



Solutions
for human
progress



Green Bond Financing Framework

September 2021

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1. Introduction

Sociedad Química y Minera de Chile S.A. (“SQM”, “the Company”, “we”, “us” or “our”) is a global company that develops and produces diverse products for several industries essential for human progress, such as health, nutrition, renewable energy and technology through innovation and technological development. As a global company, SQM is listed in Chile and, since 1993, on the NYSE and has sales to over 110 countries through its worldwide distribution network, with 92% of its sales in 2020 derived from countries outside Chile. SQM produces high-quality products that meet the dynamic and changing requirements of our customers and is a global leader in each of its five business lines: Specialty Plant Nutrition; Iodine and Derivatives; Lithium and Derivatives; Potassium; and Industrial Chemicals.



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

SQM works every day to build a culture of excellence by encouraging and promoting creativity, agility and innovation in the workplace and ensuring equality of opportunities, inclusion and diversity. The Company creates value for all of our stakeholders through responsible management of natural resources, sustainable expansion projects and improvement of our existing operations, with a focus on minimizing our environmental impacts by reducing our carbon, energy and water footprints and working together with our shareholders, employees, customers, suppliers and communities.

2. SQM’s Commitment to Sustainability

Over the past 25 years, we have taken steps to optimize our production processes. We are increasingly efficient and take environmental protection and the well-being of neighboring communities very seriously. We thus decided to reaffirm our commitment to Sustainability, and included it as one of our values, prioritizing it as a guide along with safety, excellence and integrity. In October 2020, we publicly released our Sustainable Development Plan which is based on three pillars:

1. The Environment: We will work to reduce water usage, reduce impacts on ecosystems and focus on green production;
2. Our People: This includes communities, as these are our first partners and audiences; and
3. Our Products: These are present in sustainable industries.

We have committed ourselves to important goals to be met over the next 10 and 20 years in each of these areas.



Another key achievement during 2020 was the publication of our Human Rights Policy, a framework that defines our relationship with all of our interest groups. SQM integrated the Guiding Principles of Human Rights and Business into its sustainable business management. We continue to work diligently and during 2021, we started our first “Human Rights Due Diligence” assessment, which will cover part of the supplier chain.

In terms of investments, we are continuing with our ambitious plan for 2021-2024. The total capital to be invested in our projects in Chile is expected to be approximately US\$1.3 billion. We intend to increase lithium carbonate and lithium hydroxide production to 180,000 and 30,000 metric tons per year, respectively, by the end of 2022 in our lithium business line at our facilities near Antofagasta. We are continuing to develop the Mt. Holland lithium project with our partner Wesfarmers, which is a 50,000-metric ton lithium hydroxide project in Western Australia with a total expected capital expenditure plan of US\$1.4 billion.

We actively participated in the Dow Jones Sustainability Index (DJSI) assessment for the first time in 2020 and were accepted into two indices which we were invited to participate, DJSI Chile and DJSI MILA Pacific Alliance. This major achievement is reflected in our efforts to promote transparency and sustainability as part of our development strategy.

MEMBER OF
Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

- ✓ DJSI Chile Index
- ✓ DJSI MILA Pacific Alliance Index



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

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



Based on our goal of earning the most demanding certifications, we rigorously monitor our operations' impact on the environment and human health. We have made changes to our production facilities in order to minimize any adverse impact. All of our projects are subject to environmental assessments, and we are working on an application for an environmental permit for the Tente en el Aire project, which would allow us to modify our existing operations in Nueva Victoria, Chile. We have also agreed with the communities on a long-term plan to strengthen our relations. During 2020, SQM invested more than US\$5.5 million to support institutions, foundations and corporations, specialized in different areas, as required by each community.

In regard to safety, we decreased our operational risk index, achieving a lost time injury frequency rate (LTIFR) of 0.78 in 2020. We continue to work towards zero accidents and to reinforce selfcare measures, which we know are increasingly strict and more complex due to the pandemic.

Each challenge is a lesson for moving forward in our commitment to applying the principles of respect and inclusion. We will follow our Women Inclusion plan. Women accounted for 17% of our total workforce in 2020 and we have set a goal of reaching 20% by the end of 2021. We are also hiring more people with disabilities than required by Chilean law.

We continue to maintain our close connection and engagement with the communities near our operations. We have worked with other entities to develop joint plans to navigate the impact of the COVID-19 pandemic, with actions such as donating two mechanical respirators for the public health network in the Antofagasta Region, distributing boxes of food and cleaning supplies, and administering PCR testing in the communities where we operate. In addition, we have supported soup kitchens and

donated merchandise and supplies through our workers, who also donate their time through the “Lend a Hand to Your Community” corporate volunteer program.

We hope that our projects with our neighbors will continue to develop this year so that we can care for the environment, increase efficiency and engage in the spirit of continuous improvement that has taken shape in the organization through our M1 Operational Excellence program.

3. SQM’s Transition to Green Lithium Production

Lithium and its derivatives are a key inputs for the development of electro-mobility and the technologies that are moving the world. We believe we are one of the world's largest lithium producers and we are committed to the development and sustainability of the lithium industry which entails producing with the least possible impact so as to continue to limit our carbon footprint while optimizing the use of water and engaging with communities near our operations through programs aimed at boosting their social well-being.



The lithium business market and price growth continue to exceed our expectations. We believe that global demand could increase more than 40% in 2021 when compared to last year, as sales of electric vehicles during the first half of the year grew more than 150% when compared to the same period last year. We believe that total global demand could surpass 1 million tons in 2025.

As a result of our unique process, the majority of the energy used to operate our brine concentration pond system in our lithium production process is solar. Considering Scope 1,2 and 3 emissions, our lithium carbonate production process has a carbon footprint of less than 4 tons of CO₂/ton.

Additionally, we are committed to reducing our water footprint. During 2020, we used around 120 l/s, which is approximately 2% of all the fresh surface and groundwater rights in the entire basin. As part of our transparency policy, we publish daily consumption data for each of the ponds in Salar de Atacama on our website along with measurements of the parameters used to control both hydrogeological and biotic impacts. Moreover, this information is available online for the ongoing monitoring conducted by regulatory authorities. Due to our increased social outreach and efforts to improve dialogue with neighboring communities, specifically communities near the Salar de Atacama, we understand better the respect these communities have for their territories including the protection of brine, water and reduction of any other potential impact on the environment or the community. It is important for us to join their efforts and reduce our brine extraction as much as possible while continuing to produce products for industries essential for human progress, such as health, nutrition, renewable energy and technology through innovation and technological development



In September 2019, our lithium production and sales processes were recertified under ISO 9001:2015. This year we began the certification process under ISO 14001 in both of our lithium facilities: Salar de Atacama and Salar del Carmen.

We published our Sustainable Development Plan 2020¹, which incorporated carbon neutrality measures for lithium products by 2030 and called for reduced water and brine use by 50% by that same year.

In order to Increase lithium efficiency, SQM has several projects that can be grouped in three main categories:

- ✓ Improvements on plant production performance;
- ✓ Improvement on evaporation pond performance; and
- ✓ Recovery of lithium from harvested salts.

These projects require an investment of approximately US\$1 billion and some of those projects are already in place. These projects will allow SQM to reduce its brine consumption while expanding its lithium carbonate and lithium hydroxide production.

Gross profit for the Lithium and Derivatives segment accounted for approximately 29% of SQM's consolidated gross profit for the six months ended June 30, 2021. Because of the importance of the Lithium and Derivatives business line, we are defining this Framework to focus on lithium production capacity expansions.

4. Rationale for Issuance

Through the issuance of Green Bonds, we aim to finance a more sustainable future through expenditures that contribute to the well-being of the people and communities we serve. We hope that this issuance will encourage others to join us in investing in the low-carbon transition.

5. Alignment with the Green Bond Principles²

As set forth in this Framework, SQM's Green Bonds are debt securities, the proceeds of which will be exclusively applied to finance or refinance green projects. This Framework addresses the core components and key recommendations (shown below) of the International Capital Markets Association (ICMA) Green Bond Principles (2021) that are voluntary process guidelines for best practices when issuing Green Bonds.

Core Components:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

Key Recommendations:

- 1) Use of Frameworks
- 2) External Reviews

¹ For more information on our Sustainable Development Plan, Please visit:
https://s25.q4cdn.com/757756353/files/doc_news/2020/Sustainability_8Oct2020_eng.pdf

² <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

This Framework may be updated from time to time and will be applied to any Green Bonds issued by SQM. In the event of an update to this Framework, any future projects will be in alignment with the high-level eligible project categories recognized by the ICMA Green Bond Principles.

5.1 Use of Proceeds - Eligible Green Projects


We intend 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 offering 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 in 2018 to 180,000 metric tons (Est. Capex 2018-2024: More than US\$600 million)
- Lithium Hydroxide production expansion in Chile — from 6,000 metric tons in 2018 to 30,000 metric tons (Est. Capex 2018-2024: More than US\$200 million)

Eligible Categories:

Eligible Category aligned with ICMA Green Bond Principles	Eligibility Criteria	SDG Alignment
Clean Transportation	Expenditures primarily dedicated to Lithium extraction and processing for application in the manufacture of batteries for Electric Vehicles.	 <p>SQM’s expenditures support progress towards SDG target 11.2 by promoting electrification and the transition to low-carbon energy in the transport sector.</p>

<p>Energy Efficiency</p>	<p>Expenditures primarily dedicated to Lithium extraction and processing for application in the manufacture of batteries for Energy Storage.</p>	 <p>SQM's expenditures support progress towards SDG targets 7.1, 7.2 and 7.3, by enabling the provision of efficient and renewable energy services.</p>
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Exclusions:

We will not knowingly allocate proceeds from the issuance of our 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

5.2 Process of Project Evaluation and Selection

We regularly analyze the environmental and social impacts of our businesses and assess how we can mitigate impacts on environment and communities in which we operate. We have community relations programs, in addition to agreements with some of the communities present in the territory, with whom we interact through direct contact, workshops and other efforts to develop our relationships with them allowing us to identify new initiatives and projects.

Selected members of our Management Control Unit and the Sustainability Team will review and select projects that align with the eligibility criteria set forth in section 5.2 of this Framework. Final allocation will be reviewed and approved by our CFO. On an annual basis, the Management Control Unit Team and

the Sustainability Team will 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, we conduct extensive due diligence when evaluating potential new opportunities and monitoring of our investment positions.

5.3 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 our general corporate account and will not be linked to the performance of any Eligible Green Project.

5.4 Reporting

Allocation Reporting

Annually, until all the proceeds have been fully allocated, and on a timely basis in case of material developments, we will publish a Green Bond Report, on our investor relations website³.

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.

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

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 requires on average 40kg of Lithium Carbonate or 46kg of Lithium Hydroxide ○ An Internal combustion vehicle produce on average 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

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

Assurance

We expect that our 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 this Framework.

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

6. Disclaimer

The information and opinions contained in this Framework are provided as of the date of this Framework and are subject to change without notice. None of SQM, its subsidiaries or any of its affiliates assume any responsibility or obligation to update or revise any such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current SQM policy and intent and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by SQM and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by SQM as to the fairness, accuracy, reasonableness or completeness of such information.

This Framework may contain “forward-looking statements” about future events and expectations. Forward-looking statements are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “strategy,” “target” and “will” or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No assurance can be given that any goal or plan set forth in forward-looking statements in this Framework can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date of the Framework, and SQM does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.

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