

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Financing Framework

Sociedad Química y Minera de Chile
09 September 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bonds
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (GBPs) administered by the International Capital Market Associated (ICMA)
Scope of verification	<ul style="list-style-type: none">• Sociedad Química y Minera de Chile Green Bond Financing Framework (as of 09.08.2021)• Sociedad Química y Minera de Chile Eligible project categories' selection criteria (as of 09.08.2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as no material changes are made to Sociedad Química y Minera de Chile Green Bond Financing Framework (as of 09.08.2021)

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Scope of work

Sociedad Química y Minera de Chile (“SQM” or “the issuer” or “the Company”) commissioned ISS ESG to assist with its Green Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bonds link to SQM’s sustainability strategy – drawing on SQM’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. SQM’s Green Bond Financing Framework (09.08.2021 version) – benchmarked against the ICMA’s GBPs.
3. The Selection Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Green Bonds link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 26.08.2021, the issuer shows a moderate sustainability performance against the industry peer group on key ESG issues faced by the Chemicals sector. The issuer is rated 101th out of 192 companies within its sector.</p> <p>The Use of Proceeds financed under this Framework are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBPs</p>	<p>The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection Criteria</p>	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimization is moderate based upon the ISS ESG assessment. The Green Bonds will (re-) finance eligible asset categories which include: Clean transportation and Energy Efficiency (through lithium extraction and processing).</p> <p>Those use of proceeds categories have a limited contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action' as lithium is essential for low carbon technologies used in the Clean Transportation and Energy Storage sectors. They also have a significant obstruction to SDGs 6 'Clean water and sanitation' and 15 'Life on Land' as lithium brine extraction requires a significant amount of water pumped in arid areas and causes a massive impact on biodiversity through sole and soil extraction.</p> <p>The environmental and social risks associated with those use of proceeds categories have been partially managed. SQM is currently facing two severe controversies related to Human Rights and Biodiversity.</p>	<p>Moderate</p>

¹ ISS ESG's evaluation is based on the SQM's Green Bond Financing Framework (September 2021 version), on the analysed Selection criteria as received on the 30.08.2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 26.08.2021).

ISS ESG SPO ASSESSMENT

PART I: GREEN BONDS LINK TO SQM'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF SQM'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
SQM	CHEMICALS	6	HIGH

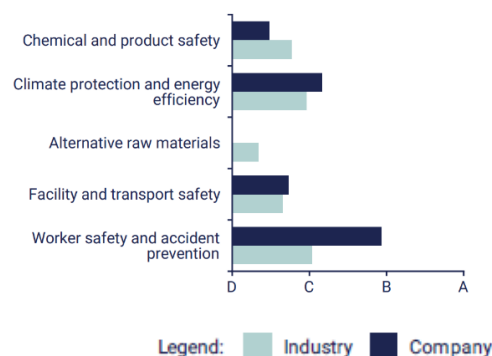
This means that the Company currently shows a moderate sustainability performance against peers on key ESG issues faced by the Chemicals sector and obtains a Decile Rank relative to industry group of 6, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 09.09.2021, this Rating places SQM 101st out of 192 companies rated by ISS ESG in the Chemicals sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

Sociedad Química y Minera de Chile (SQM) is a chemical and mining company with a product portfolio that includes nitrogen and potassium nitrate, potassium chloride, iodine, lithium, and industrial chemicals. SQM's products are used in a wide range of downstream industries, including agricultural, industrial, pharmaceutical, and electrochemical uses. With a net sales share of approximately 38% in 2020, the Specialty Plant Nutrition product line constitutes the largest product group within SQM's portfolio². While mineral fertilizers contribute to short-term food security, they also negatively impact global nutrient cycles. A minor share of net sales is generated with lithium that is used as key ingredient for batteries that are used in electric vehicles. Overall, the Company therefore does not offer significant environmental or social benefits.

² Other company's business lines are "Lithium and derivatives" (21% of FY20 Sales), "Iodine" (19% of FY20 Sales), "Potassium" (12% of FY20 Sales) and "Industry Chemicals" (9% of FY20 Sales).

Sustainability Risks

Sociedad Química y Minera de Chile (SQM) is exposed to significant environmental and social risks, particularly in relation to its mining operations. The Company extracts, among others, salt brines from the Salar de Atacama which are rich in lithium and potassium. However, SQM has not implemented a comprehensive strategy on protecting biodiversity or water resources related to its mining operations. In addition, the Company has been facing allegations related to the not comprehensively assessing the environmental impact of its mining operations in Chile. From a social perspective, the Company has improved its approach to community outreach and consultation (e.g. grievance or dispute resolution procedures). However, in recent years allegations arose regarding human rights violations related to SQM's lithium mining in the Atacama salt flat. Moreover, with regard to its supply chain, the Company does not appear to adequately manage environmental and social risks.

Apart from SQM's raw material supplies, aspects such as facility and occupational safety are addressed to some extent. In addition, while the Company has some commitments to reduce its greenhouse gas emissions, it does not seem to have set clearly defined greenhouse gas emission reduction targets in line with the emission reductions required to limit the global temperature increase to well below 2°C.








The Company's rudimentary management of ESG issues leaves crucial risk areas unaddressed. Among them are environmental and human rights risks related to the exploitation of mineral resources - areas in which the Company faces severe stakeholder criticism (regarding failure to respect indigenous rights and failure to adequately assess environmental impacts). Apart from that, the Company's products do not present a clear social or environmental benefit.

Governance opinion

Regarding SQM's corporate governance structure, the majority of the members of the board and the chairman are considered independent (as at April 1, 2021). SQM has established fully independent board committees in charge of audit and remuneration. However, an independent nomination committee appears to be missing. The Company partly discloses its remuneration policy for executives, including long-term components, which could incentivize sustainable value creation. With regard to the governance of sustainability, the Company has a predominantly independent board-level sustainability committee in-charge of overseeing sustainability strategy. In terms of remuneration, compensation schemes do not appear to include ESG targets. SQM has established a group-wide code of business ethics covering issues such as corruption, antitrust violations and conflicts of interest. The code is complemented by only few facilitation measures such as non-compliance reporting channels and whistleblower protection but lacks third party anti-corruption due diligence as well as compliance risk assessments and audits.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of SQM's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along SQM's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Biological yield enhancers	8%	CONTRIBUTION	 
Key components for electric vehicles	3%	CONTRIBUTION	
Nitrogen-based fertilizer	30%	OBSTRUCTION	   

Breaches of international norms and ESG controversies

The Company is facing two severe controversies

The first one is related to Human Rights. The Company allegedly failed to respect the right to water and failure to respect indigenous rights in Chile. Sociedad Química y Minera de Chile SA’s (SQM) lithium brine mining operations at salt flats in Chile have been criticized by local indigenous communities, most recently in January 2021, over allegations that the Company has failed to conduct adequate consultation processes and is impacting their access to water resources. In October 2019, the Atacama People’s Council, representing 18 Likanantaí indigenous communities in the Salar de Atacama area, protested at SQM’s mining sites against adverse impacts on livelihood and access to water, as well as the lack of consultation for the extension of the Company’s lithium extraction license on their ancestral territory, granted in January 2018. Similar allegations were raised by the indigenous communities in 2020, who called for SQM’s environmental permits to be revoked and its operations shut down. In October 2020, SQM stated that, as part of its new Sustainable Development Plan, the Company would reduce the impacts of its operations on water and promote “more and better dialogue” with communities in the region. Although, in August 2020, SQM adopted its first human rights policy committing to respect indigenous rights and to promote the “implementation of participation and prior consultation processes with the indigenous communities”, no details are disclosed on consultation processes conducted to obtain indigenous communities’ free, prior and informed consent (FPIC) in Chile. The Company remained unresponsive to ISS ESG’s attempt to establish a dialogue. ISS ESG continues to monitor whether the Company has taken adequate measures to prevent, mitigate and remediate impacts on indigenous communities in order to align its operations in Chile to responsible business standards and norms

The second one is related to Environmental assessment. The Company allegedly failed to assess environmental impact in Chile. Sociedad Química y Minera de Chile SA (SQM) has been repeatedly criticized for the alleged environmental impacts of its lithium extracting operations at several salt flats in the Atacama desert in Chile. NGOs, academia, and local communities have alleged that lithium

extraction is severely impacting the area's water cycle, depleting water resources and harming local ecosystems in one of the most arid regions in the world. Since 2016, SQM has been facing several legal and regulatory processes over allegations of failure to comply with its environmental permits. In December 2019, the Chilean First Environmental Court in Antofagasta reportedly suspended the approval granted by the Chilean Superintendency of Environment (SMA) for expanding SQM's operations in the area, over concerns regarding the ecosystem's "special condition of fragility". SQM appealed the ruling with the Chilean Supreme Court in January 2020. Despite initially contesting the decision, the SMA eventually requested that SQM submit a new environmental compliance plan in August 2020. The authority also announced its decision to work on a "comprehensive management plan" for the Atacama desert. In October 2020, SQM committed to reduce brine extraction by 50% and water consumption by 40% at all of its operations by 2030. Taking note of SQM's commitment, and in light of the continued stakeholder concerns, ISS ESG will monitor the implementation of measures to mitigate and remediate the impact of lithium mining on ecosystems in the Atacama desert.

B. CONSISTENCY OF GREEN BONDS WITH SQM'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

During 2020, SQM reviewed and consulted its stakeholders to prepare the Company's materiality based on the value chain from communities, its suppliers and its customers. During this process, SQM has identified the material aspects for the company including:

- Responsible business management
- Lithium
- Fair labor practices
- Responsible water management
- Energy management
- Air emissions
- Biodiversity
- Climate change
- Environmental compliance
- Community relations
- Covid-19 challenges

For each of these material topics, the company seems to have set direct or indirect targets (e.g., decrease our consumption of fresh water by 65% by 2040 (on a BAU basis) and by 40% for all operations by 2030, decrease emissions by 60% by 2030 and reach carbon neutrality of its products by 2040, minimize and measure PM10 emissions related to Company operations in María Elena and Tocopilla).

Rationale for issuance

Under this framework, the company plans to finance lithium extraction projects that are aligned with material topics for the company such as increasing the lithium production and tackling climate change.

Financing new lithium production capacity, the company will be able to meet its our customers' drastically growing demand both in the clean transportation and energy efficiency sectors.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under these Green Bonds with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Chemicals sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Increase Lithium capacity for Electric Vehicles and Energy Storage	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH THE GBPs

1. Use of Proceeds

SQM intends to allocate an amount equal to the net proceeds from the sale of any Green Bond issuances to finance or refinance, in whole or in part, one or more new or existing Eligible Green Projects as defined below. Eligible Green Projects will include those for which SQM or its subsidiaries made disbursements beginning with the issuance date of any Green Bonds, or in the 36 months prior to any such issuance. SQM will seek to allocate an amount equal to the proceeds raised by any bond under this Framework as soon as practicable.

Eligible Green Projects include expenditures for the development, expansion, operation and maintenance of projects for the extraction and processing of Lithium and production of Lithium Hydroxide and Lithium Carbonate primarily dedicated to applications in the Eligible Categories shown below.

Example projects include, but are not limited to:

- Lithium Carbonate production expansion in Chile; from 48,000 metric tons to 180,000 metric tons
- Lithium Hydroxide production expansion from 6,000 metric tons to 30,000 metric tons in Chile

Eligible Categories

Eligible Category aligned with ICMA Green Bond Principles	Eligibility Criteria
Clean Transportation	Expenditures primarily dedicated to Lithium extraction and processing for application in the manufacture of batteries for Electric Vehicles.
Energy Efficiency	Expenditures primarily dedicated to Lithium extraction and processing for application in the manufacture of batteries for Energy Storage.

Exclusions

SQM will not knowingly allocate proceeds from the issuance of its Green Bonds to activities involving the exploitation of human rights. Moreover, proceeds from SQM’s Green bond issuances will not be allocated to finance the following product applications or industry sectors and practices:

Product Applications:

- Air and water treatment
- Ceramics, coatings, glass, glazes, enamels
- Construction
- Dyes, pigments
- Greases
- Pharmaceuticals

Industry Sectors and Practices:

- Child labor
- Conflict Minerals
- Fossil fuel
- Large-scale hydro-power projects
- Military
- Nuclear

Opinion: ISS ESG considers the Use of Proceeds description provided by SQM's Green Bond Financing Framework as aligned with the GBPs. Environmental benefits are well described. Moreover, the Company set an expected look-back period (36 months) and provided an explicit exclusion list which is aligned with best market practices.

2. Process for Project Evaluation and Selection

SQM regularly analyzes the environmental and social impacts of our businesses and assess how SQM can mitigate impacts on environment and communities in which it operates. SQM has community relations programs, in addition to agreements with some of the communities present in the territory, with whom SQM interacts through direct contact, workshops and other efforts to develop its relationship with them allowing the company to identify new initiatives and projects.

Selected members of SQM's Management Control Unit and the Sustainability Team will review and select projects that align with the eligibility criteria set forth in section 5.1 of the Framework. Final allocation will be reviewed and approved by the CFO. On an annual basis, the Management Control Unit team and the Sustainability Team review the list of Eligible Green Projects against the Eligibility and Exclusion Criteria. In the event that a project does not meet the Eligibility Criteria, SQM will reallocate funds from the ineligible project to Eligible Green Projects. Additionally, SQM conducts extensive due diligence when evaluating potential new opportunities and monitoring of its investment positions.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by SQM's Green Bond Financing Framework as aligned with the GBPs. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.

3. Management of Proceeds

The accounting department will track actual amounts of net proceeds from the sale of any Green Bonds spent on Eligible Green Projects by establishing and maintaining a specific investment folder that gathers all expenses and documentation based on a unique project code identifier. The Management Control Unit will review these entries and send monthly investment status reports to the CFO. Pending the allocation of the net proceeds of a Green Bond to Eligible Green Projects, all or a portion of the net proceeds may be used for the payment of outstanding indebtedness or may be temporarily invested in cash, cash equivalents, and/or held in accordance with our internal liquidity and capital management policies. The payment of principal and interest on any Green Bonds will be made from SQM's general corporate account and will not be linked to the performance of any Eligible Green Project.

Opinion: ISS ESG finds that Management of Proceeds proposed by SQM’s Green Bond Financing Framework is well aligned with the GBPs, as all the proceeds will be appropriately tracked by the Accounting Department

4. Reporting

Allocation Reporting

Annually, until all the proceeds have been fully allocated, and on a timely basis in case of material developments, SQM will publish a Green Bond Report, on its investor reporting website.³

The report will include:

- (i) the amount of net proceeds allocated to each Eligible Green Project either individually or by category, subject to confidentiality considerations;
- (ii) expected impact metrics, where feasible;
- (iii) a selection of brief project descriptions; and
- (iv) the outstanding remaining amount of net proceeds to be allocated to Eligible Green Projects at the end of the reporting period..

Impact Reporting

Examples of expected impact metrics may include, where feasible:

Project Category	Example Key Performance Indicator
Clean transportation	<ul style="list-style-type: none"> • Estimated number of electric vehicles produced to replace combustion engines based on lithium produced and supplied by SQM: <ul style="list-style-type: none"> ○ To produce an Electric Vehicle on average is use 40kg of Lithium Carbonate or 46kg of Lithium Hydroxide ○ An Internal combustion vehicle on average produce 120gr of CO2/Km • Annual revenue from volume of eligible product sales to battery producers for electric vehicles
Energy Efficiency	<ul style="list-style-type: none"> • Estimated capacity of energy storage applications enabled by lithium produced and supplied by SQM • Annual revenue from volume of eligible product sales to battery producers for energy storage applications

Opinion: ISS ESG finds that the reporting proposed by SQM’s Green Bond Financing Framework is aligned with the GBPs.

External review

Second Party Opinion

SQM will obtain and will make publicly available a Second Party Opinion (“SPO”) from an independent third party with recognized environmental and social expertise to provide an opinion on the environmental and social benefits of this Framework, as well as the alignment to the Green Bond

³ <https://ir.sqm.com/English/home/default.aspx>

Principles. The SPO will be available in SQM website⁴ and on the SPO provider's website.

Assurance

SQM expects that its Green Bond Report will be accompanied by (i) assertions by management that an amount equal to the net proceeds of an offering of bonds was allocated to Eligible Green Projects, and (ii) an attestation report from an independent third party who will examine and review management's decisions regarding the use of net proceeds from the sale of any Green Bonds and provide assurance as to which portion or all of the net proceeds from the sale of any Green Bonds have been allocated consistent with the eligibility criteria set forth in the Framework.

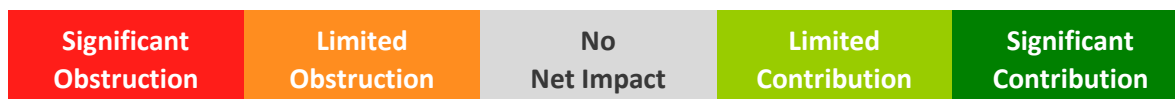
⁴ <https://ir.sqm.com/English/home/default.aspx>

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE





A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bonds Selection Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the SQM's Green Bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):



Each of the Green Bonds'Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Lithium extraction and processing ⁵ Clean Transportation and Energy Efficiency	Limited contribution	 
	Significant obstruction	 

⁵ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

Lithium extraction and processing

As a Use of Proceeds category, Lithium extraction and processing projects (for Clean Transportation and Energy Efficiency) has a limited contribution to the SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”, and a significant obstruction to SDG 6 “Clean Water and Sanitation” and SDG 15 “Life on Land”. The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Labour and health and safety

- ✓ The Company has a formal, but non-certified, health and safety management system in place. Moreover, all the projects financed under this framework will be based in Chile that has ratified all the ILO core conventions. The Company is currently working on certifying the health and safety management systems of its sites.⁶
- ✓ The Company provides for a formal emergency response plan and the Company conducts regular training on process and facility safety management for relevant personnel.

Human rights

- While SQM has a formal human rights policy in place covering not only its value chain but also the impact on communities, measures in place are not considered sufficient to fully ensure the implementation of such policies. Indeed, the Company is currently facing a controversy relating to alleged failures to respect the right to water and indigenous rights in Chile.
- ✓ The Company has set a regional and/or thematic focus for its community involvement activities. The Company engages in one-off activities (e.g. charitable donations, sponsorships, and disaster relief) and has employee engagement initiatives in place (e.g. matched donations and employee volunteering). Finally, the Company regularly monitors and evaluates its community involvement activities and provides information on duration and frequency of assessment, processes and tools for single projects.

Waste management

- ✓ The Company implemented measures to manage the waste related to its lithium activities. According to SQM, there is no hazardous waste related to the evaporation extraction process. However, this process produces large volumes of wastes including mainly Magnesium Chloride Hexahydrate (MgCl₂) and Sodium Chloride (NaCl). While MgCl₂ is used for effective dust control and on roads stabilization, NaCl is stored in designated area as approved by SQM’s environmental permits. Other non-hazardous industrial wastes are segregated to be reused. Specialised treatment processes for

⁶ The two Company’s lithium sites (Salar de Atacama – Extraction site and Salar del Carmen – Production site) are expected to have ISO 45001 by July 2022.

substances of concern are implemented and treatment results are disclosed (e.g. recycling ratio, incineration output and landfill rate).

Environmental management system

- The Company has a non-certified formal environmental management system in place. The issuer is working on the implementation of ISO 14001 in all of its operations by 2023.

Biodiversity

- The Company provides for measures ensuring that all assets financed under this framework undergo environmental (biodiversity) impact assessments at the planning stage. However, measures in place are not considered sufficient to fully ensure no adverse impact on local Ecosystems. Indeed, the Company is currently facing a controversy relating to alleged failure to assess environmental impact in Chile (Salar de Atacama).

Water

- ✓ The Company has a formal policy including water management. It also has included water use reduction target in its 2020 Sustainable Development plan (e.g., reduce the continental water use in all of operations by 40% by 2030 and 65% in 2040 vs. 2019 baseline, reduce the continental water use in the Salar de Atacama by 50% by 2030 vs. 2019 baseline).

Site closure, decommissioning and reclamation

- No details are available on strategic stakeholder engagement processes throughout the operations' life cycle, including the participation of relevant stakeholders in the definition of desirable closure goals. However, Company's publications refer to site closure plans and national law covers this specific topic (20551 law/ Regulation of site closure and mining facilities).

Carbon Intensity

- ✓ In the case of lithium, a life cycle assessment is run under international standards (ISO standards 14040 and 14044). According to the issuer, this measurement process allows defining the levels of CO₂, energy and water consumption in order to keep the emissions of the operation and the life cycle of the product controlled. Historical annual CO₂ emission intensity for the lithium activity has been stable since 2017.

DISCLAIMER

1. Validity of the SPO: As long as no material changes are made to Sociedad Química y Minera de Chile Green Bond Financing Framework (as of 08.09.2021)
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of SQM’s Green Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by SQM (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which SQM’s Green Bonds contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a Company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date Company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each Company, our analysts assess relevant information reported or directly provided by the Company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a Company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the Company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the Company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

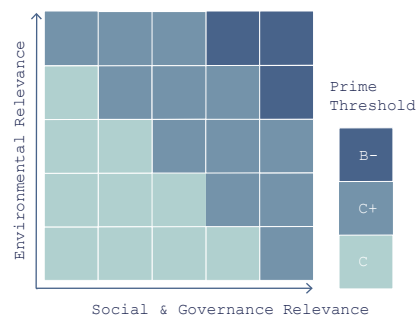
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – Company's rating is in the first decile within its industry) to 10 (lowest – Company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus Company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (Company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the Company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the Company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the Company shows excellent performance.

D-: the Company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the Company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the Company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the Company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a Company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A Company's failure to disclose, or lack of transparency, will impact a Company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

SQM commissioned ISS ESG to compile a Green Bonds SPO. The Second Party Opinion process includes verifying whether the Green Bond Financing Framework aligns with the ICMA's GBPs and to assess the sustainability credentials of its Green Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs
- ISS ESG KPI set: Lithium activities (extraction and processing)

ISSUER'S RESPONSIBILITY

SQM's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The Company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bonds to be issued by SQM based on ISS ESG methodology and in line with the ICMA GBPs.

The engagement with SQM took place in August/September 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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