SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Instruments Framework

Sociedad Química y Minera de Chile
14 December 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Sustainability-Linked Instruments
Relevant standard(s)	▪ Sustainability-Linked Bond Principles, as administered by ICMA
Lifecycle	▪ Pre-issuance verification
Validity	▪ As long as Sociedad Química y Minera de Chile's Sustainability-Linked Instruments Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

CONTENTS

SCOPE OF WORK

Sociedad Química y Minera de Chile ("SQM" or ''the issuer'') commissioned ICS to assist with its Sustainability-Linked Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. SQM's Sustainability-Linked Instruments Framework (as of September 15, 2021) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association's (ICMA).
2. The sustainability credibility of the KPI selected and Sustainability Performance Target (SPT) calibrated – whether the KPI selected is core, relevant and material to the issuer's business model and industry, and whether the associated target is ambitious.
3. Sustainability-Linked Instruments link to SQM's sustainability strategy – drawing on SQM's overall sustainability profile and related objectives.

SQM BUSINESS OVERVIEW

Sociedad Quimica y Minera de Chile SA (SQM) engages in the production and distribution of fertilizers, potassium nitrate, iodine, and lithium chemicals. It operates through the following segments: Specialty Plant Nutrients, Iodine and Derivatives, Lithium and Derivatives, Industrial Chemicals, Potassium, and Other Products and Services. The Specialty Plant Nutrients segment produces potassium nitrate, sodium nitrate, sodium potassium nitrate, and specialty blends. The Iodine and Derivatives segment manufactures iodine and iodine derivatives, which are used in a wide range of medical, pharmaceutical, agricultural, and industrial applications. The Lithium and Derivatives segment covers lithium carbonate for electrochemical materials for batteries, frits for the ceramic and enamel industries, heat-resistant glass, air conditioning chemicals, continuous casting powder for steel extrusion, primary aluminum smelting process, pharmaceuticals, and lithium derivatives. The Industrial Chemicals segment comprises industrial chemicals including sodium nitrate, potassium nitrate, and boric acid. The Potassium segment produces potassium chloride and potassium sulfate. The Other Products and Services segment deals with other fertilizers and blends. The company was founded on June 17, 1968 and is headquartered in Santiago, Chile.

SPO ASSESSMENT SUMMARY

EVALUATION SUMMARY[1]			
Alignment with the SLBP	**The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA except for the SPT ambition level that can only be evaluated by comparison against past performance.**		
KPI Selection	**KPI.** Volume of brine net extraction from Salar de Atacama (Liters per second ; L/s) [2]		
Relevant	✓		
Core	✓		
Material	Moderately Material		
Assessment	**Not aligned**	**Aligned**	**Best Practice**
SPT Calibration	**SPT.** Reduction in Brine Net Extraction of at least 50% for the year ended December 31, 2030 (compared to the baseline, 1644 L/s[3])		
Against borrower's past performance	Ambitious (based on limited evidence)		
Against borrower's industry peer group	Limited information		
Against international targets	Limited information		
Level of ambition	**Limited[4]**	**Good[5]**	**Robust[6]**
Link to the issuer's sustainability strategy	**Consistent with the issuer's sustainability strategy** The KPI selected by the issuer is related to Environmental risks and impacts of operations. Environmental risks and impacts of operations has been defined as one of the key priorities of the issuer's lithium extraction activity in terms of sustainability strategy and we find that this is a key ESG topic for the Mining & Integrated production industry. Indeed, the lithium brine extraction process, a water and energy intensive process, can have adverse impacts on biodiversity and may have adverse impacts on the water balance in the region. We find that this issuance contributes to the issuer's sustainability strategy thanks to the KPI's clear link to one of the key sustainability priorities of the issuer and due to an ambitious SPT against company's past performance. At the date of publication of the report, the issuer is exposed to two severe environment and human rights controversies.		

[1] The evaluation is based on the engagement conducted between September 2021 and December 2022, on the issuer's Sustainability-Linked Instrument Framework (as of September 15, 2021) and on the ISS ESG Corporate Rating updated on the November 9, 2022.
[2] For all unit purposes and as established by RCA 226/2006, 1 L / s should be understood equivalent to 31,104 m^3 / year, for this reason, the net extracted brine for the period to date is in m^3 and divided by the factor 31.104 to show its equivalent in L/s.
[3] Baseline (1644 L/s) is calculated as the average of future net brine extraction on the RCA 226 between the years 2021 and 2030.
[4] The SPT is ambitious against only one of the three dimensions.
[5] The SPT is ambitious against two of the three dimensions.
[6] The SPT is ambitious against the three dimensions.

SPO ASSESSMENT

PART 1: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

This section describes our assessment of the alignment of SQM 's Sustainability-Linked Instruments framework (as of September 15, 2021) with the Sustainability-Linked Bond Principles (SLBP).

SLB PRINCIPLES	ASSESSMENT	OPINION
1. Selection of KPI	A detailed analysis of the sustainability credibility of the KPI selection is available in Part 2 of this report.	
2. Calibration of SPT	A detailed analysis of the sustainability credibility of the SPT calibration is available in Part 2 of this report.	
3. Sustainability-Linked Instruments Characteristics	✓	The description of the Sustainability-Linked Instruments Characteristics provided by the issuer is **aligned** with the SLBP. The issuer gives a description of the potential variation of the financial characteristics of the securities. Variations include but are not limited to coupon step-up(s) and coupon step-down(s).
4. Reporting	✓	The Reporting description provided by the issuer is **aligned** with the SLBP. This will be made publicly available annually and include valuable information, such as up-to-date information on the performance of the selected KPI, a verification assurance report relative to the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on the instrument's characteristics (if any); and any relevant information enabling investors to monitor the progress of the SPT. Information may also include when feasible and possible: Qualitative or quantitative explanation of the contribution of the main factors, behind the evolution of the performance/KPI on an annual basis; Illustration of the positive sustainability impacts of the performance improvement; and/or any re-assessments of the KPI and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope based on material changes in laws or regulations applicable or relating to its production activities.
5. External verification	✓	The Verification description provided by the issuer is **aligned** with the SLBP. This report constitutes the SPO. The performance of the SPT against the KPI will be externally verified annually until the target is reached.

PART 2: KPI SELECTION & SPT CALIBRATION

1.1. Selection of the KPI

KPI			
Opinion	*The KPI is relevant, core and moderately material to the issuer's overall business. It is appropriately measurable, quantifiable, externally verifiable, but the historical and baseline data are not externally verified. The KPI is benchmarkable with limitations not attributable to the issuer due to the fact that (i) brine properties can be different from one Salar to another and that (ii) companies extracting brine could make different use of this salty water solutions. It covers 100% of the brine extracted by SQM.*		
Assessment	Not aligned	**Aligned**	Best Practice
KPI	**KPI definition:**	Volume of brine net extraction from Salar de Atacama (Liters per second ; L/s).	
Characteristics and Features	**Scope and perimeter:**	The KPI selected covers 100% of the company's brine extraction (which also constitutes all its current Lithium and potassium extraction). Revenues related to products originated from brines of the Salar de Atacama represented 37% of its consolidated revenues for the six months ended June 30, 2021 period. It covers 100% of the company Lithium activity.	
	Quantifiable/Externally verifiable:	The KPI selected is measurable and quantifiable. SQM methodology follows the standards set forth in the RCA 226[7], which governs and establishes the authorized volume of brines at Salar de Atacama until 2030. The KPI selected is externally verifiable thanks to the online monitoring system allowing the company to view brine extraction and performance data from the hydro-geological environmental monitoring plan.	
	Externally verified:	The historical and baseline data for the KPI selected has not been externally verified. The issuer commits to publish the data daily on the web service, and will inform the Chilean Economic Development Agency (CORFO) and Superintendencia de Medio Ambiente (SMA). The issuer states that the monitoring units are frequently inspected and certified by the SMA.	
	Benchmarkable:	The company follows a methodology used in Chile[8], which can be benchmarked against brine extraction disclosures made by other companies (although today, no similar disclosures are made publicly available by peers). However, it is benchmarkable with limitations not attributable to the issuer due to the fact that (i) brine properties can be different from one Salar to another and that (ii) companies extracting brine could make different use of this salty water solution.	

[7] The RCA 226 is the current permit that allow SQM to extract incrementally certain volume of brines until 2030 - https://snifa.sma.gob.cl/General/Descargar/20612015166

[8] According to the issuer, this methodology is used by the local authority in Chile and SQM's most comparable competitor, Arbemarle

KPI Analysis	The KPI is considered:

Relevant to SQM's business as its lithium activity is highly exposed to environmental risks and impact of operations. Moreover, the company is highly dependent on brine availability. According to the issuer, each tonne of lithium carbonate produced requires 80 tonne of salt lake brine to be extracted, and 70% of water in the brine is evaporated in the process. Study by the International Energy Agency (IEA)[9] found that brine operational processes may have adverse impacts on the water balance in the region, in particular an increase in lithium extraction activities is negatively correlated with the soil moisture index, a proxy for drought conditions. Furthermore, the extraction process is water and energy intensive and delivers large volumes of waste. The brine extraction method is dependent on the geological structure of the deposits, brine chemical composition, climate and weather conditions. At the same time, the electrification implies a strong increase in demand for lithium. Thus, the continued availability of lithium can only rely on a strong increase of mining and ore processing.

Core to the issuer's business as brine extraction reduction measures affects key processes and operations that are core to the business model of the issuer (e.g., improvements on production plants performance, improvements on evaporation pond performance).

Moderately Material to SQM from an ESG perspective.

- Brine extraction is central in SQM's lithium production process and, as mentioned above, may have adverse impacts on the water balance in the region. Thus, by reducing the quantity of net brine extracted (and also the quantity of gross brine extracted according to the issuer), SQM might reduce environmental impacts on the water balance in the Salar's surrounding regions. While net and gross brine extracted volumes are expected to decrease, SQM's lithium production from brine is expected to increase drastically in the future. By implementing a more ''brine'' efficient process, SQM can extract less brine today and save for the future. Last but not least, SQM states that tracking such KPI is essential for decreasing the use of local resources considered as culturally essential by local community.
- However, the KPI would be even more material if it excluded brine reinjection and focus solely on the gross brine extraction decrease as (i) the process might present environmental concerns on the dilution of acquifers surrounding brine re-injection sites and (ii) that there is limited commitment on the gross quantity of brine that will be extracted. Moreover, other key environmental impacts such as CO_2 emission, water usage in electricity generation, and hazardous waste generated through the chemical reactions in the Lithium product value chain do not seem to be mitigated through the net brine extraction KPI, and therefore poses limitations to the materiality of this KPI.

[9] International Energy Agency, The Role of Critical Minerals in Clean Energy Transitions, https://iea.blob.core.windows.net/assets/24d5dfbb-a77a-4647-abcc-667867207f74/TheRoleofCriticalMineralsinCleanEnergyTransitions.pdf

2. Calibration of SPT

SPT		
Opinion	*The SPT is ambitious against the company's past performance based on limited evidence. However, there is limited information to assess the level of ambition against industry peers, and there is limited information to conclude on the ambition of SQM's SPT against international target. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.*	
Level of Ambition	No Evidence / **Limited** / Good / Robust	
SPT Characteristics and Features	**SPT definition:**	Achieve a Reduction in Brine Net Extraction of at least 50% at Salar de Atacama for the year ended December 31, 2030 versus the baseline (1,644 L/s), which is a reduction of the net extraction to 822 Liters per Second.
	Baseline performance and year:	The baseline (1,644 L/s) is the average of its future net extraction allowed on its environmental permit RCA 226.[10] In other words, it is the average of the extraction allowed by RCA 226 from the years 2021 to 2030.
	Target performance and observation date:	Brine Net Extraction of 822 Liters per Second on December 31, 2030.
	Trigger event:	The percentage (%) Reduction of Brine Net Extraction is calculated by subtracting the total L/s of Brine Net Extraction at Salar de Atacama for the year ended December 31, 2030 from the Baseline and dividing that difference by the Baseline.
	Strategy and action plan to reach the target:	In order to increase the lithium extraction process efficiency, SQM has several projects that can be grouped in three main categories: ▪ Improvements on Production Plants performance ▪ Improvement on Evaporation Pond performance ▪ Recovery of Lithium in non-productive salts such as Lithium sulphate solution These projects required an investment of around 1 billion USD 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. One of the technique is to focusing on extracting brine more suitable for lithium production and reduce the brine suitable for potassium mining. For confidentiality reasons, details regarding the action plan have not been shared.

[10] The RCA 226 is the current permit that allow SQM to extract incrementally certain volume of brines until 2030 - https://snifa.sma.gob.cl/General/Descargar/20612015166

	Key factors/risks beyond the issuer's direct control that may affect the achievement of the SPTs:	Factors to support the target: ▪ Strong commitment of the Board of Directors to the Sustainability Strategy ▪ Capital expenditure approvals to invest in the incorporation of new technologies in processes that allow brine extraction reduction Risks to the target: ▪ Extreme events, such as pandemics and natural disasters ▪ Equipment failure, unexpected plant shutdown, among other operational factors ▪ Changes in regulations and normative uncertainty ▪ Macroeconomics considerations that might lead SQM to focus investments in other projects or delay projects timelines ▪ Delay on the development of technologies and innovations, or high prices that might restrict the access to them Decrease in the production and extreme events, such as pandemics
	Recalculations or pro-forma adjustments of baselines	While according to the issuer the bond agreement will include a recalculation policy, details about such policy has not been shared by the company.

SPT Analysis	The level of ambition of the SPT is assessed as follows:

(i) Against past performance:

The issuer provided 3 years of relevant historical data, including the Baseline: Average approved RCA Limit 226/2006 (2021-2030). The data are shown in Table 1. Calculating the compound annual growth rate (CAGR) of the past performance shows that the issuer has achieved an average yearly change of 13.68% between 1,019 L/s in 2018 and 1,497 L/s in 2020 for the KPI.

TABLE 1.	2021-2030 AVERAGE(BASELINE)	2018	2019	2020		2020 – 2030 (TARGET YEAR)
Net Brine Extraction (L/S)	1,644	1,019	1,275	1,497		
CAGR 2018 – 2020					13.68%	
CAGR 2020 – 2030						-5.82%

Table 1. *Net Brine Extraction (L/s) of SQM's operation in Salar de Atacama between 2018-2020, and CAGR from 2018-2020, 2020-2030. Source: SQM's Sustainability-Linked Instruments Framework (As of September 15,2021)*

SQM sets SPT to achieve a reduction of Net Brine Extraction by 50% in 2030 compared to the 2021-2030 average baseline. Calculating the compound annual growth rate (CAGR) amounts to an average of -4.35% annual reduction between 2020 and 2030.

Since the projected average annual reductions to achieve SPT is quantitatively larger than the historical data, we conclude that the SPT is quantitatively ambitious against past performance based on limited evidence[11]. According to the issuer, the SPT is even more challenging that, by 2030, SQM plans to increase drastically its lithium capacity (approximately by c. 4 times) to meet customers' demand.

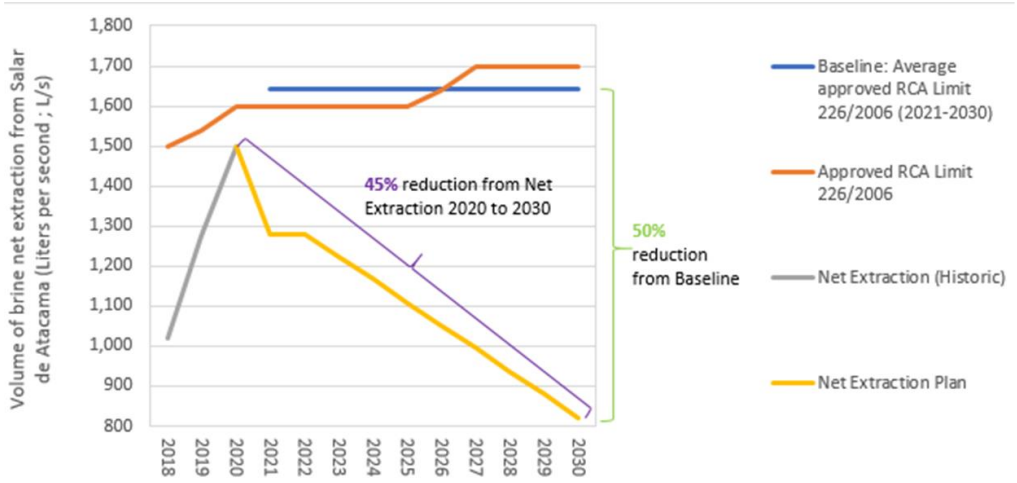

Figure 1. *Volume of net brine extraction (L/s) from SQM's operation in Salar de Atacama between (2018-2030). Source: SQM's Sustainability-Linked Instruments Framework (As of September 15, 2021)*

(ii) Against peers:

We conducted a benchmarking of the SPT set by SQM against the company's only direct peer, according to the issuer, Albermarle.

[11] While the issuer has provided historical data on net brine extraction (L/s) since 2018, such data was not externally verified with a limited or reasonable level of assurance.

In terms of setting brine extraction reduction targets, SQM is the only company (out of a very limited peer group of two peers) that communicates on total brine extracted (in L/s) and has a concrete brine extraction reduction target (2030 target already publicly available in their 2020 Sustainability Report).

Moreover, according to the company, brine extraction are not perfectly benchmarkable as brine properties can be different from one Salar to another and that (ii) companies extracting brine could make different use of this salty water solution.

Therefore, we cannot conclude on the ambition of SQM's SPT against peers.

(iii) Against international targets:

Given the absence of quantified international targets for the industry on reducing brine extraction, no conclusion can be provided on the ambition of SQM's SPT against international targets.

PART 3: LINK TO SQM'S SUSTAINABILITY STRATEGY

A. SQM'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the issuer's industry

The issuer is classified in the Chemical Industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Facility and transport safety
Alternative raw materials
Climate protection and energy efficiency
Chemical and product safety

ESG performance of the issuer

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: https://www.issgovernance.com/esg/iss-esg-gateway/.

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part 3.B of this report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer'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 the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE[12]	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

At issuer level

At the date of publication, ISS ESG has identified two severe controversies in which the issuer would be involved.

Alleged failure to assess environmental impact in Chile

Sociedad Quimica 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 this process 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. SQM has, since 2016, 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 a proposed Compliance Plan by the company over concerns regarding the ecosystem's "special condition of fragility". In August 2021, SQM was reportedly asked to resubmit an environmental compliance plan to address observations related to the impact of lithiumextraction and to the company's system for monitoring pump levels. In investor dialogue facilitated by ISS ESG in October 2021, the company emphasized that it is operating within the thresholds set by its environmental permit and that it continues to conduct monitoring activities and environmental studies to mitigate the impact of its mining operations on water resources. Additionally, SQM reiterated its commitment to reducebrine extraction by 50% and water consumption by 40% at its operations by 2030 and, in March 2022, the company told ISS ESG that it has reached50% reduction on water consumption. In January 2022 SQM announced the beginning of a third-party audit of its operations by the Initiative for Responsible Mining Assurance. In light of the

[12] Percentages presented in this table are not cumulative.

continued stakeholder concerns, most recently in January 2022, ISS ESG continues to monitor thecompany's measures to mitigate the impact of lithium mining on ecosystems in the Atacama Desert.

Alleged failure to respect indigenous rights in Chile

Sociedad Quimica y Minera de Chile SA's (SQM) lithium brine mining operations at salt flats in the Atacama desert, Chile, have faced allegations, since 2017, of failure to conduct adequate consultation processes and impacting access to water resources by local indigenous communities, NGOs and other stakeholders, most recently in January 2022. In a 2021 report the NGO Heinrich Böll Foundation alleged that SQM has not conducted indigenous consultations at any of its projects. In September 2021 media reported that the Atacama People's Council (CPA) called for the suspension of SQM's environmental approvals or the reduction brine and freshwater extraction. In investor dialogue facilitated by ISS ESG inOctober 2021, SQM maintained that it is in talks with five communities and stressed the importance of ascertaining which communities shouldbeinvolved in the consultations. The company also emphasized that its project does not impact the communities' access to drinking and farmingwater, elaborating that should authorities confirm that the project has any impact, SQM will consult the indigenous communities. In communicationwith ISS ESG in March 2022, SQM maintained that the First Environmental Court of Antofagasta rejected the request by the indigenous communities to conduct consultations under the International Labour Organization's Convention 169 (ILO 169). Taking note of SQM's commitments, and in light of the continued indigenous people's concern, ISS ESG will monitor the implementation of measures to mitigate andremediate impacts on indigenous communities in order to align its operations in Chile to responsible business standards and norms.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Chemicals industry are as follows: Failure to respect the right to health, Failure to respect consumer health and safety, Failure to assess environmental impacts.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

B. CONSISTENCY OF SUSTAINABILITY-LINKED INSTRUMENTS WITH SQM'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

SQM is one the world's largest lithium producers in the world and extracts 100% of its Lithium from the Salar of Atacama that, according to the issuer, contain approximately 25% of the lithium resources worldwide.

In 2020, the company 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 two Lithium related topic (product circularity and the future of lithium mining).

Conscious that demand for Lithium and its derivatives will drastically increase in the future[13] as they are a key input for the development of electro-mobility, the company has set a company-wide goal of transitioning toward a less impactful production that will meet customers' growing demand.

Actions have already been implemented to reduce adverse environmental impact of lithium production such as:

- Using 95.8% of solar energy, operating a solar concentration pond system, allowing SQM to have a lower CO2 footprint, which SQM measures using scopes 1, 2 and 3. SQM lithium carbonate has a footprint of less than 4 tons of CO2/ton
- Starting the ISO 14001 certification process in Salar de Atacama
- In 2019, at its Salar de Atacama operations, SQM also began operating an online, real-time monitoring system allowing to view brine extraction and performance data from the hydro-geological environmental monitoring plan

In its Sustainable Development Plan announced in October 2020, SQM considered diverse measures to keep on reducing the environmental impacts of its operations, including the following goals: Becoming carbon neutral, reducing fresh water extraction by 65% and cutting brine extraction by 50%.[14]

In order to reach those objective and improve the efficiency of its lithium extraction processes, the company have several projects that can be grouped in three main categories:

- Improvements on Production Plants performance
- Improvement on Evaporation Pond performance
- Recovery of Lithium in non-productive salts

Consistency with KPI

KPI: Since SQM has a focus in reducing the environmental impact of lithium production, and has implemented measures to improve the lithium extraction processes. KPI focuses on reducing the company's net brine extraction from Salar de Atacama, a goal laid out in the company's Sustainable Development Plan, and is therefore consistent with the sustainability objective of SQM.

[13] According to the company, demand for lithium could grow by 40% annually per year to reach approximately 1 million tons in 2025.
[14] At the Salar de Atacama operations.

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ANNEX 1: ISS ESG Corporate Rating

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

For more information, please visit:

https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf

ANNEX 2: Methodology

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

The Sustainability-Linked Instruments Framework of SQM, as well as the concept and processes for issuance have been reviewed against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

The alignment of the concept of the SQM's issuance has been reviewed against the mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and against the encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT has been conducted.

The analysis has determined whether the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to ISS long-standing expertise in evaluating corporate sustainability performance and strategy. The analysis also reviewed whether the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.

The ambition of the SPT has been analyzed against the issuer's own past performance (according to issuer's reported data), against the issuer's industry peers (for example per ISS ESG Peer Universe data), and against international benchmarks (such as the Paris agreement). Finally, the measurability and comparability of the SPT, and the supporting strategy and action plan of the issuer have been evaluated.

ANNEX 3: Quality management processes

SCOPE

SQM commissioned ICS to compile a Sustainability-Linked Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Instruments Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles

ISSUER'S RESPONSIBILITY

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

- Sustainability-Linked Instruments Framework

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 Sustainability-Linked Instruments to be issued by SQM based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with SQM took place in September 2021 to December 2022.

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 behavior 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 the 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.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyze 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/

For information about SPO services, please contact: SPOsales@isscorporatesolutions.com

For information about this specific Sustainability-Linked Instruments SPO, please contact: SPOOperations@iss-esg.com

Project team

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