



# CLIMATE CHANGE MANAGEMENT REPORT 2023

According to TCFD recommendations



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## 1. Governance

### A. Describe the board's oversight of climate-related risks and opportunities.

Climate change is a strategic element for our company and is a material issue embedded within our sustainability strategy. It is regularly tracked on our board and executive level agenda as part of discussions on our 6 strategic pillars, investment decisions, risk management, and the performance of our ESG commitments associated with our current sustainability strategy.

#### A1. Focus on Climate Change in our policies

By analysing climate change as an important element for our company, it has been incorporated into our approach in our current sustainability, ethics and human rights policy, which establishes the 2 fundamental axes that guide our management in this area.

At SQM we are aware that our products are used in industries that are fundamental for human development and people's wellbeing. For this reason, we have set very ambitious goals in terms of reducing greenhouse gas (GHG) emissions, considering scope 1, scope 2 and scope 3 emissions. These goals are reflected in our Sustainability Plan.

In this sense, the main lines of work on the climate change approach are:

**4.B.i Mitigation** through the quantification of our GHG emissions according to international methodologies and periodically verified, in pursuit of internal management in each of our production facilities to meet the reduction targets committed to in our sustainability strategy. Our management includes the identification, evaluation, and implementation of opportunities to reduce our energy consumption and GHG emissions, as well as their periodic monitoring.

**4.B.ii Adaptation** of our facilities, production and logistics processes in accordance with the specific needs and risks of each project, incorporating climate change into the periodic evaluation of these factors, to identify, evaluate and successfully manage possible impacts of the growing effects of climate change.

#### A2. Climate Change Management

The Sustainability Committee, established in 2020, assists the Board in overseeing SQM's sustainability performance, including climate change, through the Safety, Health, and Environment Committee (SHE from now on). In addition, the Risk and Audit Committee assists the Board in overseeing risk management, including climate-related issues. The purpose of the SHE is to assist the Board in fulfilling its responsibilities in reviewing and recommending policies related to social, safety, health, environmental and sustainability issues affecting the Company and consists of three directors who meet at least four times a year.

In addition, the purpose of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities with respect to financial reporting and control matters. The Committee is dedicated to controlling maximum exposure to financial risk as defined by established policies and procedures.

Management decisions are made jointly by the CEO and the management team, in accordance with the authority delegated to them by the board of directors. The Vice President Corporate Affairs is responsible for following up on specific implementation plans for each theme associated with our sustainability strategy. To achieve this, close coordination is



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established with the sustainability management team, who provide precise guidelines and expertise for effective implementation. This involves constant monitoring of the strategy to assess progress on each aspect of the plan. For monitoring, one person is assigned to liaise with the board through specific SHE committees. This person is also responsible for adjusting targets, indicators and timelines for implementation along with updating and monitoring the company's sustainability, ethics and human rights policy.

In terms of operational climate change management, responsibilities are assigned at the executive level and fall to various management functions depending on the scope of action. The area responsible for ensuring compliance with our plan is Sustainability Management, which reports directly to the Vice President of Corporate Affairs and oversees mitigation actions, establishes the roadmap and reports to the rest of the organisation and the Sustainability Committee on key greenhouse gas indicators. In addition, it collaborates with the risk area on those elements that could be affected, such as transition and physical climate change risks, in order to establish action plans and strengthen the company's resilience to adapt to new climate scenarios.

The information regarding the mitigation axis is continuously reviewed by the Sustainability management and is reported in the sustainability committees and sent at least quarterly to each of the operational vice-presidencies through specific sustainability and climate change reports.

### **A3. Integrating Key Indicators into Incentives to Strengthen Sustainability**

In order to strengthen our commitment to sustainability, key indicators related to Climate Change are now being integrated into executive incentives. Similarly, indirect incentives are provided to all employees, comprising both monetary and non-monetary rewards. This approach is promoted by linking these rewards to the annual bonus scheme, which incorporates operational efficiency targets within the performance metrics.

In addition, Sustainability and its initiatives have been incorporated into the excellence programmes, establishing them as a criterion for rewarding outstanding employees. In addition, through the recognition system, there is the possibility to reward notable behaviours in accordance with corporate values, which are oriented towards the reduction of water consumption, operational efficiency, and the reduction of greenhouse gases, and which have been applied during the year. This approach not only promotes sustainability, but also highlights actions that are in line with the organisation's core values.

### **A4. Verification of information**

As part of our sustainability commitments, SQM reports to various bodies such as CDP, Dow Jones Sustainability Index, SASB, Huella Chile, among others, reporting its emissions inventory, product carbon footprint, corporate carbon footprint, water, and energy consumption, among other indicators. In an exercise of transparency, SQM verified the 2023 lithium product carbon footprint with PWC Chile and the Nitrate-iodine products with Deloitte, while the 2023 Sustainability Report was verified by Deloitte. The carbon footprint of the 2022 products was verified by KPMG Auditores Consultores SpA. The assurance standards applied are:

1. GRI Standard
2. IPCC Guidelines for National Greenhouse Gas Inventories (2006)
3. GHG Protocol
4. ISO 14.064 on Greenhouse Gases
5. ISO 14.040 for Life Cycle Assessment

The Figure 1 shows the Board's oversight and C-suit responsibilities of climate-related risks and opportunities.

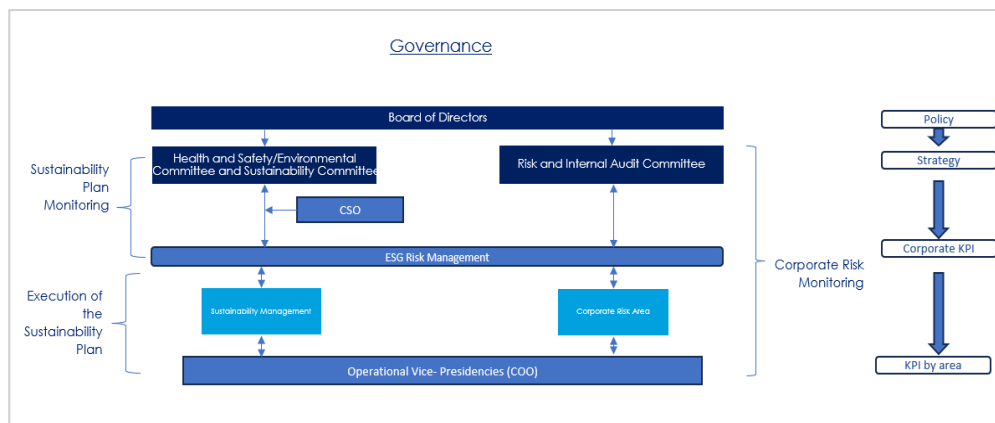


Figure 1 Board's oversight and C-suite responsibilities of climate-related risks and opportunities

## B. Describe management's role in assessing and managing climate-related risks and opportunities.

Position or Committee	Roles and Responsibilities
Risk and Internal Audit Committee	The purpose of the audit and financial risk committee is to assist the board in its responsibilities related to financial reporting and substantive controls within the company. This committee is comprised of three directors and must hold at least four meetings per year.
Safety, Health and Environment Committee (SHE)	<p>The purpose of the Safety, Health and Environment Committee (the "SHE") is to assist the Board in fulfilling its responsibilities to review and recommend policies relating to safety, health, environmental, sustainability and social issues affecting the Company. The SHE shall be composed of three Directors and meet quarterly.</p> <p>Responsibilities of the SHE includes, but are not limited to:</p> <ul style="list-style-type: none"> <li>(a) Periodically review the Company's safety, health, environmental, and sustainability policies and, as appropriate, recommend changes to such policies to the Board of Directors or management. In defining policy indicators and reporting, the Board ensures that international standards such as the Global Reporting Initiative, or equivalent, have been followed.</li> <li>(b) receive and review, at least annually, written reports from management on the status of compliance with the Company's safety, health, environmental and sustainability policies, and on compliance with all applicable regulatory requirements.</li> <li>(c) receive and review, at least annually, reports from management on any material non-compliance with the Company's safety, health, environmental and sustainability policies, or any material non-compliance with any applicable regulatory requirements.</li> <li>(d) Review monthly management reports received by the Board, which list any occurrence of a material environmental, health or safety incident that should be reported to the appropriate regulatory authorities. If deemed necessary by a member of the SHE, convene a meeting with relevant staff to receive further information detailing the nature of the incident and outlining corrective actions.</li> <li>(e) Review the Company's safety, health, environmental and security emergency response planning management procedures; and</li> <li>(f) Receive and review, at least annually, an assessment of identified organisational, social, gender or cultural barriers that may be inhibiting the natural diversity that would have occurred without these barriers.</li> </ul>





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Risk Management*

Position or Committee	Roles and Responsibilities
Chief Sustainability Officer (CSO)	Chief Sustainability officer (CSO) is responsible for overseeing and coordinating the implementation of the plans related to the sustainability strategy, from which the management report to the Board of Directors is generated.
Chief Operating Officer (COO)	The Chief Operating Officer (COO) is responsible for managing the identified risks together with the related specific production plans and opportunities.
Corporate Risk Management	The Risk Management Department reports to the Chief Executive Officer and is responsible for ensuring the identification and justification of risk assessment, including climate analysis for all areas of the business. To achieve this, the necessary controls must be put in place to mitigate the risks inherent in our operations.
Sustainability Management	<p>Sustainability Management oversees the development of the specific sub-plans for each area through the team in charge of:</p> <ul style="list-style-type: none"> <li>a) Managing key environmental, social and governance indicators.</li> <li>b) Manage with operations the initiatives to meet the established goals and commitments.</li> <li>c) Establish high quality ESG verified reporting and certifications, including best practices within operations.</li> </ul> <p>This team manages the implementation of plans for each administrative and operational management, within which the main advances in GHG mitigation initiatives, water and waste, communication plans, certifications, research, and development, among others, are presented on a bimonthly basis. Sustainability committees are chaired by the Sustainability Manager, with the participation of all managers, vice presidents and the company's General Manager, in order to align objectives and generate synergies with all areas.</p>



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## 2. Strategy

During 2020 we developed our sustainability strategy, which we launched in October of that year as an essential part of our business strategy and as part of our sixth strategic pillar. In addition, we implemented the new sustainability value that governs our work in all our activities.

The challenge we set ourselves is very demanding and is in line with the growing global need to take urgent climate action to combat the most pessimistic scenarios. That is why our strategy is to provide the world with the products that will support the low-carbon transition with the lowest environmental impact along with the resilience of our operations and the environment. We seek for all our business lines to be the company with the lowest carbon footprint in the market, which we have established in our 2030 carbon neutrality goals for lithium products and 2040 for all our products.

As a company strongly related to the production of essential solutions for industries that are supporting sustainable human progress, the use of climate-related scenario analysis is fundamental to consider and better understand how resilient we are in each of our lines of business to future uncertainties and how we take better advantage of the opportunities derived. This is because we operate mainly in Chile, where we meet 7 of the 9 vulnerability criteria according to the United Nations.

On the other hand, based on the potential increases in demand and because climate risks may be accentuated along with new regulations in the countries where we operate, we are continuously analyzing our production capacities, yield improvements and continuously analyzing new processing technologies.

As part of our lithium business strategy, by the end of 2023, we joined S&P's Climonomics platform to analyze and quantify climate risks in our physical assets. This data was integrated into our economic decisions, promoting an equitable transition to a low-carbon economy.

To this end, the analysis of the current and potential impact of risks and opportunities on the business is relevant to reinforce our strategy and the organization's financial planning where appropriate. The time horizons defined for this type of assessment are as follows:

Definition	Time Horizon	Description
Short Term	0-1 year	The short term is defined by the operating and expense budget of the company based on a time horizon of 1 year, period in which the result is projected based on the various items, operations, projects and initiatives that are presented and approved by the CEO and the Board of Directors.
Medium Term	2-5 years	The medium term is defined considering a range of 2 to 5 years and is given by the horizon in which investment plans are evaluated, based on demand and supply projections in each of the business lines, operational risks, and future environmental authorizations, estimates of mining reserves and activations of the various deposits.
Long Term	6-30 years	The long term is defined by the organization considering more than 6 years and the objective is to be able to evaluate the availability of resources for this period of time, search for alternative deposits, qualitatively evaluate the risks associated with this availability, new technologies and their effects on business and operations.

## A. Describe the climate-related risks and opportunities identified by the organization in the short, medium and long term.

The main climate-related risks we identified are defined based on the categorization of physical threats derived from climate change and those of the transition to a low-carbon economy that together may have financial effects on the organization.

The physical risks arising from climate change are listed below:

### A.1 Physical Risks

**Short and medium term:** the different threats derived from climate change are linked to effects in the short and medium term, for which we are conducting various assessments to avoid the materialization of significant impacts. For these time horizons, they are mainly associated with extreme weather events that increase in intensity and frequency associated with acute physical risks. Some examples:

Climate Threat	Exposed Factors	Climate Related Risks
Increased number of storm surges	Port/Operations	Increased number of extreme weather events involving port closures such as storm surges affecting our product outflows or raw material inflows
Heavy rains	Operation/ Infrastructure/ Environment	Increase in extreme meteorological phenomena such as intense rains in short periods of time and localized rains that imply road closure events, infrastructure problems both for our operations and for the environment in which we operate, including our communities.
Floods	Workers/ Communities	Increase of meteorological phenomena of high-altitude rains that may generate road closures or problems in the environment that affect our monitoring infrastructure and our neighboring communities.
Heat waves	Workers	Increase in maximum temperature events above the historical average affecting our workers in terms of occupational health and safety.
Strong Winds	Operation/ Infrastructure/ Environment	Increase in extreme meteorological phenomena associated with strong winds that affect our operations and workers.

- **Medium-Long Term:** The medium and long-term threats are mainly related to chronic risks derived from climate change, which, based on an increase in global average temperatures together with a general decrease in rainfall in the areas where we operate, generate the following climate-related risks, for example:

Climate Threat	Exposed Factors	Climate Related Risks
Drought	Operation/ Environment	Changes in precipitation regimes and extreme variability in weather patterns that generate less recharge of the aquifers from which we obtain our water supply, affecting our production.
Rise in temperatures	Workers/ Communities	Increase in the average temperature that affects our workers in terms of occupational health and safety, implying an increase in costs and/or affecting our people.





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## A.2 Transition Risks

Transition risks are associated with a lithium and fertilizer market that is very necessary to meet the world's sustainable development objectives and the urgent action to decarbonization, therefore, they are aligned with state public policies such as the climate framework law in Chile, the Carbon Border Adjustment Mechanism, greater completeness in the supply chain of products including carbon and water footprint and due diligence on Human Rights among others that are listed as follow:

Time Horizon	Category	Climate related risks
Short - medium term	Policy and Legal	<ul style="list-style-type: none"><li>- New entry barriers to our products</li><li>- Increased mandatory reporting</li><li>- Increased carbon pricing (green tax)</li><li>- Exposure to litigation</li></ul>
Long Term	Technology Risk	<ul style="list-style-type: none"><li>- Substitution of existing products with other low-emission options</li><li>- Energy transition costs</li></ul>
Short - medium term	Market Risk	<ul style="list-style-type: none"><li>- Increased ESG expectations of our customers</li><li>- Increased raw material costs</li></ul>
Short - medium term	Reputation Risk	<ul style="list-style-type: none"><li>- Stigmatization of the sector</li><li>- Increased stakeholder concerns or negative feedback from stakeholders</li></ul>

## A.3 Opportunities

With the objective of promoting an active climate response to avoid exceeding 1.5°C of global warming with respect to the pre-industrial era corresponding to a transition to a low-carbon economy, this implies an enormous opportunity for our company from the point of view of greater customer concern to achieve products with a lower carbon and water footprint and a more sustainable transportation would positively affect the demand for our products.

That is why we are projecting an increase in demand for all our business lines, such as: a) the development of electromobility which implies a greater use of lithium batteries, increasing the demand and prices for both lithium hydroxide and lithium carbonate supplied by our company. b) Considering SDG 7 implies the need for the development of energy storage for those variable renewable energy sources such as solar or wind, the increase of the storage battery market (UPS) and the development of concentrating solar power plants (CSP) as an opportunity considering that the salts used to store energy correspond to a mixture of our sodium and potassium nitrate salts. c) To increase crop yields, reduce deforestation through better soil use and better water use is a need that our water-soluble fertilizer products allow us to achieve by increasing future demand.

On the other hand, opportunities regarding resource efficiency such as promoting more efficient use of transportation in our operations, reducing water consumption, and promoting the Circular Economy in our company are great opportunities that we are implementing.



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## B. Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning.

According to the risks derived from the climate established in the previous section, the potential impact on our operations is analyzed from the physical point of view in our operations and environment, and on the other hand, potential commercial impacts and changes in business strategy. These implications are shown below:

### B.1 Physical Risks

Climate Threat	Exposed Factors	Potential business impact
Drought	Operation/Environment	SQM's access to water may be affected by geological changes, climate change and/or other natural factors that imply a reduction of recharge water in the wells or rivers from which we obtain this resource for our operation. These factors are beyond our control. The use of seawater for present and future operations could increase our operating costs. Any such change could have a material adverse effect on our business, financial condition and results of operations.
Rise in temperatures	Workers/Communities	Increased average temperatures could lead to a change in process efficiency and worker health, higher electrical energy consumption needed to condition spaces and therefore higher GHG emissions against our sustainability strategy. All the above implies adjusting our BAU scenario and therefore delving into more initiatives.
Increased number of storm surges	Port / Operations	Problems in the transportation of products to our customers due to port closures. It could also affect our critical inputs and we could have delays in the arrival of ships. This could imply higher operational costs and eventually unavailability of raw materials if we do not have sufficient storage capacity, leading to a decrease in our production.
Heavy Rains	Operations/Infrastructure/Environment	Intense rains in short periods of time could affect operating costs, increase accident rates, problems with dispatching between plants, production plans, increase capital expenditures, among others. Additionally, it may have an impact on the environment in our community works and relocation of personnel residing there.
Floodings	Workers/Communities	Increased health and safety risk both at the worker level affecting safety indices that may also generate increased capital costs (e.g., damage to facilities or negative impacts on economic issues in neighbouring communities).
Heat Waves	Workers	Increased health and safety risk where it generates increased negative impacts affecting personnel, e.g., health, safety, absenteeism.
Strong Winds	Operations	Increased health and safety risk in which there is an increase in negative impacts affecting personnel or associated with delays in activities and damage to infrastructure involving increased capital expenditures.



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## B.2 Transition Risks

Time Horizon	Category	Potential Business Impact
Short- Medium Term	Policy and Legal	<ul style="list-style-type: none"><li>• New entry barriers to our products considering criteria that imply the need to perform an LCA (product life cycle analysis) and a carbon and water footprint value under certain limits. An example of this is the EU's Border Carbon Adjustment Mechanism (CBAM) that would be fully implemented as of 2026 within which we analyze its applicability of our products and although it may not apply, it corresponds to examples of emerging regulation that our company constantly analyzes and we expect them to prevail along with the need to be more ambitious in any of the countries in which we operate.</li><li>• Increased mandatory reporting that includes climate issues. One example corresponds to the Commission for the Financial Market (CMF) of Chile, is updating from regulation 30 to regulation 386 that regulates the content of the annual report of companies listed in the stock market, which will incorporate mandatory disclosure of multiple ESG issues including climate.</li><li>• Increase in carbon price (green tax): we consider that the current carbon tax in Chile could be modified for a value higher than the currently considered value of 5 [USD/ton] considering approaching the ETS prices in Europe or the social price of carbon in Chile which is currently around 33 [USD/ton].</li><li>• Changes in the criteria for payment of the green tax: we consider that in order to accelerate the low carbon transition and support compliance with the carbon neutrality goals imposed in Chile and other countries, a change in the criteria could be generated, also incorporating Scope 2 or 3 of the companies. An example of this change of criteria in Chile corresponds to Law 21.210 on tax modernization, which seeks to consider as threshold criteria those above 25,000 tons of CO<sub>2</sub> and 100 tons of PM, in addition to considering the offsetting of emissions as a transition instrument.</li><li>• Changes to the Chilean Constitution could impact a wide range of rights, including mining rights and water rights, and could affect our business, financial conditions, and results of operations. on December 12, 2022, almost all political parties represented at the National Congress agreed upon the basis for the drafting and the approval of a new Constitution. This agreement led to the approval of Law No. 21,533, which was published in the Official Gazette on January 17, 2023. Law No. 21,533 creates the following institutions: (i) a Commission of Experts; (ii) a Constitutional Council; and (iii) an Admissibility Technical Committee. The Commission of Experts will be responsible for writing a preliminary draft, which will be used by the Constitutional Council as basis for the discussion and composition of a proposal of new Constitution. As a result of the new constituent process, a wide range of rights could potentially be under consideration for reform, including mining rights and water rights. There can be no assurance that the Constitutional Council will agree on a proposal of new Constitution that will be approved by the Chilean citizens on December 17, 2023. It can be neither affirmed that the Chilean citizens will approve any kind of proposal of new Constitution to replace the current one. Any changes to rights under a new Chilean Constitution could change the political situation of Chile and affect the Chilean economy and the business outlook for the country generally and our business, results of operations, and financial conditions.</li><li>• Legal risk is relevant to the company and all our projects both in Chile and the rest of the world in which the legal team and the risk management area constantly consider any potential non-compliance along with the identification of new regulations such as license applications, permits and authorizations needed to develop our assets and projects. In addition, we are constantly considering new regulations, permits and authorizations required to develop our assets and projects. These processes could face increased scrutiny and be challenged by third parties for greater and stricter concerns including climate, which would also result in longer processing times and stricter compliance on climate, energy efficiency and other issues. On the other hand, a greater awareness of environmental institutions considers the request that each new project consider a climate change scenario to know the physical risks derived from climate such as water availability in each of our operations. In addition, mining and production companies are increasingly subject to litigation related to heightened sustainability and climate change concerns, within which SQM could be affected.</li><li>• Potential delays in the entry of new projects due to increased regulations involving climate change, which implies greater understanding on the part of regulators and the public.</li></ul>



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Time Horizon	Category	Potential Business Impact
Long Term	Technology Risk	<ul style="list-style-type: none"><li>• Our internal teams are constantly analyzing the technological development and possible energy storage alternatives, among which the development of low-emission hydrogen for transportation, such as the development of sodium batteries or other alternatives that could reduce the demand for our products. However, as of today, the potential risks mentioned do not correspond to a threat considering that the development of hydrogen for transportation would correspond to another segment, mainly large tonnage transportation, which is still under development, such as sodium batteries, where in the short and medium term it would not represent a decrease in the demand for our lithium products.</li><li>• Within our sustainability strategy we have identified that technological developments also have the potential to impact our operations, which could imply higher capital expenditure or investment in research and development in low-emission technologies to meet our commitments. This risk would materialize if there is no competitively priced development such that adoption is slow and therefore could impact our voluntary commitments or result in higher costs to the company. On the other hand, if low-carbon technology advances rapidly, there are also opportunities to reduce costs, improve productivity and reduce local pollutants, among other benefits.</li></ul>
Short-medium Term	Market Risk	<ul style="list-style-type: none"><li>• An increase in customer expectations regarding ESG issues we have observed continuously which implies higher costs such as managing physical audits such as the Responsible Mining Audit (IRMA).</li><li>• Increased uncertainty in raw materials could occur with respect to costs in the short term, which implies an increase in our operating costs.</li></ul>
Short-medium time	Reputation Risk	<ul style="list-style-type: none"><li>• Our company, through the sustainability strategy and the objectives declared in October 2020, could be affected by reputational risks in case we do not comply or there is no evidence of progress in our sustainability commitments, such as the reduction of greenhouse gases, water, failure to achieve certifications or lower scores in environmental, social or governance assessments, which could generate reputational risks and affect the markets. To avoid the materialization of this risk, the sustainability management team and all areas involved show progress in the sustainability committees, which ensure compliance with our internal and external commitments to mitigate this risk.</li><li>• Another reputational risk corresponds to the stigmatization of the production companies operating in South America and due to the lack of knowledge of the general market or a strong negative marketing strategy of the industry, we are unable to promote our production processes and our strong sustainability commitments.</li><li>• The loss of stakeholder support could have various effects such as: restricted access to capital for the development of our projects; adverse impacts to the environment, communities and social welfare, which could affect our relationships and be viewed negatively by the community and other stakeholders and damage our reputation; lower contribution to the State of Chile through a decrease in our sales considering that we contribute a proportion of our sales through rents and taxes and thus accentuate a negative perception; opposition to our projects from communities that could include legal or social actions, or others that could imply loss of business opportunities; inability to attract new talent or retain existing talent due to the company's low credibility.</li></ul>

## C. Describe the resilience of the organization's strategy, taking into account different climate-related scenarios such as a scenario with 2°C or less.

In order to analyze the impacts on the business, we have separated the analysis by considering scenarios related to transition risks towards a low-carbon economy and others associated with potential physical risks that could affect our operations.

### C.1 Analysis of physical risk scenarios

In order to evaluate potential physical risks of climate change, we used quantitative scenarios associated with the most pessimistic scenario that would denote a climate action of the world in general associated with an RCP 8.5 scenario. We have used these analyses based on public information and our own studies for all our operations in Chile and we intend to deepen the analysis during this year. In particular, we have used information from the Climate Risk Atlas (ARClm) developed by the Chilean Ministry of the Environment. This tool estimates climatic variables, which quantify the occurrence of certain adverse weather conditions based on the daily distribution of atmospheric variables considering an RCP 8.5 scenario. We performed the analysis for our 5 major facilities and the main results of the simulations are shown below for the area closest to our operations.

In order to analyze the impacts on the business, we have separated the analysis by considering scenarios related to the risks of transition to a low-carbon economy and others associated with the scenarios show generalized trends regarding the increase in maximum temperatures in all the nearby areas where we have operations. The communes closest to SQM's facilities are listed in the **¡Error! No se encuentra el origen de la referencia.:**

*Table 1 Communes close to SQM's facilities.*

Commune	Closest SQM Operation
San Pedro Atacama	Salar de Atacama/ LiCl & KCL Production
Pozo Almonte	Nueva Victoria/ Iodine & NaNO <sub>3</sub> Production
María Elena	Coya Sur/ KNO <sub>3</sub> y NaNO <sub>3</sub> , Solar Salts Production
Tocopilla	Puerto Tocopilla/ Maritime operations
Antofagasta	Planta Química Carmen/ Li <sub>2</sub> CO <sub>3</sub> y LiOH Production

According to ARClm tool, the maximum temperature projections are shown in the

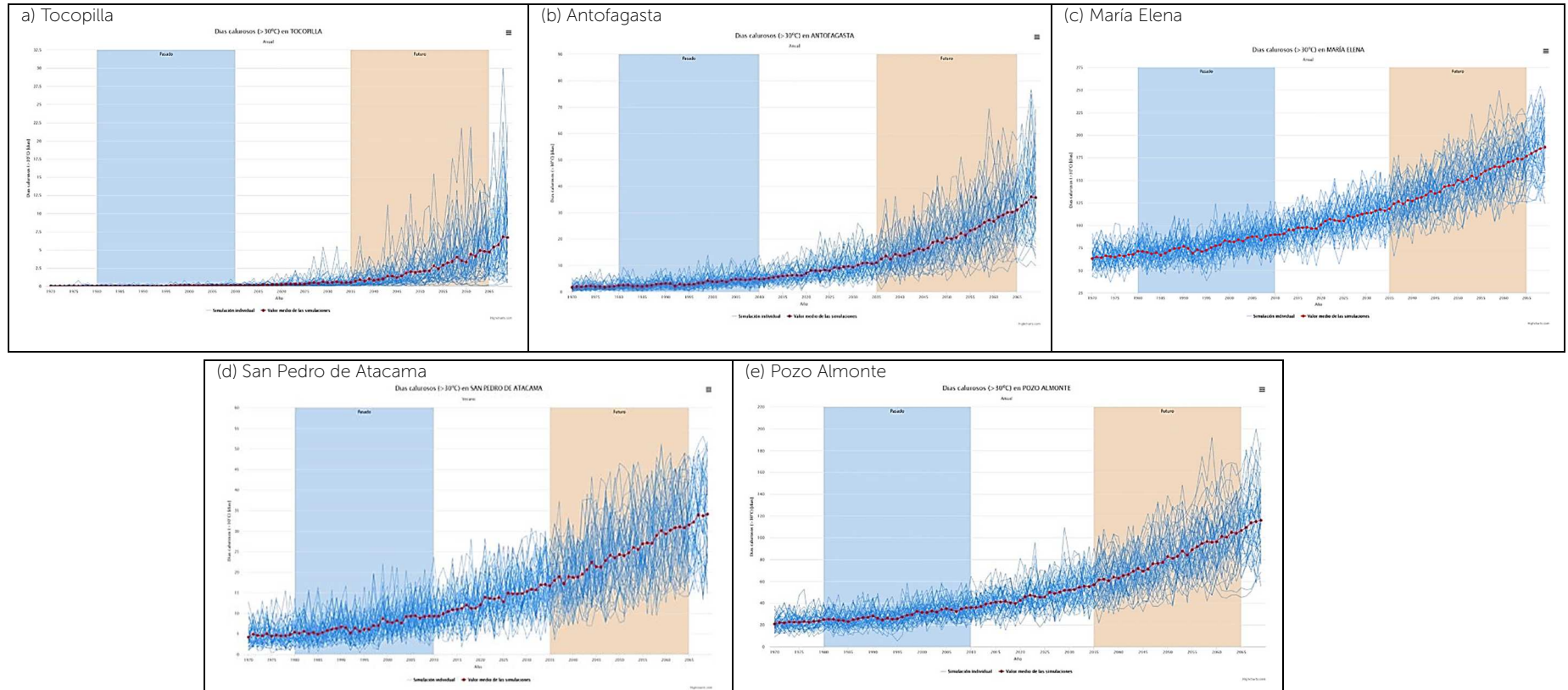


Figure 2: Increase in maximum temperatures in communes close to SQM's facilities according to ARClm projections.

Although we would be almost doubling the average number of **hot days above 30°C** at all our sites, the emergency plans have been continuously incorporating measures to avoid events such as thermal shocks that affect workers' health.

On the other hand, intense precipitation, which could be increased according to the models, activates gullies, as a sporadic runoff event with torrential and superficial characteristics, which is formed in arid-subarid areas, and intensifies due to the effect of the conditions and properties of the soil with little development due to the scarcity of water.

Alluviums, which are a type of sudden movement of earth mixed with water, are characterized by rapid and violent flows capable of dragging rocks and other materials down a ravine or riverbed. These occur when water accumulates rapidly in the ground because of heavy rain or sudden thaws, turning the terrain into a fast-flowing river of mud.



For these reasons, we have worked on analyzing the current and potential risks with respect to this type of event. Below is a map with the 500 m contour lines of the streams surrounding the commune. The **¡Error! No se encuentra el origen de la referencia.** shows the areas where there are steeper slopes and, therefore, allow for greater velocity and greater material dragging.

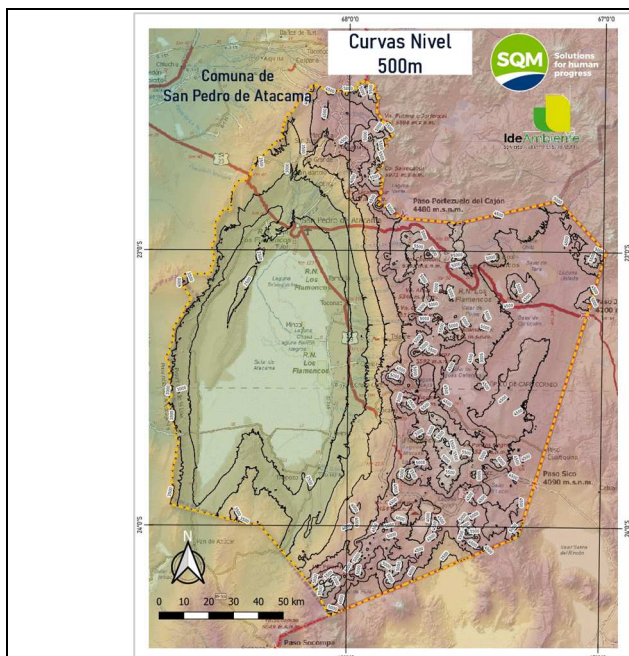


Figure 3: San Pedro de Atacama commune with steeper slopes and potential alluvium risk.

The **¡Error! No se encuentra el origen de la referencia.** shows the areas where there are steeper slopes and, therefore, allow for greater velocity and greater material dragging.

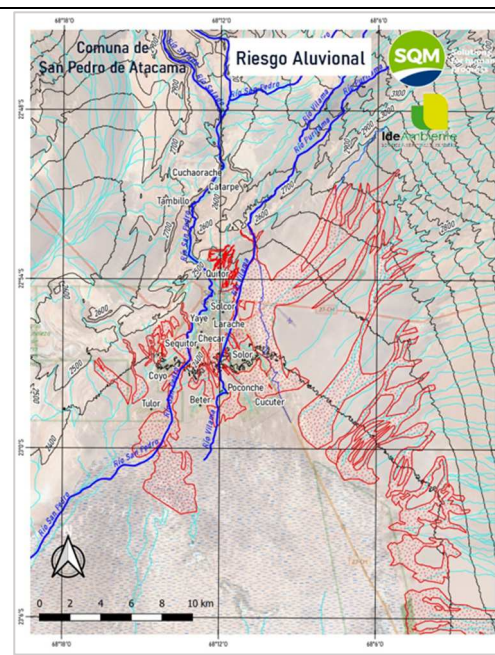


Figure 4: San Pedro de Atacama commune with highest alluvium risk

The eastern zone of the commune is the one with the steepest slopes. Below **¡Error! No se encuentra el origen de la referencia.** is a map showing the risk zones for this phenomenon. The red colour shows the area's most at risk from alluvium.

According to the figure above, the areas with the highest risk of alluvial flooding correspond to the northern and eastern sectors of the commune of San Pedro de Atacama; therefore, the area of SQM Salar S.A. would not be affected in the event of a large-scale alluvial or flooding event. For this reason, we have focused on the effects on communities and the environment by supporting local emergency plans and integrating them with those of the community and companies aligned with the United Nations APELL initiative.

**Regarding water resources,** from our analyses, we have determined that the greatest long-term effect considering pessimistic scenarios is associated with water resources at the sites where we are located, affecting recharge and making the shared use with other actors in the basins where we operate even more latent.

In accordance with the use of tools to analyze water stress, we have reviewed the Acqueduct water risk atlas for all our operations in the northern zone, which shows that they are all located in areas of high or extremely high-water stress.

Aqueduct water Risk Atlas is a publicly available global database and interactive tool that maps indicators of water-Related risks. Aqueduct enables comparison across large geographies to identify regions that are vulnerable to water resources. The methodology used to generate the hydrological metrics and indicators that uses a framework of 12 global indicators grouped into three categories of risk including indicators of water quantity, water variability, water quality, public awareness of water issues, access to water and ecosystem vulnerability. The Figure 5 shows the overall water risk for the northern of Chile:

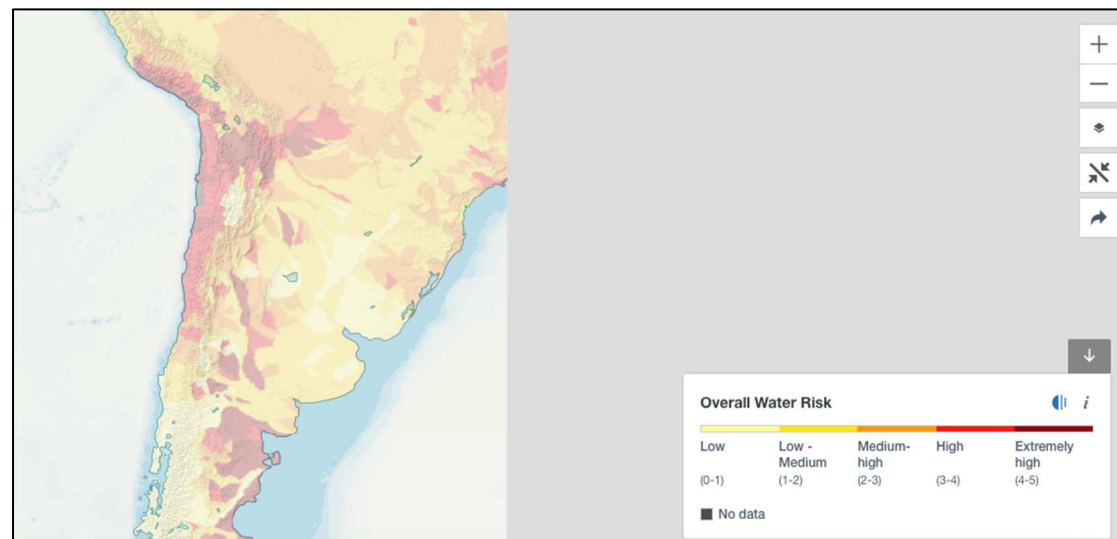


Figure 5 Aqueduct water Risk Atlas for northern of Chile.

Considering that according to this tool we already see this impact and, in order to prepare for the more pessimistic scenarios, our response is focused on the risks to this resource in the area:

### Water effects and SQM's response

Potential main risk and our response are shown below:

- Commune of San Pedro de Atacama, Salar de Atacama facilit

At the end of 2022, SQM carried out the Environmental Impact Study for the plan to reduce extraction in the Salar de Atacama, where the effect of Climate Change (CC) was addressed in the environmental assessment:

- o Conceptualization of the application of CC in the Salar de Atacama basin, identifying which elements of the water balance will be affected by climate change and how this was addressed in the numerical models.
- o Methodology and selection of global circulation model and recharge estimation that best represent the expected precipitation and temperature behavior in the Salar de Atacama.
- o Numerical model simulations with the results of the effect of climate change on the hydrogeology component, i.e. how the change in recharge and evaporation (due to the increase in temperature) will be reflected in the groundwater levels. They are presented for each of the seven models developed, considering the following scenarios (1) the effect of CC alone (no pumping), (2) the effect of CC added to the base case situation (RCA 226/2006) and (3) the effect of CC added to the situation with the project, which reduces the brine and freshwater pumping flow by 50%.
- o Among the main results:
- o The selection process delivered the following 3 GCMs as representative of the basin: i) CNRM-CM5, ii) MIROC-ESM and iii) NorESM1-M.
- o For impact assessment purposes, the MIROC-ESM model was selected, whose projections present the most conservative conditions from an environmental point of view, i.e. it estimates the largest decreases in precipitation in the future, with consequent decreases in aquifer recharge. MIROC estimates a 5% increase in precipitation for the period 2021-2030, a 5% reduction for the period 2031-2065 and a 7% reduction for the period 2066-2100, all with respect to historical recharge.
  - Simulations were carried out including the project pumping and the authorized pumping (RCA 226/2006), considering the CC. The results show that: i) additional centimetric declines are generated in the marginal zone; ii) in the order of 1 to 1.5 m in the core; and, iii) in the order of 0.5 m in the eastern part of the eastern edge. All wells show significantly lower drawdowns for the project simulation than those of RCA 226/2006 between 0.5 and 1 m, in line with the decrease in water and brine pumping flow.
- o The background information is available on the website of the Servicio de Evaluación de Impacto Ambiental, SEIA.

In a scenario of water scarcity or a significant drop in aquifer levels, the unavailability of water to operate at the Salar de Atacama site, the production of lithium chloride solution would be halted, as well as the production of lithium carbonate and hydroxide at the chemical plant located in Antofagasta. The financial impact is an estimated and reported present value of the potential sales revenue that SQM would lose, considering the estimated production of lithium carbonate and lithium hydroxide in the period 2024 - 2030. A conservative price for lithium carbonate of around USD 20 per kilogram was considered.

SQM has reduced water withdrawal by 50%, reducing consumption from 240 l/s in 2019 to less than 120 l/s (3,425 Ml) in 2022. The Salar de Atacama site has implemented various measures to optimise water consumption, such as the "Industrial Water Supply Report, "Daily Industrial Water Supply Report" and "Daily Industrial Water Consumption Report".

In addition, projects are being executed, in the basic engineering phase, to replace inland water consumption and recover water from the extracted brine: "Salar Futuro": project to guarantee the feasibility of the long-term production system, developing Direct Lithium Extraction technologies (DLE), supply of desalinated seawater, supply of renewable electricity, electricity integration project, water distribution project and environmental impact studies. Strategic project to increase the possibility of extending the lithium operation and sales contract in the long term.

Lithium and water recovery from brine: increase lithium yield by ~10% compared to a base case by increasing overall lithium and water recovery SQM has provided about \$10 million for the technical feasibility of the implementation of the "Salar Futuro" project and about \$17 million for lithium and brine water recovery projects. These are currently underway and will lay the groundwork for future facilities at the site. Preliminary could cost close to 1.5 billion.

- **Commune of Antofagasta, Lithium Chemical Plant facility.**

The El Carmen lithium chemical plant, located in the city of Antofagasta, is the facility where lithium chloride solution is refined and converted into lithium carbonate and hydroxide. The water is used for the thermal requirements of hot water and steam, as well as a dilution medium in chemical reactions.

The area is water scarce and there is no surface or groundwater available for industrial operations, and for this reason, SQM uses wastewater from the city of Antofagasta for recycling in the production process, as well as purchasing water from third parties, which comes from desalination plants.

Given the water scarcity scenario, the unavailability of water rights in the area and the dependence on third parties for water supply, water is a strategic input for the operations of the chemical plant and the production of lithium products and future expansion projects, in which lithium carbonate production capacity will triple and lithium hydroxide production will increase fivefold by 2025/2026.

The El Carmen lithium chemical plant is the site for refining and conversion of the lithium chloride solution from the Salar de Atacama facility. The inability to operate due to water unavailability or problems with water supply from the city of Antofagasta, or from ultrapure water suppliers, would impact on the production of lithium carbonate and hydroxide. The estimated financial impact is the same as indicated for the Salar de Atacama site risks.

The financial impact is an estimated and reported present value of the potential sales revenue that SQM would lose, considering the estimated production of lithium carbonate and lithium hydroxide in the period 2024 - 2030. A conservative price for lithium carbonate of around USD 20 per kilogram was considered.

In 2023, the El Carmen lithium chemical plant started operating the solution recovery plant (PRS) that will recover lithium and water to be reused in the process. The maximum water recovery capacity is 500 Ml, which is expected to reduce purchased water consumption by 40% to 60%. The recovered water comes from the carbonation reaction waste stream, which will be treated to recover the residual lithium in addition to recovering the water that initially comes from the lithium chloride solution that is fed to the plant.

- **Commune of Pozo Almonte, Nueva Victoria facility.**

Changes to the Chilean Constitution could impact a wide range of rights, including mining rights and water rights, and could affect our business, financial conditions, and results of operations.

On July 4, 2021, a Constitutional Convention was installed with the purpose of drafting a proposal of new Constitution within one year. The proposal drafted by the Constitutional Convention was submitted to a national compulsory plebiscite on September 4, 2022. This plebiscite resulted into the rejection of such proposal with 61.86% of voters rejecting the proposal drafted by the Constitutional Convention, and 37.14% of them approving it. Consequently, the 1980 Constitution remains in force.

However, on December 12, 2022, almost all political parties represented at the National Congress agreed upon the basis for the drafting and the approval of a new Constitution. This agreement led to the approval of Law No. 21,533, which was published in the Official Gazette on January 17, 2023. Law No. 21,533 creates the following institutions: (i) a Commission of Experts; (ii) a Constitutional Council; and (iii) an Admissibility Technical Committee. The Commission of Experts will be responsible for writing a preliminary draft, which will be used by the Constitutional Council as basis for the discussion and composition of a proposal of new Constitution.

As a result of the new constituent process, a wide range of rights could potentially be under consideration for reform, including mining rights and water rights. There can be no assurance that the Constitutional Council will agree on a proposal of new Constitution that will be approved by the Chilean citizens on December 17, 2023. It can be neither affirmed that the Chilean citizens will approve any kind of proposal of new Constitution to replace the current one. Any changes to rights under a new Chilean Constitution could change the political situation of Chile and affect the Chilean economy and the business outlook for the country generally and our business, results of operations, and financial conditions.

The Nueva Victoria mining operation, where Caliche ore is mined, uses water to extract the iodate and nitrate salts naturally present in the ore. The output solution contains around 40 to 60 grams per litre of iodate, which is sent to the iodide plants for conversion and to the iodine plants for refining. Without the availability of around 600 l/s of water for the leaching process, the 44 million tonnes of Caliche currently approved for mining could not be mined.

The financial impact is an estimated value reported in the present value of the potential sales revenue that SQM would lose, considering the estimated production of prill-format iodine in the period 2024 - 2030. A conservative iodine price of around USD 60 per kilogram was considered.



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The TEA Seawater Pipeline project would provide Nueva Victoria with 900 l/s of seawater by 2026, completely replacing the use of inland water from underground wells. This will provide flexibility for the leaching operation and improve yields for iodine and nitrates.

Higher water availability provided by the Seawater Pipeline allows:

- o The extension of leaching periods on the current operation.
- o Increasing yields and useful life of Nueva Victoria mining site.
- o Maximizing the usage of assets and reducing the need for the construction of new evaporation ponds.
- o The reprocessing of about 600 million tonnes of out-of-operation heaps, at low cost, for the recovery of remaining iodine.

The total investment considers 86% for the seawater pumping system and 14% for the electrical systems and roads. Engineering works are divided into two parts, the first corresponds to marine engineering which starts 800 meters offshore at an intake bell and ends before the auxiliary pumping station. At this stage, seawater enters through a 1,200 mm HDPE pipeline. The engineering related to land works starts from the auxiliary pumping station and ends at the tap-off of Nueva Victoria. Initially, the water will be pumped through a buried pipeline until it reaches a plain.

## C.2 Analysis of transition risk scenarios

In order to analyze transition scenarios, we use various scenarios aligned with the important challenges and opportunities we have in terms of decarbonization. To this end, our business and sustainability teams are constantly analyzing the commitments and scenarios derived from the climate policies of the countries in which we have markets to estimate the future demand of all our business lines and their regulatory needs or expectations in order to be an important player in the markets.

This is fundamental considering that we participate in key industries that are positively impacted by aggressive climate change scenarios associated with a strong mitigation that will allow us not to exceed 1.5°C of global temperature with respect to the pre-industrial stage. To this end, we qualitatively and quantitatively analyze the transition scenarios to understand their potential effects and evaluate the potential future supply together with the announcements at the level of the strategies of the markets where we operate to estimate the global demand for our lines of business.

### C.2.1 Use of scenarios

Based on the analysis of assumptions derived from climate scenarios, in the case of lithium it is directly linked to the minerals needed to decarbonize the world and therefore we continuously estimate how much lithium the world will need through conservative analysis and optimistic scenarios. These scenarios are generally linked to the optimistic case (viewing it as our business opportunity) to reach Net Zero and a conservative baseline scenario related to climate action with existing policies such as the Set Policy Scenario (STEPS) which is conservative with respect to medium to long term actions. We generally perform these analyses with a 10-year outlook for business planning.

For this analysis of future demand, an estimate of future electric car sales and battery production for energy storage is made, together with the analysis of the other market participants. These analyses serve as guidelines for business decisions on our production capacity and the specific type of product required to meet estimated future demand. In addition, we are continuously seeking to be the producer with the lowest carbon footprint, so we are also implementing technological improvements to achieve carbon neutrality.

- Rationality of the selected scenario

- Net Zero scenario from the International Energy Agency based mainly on our commitment to the Race to Zero initiative and also because it is a very aggressive transition scenario towards a low-carbon economy that implies a strong political action that may involve risks in the areas where we operate, but also a positive scenario in opportunities associated with our business. Additionally, we have incorporated the BNEF NEO scenario that incorporates elements for the specific analysis for electric vehicles also aligned with the Electrical Vehicle

Outlook. As our main operations are located in Chile, this scenario is aligned with the country's ambition to be carbon neutral by 2050 and therefore also aligned with associated policies such as the new Climate Change Law that came into force during June 2022.

- STEPS scenario is selected as a conservative scenario in case the climate ambition and action is lower than what is required by science, so it is selected in case of exceeding 2°C.

However, from the use of these scenarios, the business is continuously updating the information on public commitments of countries and companies regarding climate issues, and battery and electric vehicle companies regarding their future production, in order to better adjust the scenarios.

### c.2.2 Implications of the use of scenarios

- **Net Zero:** A scenario that sets out a pathway to achieve zero CO<sub>2</sub> emissions by 2050. This scenario also meets the United Nations Sustainable Development Goals (SDGs) related to energy, in particular by achieving universal energy access by 2030 and significant improvements in air quality.
- **STEPS:** A scenario that reflects the current policy configuration based on a sector-by-sector assessment of existing policies, such as, as well as those that have been announced by governments around the world. The Stated Policy Scenario (STEPS) provides a more conservative benchmark for the future because it does not assume that governments will achieve all announced targets.

The main assumptions derived from the business-relevant assumptions of the NZ50 scenario are as follows:

Scenario NZE 2050		
Year	2030	2050
Expected temperature increase	1.5°C	1.5°C
Net carbon emissions [MMtCO <sub>2</sub> eq].	21.147	0
Population [MM people]	8.505	9.692
% Electric cars market	20%	86%
CSP installed capacity [GW]	73	426
Battery storage [GW]	585	3.097
Carbon Price [USD/tonCO <sub>2</sub> eq] <sup>1</sup>	15-90	55-200

The STEPS scenario indicates that the temperature in 2050 will be close to 2°C and the carbon price for Chile could be 15 USD/Tco<sub>2</sub> in 2030 and 30 USD/ton in 2050.

The main drivers for the business in both scenarios are listed below.

<sup>1</sup> STEPS sets the projected value in Chile, while NZ50 uses the range of other emerging economies and the largest emerging economies.





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Risk/Opportunity	Business Impact		Business Response
	Scenario [IEA Net Zero]	Scenario STEPS	
<b>TECHNOLOGICAL RISK</b> The emergence of new energy storage technologies that affect the demand for our lithium products.	<b>Low impact.</b> A scenario of high climate ambition requires new technologies to achieve its objectives, so lithium would undoubtedly be essential to support clean technologies in electric vehicles and energy storage systems (BESS). This high ambition could generate alternatives such as fuel cell or other energy storage technologies, which should be focused on some segments. Example: fuel cell in long range transport, sodium batteries in low energy density storage.	<b>Low impact.</b> In this scenario, the emergence of new technologies is low because from an economic and performance point of view, lithium batteries have already reached a sufficient level to be massively adopted by the market. Should a better performing and economically attractive technology appear, it could have a negative impact on lithium demand.	The business is continually analyzing new forms of production, analyzing other technologies to anticipate future product demand, including assessing potential new market share or estimating production capacities
<b>REPUTATIONAL RISK</b> Stakeholder concern about sustainable production	<b>Medium Impact</b> Stakeholders could question or halt the production of materials and inputs necessary for the production of lithium batteries due to preconceptions of the production sector, misunderstandings of production impacts or unsubstantiated reasons.	<b>Medium Impact</b> Stakeholders could question or halt the production of materials and inputs necessary for the production of lithium batteries due to preconceptions of the production sector, misunderstandings of production impacts or unsubstantiated reasons.	The business seeks to transmit and make transparent with real and verifiable information all its production processes, its measurable impacts, and evaluate the benefits of new technologies that could improve both production efficiency and reduce any impact. Within this we conducted multiple studies regarding life cycle analysis of our products, which show that we are the lowest in water and carbon along with transparent information on our website <a href="http://www.sqmsenlinea.com">www.sqmsenlinea.com</a> regarding the care of the Salar de Atacama.
<b>MARKET OPPORTUNITY</b> Growth in all of our business lines, preferably with respect to the demand for lithium and solar salts.	<b>High Impact.</b> Demand for lithium and solar salts would continue to be strong in the short, medium and long term. In particular, according to this scenario ( <a href="https://www.iea.org/data-and-statistics/data-tools/critical-minerals-data-explorer">https://www.iea.org/data-and-statistics/data-tools/critical-minerals-data-explorer</a> ), demand for lithium would grow more than 10 times by 2040 compared to 2022, with a strong increase in demand for battery storage, in addition to electric vehicles.	<b>Medium impact.</b> Demand for our products could be lower and therefore our growth and investments should be constantly re-evaluated. Implies growth in lithium demand of 4 times from 2022 to 2040 with low development of Grid Battery Storage use.	Both scenarios show a significant growth in lithium demand, so the business is looking to invest heavily, as we have been doing in recent years, in increasing current production capacity, and in exploring and evaluating new production sources in different parts of the world, in order to meet future needs. In particular, during the year, we also announced expansion plans that will allow us to increase our capacity to 210,000 tons of lithium carbonate by 2023 and 100,000 tons of lithium hydroxide by 2025. In addition, we are looking to produce 30,000 metric tons of lithium sulfate in China, as well as the development and construction of the 50,000 metric tons of lithium hydroxide Mt. Holland project in Western Australia.
<b>POLITICAL/LEGAL RISK</b> Carbon pricing mechanisms in the countries where we operate	<b>High Impact</b>	<b>Medium impact</b> Carbon tax presents a sharp increase so our projected emissions over a	Our sustainability strategy seeks carbon neutrality by 2040 for all our products and by 2030 for Lithium. This is aligned with science-based targets of no more

Risk/Opportunity	Business Impact		Business Response
	Scenario [IEA Net Zero]	Scenario STEPS	
or sharp increases in carbon prices.	Carbon tax presents a strong increase so our projected emissions on a BAU close to 2030 of 2 MMtCO <sub>2</sub> eq could be strongly affected.	BAU close to 2030 of 2 MMtCO <sub>2</sub> eq could be affected under this scenario, although less so than the Net Zero scenario.	than a 1.5°C increase. Therefore, we are implementing a series of initiatives to reduce GHG emissions in order to meet our commitments, which will also allow us to be more resilient to strong regulatory change scenarios such as the carbon tax.
POLITICAL/LEGAL RISK International regulations associated with climate change that create an entry barrier for our products in the destination markets. For example: Border carbon taxes	<b>High impact</b> In an urgent need scenario, our products that we market throughout the world could be affected by barriers to entry associated with carbon payments. Currently we have seen that the KNO <sub>3</sub> business line could be affected which under this scenario could apply to the rest of our business lines.	<b>Low impact.</b> In this scenario, the regulatory changes are less than those established in net zero, however, a portion of our products could be affected.	Our sustainability strategy seeks carbon neutrality by 2040 for all our products and by 2030 for Lithium. This is aligned with science-based targets of no more than a 1.5°C increase. Therefore, we are implementing a series of initiatives to reduce GHG emissions in order to meet our commitments, which will also allow us to be more resilient to strong regulatory change scenarios such as new carbon taxes.

### C.3 Climate Risk Adaptation Plan

The physical risks derived from climate change are mainly associated in the long term with drought in the places where we operate. For this reason, the following measures and projects are being developed, planned or implemented in order to reduce the vulnerability of our operations:

Risk	Exposed Factor	Adaptive management measures	Target to implement relevant adaptation measures [year]
Drought	Operations	<ol style="list-style-type: none"> <li><b>PRS Project.</b> In 2023, the El Carmen lithium chemical plant started operating the solution recovery plant (PRS) that will recover lithium and water to be reused in the process. The maximum water recovery capacity is 500 ML, which is expected to reduce purchased water consumption by 40% to 60%. The recovered water comes from the carbonation reaction waste stream, which will be treated to recover the residual lithium in addition to recovering the water that initially comes from the lithium chloride solution that is fed to the plant.</li> <li><b>Pile capping project,</b> The focus is to prevent water evaporation. From the data, 3 [l/s] (NV) is recovered per pile.</li> <li><b>Online monitoring:</b> (provide information on our water extraction, net brine extraction and historical records of the environmental monitoring we carry out in the area to evaluate and avoid potential effects of our operation, other actors and natural phenomena such as climate change in the protection zones). This information is available at <a href="http://www.sqmsenlinea.com">www.sqmsenlinea.com</a></li> </ol> <p><b>TEA Seawater Project:</b> it would provide Nueva Victoria with 900 l/s of seawater by 2026, completely replacing the use of inland water from underground wells. This will provide flexibility for the leaching operation and improve yields for iodine and nitrates. Higher water availability provided by the Seawater Pipeline allows the extension of leaching periods on the current operation.- Increasing yields and useful life of Nueva Victoria mining site.- Maximizing the usage of assets and reducing the need for the construction of new evaporation</p>	Less than 5 years



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Risk	Exposed Factor	Adaptive management measures	Target to implement relevant adaptation measures [year]
		ponds.- The reprocessing of about 600 million tonnes of out-of-operation heaps, at low cost, for the recovery of remaining iodine.	
		<p>1. <b>Salar Futuro (Salar de Atacama):</b> corresponds to a sustainable innovation project that considers the development of new technologies to extract lithium, which implies a zero water footprint in this process, in addition to achieving carbon neutrality.</p> <p>This innovation incorporates the implementation of Advanced Evaporation Technologies (TEA) with mechanical evaporation equipment for a significant part of brines from the Salar; Direct Lithium Extraction (DLE) for less brine extraction and reinjection; improvements in yields to increase by 5% or more the production of lithium carbonate and lithium hydroxide from lithium chloride solutions; and the use of seawater in conjunction with a desalination plant. All of the above, in order to ensure a positive water balance in the Salar de Atacama basin, thus achieving the preservation and care of local ecosystems. With the technological changes under study, the total evaporated water equivalent is significantly reduced, which is compensated with the contribution of desalinated seawater and the use of continental water is reduced to zero.</p>	5 to 10 years
Droughts	Surrounding areas	<p>Part of our responsibility within the places where we operate is our relationship with the communities and therefore support the emergency plans integrated with the municipality. Therefore, the projects developed are:</p> <p>1. <b>Emergency Plans in communities:</b> In 2021, we conducted a risk analysis for the Salar de Atacama mine activities as part of the company's commitments to the Awareness and Preparedness for Emergencies at Local Level (APELL), required by the Initiative for Responsible Mining Assurance (IRMA) standard, whose purpose is to manage risks and hazards to prevent contingencies or accidents and be prepared for any natural or anthropogenic threat, with the participation of local authorities and communities. In 2022, the final version of the Salar de Atacama Emergency Response Plan was approved and presented to the communities of Toconao, Socaire, Peine, Camar, Talabre and the Municipality of San Pedro de Atacama. In addition, an update was made that included a communication flow chart in accordance with APELL guidelines. The communities can submit comments or observations on the emergency plan. The first version of the plan received comments from the community of Peine, who requested more information on the link between the community and the emergency response. We have worked together with the communities to draw up emergency plans focused on each community in particular, given the natural risks identified in the report developed by Ideambiente. Currently, the community of Talabre is in the training and drill planning stage, Camar is in the public participation period for its observations, and the community of Socaire is in the process of developing its emergency plan. For 2023, we expect to hold workshops for the development of emergency plans in the communities of Peine and Toconao. We will also continue to work in a responsible and transparent manner to ensure the implementation and updating of our plans in line with international best practices.</p> <p>2. In the community of Quillagua, we worked on the expansion of its water collection dam, reaching 40 million liters of water to provide an ongoing supply and boost agricultural and livestock activity. In addition, irrigation canals in the valley were cleaned and we supported the Rural Drinking Water Committee for the administration and maintenance of its drinking water plant.</p>	5 to 10 years



Risk	Exposed Factor	Adaptive management measures	Target to implement relevant adaptation measures [year]
		<p>3. The Rural Drinking Water Committee of San Pedro de Atacama is a non-profit organization in charge of the Hydraulic Works Department, which is in charge of supplying drinking water to the town of San Pedro de Atacama. Since the year 2022 and assuming a new board of directors, the joint work begins with the purpose of solving with a sense of urgency, the stability of the service of drinking water supply to the town, since the committee was in economic crisis and making daily water cuts to the population.</p> <p>-Connections: 2500. With the third well, 1200 more can be connected.</p> <p>-2 operational wells: 60 l/s</p> <p>-1 well to be connected: 32 l/s. As long as it is as backup.</p> <p>-Drinking water distributed: 45 l/s</p> <p>-Water loss: 15 l/s</p> <p>-Current village demand: 45 l/s</p> <p>-Water cuts in the village: 0</p> <p>Inhabitants: 10,000 approx. / floating population: 15,000 approx.</p>	
Surges	Operations	<p>Installation of sensors for sea condition reading and forecasting. Due to climate change, storm surges and adverse sea conditions are becoming increasingly frequent along our coasts, significantly affecting operations at our port. In our ongoing commitment to operational safety, we have implemented an advanced sensor network that objectively assesses sea conditions in real time. This allows us to operate within safe parameters and ensure the safety of our operations.</p> <p>Using collected data, bathymetry, nautical charts and other tools, we have been able to model our bay and develop a reliable local forecast that allows us to anticipate swells up to 7 days in advance. We are working on extending this horizon to 16 days to provide an even more accurate forecast.</p>	Less than 5 years
Strong winds, heat waves, heavy rains.	Operations	<p>SQM has developed an emergency plan that establishes a comprehensive action framework for the coordinated management of activities and actions related to warning, response and rehabilitation. This plan is designed to effectively and efficiently address possible emergency situations or disasters that may arise at our facilities, with the objective of minimizing their impact on both the company and the environment.</p> <p>In response to these risks, emergency sub-plans have been developed that include the creation of a risk matrix. This matrix allows us to identify hazards, evaluate risks, determine the probability of occurrence, assess vulnerabilities and measure the possible impacts that an emergency at SQM's facilities could generate.</p>	Less than 5 years



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### 3. Risk Management

#### A. Process of Identification and Assessment of Risk related to Climate Change

##### A.1 Risk identification and analysis process

The Vice-Presidencies are responsible for identifying, assessing, quantifying and communicating the risks associated with their activity and the defined objectives, as well as for defining controls and risk treatment, each risk being assigned responsibilities and defined deadlines, and for monitoring control and its main risks.

The risk analysis includes the study of the causes and consequences in the event of risk materialization. A risk may have multiple causes and consequences, which may affect more than one risk, so its correct identification will provide an in-depth analysis of the risk and its possible consequences, both qualitative and quantitative.

All critical risks related to the Company's strategic objectives must be subjected to a cause-consequence analysis, which must be recorded in a Bow-Tie file, which will help to better identify the controls that mitigate such risk. This analysis will be reviewed at least semi-annually. The Senior Vice President, the area responsible for the risk and the Internal Audit and Risk Management Leader participate in these reviews.

Based on the risk analysis, an inventory is derived that encompasses six categories: Occupational Health and Safety, Environment, Financial Aspects, Legal and Regulatory Compliance, Reputation and Public Image, as well as Communities and Operations.

The specific risks related to climate change are identified by the sustainability area in conjunction with the operational areas in which climate threats in operations are analysed together with the analysis of the exposed factors, in order to subsequently determine the control measures and the risk itself, considering both physical and transitional risks.

##### A.2 Risk assessment process

Once the risk inventory has been completed, the Business Risk Management Area and the Sustainability area will assist the areas in assessing their risks. The risk assessment consists of determining two dimensions for each risk: the probability of occurrence and the impact on the Company if the risk materializes.

The risk assessment is first performed on the basis of the inherent risk, to document the impact and probability that the controls do not measure, or if they do not operate satisfactorily. Then, the residual risk is evaluated, considering the mitigation actions proposed by the vice presidencies.

During the risk assessment, the vice presidencies must identify the Control Activities associated with each risk, so that the Business Risk Management Area and the Sustainability area can document the specific controls for each risk.

Upon completion of the identification of controls, the Business Risk Management Area will send each Vice-Presidency the matrix with its residual value. The identification and evaluation process will be carried out annually. It is the responsibility of the Business Risk Management Area to coordinate this cycle, direct it, participate in it, support it and provide methodological advice.

### A.3 Process applied to Physical Risk

The physical risks associated with climate change use the methodology of probability by consequence, which are associated with the quantification of exposure and vulnerability for each hazard, according to the definition provided by the IPCC 2014 report, where exposure corresponds to the presence of people, livelihoods, species or ecosystems, functions, services and environmental resources, infrastructure or economic, social or cultural assets that are in a position to be negatively affected. While vulnerability corresponds to the propensity or predisposition to be negatively affected. This concept encompasses a series of elements including sensitivity or susceptibility to damage and the lack of capacity to cope and adapt.

### A.4 Process applied to transition risk/opportunities

Risks associated with corporate strategy (legal and market risks). The risks and opportunities of transition at the national and international level are continuously assessed, applying new regulations and management tools that have an impact on the business but also open up new opportunities.

## B. Climate Change Risk Management

SQM has incorporated climate change adjusted to the corporate risk management process, which is built taking into account international standards such as ISO 31,000 and COSO ERM, which allows us to identify, evaluate, treat, monitor and communicate risks, in order to reduce their materialization or reduce their probability of occurrence.

The risk management framework and guidelines established by SQM is to manage in a methodological way to identify, prioritize and report material issues, where we identified climate change as a priority issue during 2022. Our analysis considered both internal and external approaches, interviews with stakeholders, document review and sectoral analysis, among others. As a result of this work, we found that the priority material issues associated with climate change are greenhouse gas emissions and the life cycle analysis of our products. From these analyses, we extract information that allows us to strengthen our sustainability strategy and develop the required action plans.

The management process is integrated by Policy, procedures and monitoring of key indicators for risks defined as extreme (high level), and will monitor these indicators, raising the corresponding alerts to the Risk Management Committee, when an indicator is close to or has exceeded the defined limits.

SQM promotes its risk management culture in business risk assessment workshops for the entire organization, focusing on methodological processes consisting of six stages: 1. Identification of business risk inventory; 2. In addition, quarterly reports are made to the Risk Committee to present progress and once a year risk management is presented to the Board of Directors of SQM.

## C. Integration of processes to identify, assess and manage climate-related risks into the overall risk management of the organization.

The Sustainable Development Plan, launched publicly during October 2020, was born out of our commitment to the new demands and expectations in environmental, social, and corporate governance matters and under the conviction of our contribution as a company immersed within the industries that are changing the world. This plan was developed based on the United Nations Sustainable Development Goals and the United Nations Convention on Climate Change Agreement (COP21) and reinforces our commitment and the work we have done to ensure our production activities are in harmony with the environment, the surrounding communities, and our people.

Understanding climate change as a whole as an important global challenge, we have strengthened our political commitment with the publication of our Sustainability, Ethics and Human Rights Policy, in which we establish both the mitigation of greenhouse gases and the adaptation of our operations and production and logistics processes according to the specific needs and risks of each project, incorporating climate change among the factors of periodic risk assessment, in order to identify, evaluate and successfully manage the possible impacts of the growing effects of climate change.



It is crucial at the national level to maintain rigorous control over emissions, as their consequences could trigger a series of serious effects. Among these effects are the possible increase in drought, the increase in frost events, the manifestation of intense rainfall in short periods of time, the increase in sea level, the reduction of the precipitation period, the resurgence of forest fires and the loss of biodiversity in both flora and fauna. In addition to these detrimental effects on the environment, there would also be significant economic impacts. These effects, taken together, constitute a risk of considerable magnitude for SQM's activities and the continuity of its supply chain with its business partners.

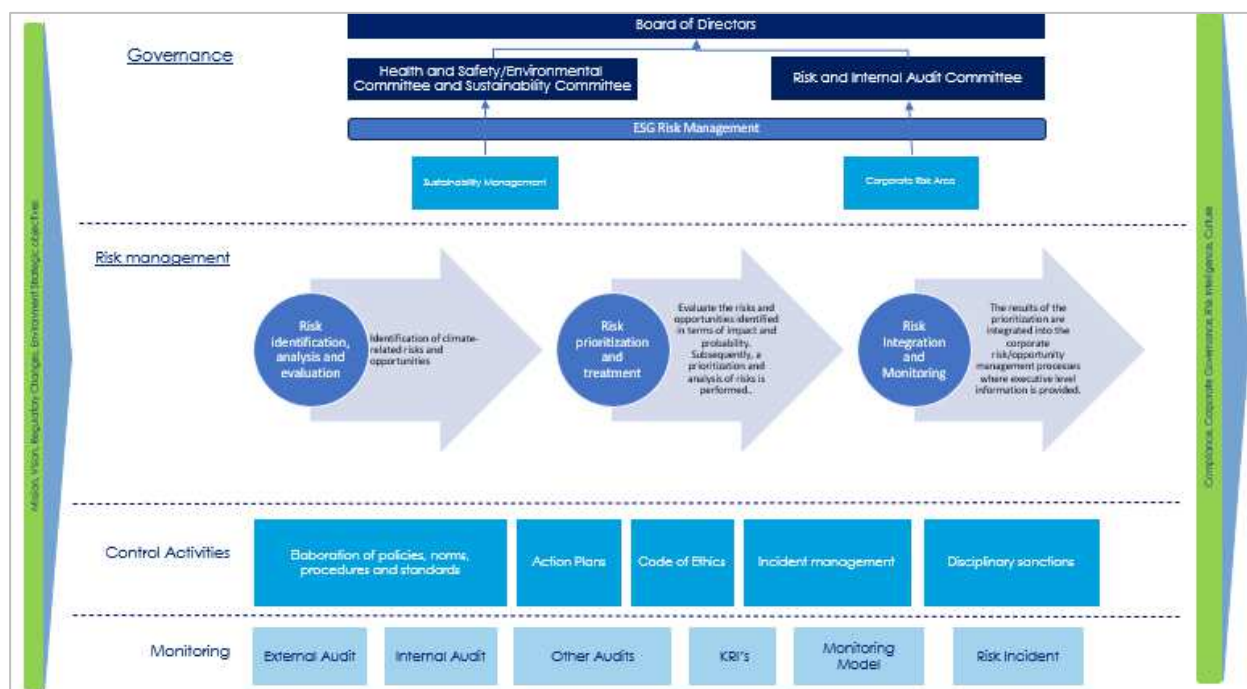


Figure 6: Risk analysis diagram.

## 4. Metrics and Targets

### A. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

SQM estimates direct GHG emissions resulting from the combustion of fuels in stationary or fixed sources purchased directly by our organization, such as boilers, furnaces, dryers among others. Emissions associated with generators, machinery and generators that are stationary and use fossil fuels for their operation were included.

Emissions related to scope 2, SQM uses the market-based methodology and the emission factor that our electric power supplier provided. According to the location-based methodology, electricity consumption is considered to come from the local energy matrix according to the location of each facility and the emission factor from the national grid. Table 2 shows the data for the Lithium and Nitrate-Iodine business for the period 2021 and 2022, corresponding to Scope 1, Scope 2 and Scope 3.

Table 2: SQM absolute emissions and intensity figures

Item	Unit	2021	2022	Year-to-Year Variation [2021-2022]
Absolute Emissions				
Scope 1	tCO <sub>2e</sub>	286,572	300,299	5%
Scope 2 - MB <sup>2</sup>	tCO <sub>2e</sub>	509,107	508,077	0%
Scope 2 - LB <sup>3</sup>	tCO <sub>2e</sub>	234,100	177,384	-24%
Scope 3 <sup>4</sup>	tCO <sub>2e</sub>	3,137,097*	3,518,079*	12%
Total (Considering MB)	tCO <sub>2e</sub>	3,932,776	4,326,455	10%
Total (Considering LB)	tCO <sub>2e</sub>	3,657,768	3,995,763	9%
Intensity Figures				
Production Intensity (Considering MB)	tCO <sub>2e</sub> /Ton	1.76	2.50	42%
Production Intensity (Considering LB)	tCO <sub>2e</sub> /Ton	1.64	2.31	41%
Sales Intensity (Considering MB)	tCO <sub>2e</sub> /MMUSD	1,373.98	403.94	-71%
Sales Intensity (Considering LB)	tCO <sub>2e</sub> /MMUSD	1,277.91	373.07	-71%

<sup>2</sup> MB: Market-Based

<sup>3</sup> LB: Location-Based

<sup>4</sup> The total inventory of scope 3 was not included in the Sustainability Report 2022 as it was under development at the time of publication.

Table 3 shows the Lithium business data for the period 2021, 2022 and 2023, corresponding to Scope 1, Scope 2 and Scope 3.

*Table 3: SQM's absolute emissions and intensity figures for the lithium business*

Item	Unit	2021	2022	2023	Year-to-Year Variation [2022-2023]
Absolute Emissions					
Scope 1	tCO <sub>2e</sub>	97,770	108,025	128,630	19%
Scope 2 - MB <sup>5</sup>	tCO <sub>2e</sub>	214,515	217,038	251,114	16%
Scope 2 - LB <sup>6</sup>	tCO <sub>2e</sub>	98,598	75,860	73,269	-3%
Scope 3 <sup>7</sup>	tCO <sub>2e</sub>	1,150,011	1,332,815	1,476,288	11%
Total (Considering MB)	tCO <sub>2e</sub>	1,462,296	1,657,878	1,856,033	12%
Total (Considering LB)	tCO <sub>2e</sub>	1,346,379	1,516,699	1,678,188	11%
Intensity Figures					
Production Intensity (Considering MB)	tCO <sub>2e</sub> /Ton	13.49	10.87	11.23	3%
Production Intensity (Considering LB)	tCO <sub>2e</sub> /Ton	13.77	14.04	13.05	-7%
Sales Intensity (Considering MB)	tCO <sub>2e</sub> /MMUSD	973.05	166.91	472.44	183%
Sales Intensity (Considering LB)	tCO <sub>2e</sub> /MMUSD	895.91	152.70	427.17	180%

SQM estimated the total scope 3 emissions inventory by assessing the applicability of the 15 categories described by the GHG Protocol and estimating 11 categories that apply<sup>8</sup> to SQM. The table 4 shows the estimated categories for the Lithium and Nitrate-Iodine business for the period 2021 and 2022.

<sup>5</sup> MB: Market-Based

<sup>6</sup> LB: Location-Based

<sup>7</sup> The total inventory of scope 3 was not included in the Sustainability Report 2023 as it was under development at the time of publication.

<sup>8</sup> Categories that do not apply and were not estimated:

- Category 8: Upstream leased assets.
- Category 11: Use of sold products.
- Category 13: Downstream leased assets
- Category 14: Franchises.

Table 4: SQM Scope 3 inventory FY2021 and FY2022

Scope 3	Name	2021, tCO <sub>2e</sub>	2022, tCO <sub>2e</sub>
Category 1	Purchased goods and services	466,706	589,047
Category 2	Capital Goods	22,176	121,584
Category 3	Fuel-and-energy-related activities	61,311	68,084
Category 4	Upstream transportation and distribution	644,796	437,477
Category 5	Waste generated in operations	4,817	8,637
Category 6	Business travel	1,470	1,796
Category 7	Employee commuting	13,002	11,220
Category 9	Downstream transportation and distribution	173,425	207,333
Category 10	Processing of sold products	738,978	1,129,658
Category 11	Use of sold products	1,008,340	941,159
Category 15	Investments	2,075	2,084
TOTAL		3,137,097	3,518,079

The Scope 3 categories "Processing of sold products", the category "Use of sold products" and the category "Purchase of goods and services" represent 75.6% of the total Scope 3.

For the case of the category "Processing of sold products", the methodology was based on the mass sold of each product and the types of downstream processing reported with each product. The emission factor associated with lithium products and its derivatives corresponds to 7.58 tCO<sub>2</sub> per ton of lithium sold by SQM. In the case of iodine, the factor reaches a value of 4.60 tCO<sub>2e</sub> per ton of iodine sold by SQM. From the total amount of emissions, Lithium products and its derivatives contribute 1,092,276 tCO<sub>2e</sub> while iodine and its derivatives contribute 37,383 tCO<sub>2e</sub>. Since lithium products have battery production (cathode production) as their main market, they are the main contributor in this category.

The category use of sold products includes the emissions associated with the use that the final consumer gives to the products sold directly, without the need for additional processing, where fertilizers are the only SQM products that apply in this category. Emissions associated with the application of fertilizers sold by SQM to the soil were considered. The calculation was based on the mass of fertilizers that are applied to the soil and the percentage of nitrogen that each contains. The commercial products contributing the most emissions to this category in 2022 are QROP with 332,570 tCO<sub>2e</sub>; KNO<sub>3</sub> with 325,624 tCO<sub>2e</sub> and other nitrate products with 111,406 tCO<sub>2e</sub>.

Other relevant categories are category 1 "Purchased Goods and Services", category 4 and 9 associated with "upstream and downstream freight transport and distribution" and category 2 "Capital Goods". In total, these 6 categories account for 97% of the total 2022 scope 3 inventory, equivalent to 3,426,258 tCO<sub>2e</sub>.

SQM Salar S.A. (lithium business) estimated the total scope 3 emissions inventory by evaluating the applicability of the 15 categories described by the GHG Protocol and estimating 11 categories that apply to SQM. Table 5 shows the estimated categories for the period 2021, 2022 and 2023.

Table 5: SQM Scope 3 FY2021, FY2022 and FY 2023 lithium business inventory.

Scope 3	Name	2021, tCO <sub>2e</sub>	2022, tCO <sub>2e</sub>	2023, tCO <sub>2e</sub>	Year-to-Year Variation [2022-2023]
Category 1	Purchased goods and services	322,390	432,250	531,773	23%
Category 2	Capital Goods	7,140	43,098	53,179	23%
Category 3	Fuel-and-energy-related activities	65,943	68,564	78,045	14%
Category 4	Upstream transportation and distribution	415,158	403,130	373,560	-7%
Category 5	Waste generated in operations	1,889	6,225	2,817	-55%
Category 6	Business travel	354	721	1,845	156%
Category 7	Employee commuting	2,706	3,074	7,806	154%
Category 9	Downstream transportation and distribution	142,436	107,864	139,779	30%
Category 10	Processing of sold products	190,741	265,909	285,195	7%
Category 12	End-of-life treatment of sold products	1,254	1,979	2,290	16%
TOTAL		1,150,011	1,332,815	1,476,288	11%

The Scope 3 categories "Purchase of goods and services", the category "Upstream transportation and distribution" and the category "Processing of sold products" represent 80.64% of the total Scope 3.

Category 12, "End-of-life treatment of sold products," includes emissions associated with the life cycle of lithium, an essential component in lithium-ion batteries used in electric vehicles and electronic devices.

Other relevant categories are category 1 "Purchased Goods and Services", category 2 "Capital Goods", category 3 "Fuel-and-energy-related activities", category 4 and 9 "upstream and downstream freight transport and distribution", category 10 "Processing of sold products". In total, these 6 categories account for 95.4% of the total 2023 scope 3 inventory, equivalent to 1,461,530tCO<sub>2e</sub>.

## B. Carbon Price

SQM has set an internal price for carbon dioxide emissions at US\$15 for each ton of carbon dioxide emitted.

The price was determined considering the analysis of emission reduction alternatives through a marginal abatement curve where the cost per unit abated for our operations was determined to be close to US\$10-15/ ton.

In addition, this also considered the current green tax system (SIV in Spanish) and its future change of criteria from a technological one -boilers and turbines- to an emission one, with a cut-off threshold of 25 kCO<sub>2e</sub>.

Other international regulations have also been integrated into the price, such as the European Union's Carbon Border Adjustment Mechanism (CBAM), which will tax the importation of various goods produced outside the European Union, including fertilizers. This involves analyzing the potential affected emissions projected for each SQM operation plus the company's sustainability objectives.



The internal price on emissions is used as a criterion in the evaluation of the different types of projects to be executed in the calendar year, in order to promote and strengthen alternatives that are more sustainable, i.e., that have a lower impact on emissions, and that eventually are more costly without the inclusion of this internal tax.

## C. Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.

### Objectives of the Sustainability Plan

Our Sustainability Plan commits us to new requirements and expectations regarding the environment, society, and governance. Our plan is based on the UN Sustainable Development Goals, complemented by a series of initiatives designed to ensure our harmonious coexistence with the environment, the communities located near our operations and our own workers.

Our 3 pillars:

- Our environment
- Contribution to sustainable industries
- Our people

### Products that contribute to decarbonization

SQM is in the process of increasing its lithium carbonate and lithium hydroxide production capacity to meet the expected demand to produce electric cars globally. By 2025, lithium carbonate production is expected to increase by 150% compared to 2021; the same situation for lithium hydroxide products, where production is expected to increase by 750% by 2026.

Due to the need to supply the growing demand for lithium products to produce electric cars, SQM increased its production capacity by 42% in 2022 compared to 2021, with a total of 154,000 tonnes of LCE. This means an increase in absolute Scope 1 and Scope 2 emissions of 22% in 2022 (+26,000 tCO<sub>2</sub>e) compared to 2021. In Scope 3, the main source of emissions is the consumption of soda ash in the carbonation process, which increased its consumption by 50% compared to 2021 (+162,000 tCO<sub>2</sub>e).

### Lowest carbon footprint in the market

SQM joined the Race To Zero program in 2021 and has committed to the 1.5°C ambition in the short term. This year marks the 24-month deadline for submitting the compliance form and strategy for decarbonization. In this respect, the targets will cover 100% of Scope 1 and Scope 2 emissions with a cumulative reduction of 42% by 2031.

The lithium product business line is undergoing a strong production growth process, with the aim of contributing to decarbonization with the increase in electromobility and the demand for lithium for battery production. By 2026, lithium carbonate production is expected to increase by 100%, reaching a production of 240,000 tonnes per year, while lithium hydroxide production is expected to reach 97,000 tonnes. This increase in production will push Scope 1 and Scope 2 emissions upwards as fossil fuels and grid-sourced electricity will continue to be used until 2026 – 2027.

The Scope 3 represents more than 40% of the total emissions inventory. Therefore, SQM seeks to manage 67% of the total inventory, assessing which category could have higher management beyond the required 67%.



SQM is evaluating submitting a physical intensity target (tCO<sub>2</sub>e per tonne of product), estimating a minimum reduction of 7% per year, achieving a 70% reduction of 67% of the total scope 3 inventory.

Of the categories considered, category 8, category 12, category 13, and Category 14 have not been included, as they do not apply to SQM's reality and business. Likewise, of the total emissions of the scope 3 inventory, it was estimated that for the base year, it was 3.232 million tons of CO<sub>2</sub>e, where the most important categories are category 10, processing of products sold, and category 11, use of products sold. Lithium products, being part of the battery production value chain, are the line that contributes the most emissions to Category 10 (22.9% of the total, while fertilizer products and their direct application and use in agriculture are the most important products in Category 11, accounting for 31.2% of the total scope 3. Category 11 is a category with FLAG targets that are in the process of being evaluated for the submission of SQM's form and targets to the Race to Zero program.

The lithium products business line is in a strong process of increasing production, with the aim of contributing to decarbonization with the increase in electromobility and the demand for lithium for battery production. By 2026, lithium carbonate production is expected to increase by 100%, reaching a production of 240,000 tons per year, while lithium hydroxide production is expected to reach 97,000 tons. This increase in production will push Scope 3 emissions upwards, especially emissions associated with Category 10 "use of products sold" as well as Category 2 "capital goods", due to the expansion process of the El Carmen lithium chemical plant facilities.

Of the total base year inventory (2021), emissions from Category 10 and Category 11 represent 54.1% of the total, which imposes a major challenge for SQM and the realization of commitments with SQM's customers in the processing of lithium products, as well as an increase in the efficiency of use of agricultural products such as fertilizers.

SQM's new decarbonization pathway will be submitted to the Race to Zero program in October 2023 for evaluation and validation. The new pathway will be presented to SQM's Board of Directors to estimate the necessary investment that the company must make to achieve carbon neutrality targets by updating the marginal abatement curve, considering the new decarbonization alternatives. With the new decarbonization pathway, SQM will continue to deliver to its customers products with one of the lowest carbon footprints in the market.

Table 6: SQM's products carbon footprint FY2023 and FY2022<sup>9</sup>

Indicators Assured	Carbon footprint intensity [ton CO <sub>2</sub> eq/ton]
Li <sub>2</sub> CO <sub>3</sub> *	4.25
LiOH*H <sub>2</sub> O*	8.42
MOP*	0.21
Li <sub>2</sub> SO <sub>4</sub> *	0.37
SOP**	0,28
Prilled Potassium Nitrate**	0.56
Dried Potassium Nitrate**	0.42
Prilled Sodium Nitrate**	0.65
Dried Sodium Nitrate**	0.51

\* Carbon footprint inventory of products for the period from January 1 to December 31, 2023, validated by PWC under the ISO 14067 standard.

<sup>9</sup> The categories included in the scope 3 emissions inventory update are not reflected in the 2022 sustainability report (available at: <https://www.sqm.com/wp-content/uploads/2023/05/SQM-Reporte-2022-v12.pdf>) because the update was not completed prior to the publication of the report. The verified categories that are incorporated in the 2022 Sustainability Report are: purchased goods and services (does not include tolling or other inputs), upstream and downstream transportation (includes only the movement of intermediate products between sites and movement of final products to destination in Chile) and employee commuting.

\*\* The 2022 product carbon footprint was verified by KPMG Auditores Consultores SpA under the ISO 14067 standard.

## D. Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.

Table 7: SQM's goal and progress related to climate risk and opportunities.

Issue	Goal	Progress
Climate Change	Carbon Neutral 2030 Lithium products: Scope 1 & 2 Emissions.	Given the growing demand for lithium for the production of electric vehicles, SQM has been in a process of expansion to meet the expected demand. By 2025, a maximum production of 240,000 tonnes of LCE will be reached. This implied an increase in absolute emissions in the short term, which meant an increase of +26,000 tCO <sub>2</sub> e between 2021 and 2022 due to a 42% increase in production.
Climate Change	Carbon Neutrality: Renewable energy source for electricity procurement.	In order to reduce scope 2 emissions, mainly through the purchase of electricity, SQM has signed a renewable energy contract for 30 MW of power. This renewable contract will cover the expected increase in consumption due to the expansion and growth of production of SQM's various products.
Climate Change	Sustainable Sourcing: Suppliers	SQM launched the supplier portal to evaluate the environmental, social and governance performance of its critical suppliers. It is a priority for SQM to evaluate its suppliers and have the best information available to initiate or maintain business relationships with all those who sell inputs or provide services to SQM. With the information gathered, SQM hopes to manage and reduce scope 3 emissions by purchasing inputs with a smaller footprint or encouraging its suppliers to improve their environmental performance.
Climate Change	Lowest Carbon Footprint: Customer management	During 2022, SQM received requests for information from 37 customers in the lithium products business line (out of a total of 269), especially producers of lithium batteries for electric vehicles, producers of battery cathodes and, to a lesser extent, producers of greases and lubricants and ceramic and glass products. In line with its sustainability, ethics and human rights policy and its responsible sourcing policy, SQM has provided specific information on its environmental, social and governance performance to all those who request it, as an exercise in transparency in these areas. The customers who consulted information are equivalent to 30.5% of the total tonnes of lithium carbonate and lithium hydroxide sold in 2022. In terms of emissions, SQM estimated emissions for lithium products in category 10, processing of products sold, for a total of 1.09 million tonnes of tCO <sub>2</sub> e. Of this total, customers who consulted information on SQM's performance are equivalent to 333,490 tonnes of CO <sub>2</sub> e, i.e., 9.5% of total scope 3 emissions. With this, SQM expects to better manage its Scope 3 category 10 emissions.
Climate Change	Lower Carbon Footprint: Displacement of fossil fuels	SQM is initiating studies to replace fossil fuel consumption with renewable or low-carbon alternatives. Projects such as "Power to Heat" seek to electrify boilers and dryers with electricity from a photovoltaic plant near the facilities.
Water Security	Water consumption reduction: 40% by 2030	SQM reduced its total water consumption (groundwater, surface water and water purchased from third parties) by -5.1% in 2022, which is equivalent to no longer extracting 51 l/s or consuming 1.63 million m <sup>3</sup> of water. This is due to the implementation: <ul style="list-style-type: none"> <li>- On-line monitoring for continuous monitoring of water extraction in Salar de Atacama.</li> <li>- Analyzing water consumption in the different production areas.</li> <li>- Creation of an "Industrial Water Supply Report" for each area of the Salar de Atacama.</li> </ul>



**Solutions  
for human  
progress**

*TCFD Report 2023  
Metrics and Targets*

Issue	Goal	Progress
		<ul style="list-style-type: none"> <li>- Change from a "Static Supply" to a "Daily Industrial Water Supply" for day and night shifts to adjust to variations in operations.</li> <li>- Creation of the "Plant Shutdown Standard", which consists of reporting the downtime and release of cubic meters of water so that it can be used, and industrial water can be provided to critical areas such as Ponds and Services.</li> <li>- Implementation of the "Daily Industrial Water Consumption Report".</li> <li>- Operational efficiencies in the Caliche heap leaching process for iodine and nitrate extraction.</li> </ul>
Water Security	Reduction of water consumption: Implementation of seawater supply	<p>TEA's seawater pipeline project would provide New Victoria with 900 l/s of seawater by 2026, completely replacing the use of inland water from underground wells. This will provide flexibility for the leaching operation and improve iodine and nitrate yields.</p> <p>The increased water availability provided by the seawater pipeline allows:</p> <ul style="list-style-type: none"> <li>- Extending the leaching periods in the current operation.</li> <li>- Increasing the throughput and mine life of the Nueva Victoria mine.</li> <li>- Maximizing asset utilization and reducing the need for construction of new evaporation ponds.</li> <li>- Reprocessing nearly 600 million tonnes of heaps out of operation, at low cost, for the recovery of the remaining iodine.</li> </ul>
Raw Materials	Brine Extraction: Reduce extraction by 50% by 2023.	Abstraction has been reduced by 25% by 2022, reaching a maximum reduction of 822 l/s by 2030.