACTED FROM RESERVES LOCATED IN THE TARAPACÁ AND ANTOFAGASTA REGIONS.

CONSUMPTION OF PRODUCTION INPUTS

| INPUT | UNIT | 2016 | 2015 | 2014 |
|--------------------|-------|--------|---------|-----------|
| Tires | Units | 117 | 133 | 151 |
| Coating | M2 | 65,482 | 410,668 | 1,886,112 |
| Lime | Tons | 11,229 | 10,464 | 9,707 |
| Sulfuric acid | Tons | 3,548 | 5,898 | 5,769 |
| Sulfur | Tons | 9,469 | 13,939 | 10,655 |
| Anti-caking agents | Tons | 0 | 9 | 25 |
| Collectors | Tons | 575 | 511 | 485 |
| Kerosene | m3 | 4,339 | 5,688 | 5,855 |
| Soda ash | Tons | 99,640 | 84,427 | 77,219 |
| Explosives | Tons | 9,544 | 11,067 | 9,191 |

The Company produces potassium chloride, potassium sulfate, magnesium chloride, lithium carbonate and lithium hydroxide from underground brines extracted from the Salar de Atacama. These brines boast the world's highest known concentrations of lithium and potassium, as well as considerable concentrations of sulfate and magnesium.

Caliche ore has high concentrations of nitrates and iodine and is found beneath inert material approximately two meters below the desert's surface, in layers two to three meters thick.

Northern Chile is home to the largest known deposits of nitrates and iodine on the planet and is the only commercially exploitable source of natural nitrate. A wide variety of products are produced from caliche ore, including: potassium and sodium nitrates used in specialty plant nutrients, nitrates for industrial applications and iodine and derivatives.

As part of environmental assessments for projects, the Company identifies environmental impacts and implements and monitors mitigation and control measures. This

ongoing work has enabled us to guarantee that our operations are responsibly managed, that domestic and international regulations for transporting products, materials and people are met and that safety data sheets are available for all products and substances that require them. No significant environmental impacts related to these matters have been identified during the reporting period.



94.3 %

OF THE ENERGY
USED AT OUR
OPERATIONS IS
SOLAR.



Solar plant that works with solar salts, produced by SQM.

ENERGY

G4-EN3/G4-EN4/ G4-EN5/ G4-EN6/ G4-EN7

SQM uses different types of energy in its production processes. Solar power is the most widely used and plays an especially important role in the solar evaporation ponds in Coya Sur, Nueva Victoria and Salar de Atacama, which gives us an important operating advantage. Our production facilities are located in the Atacama Desert, which is characterized by high solar radiation and a high rate of water evaporation. These conditions allow the Company to execute processes to concentrate solutions in ponds year-round.

The Company's operations are also powered by electricity obtained from the Great North Interconnected System (SING) and fuels such as oil and natural gas.

As of 2016, SQM has over 4,000 hectares of solar evaporation ponds, which allows it to harness significant amounts of solar energy, accounting for 94.3% of all energy consumed

in our facilities. In other words, almost 94.3% of the energy that is consumed by the Company comes from a renewable source.

DIRECT AND INDIRECT ENERGY CONSUMPTION 2016

| | 2016 | 2015 | 2014 |
|-------------------|-------------------|-------------------|-------------------|
| Solar energy | 87,625,310 | 79,810,398 | 82,559,123 |
| Electricity | 1,866,756 | 2,029,041 | 1,803,659 |
| Diesel | 1,455,894 | 1,637,632 | 1,727,235 |
| Natural gas | 864,951 | 802,135 | 1,862,197 |
| Liquefied gas | 55,047 | 1,420 | 29 |
| Bunker fuel | 1,037,029 | 1,627,685 | 936,298 |
| Gasolina | 532 | 8.427 | 367 |
| TOTAL (GJ) | 92,905,519 | 85,916,738 | 88,888,908 |

AIR

EMISSIONS G4-EN30/ G4-EN15/G4-EN16/G4-EN17/G4 EN18 /G4-EN19/G4-EN20

FROM 2007 TO THE PRESENT, SQM HAS MANAGED TO REDUCE ITS PM10 EMISSIONS BY 96.9% BY IMPLEMENTING OPERATIONAL CHANGES. THANKS TO THESE EFFORTS, AIR QUALITY IN MARIA ELENA HAS IMPROVED SIGNIFICANTLY AND DAILY PM10 AIR QUALITY STANDARDS HAVE BEEN FULLY MET SINCE 2010.

SQM continuously assesses and monitors air emissions at its production facilities. These activities are part of the environmental assessments conducted for our processes, as well as atmospheric decontamination plans for certain towns where we operate.

Control measures include covering trucks with tarps during transport of bulk products, installing abatement equipment at plants for particulate matter and gases, and wetting roads for dust control at mine sites.

The Company has implemented important measures to comply with commitments to control and reduce its PM10 atmospheric emissions in María Elena and Tocopilla as part of these towns' decontamination plans. In María Elena, SQM has its own network

of air quality monitoring equipment, while in Tocopilla it participates in the city's air quality monitoring network. The Company regularly provides emissions, air quality and meteorological data to authorities.

These efforts are in addition to other activities and specific measures committed to in environmental permits for our operations, such as: mobile monitoring stations installed to meet specific environmental and operational requirements, isokinetic measurements on smokestacks for equipment such as dryers and boilers, meteorological stations and air quality monitoring at our facilities to verify compliance with applicable standards.

The Company's efforts to help reduce PM10 air emissions in the town of María Elena are

worthy of mention. PM10 emissions from our facilities decreased by more than 96.9% between 2007 and 2016 thanks to operating measures implemented by SQM. Air quality in María Elena has improved significantly and the PM10 daily air quality standard (24 hour concentration) has been met every year since 2010. For the 2014-2016 period, the three-year average for PM-10 air quality also met mandated levels.

In the case of Tocopilla, PM10 emissions generated by SQM's port operations are minor as compared to other sources in the city (less than 0.2% of total emissions come from SQM according to the 2007 emissions inventory). As part of the Tocopilla Decontamination Plan, SQM has fulfilled its commitments and executed all measures necessary to mitigate its

emissions. In 2016, SQM's port operations reported PM10 emissions of 4.32 tons, marking a reduction of 38% from its 2007 levels and exceeding commitments in the decontamination plan.

With respect to greenhouse gas emissions, SQM estimates the total carbon footprint in aggregate for its entire production chain and separately for several products. These estimates consider all stages from the mineral extraction processes to the finished product, including domestic and international transport.

Based on these calculations, we have estimated our GHG emissions for 2014, 2015 and 2016 to be less than one million tons of CO2 equivalent each year. For 2016, GHG emissions totaled 618,341 tons of CO2, which can be broken down into 615,310 tons of CO2, CH4 emissions representing 1,029 tons of CO2 eq. and N2O emissions representing 2,002 tons of CO2 eq.

**SQM HAS AIR QUALITY MONITORING PLANS THAT
RELY ON A NETWORK OF CONTROL STATIONS
TO ENSURE COMPLIANCE WITH CURRENT
REGULATIONS.**



SQM DOES NOT PRODUCE, IMPORT OR EXPORT ANY OZONE DEPLETING SUBSTANCES.

GHG emissions are estimated using the IPCC Guidelines for National Greenhouse Gas Inventories and calculated as follows:

SCOPE 1: DIRECT EMISSIONS FROM FUEL CONSUMPTION

| YEAR | CO2 EMISSIONS (TONS) | CH4 EMISSIONS (TONS OF CO2 EQ.) | N2O EMISSIONS (TONS OF CO2 EQ.) |
|------|----------------------|---------------------------------|---------------------------------|
| 2016 | 219,801 | 199 | 457 |

SCOPE 2: INDIRECT EMISSIONS FROM ELECTRICITY CONSUMPTION

| YEAR | CO2 EMISSIONS (TONS) | CH4 EMISSIONS (TONS OF CO2 EQ.) | N2O EMISSIONS (TONS OF CO2 EQ.) |
|------|----------------------|---------------------------------|---------------------------------|
| 2016 | 395,509 | 830 | 1,545 |

THE RESULTS OF THIS CALCULATION WERE:

| TOTAL EMISSIONS YEAR | CO2 EQ EMISSIONS (TONS) |
|----------------------|-------------------------|
| 2016 | 618,341 |
| 2015 | 769,812 |
| 2014 | 664,227 |

WATER

G4-EN2/G4-EN8/G4-EN9/G4-EN10

Water is a scarce resource, particularly in the desert climates where SQM operates. As such, it must be well managed in production processes. The Company possesses water rights that have been duly authorized for its operations. SQM periodically informs authorities of water consumption for its production processes and works constantly to identify ways to use water more efficiently. It also evaluates each facility's water management indicators on a yearly basis.

Measures implemented by the Company to efficiently use water resources include:

- » reincorporating all water treated in SQM sewage treatment plants into its production processes,
- » reutilizing process solutions to reduce the consumption of fresh water,
- » contracting suppliers that offer industrial water from treated domestic waste water.

The Company has used these sources to supply almost 100% of the industrial water needed to produce lithium carbonate and lithium hydroxide.

The extraction of fresh water for production purposes is strictly controlled by environmental assessments. This helps prevent damage to important environmental elements (vegetation, flora and fauna) in aquifers and surface water sources where the Company has water extraction rights.

In conjunction with these studies, extensive hydro-geological modeling is designed, validated and tested under the supervision of national and international experts, based on which the Company conducts ongoing monitoring of expected behavior.

VOLUMES EXTRACTED FROM MAIN WATER SOURCES IN 2016

| FACILITY | WATER CONSUMPTION 2016 | | | TOTAL WATER CONSUMPTION (M3) AT PRODUCTION FACILITIES |
|--|------------------------|--------------------|-------------------------|---|
| | GROUNDWATER (M3) | SURFACE WATER (M3) | THIRD-PARTY SUPPLY (M3) | |
| Salar de Atacama | 5,858,668 | | 1,089 | 5,859,757 |
| Salar del Carmen, Antofagasta, Tocopilla | | | 589,587 | 589,587 |
| Nueva Victoria | 16,211,999 | | | 16,211,999 |
| María Elena, Coya Sur, Pedro de Valdivia | | 5,803,532 | 992,066 | 6,795,598 |
| Total per category (m3) | 22,070,667 | 5,803,532 | 1,582,742 | 29,456,941 |



ENVIRONMENTAL INVESTMENTS

G4-EN31

Truck carrying caliche ore, Nueva Victoria operations, Tarapacá Region.

SQM's efforts to protect and preserve the environment around our operations are a priority for the Company and include annual investments in environmental projects. These investments came to US\$ 5.0 million in 2016, US\$ 4.8 million in 2015, and US\$ 2.7 million in 2014.

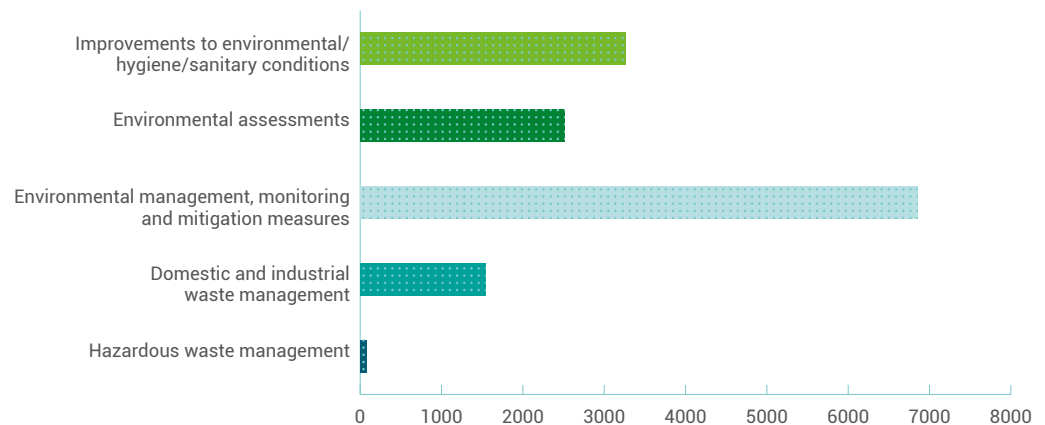
Investments made in 2016 were mainly related to compliance with environmental commitments to monitor significant variables and implementation of mitigation and environmental management measures. They also ensured responsible handling of substances and waste from the Company's mining operations and production plants and environmental and sanitary conditions in accordance with current regulations.

5.043
MILLION IN
ENVIRONMENTAL
INVESTMENTS WERE
MADE IN 2016.

ENVIRONMENTAL INVESTMENTS IN 2016

| ENVIRONMENTAL INVESTMENTS | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|
| Improvements to environmental/hygiene/sanitary conditions | 2,515 | 43 | 293 |
| Environmental assessments | 2,078 | 2,332 | 1,643 |
| Environmental management, monitoring and mitigation measures | 307 | 519 | 297 |
| Domestic and industrial waste management | 64 | 1,143 | 7 |
| Hazardous waste management | 79 | 699 | 470 |
| Total expenditures (ThUS\$) | 5,043 | 4,808 | 2,710 |

ENVIRONMENTAL INVESTMENTS IN 2016



OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|---------------------------------|--|------------|---|---|
| Environmental Management System | Continue to execute the environmental audit program throughout 2016 in order to oversee and supervise environmental aspects of the Company's production processes, and to continue verifying ASIQUM's Responsible Care commitments at the Nueva Victoria facilities. | 100% | We carried out 100% of the environmental audits scheduled for 2016. We updated our environmental risk assessment for all production facilities. We carried out a protocol monitoring audit for the Responsible Care program at the Nueva Victoria facilities. | Execute the environmental audit program in 2017 in order to review, monitor and control environmental aspects of our production processes. |
| Raw Materials and Inputs | Continue to oversee and verify environmental aspects through environmental audits. | 100% | We carried out 100% of the environmental audits scheduled for 2016. This allowed us to monitor and control environmental aspects of our production processes. | Verify and monitor environmental aspects of the Company's production processes by conducting internal environmental audits. |
| | Oversee and verify environmental aspects related to natural resources and inputs by conducting environmental audits. | 100% | We carried out 100% of the environmental audits scheduled for 2016. This allowed us to monitor and control environmental aspects of our use of raw materials and inputs. | Monitor and control environmental aspects of production processes related to natural resources and inputs by conducting environmental audits. |

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|---------------|---|------------|--|---|
| Air Emissions | Guarantee execution of environmental monitoring plans and related monitoring. | 100% | In 2016, we carried out all monitoring committed to in environmental monitoring plans. | Continue to conduct monitoring committed to in environmental monitoring plans. |
| | Continue implementation and operation of emissions reduction and control measures in decontamination plans related to operating facilities. | 100% | In 2016, we continued all emissions reduction and control measures in decontamination plans related to operating facilities. | Continue the implementation and operation of measures for reducing and controlling emissions contained in related urban decontamination plans. The Company will continue to measure its carbon footprint. |
| Energy | Continue evaluating new alternatives for solar energy that can be applied in our production processes. | 100% | In 2016, we continued to research new solar energy alternatives for our production processes through two projects "Solar Heating of Water through Solar Collectors" and "Energy Integration to CSP Plant" both undergoing review and evaluation. | Continue researching and evaluating new alternatives for solar energy that can be implemented in our production processes. |

OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|--------------|--|------------|---|--|
| Water | Continue to conduct environmental monitoring plans (Salar de Llamara, Pampa del Tamarugal (Bellavista sector) and Salar de Atacama), and related water monitoring. | 100% | We conducted all environmental monitoring related to water use in the environmental monitoring plans for the Salar del Llamara, Pampa del Tamarugal and Salar de Atacama. | Execute water use monitoring defined in environmental monitoring plans for Salar de Atacama, Salar del Llamara and Pampa del Tamarugal. Efficiently use water resources at our operations. |
| Biodiversity | Continue to monitor flora and fauna in the Salar de Llamara, Pampa del Tamarugal and the Salar de Atacama as part of the Company's environmental monitoring plans. | 100% | We conducted all water monitoring related to environmental monitoring plans for the Salar del Llamara, Pampa del Tamarugal (Bellavista sector) and Salar de Atacama. | Execute biodiversity monitoring committed to in environmental monitoring plans for the Salar de Atacama, Salar del Llamara and Pampa del Tamarugal (Bellavista sector). |

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|---------------------------|--|------------|--|--|
| Waste Management | Complete environmental training program as committed. | 100% | We carried out 100% of the environmental training sessions scheduled for 2016. | Execute the environmental training program for employees, which includes topics such as proper handling and disposal of waste at operations and accommodation camps. |
| | Continue to control and verify compliance with the Company's hazardous waste management plans. | 100% | We carried out 100% of the environmental audits scheduled for 2016. This allowed us to monitor and control hazardous waste management plans. | Guarantee correct implementation of hazardous waste management plans at production facilities. |
| Environmental Investments | Execute environmental investments scheduled for 2016. | 100% | All environmental investments committed to for 2016 were made. | Execute environmental investments scheduled for 2017, to both implement new projects and ensure the environmental performance of existing operations. |



THE WORLDWIDE
BUSINESS FORMULA

Глобальный производитель, стратегический партнер
Global producer, strategic partner



SQM's Potassium Nitrate
The Best Solution for high tech
and green house application



Чистейший
Нитрат калия из обширных
улучшает качество и уро
ок природного ресурса
жизнеспособность ваших культур



SQM stand at YugAgro Russia.



07

OUR CUSTOMERS

EARNING THE TRUST OF OUR CUSTOMERS IS VERY IMPORTANT AT SQM. CONSEQUENTLY, WE HAVE DEVELOPED QUALITY MANAGEMENT PRACTICES TO ENSURE PROPER AND TIMELY DELIVERY OF PRODUCTS.



SGM Day, New York, USA.

OUR CUSTOMERS

G4-PR2/ G4-PR5/ G4-PR8

The Company's customers operate in very demanding domestic and international markets. SGM must therefore ensure delivery and compliance with the standards in each of the countries where we do business, helping to maintain and strengthen long-term and mutually beneficial relationships with our customers.

Our global presence has been made possible by efficient and effective management as a result of our ability to meet market challenges with responsibility, innovation and quality.

It is crucial that SGM customers be satisfied with our products. As a result, the Company has implemented:

- » A Quality Management System and other ongoing efforts to optimize all manufacturing, marketing and distribution processes.
- » Indicators are also continuously reviewed and monitored in order to maintain open communication channels, production quality and excellence in all operations.

» SGM's excellent technical team is available to answer questions and respond to technical or service complaints. This service ensures a supplier-customer relationship based on trust and transparency.

We are committed to providing a response as quickly as possible and allowing customers to conduct audits on an ongoing basis. We have a Quality Complaint System, which is designed to ensure satisfaction with product deliveries and provide technical and safety information on the use and handling of products.

OUR BUSINESS STRATEGY IS BASED ON:

- » STRENGTHENING INTERNAL PROCESSES TO ENSURE ACCESS TO KEY RESOURCES NECESSARY FOR THE SUSTAINABILITY OF OUR BUSINESS
- » EXTENDING M1 (LEAN OPERATIONS) TO THE ENTIRE ORGANIZATION TO IMPROVE OUR COST POSITION, ENHANCE QUALITY AND GUARANTEE SAFETY;
- » INVESTING IN THE DEVELOPMENT OF A SPECIALTY FERTILIZER MARKET, INCLUDING PRODUCT DIFFERENTIATION,
- SALES CHANNEL MANAGEMENT AND PRICE OPTIMIZATION;
- » RECOVERING MARKET SHARE IN THE IODINE MARKET, SEEKING OPPORTUNITIES FOR CONSOLIDATION AND VERTICAL INTEGRATION AND INVESTING IN THE DEVELOPMENT OF INDUSTRIAL APPLICATIONS FOR NITRATES;
- » SEARCHING FOR AND INVESTING IN LITHIUM AND POTASSIUM ASSETS OUTSIDE CHILE TO LEVERAGE OUR
- OPERATIONAL CAPACITIES, TAKE ADVANTAGE OF THE CURRENT ATTRACTIVE MARKET FOR LITHIUM AND ENSURE ACCESS TO RAW MATERIALS TO PRODUCE POTASSIUM NITRATE; AND
- » SEEKING OPPORTUNITIES FOR DIVERSIFICATION IN GOLD, COPPER AND ZINC PROJECTS IN THE REGION IN ORDER TO LEVERAGE OUR MINING OPERATIONAL CAPACITIES AND ENSURE BUSINESS CONTINUITY FOR OUR EXPLORATION PROGRAM.

It is vitally important to SQM to guarantee compliance with environmental, safety and product quality standards. We understand this to be a commitment and an interest shared by our customers. Therefore, as part of its Sustainable Development Policy, SQM undertakes to comply with current laws and regulations that apply to its operations, production activities and services. This commitment has led us to obtain voluntary certifications such as Ecovadis and international certifications such as Responsible Care provided by the Chilean Chemical Industries Association (Asiquim) for the Company's operations in Nueva Victoria, and Protect & Sustain certification from the International Fertilizers Association for the Coya Sur, Salar de Atacama, Tocopilla, Antofagasta and Santiago operations.

Considerable information is exchanged between SQM and its customers. During 2016, 27 customer surveys on sustainability and quality matters were submitted, 27 product quality statements were issued, four audits were conducted by iodine customers, one by lithium customers and one by nitrates customers.

The Company was also audited by two foreign government entities:

- » The California Department of Food and Agriculture audited production of agricultural sodium nitrate and potassium sulfate for use in organic farming.
- » The Indonesian government audited production of crystallized and granulated potassium chloride.

It is worth noting that there were no incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products during their life cycle nor complaints regarding violations of customer privacy or customer data leaks.

Likewise, no violations that would result in a warning or fine have been identified. Incidents of deficient labeling were resolved at the destination point in a timely manner.

SQM does not measure customer satisfaction; however, complaint rates for each line of business are logged in order to manage dissatisfaction. The ratio of tons for which complaints were registered / tons delivered is below 5%.

Each customer concern is specifically addressed by sales directors and sales managers, who then leave meeting notes as to the matters discussed. Any customer complaint received is entered into the Quality Management System by sales coordinators so the respective area can investigate and respond to the matter.

Across our leading markets, our sales team measures satisfaction directly on its regular visits to customers. After each sales meeting, the matters addressed, including those related to customer satisfaction, if any, are logged in a report that is submitted to the respective Commercial Division.

SALES AND PRODUCT MARKETS

SQM has an extensive sales and distribution network, which it uses to market and distribute over 92% of the Company's production to markets in North America, South America, Asia, Africa, Oceania and Europe.



Port of Tocopilla

LOGISTICS AND DISTRIBUTION NETWORK

OUR GLOBAL PRESENCE WITH COMPANY-OWNED OFFICES IS COMPLEMENTED BY A BROAD TRUCK TRANSPORT NETWORK AS WELL AS EXCLUSIVE ACCESS TO THE PORT OF TOCOPILLA AND REPRESENTATION OFFICES IN 20 COUNTRIES. THIS IS A KEY COMPONENT OF OUR BUSINESS MODEL.

One of SQM's strengths is its global presence for selling its products through company-owned offices. These are complemented by a broad truck transport network as well as exclusive access to the Port of Tocopilla and representation offices in 20 countries. SQM also has warehouses, fertilizer mixing plants and joint ventures in strategic markets that enable the Company to reach important distribution agreements around the world. The Company uses its broad logistics network to place its products in more than 115 countries, efficiently managing resources and promptly delivering products to satisfy customer needs.

In 2016, we made improvements at the Port of Tocopilla to ensure that products are being properly received, stored and shipped while safeguarding quality and specifications. These improvements included resurfacing

and covering product storage areas, improving operational and port asset security and beginning construction on conveyor belts that transport bulk product from different holding areas for shipping. We wish to highlight the following:

- » 700 m² of packaged product storage surface area was resurfaced with paving stone.
- » A 340-meter wall was built around the southern perimeter of the port in order to improve port safety and meet ISPS (International Ship and Port Facility Security) code as well as to enhance the port's external appearance.
- » Paving stone was laid in uneven areas to ease vehicular traffic inside the port.

» The reception and truck dispatch office was remodeled.

» A 2,400 m² (approx.) metal shed was engineered, built and assembled to cover the product storage area.

» 80% progress has been made on the mechanized conveyor system to connect the holding and shipping areas. It seeks to reduce bulk shipping times, diminish risk to people and ensure proper product handling and quality.

OUR CERTIFICATIONS

G4-PR1 / G4-PR3 / G4-PR7

EVERY YEAR, WE VERIFY COMPLIANCE WITH ISO 9001:2008 STANDARDS THROUGH EXTERNAL AUDITS. SEVERAL OF SQM'S PRODUCTION AND SALES PROCESSES ARE CERTIFIED UNDER ISO 9001:2008.

SQM's different products and processes are certified to ensure quality and protection of people and the environment during production and sales processes. Its main certifications are: Protect & Sustain, Responsible Care and ISO 9001:2008.

The Company has implemented ISO 9001:2009 for all lines of business. The independent international certification is valid for the following production and sales processes:

- » Iodine since 1994;
- » Potassium nitrate and sodium nitrate (standard, refined and technical-grade) since 1998;
- » Some soluble products within specialty plant nutrients since 1998;
- » Lithium carbonate (industrial, technical and battery-grade) since 2005;
- » Lithium hydroxide (industrial, technical and battery-grade) since 2007;

To reinforce its commitment to delivering quality products and services, each year the Company conducts a series of internal and external audits to monitor the processes certified under ISO 9001:2008. Furthermore, compliance with ISO 9001:2008 standards is verified annually through external audits.

At SQM, proper product supply is very important. As such, in addition to striving for operational excellence, the Company continuously follows up with customers. We are also constantly concerned with our ability to quickly react to changes in national and international regulations that may affect the sale of our products.

One such example is the European Union's chemical substance management system (Registration, Evaluation and Authorization of Chemicals or REACH), which evaluates the categories of health and safety. In 2016,

updates were conducted in the five health and safety categories for the NKS products manufactured by SQM and its subsidiaries as well as four other lines of business for different markets.

All (100%) of the Company's products are subject to corporate labeling requirements (GLC-I001-01) and packaging artwork updating procedures (GLC-P001-01). The first standard provides guidelines for all packaging and shipping units for products sold by the Company, including: identification (generic/commercial name), IMDG and GHS coding requirements and special customer requirements. The procedure for updating packaging artwork includes the product origin designation, other regulatory and commercial requirements and safety instructions regarding the product's life cycle. All products have a safety sheet in accordance with destination market requirements.

SQM has developed a global branding strategy that includes guidelines on ethics, corporate governance and procedures that have been distributed to sales offices and subsidiaries. They are also available in digital format. In 2016, there have been no incidents of non-compliance with regulations and voluntary codes concerning marketing communications.

For the specialty plant nutrients line of business, the Company has developed a value chain that is designed to satisfy the needs of the most diverse crops and soils, strengthening their yield and profitability. This is further proof of its commitment to be a strategic partner for its customers. The Company has a broad network of highly specialized technical and agricultural experts in the field of specialty plant nutrients who direct research projects on specific soil and crop requirements and provide expert advisory services in plant nutrition.

PROTECT & SUSTAIN CERTIFICATION

The International Fertilizer Industry Association (IFA) certified SQM's commitment to responsible, safe product management, which includes aspects such as quality, health, occupational safety, industrial and environmental safety throughout the different stages of the product life cycle. IFA SHE principles align with the SQM Sustainable Development Policy. This was essential for meeting the standards set forth in the Protect & Sustain program.

Certified SQM areas include production, product development, fertilizer storage and delivery at the Salar de Atacama, Coya Sur, Antofagasta, Santiago and Port of Tocopilla operations.

RESPONSIBLE CARE [G4-15](#)

In 2016, as part of SQM's commitment to sustainable development the Nueva Victoria operations, located in the Tarapacá region, were recertified under Responsible Care—an international initiative for the chemical industry in which the Company has participated since 2013. This certification involves voluntary commitments to making a continual effort in the following areas: production processes; handling, distribution, use and disposal of products; health and safety of individuals and protection of the environment and the community.

ONGOING ASSISTANCE

SQM offers ongoing assistance programs to all its customers to help them optimize increasingly scarce resources such as water and farmable soil. It does this through activities such as technical talks, seminars, publications and support material.



COMMERCIAL EVENTS

SQM boasts a strong global presence through its subsidiaries and has ties to a wide variety of representatives and industries for its five product lines: specialty plant nutrition; iodine and derivatives; lithium and derivatives; industrial chemicals and potassium. This global reach has enabled SQM to take part in important international events.

The Company participated in numerous commercial events in 2016, including:

FRUIT ATTRACTION 2016:

For the third straight year and in order to strengthen and diversify its position in the

SQM at Fruit Attraction 2016 in Spain.

SQM'S POTASSIUM NITRATE HAS THE INDUSTRY'S LOWEST CARBON FOOTPRINT.

European market, SQM Iberia participated in Fruit Attraction—the leading event for Europe's fruit and produce industry—at the IFEMA International Fair in Madrid.

The entire range of specialty plant nutrition products was exhibited at this sixth version of the fair. As evidence of our commitment to global sustainability, we shared a study showing that SQM's potassium nitrate has the industry's lowest carbon footprint.

Fruit Attraction was attended by more than 28,000 industry professionals from more than 30 countries.

SQM AT YUGAGRO:

For the very first time, SQM Europe participated in YugAgro—the largest commercial fair in Russia and the Commonwealth of Independent States which is dedicated to farming and

agricultural production machinery—to introduce and promote the Company to local markets. The many visitors to our European subsidiary's stand learned about the range of specialty plant nutrition products. They were primarily agro-business representatives from Azerbaijan, Armenia, Kazakhstan and Russia.

SUCCESSFUL 7TH WSNPK CONFERENCE AND EXHIBITION IN BEIJING:

The wsNPK Conference and Exhibition was organized by the China National Chemical Information Center and sponsored by SQM and ICL. The successful Beijing conference drew more than 400 representatives from the fertilizer industry. Plant management experts from the Agriculture Department's Division of Plant Management, the Outreach Center and the National Agro-technical Service presented information on the current situation in China in terms of fertigation and government policy.

OTHER EVENTS IN WHICH WE HAVE PARTICIPATED

- » Citi LatAm Conference in New York.
- » Larraín Vial Andean Conference in Santiago and Investor Breakfast.
- » BofA Merrill Lynch CalGEMs Conference.
- » HSBC/Bice HSBC LatAm Conference/ Toronto NDR.
- » Santander Investor Breakfast in Santiago.
- » Credit Suisse Mid-Summer Conference in New York.
- » Larraín Vial Investor Breakfast in Santiago.
- » SQM B of NY Analyst Day in New York.
- » BofA Merrill Lynch Non-Deal Roadshow in Europe.
- » BTG Pactual Conference in New York.
- » HSBC Non-Deal Roadshow in Asia.
- » NDR London, Edinburgh Non-Deal Roadshow in London and Edinburgh.

OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-----------|---|------------|--|---|
| Customers | Create a program to extend certification to SQM Comercial Chile and SQM Mexico soluble fertilizer plants between 2016 and 2017. | 50% | Self-assessment of SQM Comercial Chile was carried out for plant located in San Antonio to identify aspects of the management system that needed to be strengthened. | Execute monitoring audits in August 2017 to verify progress on defined improvements before the certification process. |
| Customers | 100% compliance with quality programs, including gap analysis for changing from ISO 9001:2008 to ISO 9001:2015. | 100% | We analyzed differences between the current requirements for ISO 9001/2008 certification and the new ISO 9001/2015 standard and performed a gap analysis for future certification under ISO 9001/2015. | Define plan to work toward recertifying the Company's current areas under ISO 9001/2015. |

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-----------|--|------------|--|--|
| Customers | Continue to provide information (surveys, forms, etc.) requested by clients in a timely manner and organize plant visits when necessary. | 100% | <p>27 customer surveys on sustainability and quality matters were submitted, 27 product quality statements were issued, four audits were conducted by iodine customers, one by lithium customers and one by nitrates customers.</p> <p>Three audits were conducted by two foreign government entities: The California Department of Food and Agriculture audited production of agricultural sodium nitrate and potassium sulfate for use in organic farming; and the Indonesian government audited production of crystallized and granulated potassium chloride.</p> | Continue to provide information (surveys, forms, etc.) requested by clients in a timely manner and organize plant visits when necessary. |
| Customers | Respond to compliance/change/update requests from European Chemicals Agency, if any, regarding REACH products. | 100% | There were no requests from European authorities. | Update and migrate dossiers from IUCLID 5 to IUCLID 6. |

OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-----------|--|------------|--|---|
| Customers | Continue to fully comply (100%) with regulatory program: Update 100% of HDS for NPKs from SQM NA (approximately 250); update EPA CDR registration. | 100% | The program to update all NPK HDS in the U.S. was completed. We also complied with a request from the United States Environmental Protection Agency (US-EPA) to report, under the Chemical Data Reporting (CDR) Rule under the Toxic Substances Control Act (US-TSCA), all chemical substances imported into the United States by SQM North America Corp. from 2012 to 2015, including tons per year and uses. | Complete registration of notifications for NPK mixtures sold by SQM Europe NV and SQM Iberia, in accordance with European CLP standards in the different countries within the European Union where these products are sold. |
| Customers | Create a corporate procedure for HDS formulation. | 100% | Standards were generated as part of M1 implementation in the regulatory area to: prepare HDS, update HDS and confirm receipt of HDS. | Confirm application of three standards defined in 2017, update them and review the need for additional standards. |
| Customers | Conduct regulatory compliance audits for the Logistics Division (land and ocean transport). | 100% | The program focused on land transport of hazardous substances, verifying trucks arriving from Coya Sur and leaving from Salar del Carmen. Two audits were carried out and results were satisfactory. | Work to uphold the standards achieved. |



Specialty plant nitrates.



Coya Sur operations, Antofagasta Region.



08

ECONOMIC PERFORMANCE

SQM HAS CONSOLIDATED ITSELF AS A PRODUCER AND VENDOR IN ITS FIVE BUSINESS LINES. ITS PRODUCTS ARE THE RESULT OF INNOVATION, HIGH-QUALITY NATURAL RESOURCES AND EFFICIENT MANUFACTURING.

These elements are complemented by an extensive international commercial network that reaches 115 countries.



SQM'S business is based on:

- » Maintaining our leading position in specialty plant nutrition, iodine, lithium and industrial nitrates in terms of production capacity, competitive costs and new product development;
- » Remaining competitive by continuously increasing the efficiency of our production processes and by reducing costs;
- » Maintaining continuous improvement at our operations, seeking to care for people and the environment in line with the sustainable development of our business;
- » Evaluating and making purchases, while engaging in joint ventures or commercial alliances that have concrete synergy with our current and main business lines or which provide competitive advantages; and
- » Maintaining a solid and conservative financial position.

ECONOMIC PERFORMANCE

For the year 2016, SQM reported profits of US\$ 278.3 million, which represents a considerable increase over the same period in 2015, when profits totaled US\$ 213.2 million. Our earnings in 2016 were affected by the stoppage of railway operations, which had a one-time, before-tax effect of US\$32.8 million on net profit for the year.

Our strong financial performance in 2016 is due mainly to lithium sales volumes and higher average prices for this product. Sales volumes of potassium chloride, iodine and solar salts also played an important role in our results.

Lithium sales volumes reached almost 50,000 TM in 2016 and average prices in the fourth quarter exceeded prices seen in prior quarters during the year. Fourth quarter sales volumes surpassed 14,000 TM—a record for SQM. There is still uncertainty regarding the future of lithium prices because of new projects scheduled for the second half of 2017.

In the short term, estimates call for lithium demand to grow 10% annually.

In order to take advantage of the strong lithium market, the Company will focus its production efforts on maximizing lithium yields and replicating 2016 sales volumes in 2017. This, in turn, may lead to a decrease in the production of potassium chloride in 2017. Similarly, sales volumes in this business line, which rose over 24% from 2015 to 2016, could decrease in the future.

In the SPN business line, prices dropped throughout 2016 and could fall even further in upcoming quarters.

Sales volumes of iodine and iodine derivatives increased more than 13% from the fourth quarter of last year, reporting the largest quarterly sales volumes observed in recent years and the highest annual sales volumes seen since 2012. Prices continued to fall, but market share has recovered, closing the year at 29% of global sales.

MARKET SHARE [G4-4](#) [G4-8](#)

| BUSINESS LINE | MARKET SHARE % FOR EACH BUSINESS LINE | % OF COMPANY'S GROSS MARGIN |
|---------------------------|---------------------------------------|-----------------------------|
| Specialty plant nutrition | 46% | 24% |
| Iodine and derivatives | 29% | 7% |
| Lithium and derivatives | 27% | 55% |
| Industrial chemicals | N/A | 6% |
| Potassium | <3% | 7% |

SALES VOLUMES BY BUSINESS LINE

SALES VOLUMES BY BUSINESS LINE

| SALES VOLUMES BY BUSINESS LINE | | 2016 | 2015 | 2014 | 2016/2015 | |
|--|------|---------|---------|---------|-----------|-----|
| Specialty plant nutrition sales volumes | | | | | | |
| Sodium nitrate | Mton | 24.4 | 26.0 | 15.8 | -1.6 | -6% |
| Potassium nitrate and sodium potassium nitrate | Mton | 475.8 | 493.6 | 531.6 | -17.8 | -4% |
| Specialty mixtures | Mton | 213.5 | 203.9 | 228.0 | 9.6 | 5% |
| Other specialty fertilizers (*) | Mton | 127.2 | 108.4 | 102.5 | 18.7 | 17% |
| <i>(*) Includes principally sales of other specialty fertilizers</i> | | | | | | |
| Iodine and derivatives sales volumes | | | | | | |
| Iodine and derivatives | Mton | 10.2 | 9.3 | 8.8 | 0.8 | 9% |
| Lithium and derivatives sales volumes | | | | | | |
| Lithium and derivatives | Mton | 49.7 | 38.7 | 39.5 | 10.9 | 28% |
| Potassium sales volumes | | | | | | |
| Potassium chloride and potassium sulfate | Mton | 1,534.7 | 1,241.8 | 1,556.2 | 292.8 | 24% |
| Industrial chemicals sales volumes | | | | | | |
| Industrial nitrates | Mton | 128.9 | 126.1 | 125.5 | 2.8 | 2% |

In 2016, capital expenditures reached approximately US\$120 million. Most of these expenses were related to maintenance and new expansion projects for nitrate and lithium hydroxide production. In addition to these expenses, the Company also invested US\$ 25 million in Minera Exar SA and US \$ 20 million in Elemental Minerals, now Kore Potash Limited.

In 2017, we expect capital expenditures of approximately US\$170 million. In addition to maintenance expenditures, we will invest to construct a new lithium hydroxide plant and to expand potassium nitrate capacity.

In 2017, we expect to invest around US\$100 million to develop the Caucharí-Olaroz lithium

project in Argentina. We have made progress on project engineering and design, including the hydrological model, and we trust that construction will begin as scheduled for the first half of 2017.

GENERATION AND DISTRIBUTION OF ADDED VALUE [G4-EC1](#)

From the very beginning, SQM has generated economic resources for its diverse stakeholders and contributed to Chile's economic and social development.

Of the total economic value distributed in 2016, ThUS\$ 170,747 corresponds to wages and benefits for SQM employees, ThUS\$ 2,400 to community investments and ThUS\$5,043 to environmental investments.

The Company has received funds from the Chilean government in the form of tax credits and benefits, as an incentive and in compensation for actions such as employee training tax credits from the National Training and Employment Service (Sence) and tax benefits related to donations and mining licenses, among other items.



GENERATION AND DISTRIBUTION OF COMPANY'S ADDED VALUE OVER LAST THREE YEARS

GENERATION AND DISTRIBUTION OF COMPANY'S ADDED VALUE

| ECONOMIC VALUE GENERATED | 2016 | 2015 | 2014 |
|----------------------------|------------------|------------------|------------------|
| Sales | 1,939,322 | 1,728,332 | 2,014,214 |
| Finance income | 10,550 | 11,570 | 16,142 |
| Other non-operating income | 14,781 | 15,343 | 24,055 |
| a) Total income | 1,964,653 | 1,755,245 | 2,054,411 |

Figures in ThUS\$

| ECONOMIC VALUE DISTRIBUTED | 2016 | 2015 | 2014 |
|--|------------------|------------------|------------------|
| Operating expenses | 970,319 | 1,131,266 | 1,198,978 |
| Payments to providers of capital | 971,627 | 361,568 | 692,636 |
| Payments to government | 188,599 | 102,074 | 103,123 |
| Total Economic Value Distributed by SQM | 2,130,545 | 1,594,908 | 1,994,737 |

Figures in ThUS\$

| ECONOMIC VALUE RETAINED | 2016 | 2015 | 2014 |
|---|----------|---------|--------|
| Total Economic Value Retained in ThUS\$ | -165,892 | 160,337 | 59,674 |

CONTRIBUTIONS FROM THE STATE G4-EC4

| CONTRIBUTIONS FROM THE STATE | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|
| Employee training tax credit (SENCE) | 940 | 877 | 1,035 |
| Credits and tax benefits for donations | 270 | 878 | 731 |
| Tax rebate for mining license payments | 14 | 23 | 31 |
| PPE credit | 138 | 127 | 138 |
| Total in ThUS\$ | 1,881 | 1,905 | 1,935 |



OUR COMMITMENTS

| TOPIC | 2016 COMMITMENTS | COMPLIANCE 2016 | 2016 ACTIVITIES AND ACHIEVEMENTS | 2017 COMMITMENTS |
|-----------|--|-----------------|---|--|
| Investors | Maintain communication channels with the market and our investors in order to keep them informed regarding our business development. | Completed | We organized several events and meetings with investors and analysts in Chile and abroad to provide relevant and timely information about our business. | Maintain communication channels with the market and our investors in order to keep them informed regarding our business development. Develop our business under principles of economic, social and environmental sustainability. |



Soccer camp for children in Tocopilla sponsored by SQM and the Ganamos Todos Foundation.



09

MATERIAL ASPECTS

IN ORDER TO PREPARE THE 2016 SUSTAINABILITY REPORT, WE CONTINUED WITH THE WORK STARTED IN 2014 WITH THE "REPORT FORMULATION COMMITTEE",

made up of members from the areas of community affairs, environmental affairs, human resources and communications, formed to analyze topics to be covered and aspects from prior editions that could be improved. These departments are also responsible for compiling most of the content of this report.

As part of the process of identifying material aspects or internal or external matters of economic, environmental and social impact for the organization, an extensive list of issues was initially generated. From this list, we then selected the issues with the greatest impact, which themselves involve other matters.

Consequently, the materiality matrix is a graphic representation of the priority sustainability issues for SQM. This matrix was confirmed in 2016 and will be reexamined each year.

To build the initial list of material issues, we used the 2015 SQM Sustainability Report, developed under GRI4 ("Core" option). For the third straight year, our stakeholders took a digital survey in order to detect which issues are most important for them. We also conducted an in-person survey for stakeholders without Internet access. This process took place between February and March 2017.

Our list of important issues considered the main issues covered by national and regional media in 2016, as well as the Company's main milestones throughout the year. We wish to highlight that data pooling for the 2016 Sustainability Report was completed in March 2017.

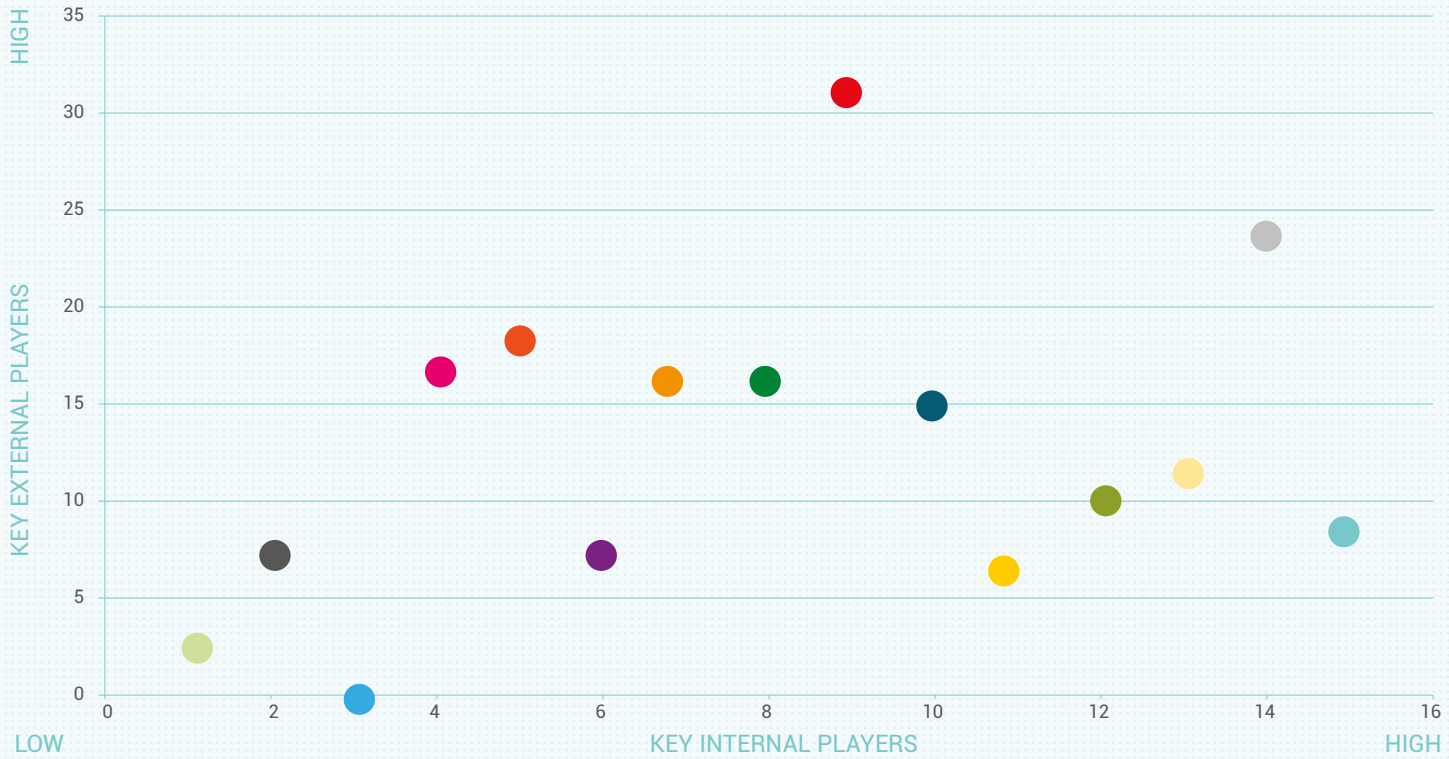
As a result of this process, and based on our industry and operations, we defined the following material aspects as priorities for the Company:

- » Corporate governance
- » Our products (specialty plant nutrients, iodine and derivatives, lithium and derivatives, potassium, industrial chemicals)
- » Innovation
- » Human resources
- » Female workforce
- » Safety
- » Contractors
- » Neighboring communities
- » Education and culture, historical heritage, social development
- » Environment
- » Waste
- » Raw materials and inputs
- » Energy
- » Air emissions
- » Water
- » Customers
- » Service quality
- » Financial results
- » Shareholders

In turn, the most important aspects for our stakeholders were Environment and Community, generally highlighting the following areas:

- » Conservation of area surrounding operations (environmental management system)
- » Water (i.e. consumption and sources)
- » Cooperation with other public and private-sector institutions to develop the Company's social programs
- » Alignment of the Company's social programs with public policies, plans and programs
- » Outcomes and impacts of the Company's social programs
- » Workplace safety
- » Hiring policies (gender ratio, age, turnover, benefits, etc.)
- » Social programs related to the Company's operations
- » Waste management
- » Professional development
- » Benefits (labor aspect)
- » Air emissions
- » Energy (i.e. consumption and sources)
- » Compliance with standards and laws regarding the provision and use of products and services

MATERIAL ASPECTS



- Organization and corporate governance.
- Products (iodine, lithium, potassium, specialty plant nutrition, industrial chemicals).
- Workplace safety.
- Operations that involve community development plans or actions.
- Conservation of area surrounding operations (environmental management system)
- Use of raw materials and inputs
- Air emissions
- Customer health, safety and privacy
- Company's economic performance
- Hiring policies (gender ratio, age, turnover, benefits, etc.)
- Supplier assessment for labor practices
- Social development programs driven by the company
- Waste management
- Energy (e.g. consumption and sources)
- Water (e.g. consumption and sources)



Flamingo, San Pedro de Atacama, Antofagasta Region.



GRI

THIS REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE GLOBAL REPORTING INITIATIVE (GRI) PRINCIPLES.

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|------------------------------|------------|---|--|--|
| General Standard Disclosures | G4-1 | Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability. | Our Company | No |
| General Standard Disclosures | G4-3 | Report the name of the organization. | SQM | No |
| General Standard Disclosures | G4-4 | Report the primary brands, products, and services. | SQM | No |
| General Standard Disclosures | G4-5 | Report the location of the organization's headquarters. | SQM | No |
| General Standard Disclosures | G4-6 | Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | SQM | No |
| General Standard Disclosures | G4-7 | Report the nature of ownership and legal form. | SQM | No |
| General Standard Disclosures | G4-8 | Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries). | SQM - Economic Performance | No |
| General Standard Disclosures | G4-9 | Report the scale of the organization, including: Total number of employees. Report the scale of the organization, including: total number of operations; net sales (for private sector organizations) or net revenues (for public sector organizations), total capitalization broken down in terms of debt and equity (for private sector organizations); and quantity of products or services provided. | SQM - Our People - Economic Performance SQM - Our People - Economic Performance | Aspects of this indicator considered in annual financial statements audited by PWC |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|------------------------------|------------|---|------------|--------------------|
| General Standard Disclosures | G4-10 | Report the total number of employees by employment contract and gender. | Our People | No |
| | | Report the total number of permanent employees by employment type and gender. | Our People | |
| | | Report the total workforce by region and gender. | Our People | |
| | | External workers by gender. | Our People | |
| | | Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. | Our People | |
| | | Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries). | Our People | |
| General Standard Disclosures | G4-11 | Report the percentage of total employees covered by collective bargaining agreements. | Our People | No |
| General Standard Disclosures | G4-12 | Describe the organization's supply chain. | Our People | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|------------------------------|------------|--|---|--------------------|
| General Standard Disclosures | G4-13 | Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including (changes in the location of, or changes in, operations, including facility openings, closings, and expansions, changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) or changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, etc.). | SQM | No |
| General Standard Disclosures | G4-14 | Report whether and how the precautionary approach or principle is addressed by the organization (principle 15 of The Rio Declaration on Environment and Development). | SQM | No |
| General Standard Disclosures | G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. | SQM - Our Neighbors - Commitment with the Environment | No |
| General Standard Disclosures | G4-16 | List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: holds a position on the governance body, participates in projects or committees, provides substantive funding beyond routine membership dues or views membership as strategic. | About this Report | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|------------------------------|------------|--|--|--|
| General Standard Disclosures | G4-17 | List all entities included in the organization's consolidated financial statements or equivalent documents. | SQM | Aspects of this indicator considered in annual financial statements audited by PWC |
| | | Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. | | |
| General Standard Disclosures | G4-18 | Explain the process for defining the report content and the Aspect Boundaries. | Material Aspects | No |
| | | Explain how the organization has implemented the Reporting Principles for Defining Report Content. | | |
| General Standard Disclosures | G4-19 | List all the material Aspects identified in the process for defining report content. | Material Aspects | No |
| General Standard Disclosures | G4-20 | Report whether the Aspect is material within the organization. | Material Aspects | No |
| General Standard Disclosures | G4-21 | Report whether the Aspect is material outside of the organization. | Material Aspects | No |
| General Standard Disclosures | G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatement. | No information was restated. Version G.4 maintained. | No |
| General Standard Disclosures | G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries. | No information was restated. Version G.4 maintained. | No |
| General Standard Disclosures | G4-24 | Provide a list of stakeholder groups engaged by the organization. | About this Report - Stakeholders | No |
| General Standard Disclosures | G4-25 | Report the basis for identification and selection of stakeholders with whom to engage. | About this Report - Stakeholders | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|------------------------------|------------|---|--------------------------------------|--------------------|
| General Standard Disclosures | G4-26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | About this Report - Material Aspects | No |
| General Standard Disclosures | G4-27 | Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns. | About this Report - Stakeholders | No |
| General Standard Disclosures | G4-28 | Reporting period (such as fiscal or calendar year) for information provided. | About this Report | No |
| General Standard Disclosures | G4-29 | Date of most recent previous report (if any). | About this Report | No |
| General Standard Disclosures | G4-30 | Reporting cycle (annual, biennial, etc.) | About this Report | No |
| General Standard Disclosures | G4-31 | Provide the contact point for questions regarding the report or its contents. | About this Report | No |
| General Standard Disclosures | G4-32 | Report the 'in accordance' option the organization has chosen, report the GRI Content Index for the chosen option and report the reference to the External Assurance Report, if the report has been externally assured. | About this Report | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|------------------------------|------------|--|-------------------|--------------------|
| General Standard Disclosures | G4-33 | Report the organization's policy and current practice with regard to seeking external assurance for the report. | About this Report | No |
| | | If not included in the assurance report accompanying the report, report the scope and basis of any external assurance provided. | | |
| | | Report the relationship between the organization and the assurance providers. | | |
| | | Report whether the highest governance body or senior executives are involved in seeking assurance for the report. | | |
| General Standard Disclosures | G4-34 | Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts. | SQM | No |
| | | Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees. | SQM | No |
| | | Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body. | SQM | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE | |
|-------------------------------|------------|--|----------------------|--|---------------------------------|
| General Standard Disclosures | G4-56 | Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics. | SQM | No | |
| | | Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines. | SQM | No | |
| | | Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines. | SQM | No | |
| Specific Standard Disclosures | G4-EC1 | Direct economic value generated and distributed. Sales | Economic Performance | Aspects of this indicator considered in annual financial statements audited by PWC | |
| | | Direct economic value generated and distributed. Finance income | | | |
| | | Direct economic value generated and distributed. Other non-operating income | | | |
| | | Direct economic value generated and distributed. Operating expenses | | | |
| | | Direct economic value generated and distributed. Payments to providers of capital | | | |
| | | Direct economic value generated and distributed. Payments to government | | | |
| | | Direct economic value generated and distributed. Wages and employee benefits | | | No |
| | | Direct economic value generated and distributed: community investments | | | Commitment with the Environment |
| | | Direct economic value generated and distributed. Economic value retained (ThUS\$) | Economic Performance | No | |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|--|----------------------------|--|
| Specific Standard Disclosures | G4-EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. Direct economic value generated and distributed. | SQM | No |
| Specific Standard Disclosures | G4-EC3 | Coverage of the organization's defined benefit plan obligations. | Our People | No |
| Specific Standard Disclosures | G4-EC4 | Financial assistance received from government. Employee training tax credit (Sence) | Economic Performance | Aspects of this indicator considered in annual financial statements audited by PWC |
| | | Financial assistance received from government. Credits and tax benefits for donations | | |
| | | Financial assistance received from government. Mining license | | |
| | | Financial assistance received from government. Property, plant and equipment tax credit | | |
| Specific Standard Disclosures | G4-EC5 | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. | Our People | No |
| Specific Standard Disclosures | G4-EC6 | Proportion of senior management hired from the local community at significant locations of operation. Percentage of employees at foreign locations. | Our People | No |
| Specific Standard Disclosures | G4-EC7 | Development and impact of infrastructure investments and services supported. | Our People | No |
| Specific Standard Disclosures | G4-EC8 | Significant indirect economic impacts, including the extent of impacts. | Our People - Our Neighbors | No |
| Specific Standard Disclosures | G4-EC9 | Proportion of spending on local suppliers at significant locations of operation. | Our People | No |
| | | Total amount paid to service companies | Our People | |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|--|--|--------------------|
| Specific Standard Disclosures | G4-EN1 | Materials used by weight or volume. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN2 | Percentage of materials used that are recycled input materials. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN3 | Energy consumption within the organization. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN4 | Energy consumption outside of the organization. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN5 | Energy intensity. | Energy intensity (excluding solar power) is 2.81 TJ/MUS\$ for 2016; 3.67 TJ/MUS\$ for 2015 and 3.27 TJ/MUS\$ for 2014. | No |
| Specific Standard Disclosures | G4-EN6 | Reduction of energy consumption. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN7 | Reductions in energy requirements of products and services. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN8 | Total water withdrawal by source. Report the total volume of water withdrawn from main sources in the reporting period. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN9 | Water sources significantly affected by withdrawal of water. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN10 | Percentage and total volume of water recycled and reused. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN11 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | Commitment with the Environment | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|--|---|--------------------|
| Specific Standard Disclosures | G4-EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN13 | Habitats protected or restored. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN14 | Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk: list of species with conservation and/or extinction status. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN15 | Direct greenhouse gas (GHG) emissions (scope 1). | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN16 | Indirect greenhouse gas (GHG) emissions, by weight (scope 2). | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN17 | Other indirect greenhouse gas (GHG) emissions, by weight (scope 3). | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN18 | Greenhouse gas (GHG) emissions intensity. | Emission intensity is 329 Ton CO2 eq/MUS\$ for 2016; 462 Ton CO2 eq/MUS\$ for 2015 and 343 Ton CO2 eq/MUS\$ for 2014. | No |
| Specific Standard Disclosures | G4-EN19 | Reduction of greenhouse gas (GHG) emissions. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN20 | Emissions of ozone-depleting substances by weight. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN21 | NOx, SOx and other significant air emissions. | Commitment with the Environment | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|---|---------------------------------|--------------------|
| Specific Standard Disclosures | G4-EN22 | Total water discharge by quality and destination. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN23 | Total weight of waste by type and disposal method. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN24 | Total number and volume of significant spills. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN25 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN26 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN27 | Extent of impact mitigation of environmental impacts of products and services. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN28 | Percentage of products sold and their packaging materials that are reclaimed at the end of their useful life, by category. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN30 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-EN31 | Total environmental protection expenditures and investments by type: Environmental Investments | Commitment with the Environment | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|---|---|--------------------|
| Specific Standard Disclosures | G4-EN32 | Percentage of new suppliers that were screened using environmental criteria. | SQM prefers that transport companies be accredited under the Highway Transport Standardization System (SHTC). In turn, SQM holds all service providers at the sites to basic environmental requirements such as: housekeeping, waste management and good conditions in the workplace. | No |
| Specific Standard Disclosures | G4-EN33 | Significant actual and potential negative environmental impacts in the supply chain and actions taken. | SQM does not consider environmental criteria in screening new suppliers. | No |
| Specific Standard Disclosures | G4-EN34 | Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms. | Commitment with the Environment | No |
| Specific Standard Disclosures | G4-HR1 | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening. | SQM does not have any contracts or agreements that include human rights clauses. | No |
| Specific Standard Disclosures | G4-HR2 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | SQM does not have any contracts or agreements that include human rights clauses. | No |
| Specific Standard Disclosures | G4-HR3 | Total number of incidents of discrimination and corrective actions taken. | Our People | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|---|---|--------------------|
| Specific Standard Disclosures | G4-HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights. | Our People | No |
| Specific Standard Disclosures | G4-HR5 | Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor. | SQM has not identified any operations or suppliers at risk for incidents of child labor. | No |
| Specific Standard Disclosures | G4-HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor. | Our People | No |
| Specific Standard Disclosures | G4-HR7 | Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations. | SQM has not conducted any training on human rights matters. | No |
| Specific Standard Disclosures | G4-HR8 | Total number of incidents of violations involving rights of indigenous people and actions taken. | SQM did not record any incidents of violations involving rights of indigenous people in 2016. | No |
| Specific Standard Disclosures | G4-HR9 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | SQM has not performed this type of review or assessment in 2016. | No |
| Specific Standard Disclosures | G4-HR10 | Percentage of new suppliers that were screened using human rights criteria. | SQM has not performed this type of review or assessment in 2016. | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|---|--|--------------------|
| Specific Standard Disclosures | G4-HR11 | Significant actual and potential negative human rights impacts in the supply chain and actions taken. | SQM does not have any contracts or agreements that include human rights clauses. | No |
| Specific Standard Disclosures | G4-HR12 | Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms. | SQM does not have any contracts or agreements that include human rights clauses. | No |
| Specific Standard Disclosures | G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region. | Our People | No |
| Specific Standard Disclosures | G4-LA2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation. | Our People | No |
| Specific Standard Disclosures | G4-LA3 | Return to work and retention rates after parental leave, by gender. | Our People | No |
| Specific Standard Disclosures | G4-LA4 | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements. | Our People | No |
| Specific Standard Disclosures | G4-LA5 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | Our People | No |
| Specific Standard Disclosures | G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender. | Our People | No |
| Specific Standard Disclosures | G4-LA7 | Workers with high incidence or high risk of diseases related to their occupation. | Our People | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|--|---------------------------|--------------------|
| Specific Standard Disclosures | G4-LA8 | Health and safety topics covered in formal agreements with trade unions. | Our People | No |
| Specific Standard Disclosures | G4-LA9 | Average hours of training per year per employee by gender, and by employee category. | Our People | No |
| Specific Standard Disclosures | G4-LA10 | Training hours during the reporting period (led by the Human Resources Department's Training Area only for SQM). Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | Our People | No |
| Specific Standard Disclosures | G4-LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category. | Our People | No |
| Specific Standard Disclosures | G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity. | Our People | No |
| Specific Standard Disclosures | G4-LA13 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation. | Our People | No |
| Specific Standard Disclosures | G4-LA14 | Percentage of new suppliers that were screened using labor practices criteria. | Our People | No |
| Specific Standard Disclosures | G4-LA15 | Significant actual and potential negative impacts for labor practices in the supply chain and actions taken. | Our People | No |
| Specific Standard Disclosures | G4-LA16 | Number of grievances about labor practices impacts filed, addressed, and resolved through formal grievance mechanisms. | SQM has a Code of Ethics. | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|--|--|--------------------|
| Specific Standard Disclosures | G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement. | Our Clients | No |
| Specific Standard Disclosures | G4-PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome. | Our Customers | No |
| Specific Standard Disclosures | G4-PR3 | Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements. | 100% of the Company's products are subject to corporate labeling requirements (GLC-I001-01) and packaging artwork updating procedures (GLC-P001-01). The first standard provides guidelines for all packaging and shipping units for products sold by the Company, including: identification (generic/commercial name), IMDG and GHS coding requirements and special customer requirements. The procedure for updating packaging artwork includes the product origin designation, other regulatory and commercial requirements and safety instructions regarding the product's life cycle. The corporate procedure for generating HDS for products manufactured by the Company and its subsidiaries is pending, but all products have a safety sheet in accordance with destination market requirements. | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|---|--|--------------------|
| Specific Standard Disclosures | G4-PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcome. | In 2016, the Company reported 5 violations of regulations and voluntary codes documented in Observations following two REACH inspections in Spain regarding HDS information and labeling on NPK from Cadiz; labeling violations on products shipped to Poland; HDS violations on products shipped to France; and labeling information violations at SSI USA. | No |
| Specific Standard Disclosures | G4-PR5 | Results of surveys measuring customer satisfaction. | Our Customers | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|---|---|--------------------|
| Specific Standard Disclosures | G4-PR6 | Sale of banned or disputed products. | In 2016, two products were questioned. SQM sells specialty plant nutrition productions that are of general interest to authorities for two main reasons: broadly dispersive use, which involves concern for the environment, and potential malicious use in the manufacturing of homemade explosives. The most important product is potassium nitrate and, to a lesser extent, sodium nitrate. For both, the regulatory environment in the main markets is constantly changing, particularly in Europe following the terrorist attacks in Paris, Brussels and Istanbul. | No |
| Specific Standard Disclosures | G4-PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes. | Our Customers | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|---|--|--------------------|
| Specific Standard Disclosures | G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | Our Customers | No |
| Specific Standard Disclosures | G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | In 2016, no related fines were received. | No |
| Specific Standard Disclosures | G4-S01 | Percentage of operations with implemented local community engagement, impact assessments, and development programs. | Our Neighbors | No |
| Specific Standard Disclosures | G4-S02 | Percentage and total number of business units analyzed for risks related to corruption. | Our Neighbors | No |
| Specific Standard Disclosures | G4-S03 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified. | SQM | No |
| | | Percentage of employees trained in organization's anti-corruption policies and procedures. | SQM | No |
| Specific Standard Disclosures | G4-S04 | Communication and training on anti-corruption policies and procedures. | SQM | No |
| Specific Standard Disclosures | G4-S05 | Confirmed incidents of corruption and actions taken. | SQM | No |
| Specific Standard Disclosures | G4-S06 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | SQM | No |
| Specific Standard Disclosures | G4-S07 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | SQM | No |
| Specific Standard Disclosures | G4-S08 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulation. | SQM | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|-------------------------------|------------|--|---|--------------------|
| Specific Standard Disclosures | G4-S09 | Percentage of new suppliers that were screened using criteria for impacts on society. | SQM | No |
| Specific Standard Disclosures | G4-S010 | Significant actual and potential negative impacts on society in the supply chain and actions taken. | SQM | No |
| Specific Standard Disclosures | G4-S011 | Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms. | SQM | No |
| SPECIFIC TO MINING | | | | |
| Mining and Metals Supplement | G4-MM1 | Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated | Commitment with the Environment - Biodiversity | No |
| Mining and Metals Supplement | G4-MM2 | The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place. | During 2016, SQM did not engage in any soil rehabilitation activities at our operations. | No |
| Mining and Metals Supplement | G4-MM3 | Total amounts of overburden, rock, tailings, and sludges and their associated risks | Management of large-volume mining waste is focused mainly on ensuring the safety of the deposits and encouraging, when feasible, reuse and recycling as it does not present any risk to human health. | No |
| Mining and Metals Supplement | G4-MM4 | Number of strikes and lock-outs exceeding one week's duration, by country | There were no strikes or lock-outs at SQM in 2016. | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | | EXTERNAL ASSURANCE |
|------------------------------|------------|---|---|--------------------|
| Mining and Metals Supplement | G4-MM5 | Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities. | In the Antofagasta and Tarapacá regions, SQM's production facilities coexist with Atacameña and Aymara indigenous communities. The Company has maintained good neighbor relations with these communities. | No |
| Mining and Metals Supplement | G4-MM6 | Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples. | In the Antofagasta and Tarapacá regions, SQM's production facilities coexist with Atacameña and Aymara indigenous communities. The Company has maintained good neighbor relations with these communities. | No |
| Mining and Metals Supplement | G4-MM7 | The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes. | In 2016, there were no incidents of disputes relating to land use. | No |

| SUSTAINABILITY AREA | GRI ASPECT | GRI CODE | EXTERNAL ASSURANCE |
|------------------------------|------------|--|--|
| Mining and Metals Supplement | G4-MM8 | Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks. | As reported in SQM's Sustainability Report 2016, No this matter is not material. |
| Mining and Metals Supplement | G4-MM9 | Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process | SQM has not carried out any closures resulting in resettlements of communities. No |
| Mining and Metals Supplement | G4-MM10 | Number and percentage of operations with closure plans. | All of SQM's production facilities have regulator-approved closure plans. No |
| Mining and Metals Supplement | G4-MM11 | Programs and progress relating to materials stewardship. | As reported in SQM's Sustainability Report 2016, No this matter is not material. |



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