



— LATAM AIRLINES GROUP —

# SUSTAINABILITY REPORT 2014



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OF THE BOARD OF DIRECTORS



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EXECUTIVE OFFICER (CEO)



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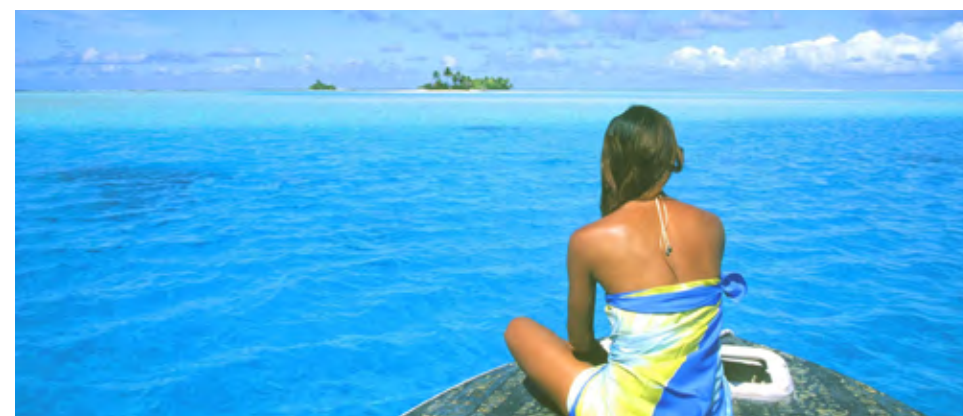
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# Message from the President of the Board of Directors

G4-1, 2, 15, 16

MESSAGE FROM THE PRESIDENT OF THE BOARD OF DIRECTORS	MESSAGE FROM THE CHIEF EXECUTIVE OFFICER (CEO)	LATAM AIRLINES GROUP	CORPORATE GOVERNANCE	FINANCIAL RESULTS	CLIENTS	ENVIRONMENT	SOCIETY	OUR STAFF	MANAGEMENT 2014 AWARDS	GRI CONTENTS	LETTER OF ASSURANCE
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We at LATAM Airlines Group have our roots and our identity grounded in Latin America. Leaders and key players in the Latin American aviation industry, and the only group of airlines in the world that operates in seven domestic markets within the same region – Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay and Peru — we want to keep expanding the flow and possibilities of passenger and freight transportation on the continent, facilitating its integration, economic growth and cultural enrichment.

In 2014, we established the guidelines that we will be following in years to come. We have defined an ambitious aspiration for 2018: to be one of the three biggest airlines in the world. To this end, we have built five strategic pillars, set forth in detail in this report, and defined the principles of the Group Culture, creating a corporate identity with unique values.

We are fully confident in both our growth as well as the development of the countries where we operate. Because of this, we maintain high levels of investment, notable among them, our fleet plan, which calls for a contribution of over US\$ 12 billion between 2014 and 2020.

Sustainability is built into our strategy, and we have defined three points for its management that will help us to accomplish our growth objective. The first, governance, encompasses the implementation of compliance and risk management policies. The second, climate change, involves setting up an environmental management system and adopting measures to reduce and control our impact on the environment. And the third, corporate citizenship, aims to steer our social investments towards projects with high impact results that have a direct bearing on our business.

In 2014 we registered some outstanding achievements in sustainability. LATAM Airlines Group reached the world level on the Dow Jones Sustainability Index (DJSI), distinguishing itself with the best performance in the industry in terms of ecoefficiency and climate change. Another very important advance was the reduction of approximately 300 thousand tons of greenhouse gas emissions, the result of our efficiency programs. We have also evolved in our management in this field, increasing our transparency still further, as proven by our results in the Global Compact protocol, Global Reporting Initiative (GRI), Carbon Disclosure Program (CDP) and GHG Protocol.



Knowing that we are among the best and largest global airlines requires not just good business results, but also a solid reputation and consistent socio-environmental practices that generate real value for all of our stakeholders. And this vision is fully integrated with our goals.

**Mauricio Amaro**  
President of the Board

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# Message from the Chief Executive Officer (CEO) of LATAM Airlines Group

G4-1, 2, 15, 16

The consolidation of LATAM Airlines Group as the best aviation group in Latin America has been our priority focus in recent years, and we have worked towards this goal in a consistent and disciplined fashion. We have achieved major advances on this path, and although it took longer than we expected to accomplish results, we also know that the merger of LAN and TAM was the most strategic decision we have made with a view to the long term. Beyond this, we have the firm conviction that LATAM Airlines Group is the best prepared airline group to confront a variety of scenarios, since we have a position in the region that is unique in the world.

All this is the result of many years of work, and demonstrates that we are on the right road to reach our objective, which is to position LATAM Airlines Group as one of the three most important airline groups in the world by 2018. To achieve this goal, we have drawn up a strategic plan based on critical success factors that make the most of our strengths and our great potential.

Our strategy has as its fundamental focus constant improvement of the customer experience at every stage of the journey, always seeking to differentiate ourselves in terms of service. In this context, we are approving investments of more than US\$ 100 million to expedite the use of technology at all points of



contact with passengers. Our goal is for passengers to be served simply, transparently and with total independence. Along the same lines, we are working to migrate to a new and unique brand, as well as to develop a unified culture, product and value proposal, which will enable LATAM Airlines Group to be perceived as a truly unique airline.

We are convinced that our people comprise the strongest differential for achieving these objectives. We have a team of passionate people focused on building a common culture, which is the basis for all of our operations, and is centered on safety for the customer, in the work of our team and in our experience in all spheres. This is how our organization has aligned itself with the goal of

delivering a differentiated value to clients, constantly surpassing our competitors.

As an organization, we have always worked to be the best option for anyone traveling in, to or from South America, striving unceasingly to upgrade our connectivity and strengthen our network. At the global level, there is no other group of airlines that has a presence in seven domestic markets on one single continent, as we do, to which are added our regional, international and freight operations. To make the most of this potential, we are working to increase connectivity within South America and strengthen our hubs in the region, especially at Guarulhos International Airport in São Paulo – main entranceway to South America -- as well as in Brasília and Lima.

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Add to this the redefinition of our cost structure, through which we endeavor to improve competitiveness and streamline the organization, increasing flexibility and speed of decision making; we have undertaken to work more simply in a culture of greater austerity. The goal is to reduce total costs by approximately US\$ 800 million by 2018, the equivalent of almost 5% of annual expenditures by LATAM Airlines Group, a savings added to the introduction of aircraft made with new technology. We seek to adopt better technology and become leaders in efficiency by reducing the number of aircraft and increasing capacity as we introduce larger models.

Today we have one of the world's youngest fleets, with an average age of seven years, which enables us to run a safe, efficient and more environmentally friendly operation, using equipment that consumes less fuel and significantly reducing CO<sub>2</sub> emissions.

In our effort to move forward in the domains of sustainability, I would like to underscore that in 2014 LATAM Airlines Group became the first airlines group in Latin America and second in the world to be listed on the Dow Jones Sustainability Index, the most important indicator at the global level in terms of sustainability. Today we comprise a select group of leading companies in this area. This is a great source

of pride, for it confirms our day-to-day commitment to all our stakeholders to build an airline that is transparent and responsible in economic, social and environmental terms.

We realize that the coming years will be complex and challenging in our region, impacted by lower economic growth and steep currency devaluations. However, we are convinced that the strategic plan we have mapped out and are implementing will enable us successfully to fulfill our long term objectives, getting past the difficulties that currently affect our markets and the volatility inherent to our environment. Knowing that we cannot remain at a distance from the realities of our industry and the region where we operate, we have prioritized proactive risk management, considering all of our stakeholders, convinced that a broad and comprehensive vision of the risks we face, together with management that is up to the task, are vital to long term success.

Although the integration of LAN and TAM has taken time, we are convinced that we have all gained from the merger of the companies LAN, TAM and LATAM Airlines Group. This is why, in addition to thanking our shareholders for the confidence they have placed in this management, I would like to offer a special acknowledgement of the more than 53 thousand

people who work in the different countries where we operate, who have delivered their best to contribute to the consolidation of this historic Latin American aviation project. And finally, I would like to encourage you to keep on working with the same passion and commitment to make LATAM Airlines Group one of the three most important airline groups in the world.

  
**Enrique Cueto**  
 CEO LATAM Airlines Group

# LATAM Airlines Group

G4-3, G4- 4, G4-5, G4-6, G4-7, G4-8, G4-9



# LATAM Airlines Group

## GROUP PROFILE AND COMPANIES

Comprised of LAN Airlines and TAM S.A., LATAM Airlines Group S.A. is a group of airlines that includes:



### LAN Airlines

and its affiliates in Peru, Argentina, Colombia and Ecuador;



### LAN CARGO

and its affiliates;



### TAM S.A.

and its affiliates, TAM Linhas Aéreas S.A., including the business units TAM Transportes Aéreos Del Mercosur S.A. (TAM Airlines – Paraguay), TAM Viagens and Multiplus S.A. (frequent flyer points program).

With 53,072 employees and a fleet of 327 aircraft, it is the largest airline group in Latin America and one of the biggest in the world in terms of aerial routes. The airlines comprising LATAM Airlines Group provide passenger transportation to 135 destinations in 24 countries, and freight transportation to 144 locations in 26 countries. They operate some 1,500 daily flights, transporting 67 million passengers annually. LATAM Airlines Group is the leader in South America, where it works in seven markets, accounting for more than 90% of the region's traffic. Its network encompasses South America, the Caribbean, Europe, Oceania and North America. Its shares are traded on the stock exchanges of Santiago, New York and São Paulo.

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# LATAM Airlines Group

## OUR ASPIRATION

LATAM Airlines Group aspires to become one of the three best airline groups in the world. Given its strategic position in the region, the multiplicity of markets in which it operates and the quality of its employees, the Group expects that this objective can be accomplished in the next few years.

To guide and sustain this growth, last year five strategic pillars were defined: organizational power, risk management, leadership in the network of destinations, customer experience and brand leadership and cost competitiveness. Seeking to

provide a structure for the execution of this strategy, the Group has also released LATAM Code of Conduct and defined its focal points for sustainability.

The pillars of organizational power and risk management provide the foundation for the development of this strategic combination. For LATAM Airlines Group, clear knowledge on the part of employees of each department's objectives and goals, along with the ability to identify and manage risks, permeate the entire operation. Sharing the same values and vision of the business is a necessary condition for teams to commit to the same strategic objective.

The other three pillars are directly related to the business. Leadership of the network determines strengthening aerial routes, with more destinations and better connections at competitive prices. The pillar of customer experience and brand leadership is geared towards offering services that are increasingly attractive, seeking to ensure a differentiated, quality travel experience. Cost competitiveness enhances the culture of operational efficiency at the companies comprising LATAM Airlines Group.

## LATAM AIRLINES GROUP CODE OF CONDUCT

G4-56

At the end of 2014, LATAM Airlines Group published its Code of Conduct, which addresses ethical issues in the conduct and execution of company business. The guidelines of this document are based on the codes of LAN and TAM, and provide unified guidance for all markets where the companies of LATAM Airlines Group operate and for relations with stakeholders, observing the legal provisions in each location.

The Code was drafted by the company's department of Compliance together with the department of Personnel Management, Security and other sectors

of the organization. The document applies to all employees, who sign a Statement of Personal Commitment when they are hired. It is the duty of everyone involved with LATAM Airlines Group to see to fulfillment of the Code's guidelines, immediately communicating through the appropriate channels any question or indication of possible violations. The document covers actions by third parties, who also assume this commitment when they sign a contract to supply products or provide services to one of the Group's companies.

To disseminate the content of the Code among teams, in December of 2014 an interactive training program was launched in an e-learning format for all employees. The course is mandatory, and ends with a test of knowledge in which the participant must achieve a score of at least 80%. If the score is lower, in-person training is arranged. All employees undergo retraining every two years.



# LATAM Airlines Group

## VISION OF SUSTAINABILITY

G4-56

LATAM Airlines Group's growth plan for the coming years exhibits sustainability as a core strategic element. In 2014, the Group delineated three focal points of action based on the relationship between the five pillars mentioned above and the key issues defined by the organization the year before.

In thus integrating sustainability with its strategic plan, the company has brought about process improvements, managing social and environmental risks efficiently and identifying opportunities to create value. It is also fostering dialogue among the companies in LATAM Airlines Group and their stakeholders, positively impacting their corporate reputation.

### climate change

Implementation, SGA and certifications  
 Carbon footprint  
 Sustainable alternative energy  
 Eco-efficiency

### relationship with stakeholders and communication



Accountability and transparency  
 Policy, compliance and risk  
 Value chain  
 Customers

### sustainability governance

### corporate citizenship

OUR COMMUNITIES  
 Sustainable tourism  
 Social investment

EMPLOYEES  
 Commitment  
 Quality of work life and personal life

### Focal points of Sustainability:

Sustainability governance: emphasizes strengthening accountability and transparency, adhering to clear commitments and establishing compliance and risk management policies involving the entire chain of value and clients;

Climate change: seeks initiatives such as the adoption of an Environmental Management System (SGA), calculation, verification and reduction of the carbon footprint, as well as actions in ecoefficiency and sustainable alternative energy;

Corporate citizenship: commitment to sustainability inside and outside the company through programs promoting sustainable tourism, private social investment in communities and projects geared towards personal and professional quality of life for employees of companies in the Group.

# LATAM Airlines Group



## MATERIALITY

G4-18, G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27

In 2013, LATAM Airlines Group consulted key stakeholders with which it has ongoing relations to define key issues, that is, to find out which points need to be worked on as priorities by management. In Chile and Brazil, executives, employees, clients, suppliers, market analysts and aviation industry specialists were consulted in one-on-one interviews, meetings, panels and online actions. The data obtained from this survey were used to draw up the Materiality Matrix of LATAM Airlines Group, with nine priority issues. These issues determine the indicators presented in this report.

Our relationship with our key stakeholders is stated in detail case by case in the following chapters of this report.

## KEY ISSUES G4-19

KEY ISSUES G4-19	OUR APPROACH G4-27
 Management with ecoefficiency	Achieve levels of excellence in waste management and the use of natural resources.
 Climate change mitigation	Continuous reduction in the intensity of emissions, researching new energy technologies and controlling our impacts on air quality.
 Noise reduction	Permanently controlling the acoustic impact of aircraft in communities near airports and investing in technology to reduce it.
 Connectivity and relationship with client	Investing in the quality of service, transparent and ethical communication and in meeting new client demands.
 Health and safety in the air and on the ground	Managing potential risks and guaranteeing the highest safety standards for our clients, employees and the community.
 Retention of talent and control of staff turnover	Acting to improve performance and career management at the different business units, with a view towards creation of an integrated LATAM culture.
 Relationship with governments and regulatory specifications	Engaging in permanent dialogue with governments, local authorities and industry associations, with the aim of arriving at responsible business solutions.
 Economic-financial sustainability	Seeking synergies in the management of costs and assets, planning of current and future investments and focusing on creating value for the company and its suppliers of capital.
 Fostering sustainable tourism	Implementing management and monitoring of social and economic impacts of our activities in communities.

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# LATAM Airlines Group

**THIS REPORT**

G4-13, G4-22, G4-23, G4-28, G4-29, G4-30, G4-31, G4-32, G4-33

This Sustainability Report covers the period from January 1, to December 31, 2014. It is the first year in which LATAM Airlines Group is presenting its quantitative information in a unified fashion, as compiled for the System of Sustainability Indicators (SIS). Reports are issued annually, and if there are questions, contact can be made via e-mail at: [investor.relations@lan.com](mailto:investor.relations@lan.com).

The report adopts the GRI protocol, version G4, and takes into account the principles of the Global Compact, of which the company is a signatory. Pursuant to the recommendation of the GRI, the document reports the indicators on issues that are relevant in at least one respect.

The indicators proposed by the GRI – 71 in total – apply to the operating units classified as follows: International Business, Domestic Business Brazil (TAM), Domestic Business in Spanish-speaking countries (LAN Chile, LAN Peru, LAN Argentina, LAN Colombia and LAN Ecuador), and Freight Business (LAN CARGO, TAM Cargo, MasAir and LANCO). This report covers all Group companies and contains data on direct company operations, including flights, ground operations at airports and facilities maintenance, as well as administrative activities. The information has been audited by Deloitte.



# Corporate governance



# Corporate governance

## GOVERNANCE STRUCTURE

G4-34

The companies comprising LATAM Airlines Group have their own corporate governance structure, executive boards and bodies, and they operate with autonomy following the strategic guidance of the Board of Directors. The CEO of the Group is Enrique Cueto. The leaders of LAN are CEO, Ignacio Cueto, and the President of LAN Chile, Armando Valdivieso. TAM S.A. was under the presidency of Marco Antônio Bologna until April of 2015, and TAM Linhas Aéreas is headed by Claudia Sender. The person in charge of the Freight Business is Cristian Ureta.

### The Board of Directors

The Board of Directors of LATAM Airlines Group was elected at the Ordinary General Assembly of Shareholders on April 29, 2014, for a term of two years, pursuant to the Company By-laws. In the event of the resignation of one of its members, the Board must be entirely replaced at the Ordinary General Assembly of Shareholders scheduled for April 28, 2015. The Board is made up of nine members, with Mauricio Rolim Amaro as its president. It meets once a month, and may hold extraordinary meetings in response to the market situation and business needs.

### COMPOSITION OF THE BOARD OF DIRECTORS

**Mauricio Rolim Amaro**  
 President of the Board of Directors

**Henri Philippe Reichstul**  
 (appointed to replace Maria Cláudia Amaro)

**Juan José Cueto Plaza**

**Georges de Bourguignon**

**Ramón Eblen Kadis**

**Ricardo J. Caballero**

**Carlos Heller Solari**

**Gerardo Jofré Miranda**

**Francisco Luzón López**

Pursuant to the terms of Chilean and U.S. law, a Committee of the Board of Directors of LATAM Airlines Group has been created, which also performs the duties of the Audit Committee. This body is made up of three members of the Board of Directors, who are responsible, among other things, for the following:

Examining the reports of the Group's external auditors, balance sheets and other financial reports, and issuing an opinion about them prior to their presentation to shareholders for approval;

Evaluating and proposing external auditors and rating agencies to the Board of Directors;

Analyzing internal control reports on transactions with related parties;

Examining and drafting reports on all transactions with related parties.

# Corporate governance

## The Executive Board

The Executive Board is made up of vice presidents and directors, and it works through LATAM Airlines Group or the structures of LAN and TAM business units. Its members are heads of the departments of Finance, Personnel Management, Marketing, Legal Affairs, Auditing, Corporate Functions and Planning and Management Oversight.

## Shareholder composition

The principal shareholders of LATAM Airlines Group are the Cueto Group (with a 25.49% share), represented by Costa Verde Aeronautica S.A, Inversiones Nueva Costa Verde Aeronautica Ltda., Costa Verde Aeronautica SpA, Inversiones Priesca Dos y Cía. Ltda., Inversiones Caravia Dos y Cía. Ltda., Inversiones El Fano Dos y Cía. Ltda., Inversiones La Espasa Dos y Cía. Ltda., Inversiones Puerto Claro Dos y Cía. Ltda., Inversiones La Espasa Dos S.A., Inversiones Puerto Claro Dos Ltda., and Inversiones Mineras del Cantábrico S.A.; and the Amaro Group (12.2%), through TEP Chile S.A. (TAM Empreendimentos e Participações).

The rest of the Company's capital is divided among a number of institutional investors, natural and juridical persons, especially from Chile, that are holders of ADRs (American Depositary Receipts traded on the New York stock exchange) and BDRs (Brazilian Depositary Receipts traded on the São Paulo stock exchange). LATAM Airlines Group closed 2014 with a complement of 1,600 shareholders.

TEP Chile S.A. holds stock with voting rights in TAM S.A., and the Cueto Group has control of LATAM Airlines Group.

*(\*) Mr. Marco Antônio Bologna left his position as CEO of TAM on April 1, 2015.*

## ORGANIZATIONAL STRUCTURE 2014

**Enrique Cueto Plaza**  
 CEO LATAM Airlines Group

**Armando Valdivieso**  
 President of LAN Chile

**Jerome Cadier**  
 Senior Vice President of Marketing

**Ignacio Cueto Plaza**  
 CEO LAN

**Cristian Ureta**  
 Senior Vice President of Freight

**Juan Carlos Menció**  
 Senior Vice President of Legal Affairs

**Marco Antonio Bologna (\*)**  
 CEO TAM

**Roberto Alvo**  
 Senior Vice President of Route and Fleet Planning

**Emilio del Real**  
 Senior Vice President of Personnel

**Claudia Sender**  
 President of TAM Linhas Aéreas

**Andrés Osorio**  
 Senior Vice President of Finance

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# Corporate governance

## RISK MANAGEMENT

Since 2013, LATAM Airlines Group has had a corporate risk manager, a position currently occupied by the Vice President of Finance. As one of the company's strategic pillars, risk management entails overall involvement in the decision making process, based on a shared vision of risk management.

With the support of the organization, the corporate risk manager in charge of this pillar is responsible for defining indicators, mapping risks, priorities, alignments and initiatives, taking stakeholders into consideration. The focal points are strategic risks, essentially those with a low probability of occurring and with high impact. Among the objectives sought are the following:

- 1 Ensuring protection against events that could threaten the survival of the business, and seeing to their mitigation;
- 2 Ensuring that the impacts of risks are kept within acceptable limits for the company;
- 3 Establishing risk management as a practice that is integrated with decision making.

At the start of 2014 a new Risk Management Team was set up, also led by the company's Vice President of Finance, with the mission of establishing a common methodology, consolidating and reporting to the Board of Directors the risks to which LATAM Airlines Group is exposed.

Given the diversity of risks, it is the responsibility of each Vice President to identify, assess, mitigate and monitor each specific risk in his or her own department. The Risk Management Team, through active participation and involvement in various different departments, is able to correlate impacts in different departments, and thus develop a holistic vision of the company's risk universe.

In cases of emergency, there is an Emergency Response Plan managed by the Emergency Committee, which reports directly to the CEO.



# Corporate governance

## Compliance and accountability

G4-SO4, G4-SO5, G4-24

The aim of the Compliance program upgrade in 2014 was to raise the level of LATAM Airlines Group management to high levels of responsibility. New policies were drafted, and the Group's belief in ethical conduct and respect for the law in all the countries where it operates was strengthened. Internal policies meet the prerequisites of law applicable to companies listed on the securities exchanges of New York, Santiago and São Paulo, where the Group's shares are traded.

There is one representative for the Legal Affairs department responsible for supporting LATAM's Chief Compliance Officer in each country of operation (Brazil, Chile, United States, Mexico, Peru, Colombia, Argentina and Ecuador) and in Europe. Review and approval of new corporate policies are coordinated by LATAM Compliance team, which is distributed between Brazil and Chile.

## Training

LATAM Airlines Group offers training in corporate governance, compliance and its Code of Conduct for all employees, as well as for third parties. The mandatory online course on the new Code of Conduct is based on prevention, detection and response to problems and failure to uphold the law, operational, corporate and information security, and on ethical, anticorruption and antitrust principles.

This online training began in December of 2014 and is to be offered to all who work with computers through the end of June 2015. For the operational staff that does not work with this equipment, an in-person training calendar was established administered by instructors trained by LATAM's Chief Compliance Officer. By December of 2015, the entire Group population should have taken the course in the Code of Conduct.

In addition, in 2014 the dissemination of mandatory courses in corporate governance for staff in executive positions of LATAM Airlines Group was intensified. Anyone with management responsibility for teams and sensitivity to any operation involving risk governed by strict laws was summoned for compulsory in-person training with LATAM's Chief



Compliance Officer, who visited all Group companies and affiliates in all countries. The aim is to complete training of the entire executive staff on issues in the Compliance program by March of 2015.

The results of the training programs and monitoring of all program actions are presented periodically to the Executive Committee of the TAM holding company, and to the Board of Directors of LATAM Airlines Group.



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# Corporate governance

## Ethics Hotline

Reporting of possible violations of laws and standards of professional conduct and co-existence will acquire a new internal hotline at LATAM in 2015. Last year, the group had two channels for reporting incidents, one for LAN companies and the other for TAM companies. Through these channels, Group employees could make reports concerning employment practices, discrimination, harassment of all kinds, fraud, corruption or failure to uphold any other law or internal policy. Up until 2014, the

tools used by LAN and TAM, respectively, were [www.lan.ethicspoint.com](http://www.lan.ethicspoint.com) and [www.eticatam.com.br](http://www.eticatam.com.br). As of April, 2015, the two will be consolidated into a single hotline for all companies in LATAM Airlines Group, and it will be able to receive both anonymous as well as identified communications in accordance with applicable local laws.

As a way of ensuring that 100% of reports are analyzed and answered in a proper and confidential manner, this tool will continue to be operated by an outsourced provider as was the

case with the LAN and TAM channels. Incidents will be analyzed and forwarded to Committees for investigation in each country, following a standardized internal procedure. If an irregularity is confirmed, the Committee for Administration of the Code of Conduct in that place, consisting of the Human Resources, Compliance and Legal Affairs departments, among others, will discuss what measures are to be taken. The Committee can decide upon a change of process to prevent repeat occurrences, or propose disciplinary measures.



# Financial results



# Financial results

G4 EC1

## MANAGEMENT OF FINANCIAL AND OPERATIONAL PERFORMANCE

In 2014, LATAM Airlines Group achieved operating profits of US\$ 513,4 million, 20.3% below 2013. This slippage could be ascribed to the slowdown in the region's economies, the sharp depreciation of local currencies, specific economic circumstances in Venezuela and Argentina, the pronounced drop in the freight market and increased competition among operators in South America. The special operation carried out for the FIFA World Cup also had a negative impact of some US\$ 140 million to US\$ 160 million on the Group's result, due to lower demand of business and tourism passengers while the event was under way.

Operating margin came to 4.1%, representing a 0.7 percentage point decline in relation to the year before. Net revenues suffered a 6% reduction, coming to US\$ 12,471 billion, as a result of a 6.2% fall in passenger revenues and 8.0% in freight revenues, partially offset by a 10.6% increase in other revenues. These results include a 9.1% negative impact from the devaluation of the Real in 2014.



Operating costs stood at US\$ 11,959 million, a drop of 5.3% in comparison with 2013. This result was due to a reduction in fuel and salary costs, as well as the positive impact of the devaluation of the Real and the Chilean Peso on costs incurred in those currencies. As for fuel consumption, there was a 3.7% decline in gallons consumed last year owing to the Lean Fuel and Smart Fuel efficiency and rationalization initiatives.

# Financial results

## LATAM Airlines Group and the Dow Jones Sustainability Index (DJSI)

LATAM Airlines Group has become the first company in Latin America's aviation industry to enter the Dow Jones World Sustainability Index, chosen from among a select group of leading companies in sustainability, for their economic performance, social responsibility and environmental management focusing on the long term.

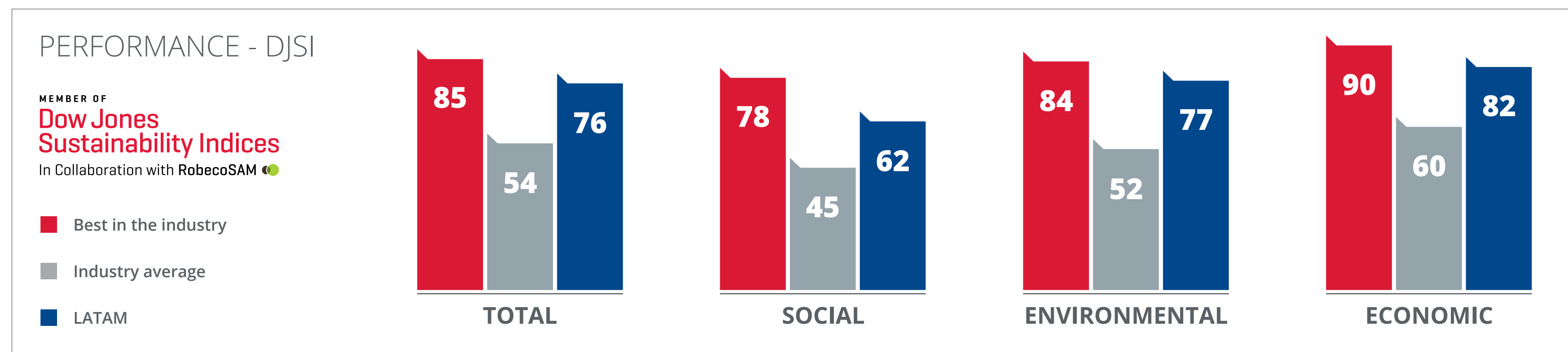
With its entry into this index, the Group became one of two companies in the world aeronautics

industry currently listed on Dow Jones World. The company is not only recognized for its economic performance and capacity for growth and efficiency, but also for maximizing its investment in sustainable development. In this way, becoming a member of this index is indicative of a synthesis of responsible actions over the course of the years.

Last year, the company achieved leadership in the aviation industry's ecoefficiency and climate change index with data for 2013. This recognition was due to the fuel consumption strategies of the Lean Fuel and Smart Fuel projects, the establishment of efficiency

programs and the implementation of emissions management of polluting gases and noise. The company also distinguished itself in the categories of social action and economic performance.

Rising to the level of the Dow Jones World index demonstrates superior performance in terms of sustainability, not only as measured against its own record, but also in relation to the world's largest companies. In addition, it makes it possible to generate higher levels of trust among the company's various stakeholders: clients, employees, suppliers, society, regulatory authorities and shareholders.



# Financial results

## Value added statement (VAS) and revenue

	2012	2013	2014
<b>ECONOMIC VALUE CREATED</b>	<b>10,008,989</b>	<b>13,340,884</b>	<b>12,555,191</b>
Net Sales Revenues	9,710,372	12,924,537	12,093,501
Financial Receipts	77,489	72,828	90,500
Share of Gains (and Losses) of Associates	972	1,954	-6,455
Other Revenues, by function	220,156	341,565	377,645
<b>ECONOMIC VALUE DISTRIBUTED</b>	<b>9,264,350</b>	<b>12,045,669</b>	<b>11,405,947</b>
<b>Operating Costs</b>	<b>6,954,048</b>	<b>9,085,484</b>	<b>8,621,888</b>
<b>Employee Salaries and Benefits</b>	<b>1,908,915</b>	<b>2,492,769</b>	<b>2,350,102</b>
Personnel Expenses	1,908,915	2,492,769	2,350,102
<b>Payments to Suppliers of Capital</b>	<b>294,598</b>	<b>462,524</b>	<b>430,034</b>
Financial Costs	294,598	462,524	430,034
<b>Payments to Governments</b>	<b>105,535</b>	<b>3,834</b>	<b>-</b>
Fines	3,149	3,834	
Payment of Tax on Profit	102,386	-	
<b>Social Investment in the Community</b>	<b>1,254</b>	<b>1,058</b>	<b>3,923</b>
Donations	1,254	1,058	3,923
<b>SHAREHOLDER ECONOMIC VALUE RETAINED</b>	<b>744,639</b>	<b>1,295,215</b>	<b>1,149,244</b>

# Financial results

## 2014 FIFA World Cup

G4 EC7

With the holding of the FIFA World Cup in Brazil, LATAM Airlines Group invested US\$ 18,9 million to service new routes from June 12 to July 13, 2014. Prior to the start of the competition, the company established some 750 extra domestic flights, along with 350 international flights to serve the host cities. During the event, there were another 250 charter flights. In July, the second phase of the Cup, an additional 40 new regular domestic flights were introduced. In total, some 3 million passengers were transported in more than 20 thousand flights conducted during this period.

Group companies achieved positive operating rates: 95% punctuality and 99.8% regularity on flights conducted during the tournament. An internal campaign stimulated employee engagement and resulted in a decline in the rate of absenteeism.

LATAM Airlines Group signed an exclusive partnership with the World Childhood Foundation Brasil – an institution supported by TAM since 2011 – to conduct the campaign against child sexual tourism during the event. The companies of the group, the only airlines to support the project, showed the campaign video on more than 20 thousand flights.

The tournament also inspired a major sustainability action: 100,000 tons of gases were offset, corresponding to more than 4,500 flights, through the purchase of Premium carbon credits – originating in emissions reduction projects located in the regions of the host cities.

These projects yield major socio-environmental benefits for the communities involved, such as preservation of biodiversity, social inclusion, stimulation of culture and health care. Also noteworthy are incentives to play soccer as an instrument to promote socialization and quality of life for employees and the community. More than 300 people benefited from actions to encourage soccer in projects supported by companies of LATAM Airlines Group.



  
**more than**  
**100,000**  
**tons of**  
**greenhouse**  
**gases offset**



# Clients

G4-24



## VALUE PROPOSAL

The main strategic focus of LATAM Airlines Group is constant improvement of the customer experience, which has led to the definition of a value proposal that reflects our commitment to enhance company service every day. In deference to the customer and his needs, the group has established a proposal incorporating changes in the experience with respect to the product and service, always seeking to differentiate the company in terms of service.


The challenge is to have a differentiated and sustainable offering in time to win customer preference in the region and the world. These advantages translate into offering connectivity and options for speed and simplicity, reducing waiting time, saving time for clients, offering support and solutions when the unexpected happens. In sum, the value proposal seeks to offer our customers the easiest and simplest solution with care and special concern.

## CONNECTIVITY

Connectivity is an outstanding issue in the value proposal of LATAM Airlines Group. The group has invested US\$ 100 million in technology projects to optimize the quality of service, passenger travel experience and employee tasks. Offering new systems and applications seeks to make the traditional journey go faster, with less waiting time in airports and between connections, more options for on board entertainment and up-to-the-minute information in case of contingencies.

Among new features, the company has developed applications for smartphones, allowing passengers to manage elements of their flight before embarking, and make use of an electronic boarding pass. During flights, a partnership with YouTube offers a selection of content from the most popular channels of this video-sharing site. Finally, a wireless entertainment system has been created that lets passengers watch movies, TV series and videos on their own personal devices (smartphones, tablets and laptops). The aim is to let passengers serve themselves simply, transparently and with total independence.

The investments made by Group companies in connectivity also take into consideration technologies that simplify and optimize employee tasks, with a view to boosting the excellence of service offered directly or indirectly to passengers. The company has launched three projects for the management of information and operations by crew chiefs, pilots and maintenance bases using software especially developed for tablets. This will make it possible to reduce data processing time, costs and resources, and increase levels of operational safety and efficiency on the ground and in the air. To enhance customer service at the Group's freight units, a plan is under development to invest in systems that adds up to US\$ 25 million in digital solutions.

  
**US\$100 million**  
 investment in technology



# Clients

## FREQUENT FLYER PROGRAMS

The companies comprising LATAM Airlines Group operate two frequent flyer programs, LANPASS and TAM Fidelity, offering advantages to more than 20 million passengers.

Created in 1984, the LANPASS lets its members accumulate miles and redeem free tickets from LAN, in addition to offering other products and awards. At the end of 2014, the program had 9,8 million clients in Chile, Peru, Argentina, Colombia, Ecuador and the United States, having registered substantial growth 15% greater than the year before. Last year LANPASS clients redeemed 800 thousand awards.

TAM Fidelity – the first frequent flyer program created in Brazil in 1993 – seeks to reward travelers who fly on TAM often with a host of benefits and exclusive promotions. In December of 2014, the program had 11,7 million members, an increase of 8% in relation to 2013. Last year, 2,4 million awards were cashed in. TAM Fidelity is a part of Multiplus, the biggest customer loyalty network in Brazil, which lets clients accumulate points with companies in different segments. Multiplus is listed on BM&FBOVESPA and has TAM as its principal shareholder, with a participation of 73%.

## Oneworld Partnership

In 2014, LATAM Airlines Group expanded its participation in **oneworld**, one of the largest and most highly awarded airline alliances in the world. With the entry of LAN Colombia and TAM into this network in March, the Group has increased options for the destinations it offers its clients. Passengers with other LAN units have been enjoying these advantages since 2000.



**LANPASS**  
**15%**  
 growth  
 over 2013

**TAM Fidelidade**  
**8%**  
 growth  
 over 2013



# Clients

## CUSTOMER RELATIONS

G4-SO11, G4-PR5, G4-24

Excellence in customer service is a priority of LATAM Airlines Group, which maintains a variety of channels for communication, to take in feedback and offer travelers the best possible service and relationship. By phone, electronic forms at company sites, Twitter, Facebook, letters, etc., the company takes in communications that are recorded and evaluated by dedicated teams. All cases are answered and the information is used for processes of improvement, service modification and employee recognition.

Complaints are given analysis and rigorous follow-up. Cases are forwarded to the Office of Customer Service, which undertakes to identify those responsible. When there is a need for process improvement, the management of the department in question is activated. The analysis of each incident enables the company to carry out an extensive evaluation of its operations and move quickly to correct possible weaknesses.

The company also conducts surveys to assess the level of customer satisfaction. The Group uses the Net Promoter Score (NPS) method, which is administered using an online questionnaire filled out by passengers, and customer satisfaction surveys administered at various service outlets, such as sales offices and the call center. This indicator is managed at the company's strategic, tactical and operational levels.

## SATISFACTION OF FREIGHT CUSTOMERS



From December 2013 to December 2014, the NPS indicated a 2-point increase in the level of satisfaction among customers of Group companies. The key improvements come from better evaluations by passengers traveling on international TAM flights. Indicators for airport perception in Brazil and punctuality registered increases of more than 10 points of satisfaction.

This positive perception has been holding steady since the company began to measure this element. Key areas detected for improvement are the handling of contingencies, prices in Chile and the flight experience in Brazil.

A survey conducted with freight clients indicated that in 2014, satisfaction stood at 71%, two percentage points above the evaluation for the year before. This upward trend is due to efforts at improvement in freight handling, billing processes and management of exceptional situations, items considered priorities in the 2013 survey.

# Environment



# Environment

The principal objective of LATAM Airlines Group's environmental strategy is to be one of the world leaders in Climate Change, contributing to company efficiency and competitiveness. These efforts were in evidence and duly recognized in the achievements logged in international initiatives, such as the Dow Jones Sustainability Index (DJSI).

To accomplish such results, the Group has been a pioneer in the promotion of actions addressing the industry's environmental footprint. It is one of three companies in the world, and the first in Latin America, closest to obtaining the IATA Environmental Assessment certification, an environmental management system specifically for airlines.

The governance and management of issues relating to environmental performance originate among senior management and focus on reducing risks and integrating this issue into company objectives. Climate Change is one of the Group's Sustainability focal points.

The Board of Directors is the body responsible for approving the company's environmental guidelines and policies, as well as for reviewing indicators. It assesses the fulfillment of internal and external environmental commitments and, together with its Audit Committee, analyzes the efficacy of controls and risks associated with decisions and environmental performance. The company has a Safety, Quality and Environment Policy as a comprehensive instrument for guiding its activities. The goals for the whole Group listed below are also in the process of being structured.

IATA Objective n°1: improving efficiency in the use of fuels

IATA Objective n°2: Carbon Neutral growth by 2020

IATA Objective n°3: achieving a 50% reduction in net CO<sub>2</sub> emissions by 2050 compared to levels for 2005

Carbon Neutral Ground Operations by 2020



10% improvement in the energy efficiency of company infrastructure by 2020

Savings of US\$ 200,000 in energy consumption at facilities by 2020

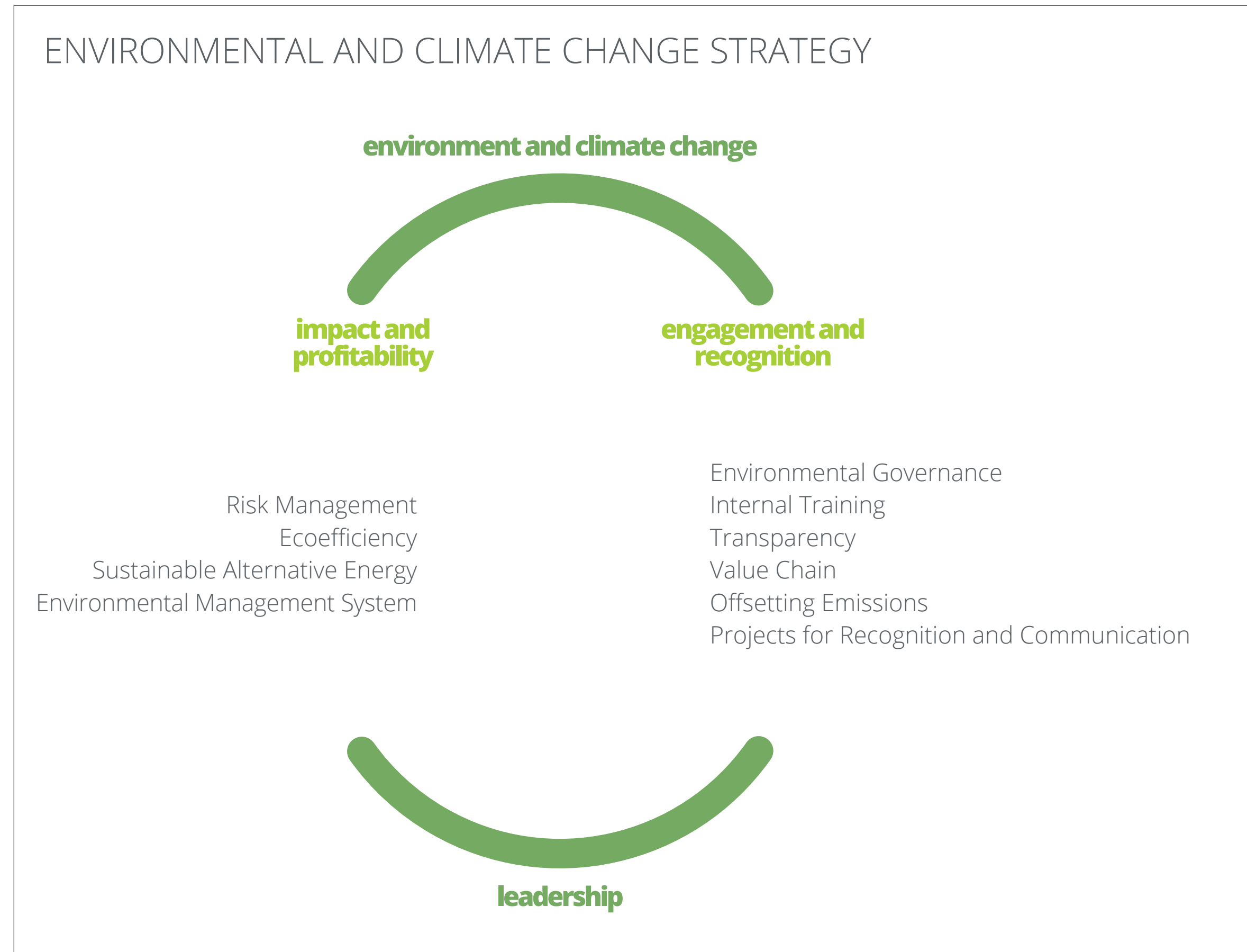
10% reduction in volume of waste by 2020

Complete implementation of the Environmental Management System at all main operations by 2016

# Environment

## CLIMATE CHANGE STRATEGY

One of the main challenges to the sustainability of the industry and to LATAM Airlines Group is Climate Change, since it directly affects operations. Examples of this impact are increases in temperature and the volume of rain, changes in wind and extreme weather events that can influence earnings and operational performance. The company's Climate Change strategy is supported by two pillars: Impact and Profitability, and Engagement and Recognition.



SUSTAINABILITY  
REPORT  
2014

# Environment

## ENVIRONMENTAL MANAGEMENT SYSTEM

G4-EN29

LATAM Airlines Group has been a pioneer in the implementation of an integrated Environmental Management System that encompasses both its flight operations as well as ground operations. In developing this system, the company surveyed all relevant aspects of environmental performance, which are duly monitored to minimize and prevent associated risks.

The company is implementing the IATA Environmental Management System (IEnvA), which meets the highest environmental standards applicable to flight operations. The Group's affiliate in Chile is one of the world's leading three airlines to implement this system, which is currently undergoing approval. For ground operations, the company has developed an Environmental Management System based on ISO Standard 14001.

Both management systems are based on the study of the applicable environmental regulations, and are used to ensure and maintain compliance with standards. LATAM Airlines Group did not register any significant sanctions for failure to comply with the law in 2014.

## RISK MANAGEMENT

G4-EC2

The process of identifying and monitoring risks enables the company to set up controls for prevention and mitigation actions, and report general risks to management whenever they go beyond a predetermined level of probability or intensity. Because of this, the issue of emissions was included in the Group's risk matrix.

Risk management has the following objectives:

- Ensuring and maintaining compliance with the law by all operations of LATAM Airlines Group;
- Developing and monitoring actions geared towards mitigating risks identified;
- Preparing the company to implement the IATA goal of Carbon Neutral Growth (CNG) by 2020.



# Environment

## ECOEFFICIENCY

G4-EN6, 19, 27

Ecoefficiency is considered an environmental performance criterion and a key part of the company's strategic objectives. It seeks to demonstrate in environmental terms the financial impact of efficient management in the use of resources.

Efforts by LATAM Airlines Group to achieve higher levels of ecoefficiency are based on three actions:

 **19**  
 new aircraft  
 in 2014

**A young fleet:** the company's business model is based on the maintenance of a young fleet, which allows it to operate with higher performance engines, while contributing to air quality and a reduction of noise levels. In 2014, LATAM Airlines Group held to its strategy of a young fleet, with an average age of seven years, thanks to the addition of 19 new aircraft. In 2015, 28 new aircraft will be added to the current fleet.



 **1,2%**  
 efficiency in  
 consumption

**Fuel efficiency:** LATAM Airlines Group improved its fuel efficiency by 1,2% as a result of savings programs. The Lean Fuel (LAN) and Smart Fuel (TAM) programs combine technological and procedural improvements with optimization and a consequent drop in CO<sub>2</sub> emissions, encompassing 17 and 14 initiatives, respectively. In 2014, these actions brought about a curtailment in consumption of 31 million gallons of fuel (approximately 6 million GJ), equivalent to a reduction of 298,184 tons of CO<sub>2</sub>.

These initiatives can be broken down into: savings and optimization of the distribution of weight on board; optimization and planning of more direct routes with less turbulence; optimization of processes on the ground to reduce fuel consumption; and development of a maintenance panel to detect opportunities for fleet improvement. One example of the investment in technological improvements is the addition of the Required Navigation Performance (RNP) satellite navigation system, which allows for automated flight plan guidance, making enhanced performance possible. Another initiative is the use of winglets on all Boeing 767-300 aircraft, which diminishes aerodynamic resistance and reduces fuel consumption by 4%, and thereby cuts CO<sub>2</sub> emissions. All of these initiatives are explained more fully in the section below.

# Environment

## LEAN FUEL AND SMART FUEL INITIATIVES

**1 Optimization of weight on board:** the amount and distribution of weight on board directly influence fuel consumption. A variety of initiatives seek to reduce the structural weight of flights, and distribute it in the best way possible within the aircraft.

Improvement of freight factor: combining passenger and freight flights, seeking to optimize an aircraft's carrying capacity.

- Incorporation of lighter materials on board.
- Optimization of freight distribution to establish the most suitable center of gravity for the aircraft.

**2 Optimization of routes, cruising and landing speeds:** planning routes that avoid adverse weather conditions or turbulence can improve fuel efficiency.

Favoring direct routes and the continuous descent landing approach.

Use of the OSA navigation system, which calculates the best routes based on weather conditions verified in real time, fees for use of air space and fuel consumption.

Use of RNP, a satellite navigation system that guides aircraft automatically with GPS. The system allows for safer and more efficient approach procedures. This system has been fully implemented in Ecuador and Chile, and is in the process of implementation in Peru.

Optimization of cruising speed to achieve greater fuel efficiency without delaying flights.

Standardization of approach and landing operations to increase efficiency.

**3 Optimization of use of engines on the ground:**

Taxiing operations using only one engine.

Minimization of use of the aircraft's auxiliary power unit (APU) due to improvements in airport infrastructure.

**4 Maintenance panel:** development of program to correct flaws affecting fuel yield.

Tasks to increase efficiency.

Cleaning of engines, allowing for more efficient combustion and reduced emissions of PM10 particles.

**5 In preparing aircraft for passenger flights:**

Use of only one device for climate control and cabin pressurization instead of two, economizing fuel.

**6 Activities of continuous improvement panel:** allows for identification of opportunities for fuel efficiency keyed to improvements in maintenance.



MESSAGE FROM THE PRESIDENT OF THE BOARD OF DIRECTORS	MESSAGE FROM THE CHIEF EXECUTIVE OFFICER (CEO)	LATAM AIRLINES GROUP	CORPORATE GOVERNANCE	FINANCIAL RESULTS	CLIENTS	<b>ENVIRONMENT</b>	SOCIETY	OUR STAFF	MANAGEMENT 2014 AWARDS	GRI CONTENTS	LETTER OF ASSURANCE
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# Environment

**2012:**  
first flight  
powered by  
biofuel



**Improvements in infrastructure:** to identify issues and impacts in connection with introduction of the Environmental Management System, efficiency programs were developed for the use of energy and water, as well as waste management and disposal. It is important to underscore that operations on the ground account for a small fraction of the Group's carbon footprint. Initiatives were implemented such as the use of electric vehicles and replacing incandescent bulbs in hangars with more efficient lighting, among other measures that resulted in a reduction of costs and emissions.

## Sustainable Alternative Energy

The air transport industry is strongly committed to the development of sustainable fuels. LATAM Airlines Group supports the use of sustainable alternative fuels that allow for reductions not only in the carbon footprint, but also limiting exposure to oil price volatility.

The company has supported research on emerging technologies with biofuels, such as Hydro Carbon to Direct Sugar (HCDS) and Alcohol to Jet (ATJ), and strongly believes in the potential for mass production of these technologies as a promising market opportunity.

In recent years, the Group has moved forward with studies on alternative fuel technologies, collaborating with local distributors to promote the use of biofuels. In 2012, in Chile, LATAM Airlines Group conducted its first commercial flight using biofuel in South America. In 2013, it was Colombia's turn. The company is committed to increasing the number of these flights in the future, when the use of alternative fuels has begun on a mass scale and prices are competitive.

Despite these advances in research and the existing evidence on sustainable alternative fuels, their implementation on a large scale depends on developments to be pursued by producers of fuels and manufacturers of engines and aircraft, as well as the formulation of public policies that promote their use.

The Group continues to play an active role in forums on these issues, such as IATA, the International Civil Aviation Organization (ICAO), Sustainable Aviation Fuel Users Group (SAFUG), Brazilian Alliance for Aviation Biofuels (ABRABA - *Aliança Brasileira para Biocombustíveis de Aviação*) and Chile Bio Renewable (Chile Bio Renovável).

## Internal training

Certain that capacity development and knowledge management are essential to company growth, LATAM Airlines Group is investing in training its employees in these domains. The challenge is to make environmental issues part of the company's organizational culture.

In 2014, an environmental information platform was launched, sent monthly by e-mail to all company employees. The aim is to disseminate concepts and information on the environment for employees and clients.

## Transparency

G4-24

Transparency is a key issue of vital importance to company stakeholders. At present, there are a number of venues for dissemination of company results in the field of Sustainability, including environmental issues (the Sustainability Report, DJSI, Global Compact), and others specifically concerning the Environment:

# Environment

## Carbon Disclosure Project (CDP).

Since 2011, the Group has been disclosing its carbon footprint on this platform, ascending to a higher category each year in the CDP ranking.

## Environmental Support Document

A public access document providing an in-depth presentation of the company's strategy and environmental performance.

## Offsetting emissions

In 2014, the company implemented the Neutravel program, which enables client companies to determine their carbon footprint from corporate travel, and to offset it with initiatives that neutralize CO<sub>2</sub> emissions. Through this action, LATAM Airlines Group generates benefits for communities and the environment.

A plan for offsetting ground operations for the entire company is under way. Operations in Peru have been offsetting their carbon footprint since 2011 in a strategic alliance with the company Bosques Amazónicos. The operation in Colombia has offset its ground emissions for the first time by acquiring carbon credits from the flagship Choco-Darién conservation project.

During the World Cup in Brazil, 100 thousand tons of greenhouse gases emitted by flights connecting the 12 host cities were offset.

Carbon emissions include CO<sub>2</sub> equivalents resulting from the burning of fuel from fixed and moveable sources (Scope 1), from electricity generation (Scope 2) and other emissions related to company activities (Scope 3).

It should be noted that LATAM Airlines Group is upgrading its data collection system to improve the coverage and calculation of emissions (chiefly Scope 2 and 3).

Emissions of substances that harm the ozone layer are restricted in the aviation industry to those used for climate control in facilities on the ground. In 2014, the gases HCFC-22, HFC-125 and HFC-32, HCFC-141b and Halon-1211 were used.

**CARBON EMISSIONS** G4-EN15, 16, 17, 18, 20, 21

EMISSION TYPE	UNIT	2013	2014
CO <sub>2</sub> Scope 1	t CO <sub>2</sub> e	11,844,687	11,716,772
CO <sub>2</sub> Scope 2	t CO <sub>2</sub> e	18,597	18,003
CO <sub>2</sub> Scope 3	t CO <sub>2</sub> e	4,283	7,092
Intensity of GHG emissions in flight operations	Kg CO <sub>2</sub> e/100RTK	81.09	80.14
Gases that affect the ozone layer	Kg CFC-11e	2,985	2,218
Nitrogen oxides	t NOx	40,752	40,022
Nitrogen oxide intensity	gNOx/RTK	2.68	2.64
Sulfur oxides	t SOx	1,850	2,800
Sulfur oxide intensity	gSOx/RTK	12,69	19,22

RTK: revenues per ton kilometer

# Environment

## Materials

G4-EN1

Although the company's primary consumption is of fuel for flight operations, as shown below, a survey is also conducted of the materials used most in maintenance activities and that are essential to operations.

MATERIAL TYPE	[TONS]
Cylinders of Aviation Oxygen (10m3)	331
Nuts	188
2197 Motor Oil	60
Plastic Frames	51
Rivets	50
Wipes	48
AA Batteries	33
Aluminum Freight Unit Element	23
Antifreeze	21
Others (various)	178
<b>TOTAL Reported</b>	<b>982</b>

*This information corresponds to the 100 materials most requested by LAN maintenance in 2014, which accounts for 66% of all units consulted. Materials used by TAM are not included.*

## Fuels

G4-EN3

In addition to fuel consumption for flight operations, other kinds of fuels are used for ground operations.

MATERIAL TYPE	UNIT	2013	2014
Fuel consumed in flight operations	GJ	212,551,956	183,161,882
Gasoline	GJ	11,362	11,130
Diesel in fixed sources	GJ	274,731	514,580
Natural Gas	GJ	40	38
LPG	GJ	35,625	47,537
Hydrated ethanol	GJ	465	265
Electricity	GJ	218,035	184,190

*The increase in diesel consumption is due to the inclusion of TAM equipment used to service aircraft on the ground that was not reported in 2013.*

## Electricity and Water

G4-EN3, G4-EN8

One of the largest sources of consumption for ground operations is electricity. Under normal conditions in the airline industry, water consumption is not among the most significant issues for environmental management – however, the company does monitor its water use.

CONSUMPTION TYPE	UNIT	2013	2014
Electricity	kWh	60,565,783	63,433,332
Water	m <sup>3</sup>	229,099	335,961

*TAM water consumption is estimated by measurement the cost in cubic meters and also by daily control of meters of water consumption.*

In Brazil in 2014, the state of São Paulo went through a serious water shortage. LATAM Airlines Group put in practice a contingency plan to minimize the impact of this situation, which included refilling water on aircraft at airports in unaffected regions. The plan prevented disruptions of company operations.

SUSTAINABILITY REPORT 2014

# Environment

## Waste

G4-EN23, G4-EN27

LATAM Airlines Group implements waste management through a process of classification, with the aim of recovering as much as possible and ensuring its proper final disposal. Hazardous waste is routed in accordance with legal requirements to receive recommended treatment.

The Group encourages offices and buildings to minimize generation of waste such as paper, glass and plastic, classified as non-hazardous. On flights, organic waste is separated from inorganic waste, to expedite proper handling. Reusable utensils are also provided for on board service (forks, plates, etc.).

Waste generated by the Group in 2014 broke down as follows:

TYPE OF WASTE	DISPOSAL	[TONS]
Hazardous	Industrial Plant	379,51
	Recycling	122,91
	Unspecified	320,36
Non-hazardous	Landfill site	748,43
	Industrial plant	20,42
	Recycling	1,125,55
	Unspecified	1,38
Effluents	Treated	155,85
<b>Overall total</b>		<b>2,874,41</b>

## Noise

G4-EN27

LATAM Airlines Group has been adopting procedures and implementing new technologies to reduce the noise caused by its operations. Currently, 100% of the fleet complies with Chapter IV of ICAO, the world aviation industry standard on this issue. The Group is incorporating a new fleet with B787 and A350 models that reduce noise by more than 50% compared to aircraft with similar characteristics. It is also implementing the RNP (Requirement Navigation Performance) system, that allows for programmed descents with lower noise emissions.

In the operational field, the Group is implementing procedures such as continuous approach to landing, taxiing on just one engine and curtailing the use of the auxiliary power unit (APU).

LATAM Airlines Group is the exclusive regular airline to Easter Island. Considering the fragility and uniqueness of the location, a program has been drawn up to bring back to the mainland all waste generated on flights. In 2014, more than 250 tons of waste were transported, with the involvement of different public groups, authorities, private companies and employees. For 2015, the goal is to go still further in the program of recycling and transporting plastic waste (PET) generated by this island that is farthest from the mainland.



  
**100%**  
 compliance

  
 new models:  
**50%**  
 noise reduction

  
 procedures  
**reduce**  
 operating noise

# Society



# Society

G4-24

LATAM Airlines Group upholds the principle of generating value continuously in the different regions and locations where it has a presence, where it collaborates to cultivate sustainable development together with local stakeholders. Due to the nature of its business, the company is responsible for positive impacts, such as job creation and promoting tourism and the local economies, as well as negative impacts, such as noise generation and greenhouse gas emissions. These issues are important to the company, demanding appropriate management to make it possible to identify risks and opportunities and helping to improve the company's overall long-term performance.

Aware of this situation, the companies comprising LATAM Airlines Group engage in community projects through direct investment, granting airline tickets and partnerships. These actions focus on local needs relating to a variety of issues, such as sustainable tourism, transportation for humanitarian assistance in disaster situations, shipment of human organs for transplant, and financial support for institutions with high-impact social and environmental projects, among other things.



## INDIRECT ECONOMIC IMPACTS AND LOCAL DEVELOPMENT

G4 EC7, EC8, SO1, SO2 G4-24

### Social projects of LATAM Airlines Group

LATAM Airlines Group supports socio-environmental actions that foster social development, connectivity and care for the environment, as well as bringing the aeronautic world closer to the communities and institutions where it operates. As of 2015, actions implemented in different countries will all be aligned with the Group's sustainability strategy.

Among the organizations supported by the company in 2014 are *Um Teto para Meu País* ['A roof for my country'], *América Solidária* ['Solidarity America'], *Coaniquem*, *Ajuda Maria* ['Help Maria'], *Corporação da Esperança* ['Corporation of Hope'] and the United Nations Children's Fund (UNICEF). Other noteworthy programs that have been implemented or benefited by the company in 2014 and are described below.

With the shared goal of bringing children close to the world of aviation, the Program Conociendo LAN ['Getting to know LAN'] is conducted under various names in Argentina, Chile, Ecuador and Peru. In Argentina, the program Todos Podemos Volar ['We can all fly'] enjoyed the participation of 164 children in 2014, who had the opportunity to travel by plane for the first time in their lives. The Chilean version begun 16 years ago, entitled Un Día em LAN ['A Day with LAN'], involved more than 4,000 children last year. Visitors were given a chance to learn about maintenance at the LAN center in Santiago, and 570 kids took their first flight. Also with a view towards bringing the world of aviation closer to the community, two technology class rooms sponsored by LATAM Airlines Group were inaugurated at Chilean institutions, offering programs of study for aeronautics technicians.

The Group also donated 1,412 computers, 56 printers, 14 projectors and 98 monitors to the Chilenter Foundation. This institution, which fights against digital exclusion, has enjoyed company support since 2009. 281 computers were also delivered to provide equipment for educational units all over Chile.

SUSTAINABILITY REPORT 2014

# Society

G4-S01

Chile allocated US\$ 600,000 to the Telethon, a fundraising event for centers for the rehabilitation of children and youth with physical handicaps. In October, as it has done since 2012, the company joined the world campaign for breast cancer prevention. US\$ 33,454 was spent on a free mammography program for employees and women in the Chilean communities of Concepción, Puerto Montt, Valparaíso and Santiago. In Ecuador, where the cause was supported for the first time, the campaign served 120 patients per day.

In terms of humanitarian assistance, the Group made financial contributions to rebuild houses destroyed by the terrible fire that devastated the Chilean city of Valparaíso in April. In another critical situation, *Avião Solidário* [‘Solidarity Airplane’], a program run by the Freight unit that operates in catastrophes, disasters and natural emergencies, transported 23,500 kilos of humanitarian aid items in the weeks following the earthquake in the north of Chile that also took place in April.

In Colombia, ten airfares were provided for the Flip Foundation, which supports the training of journalists in regions considered at imminent risk. Operation Smile was given 410 air tickets to take doctors to various parts of the country to arrange for treatments and surgery for cleft palate and other illnesses. In Brazil, TAM has focused on social and

environmental causes of major scope, prioritizing locations where it operates. In 2014, 1,225 airline tickets were donated to 23 institutions – an increase of 9.5% in the number of institutions benefited, and of 4.1% in tickets donated as compared to the year before. In addition, it conducted a Christmas giving campaign at all bases in the country, collecting more than 8 thousand different items and benefiting more than 40 NGOs throughout Brazil.

TAM contributed tickets to the most important institutions protecting Brazilian biomas, such as the *Associação Caatinga*, WWF-Brasil, *Fundação Amazonas Sustentável* and SOS Mata Atlântica. TAM has a partnership with IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources) and repatriated 134 wild animals that were victims of illegal trafficking. Other institutions supported were engaged in income generation, child protection and humanitarian aid, among them, the Brazil Foundation, World Childhood Foundation Brazil, *Amigos do Bem* [‘Friends of Goodness’], *Make-A-Wish Brazil*, *Doutores da Alegria* [‘Doctors of Joy’] and Doctors without Borders.

  
**1,225**  
 free tickets  
 were issued

  
**support**  
 in all  
 Latin America

**DEGREE OF IMPLEMENTATION OF ACTIONS TO MANAGE SOCIAL IMPACT IN SOCIAL PROJECTS OF LATAM AIRLINES GROUP**

	2013	2014
Assessments of social impact	0%	0%
Assessments of environmental impact and continuous monitoring	100%	100%
Public disclosure of assessments of environmental and social impact	100%	100%
Community development programs based on local needs	50%	100%
Plan for stakeholder participation based on mapping of priority stakeholders	75%	75%
Committees or (community) public research groups based in local communities, and processes that include at-risk groups	0%	0%
Occupational health and safety councils or committees and other agencies	100%	100%
Formal proceedings for local community claims or protection	100%	100%

# Society

## Participation of employees in Social Responsibility actions

Participation in social actions is encouraged among employees of LATAM Airlines Group. The Group encourages programs for the collection of clothes, foodstuffs and equipment for subsequent donation, or collective efforts for improvement of public spaces.

Ten years ago, employees in Argentina began to support the Food Bank Network, which benefited 7 thousand people in 2014. Families in distress as a result of four emergency situations that occurred in the country were also given assistance.

In Colombia last year, three Social Action Days were held. Company staff planted more than 400 trees in cities surrounding Bogotá, repaired the façade of the House of Culture in Bogotá and joined in giving Christmas gifts to children in Operation Smile.

Ecuador has a Social Action Program, which financed and made donations for more than 50 food baskets for Christmas 2014.

Brazil implemented a social project in partnership with Make-A-Wish Brazil encouraging employees to help children with serious illnesses to make their dreams come true.

## PROGRAMS TO SUPPORT PASSENGERS AND THEIR FAMILIES

G4-24

The company has groups of employees specially trained to provide support in aviation emergencies. The aim is to meet the immediate needs of passengers and their families, provide psychological assistance and information on the event and its ramifications.

In Brazil, the Special Emergency Assistance Program for Customers (PEACE) involves 2,415 employees from a variety of departments, with 73 trained leaders. Employees receive training that touches on key concepts, legislation and behavior. PEACE also attends programs of instruction given by the National Civil Aviation Agency (ANAC).

In other countries, employees working with the Passenger Assistance Program for Passengers and their Families (APF) are trained by psychologists specializing in emergency situations. There are 2,090 people involved in the APF at the global level (not counting Brazil).

In Chile, the department of Humanitarian Assistance and Emergency Management runs a program that offers guidance on psychological first aid (PAP). A team of actors and psychologists visit various localities and supplement the training of staff with theoretical and practical workshops for the community as a whole. These workshops facilitate psychological first aid for those involved in critical situations, and at the same time make it possible to establish support networks in the community prior to possible disasters. Various groups associated with emergency services are invited to attend, such as local officials, fire fighters, the Red Cross, local police, as well as legal, aviation and health authorities, among others.



# Society



participation of  
**2,600**  
 students and  
 volunteers



## Sustainable tourism

EC8

Sustainable tourism is one of the sustainability focal points for LATAM Airlines Group, which works to promote care for cultural and natural heritage on behalf of present and future generations.

The strategy seeks to encourage sustainable development among stakeholders in localities where the company operates, in the following domains:

### Government:

Supporting national strategic plans for sustainable tourism in these places.

### Destinations:

Measuring impacts and developing plans to address key issues.

### Industry:

Managing alliances with regional, national and local stakeholders.

### Clients:

Communicating the importance of sustainable tourism to clients and passengers.

## CARING FOR MY DESTINATION

The Project Caring for My Destination is the company's principal project involving the concept of sustainable tourism, and environmental awareness in particular, through intervention in spaces for tourism. Since its beginnings five years ago, the program has involved more than 2,600 students and volunteers from companies in LATAM Airlines Group. In 2014, the Group invested some US\$ 332,000 in actions in 11 cities in five South American countries, with the participation of one hundred company volunteers. Caring for My Destination will be implemented in Brazil in 2015.

Last year, Chile concluded a 3-year Project in Coyhaique and started up another one in Punta Arenas (which has completed the second stage). These communities have been endowed with a renovated space for tourism.

In Argentina, 125 students and 15 volunteers took part in the program, divided into visits to the museum on the history of General Martin Guemes and to the city of Tucumán, where the restoration of Percy Hill Park was undertaken.

In Colombia, a meeting was held with the authorities to decide which places should benefit. As a result of this consultation, two places were restored in 2014, with the participation of 78 volunteers from the community and 54 from the company.

In Ecuador, the project took up restoration of urban areas, focusing on El Panecillo, one of the most outstanding tourist attractions in the city of Quito, and the main boardwalk in Puerto Ayora, in the Galápagos.

Three of the main tourism centers in Peru - Iquitos, Lima and El Callao - have undergone revitalization processes. In Iquitos, the most important tourist site in the city was restored, the Malecón Principal waterfront promenade; in Lima, the Pântanos de Villa, habitat of more than 208 species of birds; and in El Callao, the Colégio IE, a school that has earned an excellent performance evaluation in terms of environmental indicators.


# Society

## Contribution to tourism in the region

G4-EC8; G4-24

LATAM Airlines Group contributed US\$ 4,6 billion to the tourism industry in South America in 2014. This figure includes the 4,7 million foreign passengers transported to key destinations in South America during the year – 15% above 2013. The amount considers the average expenditure per tourist reported by the region’s tourism agencies, as well as money spent on airports, lodging, food, transportation, excursions and purchases. The calculation is made on the basis of reports issued by agencies working directly with the industry or involved with its management, such as Sernatur (Chile), Mincetur (Peru), INDEC (Argentina), the Ministry of Tourism (in Brazil and Ecuador), the World Bank and ProColombia.

In collaboration with government agencies, tourism operators and other industry partners, LATAM Airlines Group is also working to promote tourism activities in the region, generating direct results that raise revenue for municipalities, provinces and other locations in Latin America. One of the most important initiatives along these lines is the Discover program, organized by the companies of LATAM Airlines Group in its main South American domestic markets. Discover seeks to bring the commercial hospitality

  
**US\$ 4,6 million**  
 contribution to the  
 tourism industry

chain together with key international network operators through visits to destinations where Group companies operate. The 10th edition of this program was held in June of 2014 in Peru, with the aim of introducing partners to the charms and excellent connectivity of the Southern Circuit: Cusco, Juliaca, Puno and Puerto Maldonado.

## The TAM Museum

Located in the city of São Carlos (SP), Brazil, the TAM Museum hosts an important collection representing the history of Brazilian and world aviation. Since 2010, the Museum has served more than 2,300 social organizations and educational institutions, as well as more than 75 thousand people free of charge, including children and adults in a situation of social vulnerability. In 2014, it served 849 organizations and 38 thousand people. Last year, the institution received more than 100,000 visitors, 38,000 of them students.

The museum was founded in 2006 by the Brothers Rolim Adolfo Amaro, founder of TAM Linhas Aéreas, and João Francisco Amaro. Inspired by the restoration of Cessna aircraft, the Brothers decided to preserve and disseminate the memory of aviation. They purchased aircraft and began to collect the



items now assembled in the pavilion of the former Brazilian Tractor Company, next to TAM’s Maintenance Hangar.

An aeronautic collection of historical, artistic and documentary value was created for the Museum project, Wings of a Dream, managed by Eductam (Education, Assistance and Culture), a Civil Society Organization of Public Interest (OSCIP). The collection includes rare aircraft constructed from the 1920’s to the 1960’s. These items came to the museum through purchase, exchange, donation and loans from institutions and collectors.

# Society

## Relations with governments, regulatory agencies and institutions

G4-24; G4 - EC4;

LATAM Airlines Group has specific departments engaged in maintaining relationships with governmental agencies and authorities: Public Affairs, Institutional Relations and Corporate Affairs. These teams monitor debates on the civil aviation industry and take part in them, pursuing transparent dialogue in a search for joint solutions in keeping with legal frameworks.

Interchange with authorities in the countries where the Group operates seeks to enable the company to grow in accordance with local legislation and government plans for the industry. As a result of negotiations conducted with state agencies in Brazil, last year TAM obtained US\$ 24,033,957 in exemptions for the Tax on the Circulation of Merchandise and Services (ICMS). In Colombia, there was an exemption of US\$ 17,017,000 for the refueling tax in a number of locations throughout the country.

The company also has partnerships with civil society institutions to promote best practices in the industry, develop joint projects and pursue common interests.

## ASSOCIATIONS AND INSTITUTIONS WITH RELATIONS WITH LATAM AIRLINES GROUP G4-16

MARKET	MAIN INSTITUTIONS
Brazil	Associação Brasileira das Empresas Aéreas (ABEAR) American Chamber of Commerce for Brazil (AMCHAM) Associação Brasileira de Agências de Viagens (ABAV) Associação Brasileira de Franchising (ABF) Associação Brasileira de Relações Empresa-Cliente (ABRAREC) Empresas pelo Clima / Centro de Estudos em Sustentabilidade da Fundação Getúlio Vargas (GVces) Junta de Representantes das Companhias Aéreas Internacionais do Brasil (JURCAIB) Sindicato Nacional das Empresas Aéreas (SNEA)
Chile	Asociación Chilena de Aerolíneas (ACHILA) Cámara de Comercio Chileno-Peruana Cámara de Comercio Chileno-Argentina Cámara Chileno Brasileira de Comercio (CBC) Cámara Chileno Norteamericana de Comercio (AMCHAM) Cámara Oficial Española de Comercio de Chile Instituto Chileno de Administración Racional de Empresas (ICARE) Sociedad de Fomento Fabril Fedetur Acción RSE
Argentina	Consejo Empresario Argentino para el Desarrollo Sustentable (CEADS) Instituto para el Desarrollo Empresarial de la Argentina (IDEA) Cámara de Comercio Argentina Brasileira
Peru	Cámara Nacional de Turismo (CANATUR) Sociedad de Comercio Exterior de Perú (COMEX) Cámara de Comercio Peruano-Chilena Cámara de Comercio Americana del Perú (AMCHAM)
Ecuador	Asociación de Representantes de Líneas Aéreas del Ecuador (ARLAE) Cámara de Industrias y Producción Cámara Ecuatoriana Americana de Comercio
Colombia	Asociación de Transporte Aéreo Colombiano Asociación Colombiana de Viajes y Turismo (ANTAO)
Strategic Alliances	International Air Transport Association (IATA) Associação Latino-Americana de Transportes Aéreos (ALTA) World Tourism Organization (UNWTO) Global Compact Carbon Disclosure Project

SUSTAINABILITY REPORT 2014

# Society

## Suppliers

G4-12, G4-24, SO9, SO10, EC9, PR1, EN27

In 2014, the departments of Indirect Purchasing and Technical Purchasing were merged under the office of the Vice President for Procurement and the Supply Chain of LATAM Airlines Group. In addition, a company Purchasing Policy was established to streamline procedures and define responsibilities for each department. The document assembles the clauses and principles governing relations with suppliers and confers transparency, making it clear

that all relationships are subject to the company Code of Conduct. All employees in the Purchasing department sign this policy, assuming a commitment to it and to the documentation concerning conflicts of interest.

A process was also inaugurated last year to streamline purchasing standards in collaboration with the Legal Affairs and Compliance departments, which will take into account LATAM code of ethics, the anticorruption policy of LATAM Airlines Group and the legislation of all countries where the company operates. As of 2014, suppliers signed a contract containing clauses on anticorruption laws and the Group's internal policies on Corporate Purchasing. In 2015, they will receive the Code of Conduct, which must be signed to formalize commitment to its rules. Issues bearing on ethics, conduct, health, safety, human rights – including matters involving child and slave labor – work conditions, anticorruption practices and socio-environmental responsibility are addressed in the Code of Conduct.

With the aim of establishing systematic and comprehensive management for this stakeholder, the Group has created a Management Manual for Suppliers. In order to adopt a sustainability strategy with suppliers, it is first necessary to have adequate knowledge of socio-environmental issues specifically associated with the value chain. In 2013, an effort

was undertaken in Brazil to identify critical issues and conduct a socio-environmental assessment of these partners. The idea is to extend this work in Chile in 2015, and then, successively, to all other countries. The objective is to improve management of this relationship and identify risks in the value chain.

Currently, the potential negative social impacts identified in this chain are degrading work conditions (potential risk for suppliers of apparel), food health and safety (risk for suppliers of on board food), physical safety (risk of travel and hotel accommodations for crew members and passengers) and product responsibility (risks in gifts and courtesy items offered on flights).



**SUSTAINABILITY REPORT 2014**

# Society

LATAM Airlines Group conducts continuous monitoring of all critical suppliers, such as those for aircraft parts, aviation fuel, airport equipment, back up and passenger tracking systems. As far as outsourcers and sub-contractors are concerned, it conducts technical audits to oversee fulfillment of employment obligations, analyze issues such as over time and equipment maintenance. It also devotes special attention to health and safety matters with food suppliers and catering services. Suppliers considered most critical are those involving higher expenditures, those that can directly affect Group operations in the short term, and those with zero or a very low possibility of replacement.

LATAM Airlines Group prioritizes contracting local companies or subsidiaries of international companies established in the countries where it conducts operations (Chile, Brazil, Colombia, Argentina, Ecuador and the United States). Nearly 85% of expenditures on indirect suppliers<sup>1</sup> are transacted with local companies or affiliates of international companies, and they employ personnel from the country where they are contracted.

<sup>1</sup> Indirect suppliers are those not involved with fuels, aviation fees, fleet and maintenance.

## SHAREHOLDERS

The relationship with shareholders of LATAM Airlines Group and other agents in the capital market is the responsibility of the department of Investor Relations. The Group adopts a policy of clear and transparent communication with them, through specific channels.

Financial and governance information are compiled on the website [www.latamairlinesgroup.net](http://www.latamairlinesgroup.net) (available in English, Spanish and Portuguese). There are also teleconferences held on quarterly results, conducted by the director of Investor Relations and the company's CFO (Chief Financial Officer). The department also has an e-mail address for making direct, personal contact.



# Our staff



SUSTAINABILITY REPORT 2014

# Our staff

G4 10, G4-24, LA1, EC4, EC6

In drawing up its strategic plan for coming years, LATAM Airlines Group has defined organizational power as one of its fundamental pillars. The main challenge is to have the whole organization sharing the same aspirations and priorities. To move forward, it will be necessary to ensure the alignment of strategy and Culture, excellent motivation and performance, and the capacity for innovation of Group company employees.

This process was initiated by the development of standards and principles that came to comprise the Group Culture after the merging of the operations of LAN and TAM. This combination has the capacity to bring about changes in staff performance, introducing new patterns and strengthening procedures.

In order to drive the company's organizational power towards established strategic objectives, focal points for employee development were defined.

Training and performance assessment take on special force in this process, considering there is a team of more than 53 thousand people in South America and other parts of the world. The structure of LATAM Airlines Group is built around a core of senior executives who for the most part (80%) operate in their own countries of origin.

Last year, Group companies invested US\$ 39 million in internal courses and US\$ 430,000 in scholarships for its employees. Distance learning classes accounted for 16% of total class time with more than 1.9 million hours of training. In Chile, the company obtained tax exemptions for investment in training. Accordingly, the company was able to deduct US\$ 733,230 from taxes in 2014.

There was also a significant increase in the number of Group employees who received performance evaluations in 2014 – 74%, compared to 33% in 2013. The goal for 2015 is to reach 90%.

	OWN STAFF	SUB-CONTRACTORS	TOTAL
Full time	52,892	1,123	54,015
Part time	180	223	403
<b>Total</b>	<b>53,072</b>	<b>1,346</b>	<b>54,418</b>

## EMPLOYEES BY COUNTRY

COUNTRY	NUMBER OF EMPLOYEES	%
Brazil	28,428	54%
Chile	12,458	23%
Peru	4,022	8%
Argentina	2,715	5%
Colombia	1,927	4%
Ecuador	1,636	3%
Others	1,886	4%
<b>Total</b>	<b>53,072</b>	

## EMPLOYEES BY GENDER

	2013	2014
Male	32,384	32,838
Female	20,418	20,234
<b>Total</b>	<b>52,802</b>	<b>53,072</b>

# Our staff



## COMPANY EMPLOYEES BY AGE GROUP

	2014
18 to 30	17,845
31 to 40	22,296
41 to 50	9,073
51 to 60	3,218
61 or older	640
<b>Total</b>	<b>53,072</b>

## EMPLOYEES BY FUNCTIONAL CATEGORY

	2013	2014
Operations	23,916	22,563
Support (overhead)	3,936	5,612
Operational support	4,436	5,042
Commercial support	2,709	2,526
Crews	13,387	13,375
Sales	4,418	3,954
<b>Total</b>	<b>52,802</b>	<b>53,072</b>

## Employment practices

G4-11 and LA2

LATAM Airlines Group's remuneration policy provides for fixed salary, variable salary, and benefits. Meal vouchers, transportation vouchers, life insurance, a retirement fund and daycare assistance are offered. Of all employees at Group companies, 97% are covered by collective bargaining agreements, and 67.5% are unionized.

## STAFF DEVELOPMENT

### Investment in training and upgrading skills

G4 LA9, LA10, LA11, HR7

The corporate education strategy of LATAM Airlines Group aims to provide a complete learning experience. Training sessions are conducted following best practices in the market, with the goal of preparing staff to achieve the company's strategic objectives.

In 2014, LATAM's first corporate orientation was held, presenting not only the common characteristics of the Group as a whole, but also the new LATAM Culture and its strategic pillars. This training plan standardized the orientation process for

all employees in the different geographic zones where the company operates, in order to steer the new growth strategy toward success. The issue of sustainability is incorporated into this process.

In addition, the training department oversaw the project for Harmonization of Service Procedures in Brazil, which aims to provide a unique travel experience for all passengers. A program was created to bring practices into alignment for all 5,500 cabin crew members in Brazil. For TAM Mercosur crews in Paraguay, specific courses were developed to prepare them to operate LAN and TAM aircraft (flight interchange), and to assimilate LAN operating patterns.

One of the most significant training initiatives offered in 2014 was the course, Celebrating Service, which gave tools to all staff coming into contact with passengers (sales, contact center, airports and on board service). The comprehensive training format enabled participants to develop customer service competencies efficiently, maintaining levels of excellence.



SUSTAINABILITY  
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 2014

# Our staff

The course calendar offers an update on operational processes, mandatory training in compliance with legal aviation standards and programs in the domain of behavior, addressing subjects such as customer service and communication. Group companies have been making use of distance learning as a resource for sharing knowledge with a larger number of employees in all areas.

Staff also receives training in human rights practices, fulfilling the requirements of the civil aviation authority in each country. In 2014, 94% of all LAN security personnel were given AVSEC (Aviation Security Service) training.

In 2014, LATAM Airlines Group offered 306,634 hours of distance learning training, and 1,603,733 hours of in-person instruction, for a total of 1,910,367.38 hours.

**AVERAGE HOURS OF TRAINING PER FUNCTIONAL CATEGORY**

	2013	2014
Operations	34,2	41,5
Support (overhead)	30,5	11,3
Operational support	28,2	19,9
Commercial support	48,9	29,4
Crew	38,0	41,6
Sales	101,2	45,4
<b>Total</b>	<b>40,7</b>	<b>36,0</b>

**AVERAGE HOURS OF TRAINING BY GENDER**

	2013	2014
Male	35,3	35,7
Female	49,4	36,4
<b>Total</b>	<b>40,7</b>	<b>36,0</b>

In 2014, 74% of the Group population took part in the Performance Evaluation process, whose purpose is to generate a formal venue for evaluation and feedback for each member of the organization with respect to their achievements and progress over the course of the year. Of all company employees, 74% of the men and 73% of the women (24,389 and 14,707 employees, respectively) participated in the process. A significant increase was registered in the number of employees evaluated as compared to 2013, since one group of TAM employees had not taken part in the Performance Evaluation the year before.

The Performance Evaluation process is compulsory for all company employees with indefinite employment contracts, or with a fixed term contract with a date of admission prior to or equal to June 30 of the same year. Excluded from this category are crew members, fixed term employees, interns, sub-contractors and people on leave for more than 180 days.



SUSTAINABILITY REPORT 2014

# Our staff

## EMPLOYEES SUBJECT TO PERFORMANCE EVALUATION AND CAREER DEVELOPMENT

	TOTAL EMPLOYEES	NUMBER OF EMPLOYEES SUBJECT TO PERFORMANCE EVALUATION AND CAREER DEVELOPMENT	% OF POPULATION
OPERATIONS	22,563	20,223	90%
SUPPORT (OVERHEAD)	5,612	5,011	89%
SUPPORT FOR OPERATIONS	5,042	4,564	91%
COMMERCIAL SUPPORT	2,526	2,330	92%
CREWS	13,375	3,371	25%
SALES	3,954	3,597	91%
<b>Total</b>	<b>53,072</b>	<b>39,096</b>	<b>73.7%</b>

## EMPLOYEES RECEIVING PERFORMANCE EVALUATIONS, BY GENDER

	2013	%	2014	%
Male	10,237	32%	24,389	74%
Female	7,005	34%	14,707	73%
<b>Total</b>	<b>17,242</b>	<b>33%</b>	<b>39,096</b>	<b>74%</b>



SUSTAINABILITY REPORT 2014

# Our staff

## STAFF TURNOVER

G4 LA1

Staff turnover in 2014 stayed within usual company levels, holding steady at an average turnover rate of 14,56%.

LATAM Airlines Group offers employees additional compensation upon termination, taking into account their age and length of service to the company.



## HIRES AND TERMINATIONS OF OWN EMPLOYEES BY GENDER

	2013		2014		2013		2014	
	Hires	%	Hires	%	Terminations	%	Terminations	%
Male	3,521	62.78	4,432	64.24	5,132	61.34	4,785	61.92
Female	2,086	37.20	2,467	35.76	3,235	38.66	2,943	38.08
<b>Total</b>	<b>5,607</b>		<b>6,899</b>		<b>8,367</b>		<b>7,728</b>	

## HIRES AND TERMINATIONS OF OWN EMPLOYEES BY AGE GROUP

	2014			
	Hires	% Hires	Terminations	% Terminations
18 to 30	4,435	64.28	3,582	46.35
31 to 40	1,963	28.45	2,944	38.10
41 to 50	396	5.74	842	10.90
51 to 60	92	1.33	251	3.25
61 or older	13	0.19	109	1.41
<b>Total</b>	<b>6,899</b>		<b>7,728</b>	

# Our staff

## HEALTH AND SAFETY

G4 LA6, LA7, PR1, PR2

The purpose of the department of Job Safety is to ensure the health and physical safety of Group employees by identifying, assessing and overseeing situations of risk. This policy expresses the highest values of LATAM Airlines Group, which is extended to clients and society. In 2014 there were no cases of non-compliance with health and safety regulations and codes for products and services. This issue is directly related to the Group's strategic plan in the pillar of risk management and stakeholders.

Health and safety procedures are guided by five approaches, encompassing operational safety, corporate and job security, emergencies and audits. These approaches have the common elements of mapping risk, prevention and management so as to ensure security and safety at all phases of operations.

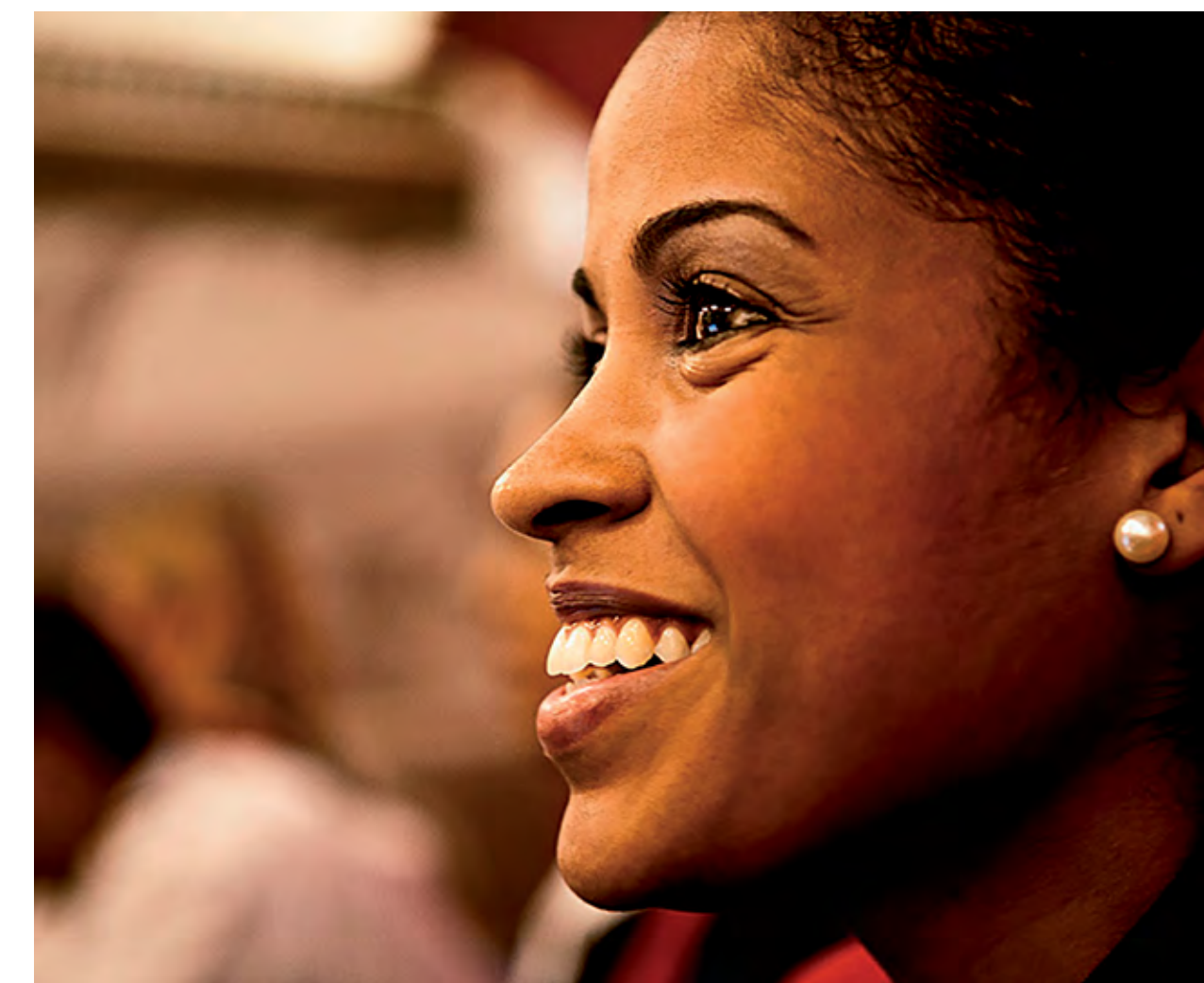
Areas of focus encompass flight operations, incidents involving facilities and equipment, flight incidents (with passengers, flight crews, ground crews and airport facilities), critical activities (working at heights or with electricity, for example) and occupational diseases. The company has staff engaged in activities with a high incidence or high risk of disease in maintenance processes – exposure to particulate matter, solvents, noise, UV radiation and vibration – as well as in airport processes (exposure to noise and vibration).

Standards and procedures guide employees in their perception of potential risks and proactive correction of any departures from safe practice. For every type of operational activity, there are teams specializing in processes, safety systems and risk assessment. The procedures for one hundred percent of these activities undergo review, and both internal as well as external audits are conducted, such as the one by IATA.

The companies of LATAM Airlines Group record the number of incidents in order to compile health and safety indicators among their direct employees. In 2015, this monitoring will also include sub-contractors.

## HEALTH AND SAFETY INDICATORS

Number of injuries	1,234
Rate of injuries	2.40
Number of days lost	12,764
Number of fatalities	0



# Management 2014 Awards



# Management 2014 Awards

The airlines belonging to LATAM Airlines Group received more than 50 awards in a variety of settings: on board service (excellence of its wine list and menu), travel experience (VIP lounges of LATAM Airlines Group, on board entertainment magazines) and reputation, as well as rankings measuring economic, environmental and social management. Below are the most outstanding awards for Group companies in 2014:

**Dow Jones Sustainability Index 2014:**

LATAM Airlines Group enters the World category of the Dow Jones Sustainability Index, becoming the first Latin American airline to achieve this recognition.

**Skytrax 2014:**

The aviation industry's most coveted award.  
 LAN: First place in the category for Best South American Airline.  
 LAN: First place in the category for Best South American Service.  
 TAM: Second place in the category for Best South American Airline.

**21<sup>st</sup> World Travel Awards (WTA)**

LAN: Best South American Airline

**Alas20 Company Award (Sustainable Leaders Agenda)**

Best Among the Best Award  
 Best Relationship with Investors, Sustainability.  
 CEO Leader in Sustainability: Enrique Cueto  
 Second place in Corporate Governance

**Corporate Transparency Award / Universidad del Desarrollo and Chile Transparente 2014**

LAN Airlines

**Best of 2014 Awards Gala / Premier Traveler USA**

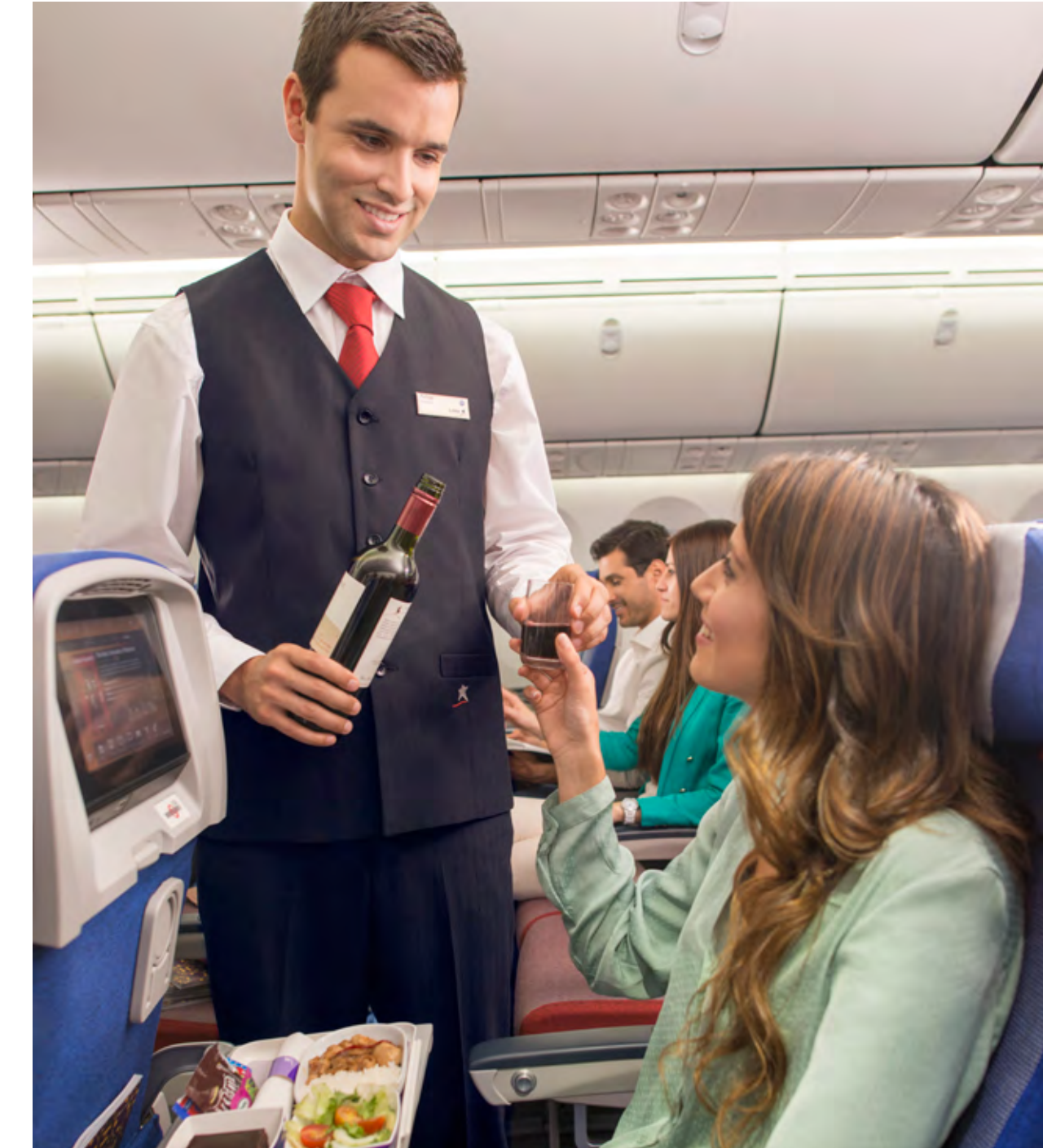
First place in the category for Best Airline in South America

**Co-responsibles and Global Compact Award**

Taking care of my Destination Program

**Wines on the Wing / Global Traveler**

Best White Wine International Executive Class: 20 Barrels, Sauv. Blanc 2013, Viña Cono Sur, Chile



**Travelers' Choice Favorites - TripAdvisor®**

TAM: First place in the airline category

**Most Loved Brands – Centro de Inteligencia Padrão (CIP)**

TAM: First place in the airline category

# GRI contents



SUSTAINABILITY REPORT 2014

# GRI CONTENTS

G4-32



INDICATOR	DESCRIPTION	PAGE	GLOBAL COMPACT	OBSERVATIONS	EXTERNAL ASSURANCE
<b>STRATEGY AND ANALYSIS</b>					
G4-1	Message from the senior management	3, 4			Yes
G4-2	Description of key impacts, risks, and opportunities.	3, 4			Yes
<b>ORGANIZATIONAL PROFILE</b>					
G4-3	Name of the organization.	6			Yes
G4-4	Primary brands, products, and/or services.	6			Yes
G4-5	Location of organization's headquarters.	6			Yes
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	6			Yes
G4-7	Nature of ownership and legal form.	6			Yes
G4-8	Markets served.	6			Yes
G4-9	Scale of the reporting organization.	6			Yes
G4-10	Employee profile	47	6		Yes
G4-11	Percentage of employees covered by collective bargaining agreements	48	3		Yes
G4-12	Description of the organization's supply chain	44			Yes
G4-13	Changes regarding the organization's size, structure, ownership, or its supply chain	11			Yes



# GRI CONTENTS

INDICATOR	DESCRIPTION	PAGE	GLOBAL COMPACT	OBSERVATIONS	EXTERNAL ASSURANCE
G4-14	Explanation of whether and how the precautionary principle is addressed by the organization			"All services of LATAM Airlines Group, including routes, itineraries, maintenance activities, and customer loyalty programs, are developed pursuant to the applicable legislation, considering the potential risks and impacts they may have on consumers and society. However, the company does not formally adopt the precautionary principle in its business planning"	Yes
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiative	3, 4			Yes
G4-16	Membership of associations and/or organizations	3, 4, 43			Yes
<b>MATERIAL ASPECTS AND BOUNDARIES</b>					
G4-17	List all entities included in the organization's consolidated financial statements and other equivalent documents not covered by the report			All companies were considered in the report.	Yes, page 62
G4-18	Process for defining report content	10			Yes, page 62
G4-19	List of material aspects	10			Yes, page 62
G4-20	Materiality and boundaries of each aspect within the organization	10			Yes, page 62
G4-21	Materiality and boundaries of each aspect outside the organization	10			Yes, page 62
G4-22	Restatements of information provided in previous reports	11			Yes, page 62
G4-23	Significant changes in the scope and coverage of each aspect in relation to previous reports	11			Yes, page 62
<b>STAKEHOLDER ENGAGEMENT</b>					
G4-24	List of stakeholder groups engaged by the organization	10, 16, 24, 26, 33, 38, 40, 42, 43, 44, 47			No
G4-25	"Basis for identification and selection of stakeholders with whom to engage"	10			Yes, page 62

# GRI CONTENTS

INDICATOR	DESCRIPTION	PAGE	GLOBAL COMPACT	OBSERVATIONS	EXTERNAL ASSURANCE
G4-26	Approaches to stakeholder engagement	10			Yes, page 62
G4-27	"Key topics and concerns that have been raised through stakeholder engagement"	10			Yes, page 62
<b>REPORT PROFILE</b>					
G4-28	Reporting period	11			Yes
G4-29	Date of previous report	11			Yes
G4-30	Reporting cycle	11			Yes
G4-31	Contact point regarding the report	11			Yes
G4-32	"In accordance" option and the GRI Content Index	11, 56			Yes
G4-33	Organization's policy and practice with regard to external assurance	11			Yes
<b>GOVERNANCE</b>					
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	13			Yes
<b>ETHICS AND INTEGRITY</b>					
G4-56	Organization's values, principles, standards, and norms of behavior	8, 9	10		Yes
<b>ECONOMIC PERFORMANCE</b>					
G4-DMA	Management Approach				
G4-EC1	Direct economic value generated and distributed.	19			Yes

# GRI CONTENTS

INDICATOR	DESCRIPTION	PAGE	GLOBAL COMPACT	OBSERVATIONS	EXTERNAL ASSURANCE
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	30	7		Yes
G4-EC4	Significant financial assistance received from government.	43, 47			Yes
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	47	6		Yes
G4-EC7	Development and impact of infrastructure investments and services supported	22, 38			Yes
G4-EC8	Significant indirect economic impacts	38, 41, 42			Yes
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	44			Yes
<b>ENVIROMENTAL PERFORMANCE</b>					
G4-DMA	Materials used by weight or volume.				
G4-EN1	Energy consumption within the organization	35	7	Partially verified	Yes
G4-EN3	Reduction of energy consumption	35	7,8	Partially verified	Yes
G4-EN6	Total water withdrawal by source	31	8,9		Yes
G4-EN8	Direct greenhouse gas emissions	35	7,8	Partially verified	Yes
G4-EN15	Energy indirect greenhouse gas emissions	34	7,8		Yes
G4-EN16	Other direct greenhouse gas emissions	34	7,8		Yes
G4-EN17	Current greenhouse gas emissions intensity	34	7,8		Yes
G4-EN18	Reduction of greenhouse gas emission	34	8		Yes
G4-EN19	Emissions of ozone-depleting substances	31, 34	8,9		Yes
G4-EN20	Emissões de substâncias que destroem a camada de ozônio	34	7,8		Yes

# GRI CONTENTS

INDICATOR	DESCRIPTION	PAGE	GLOBAL COMPACT	OBSERVATIONS	EXTERNAL ASSURANCE
G4-EN21	NO, SO, and other significant air emissions by type and weight.	34	7,8		Yes
G4-EN23	Total weight of waste by type and disposal method.	36	8	Partially verified	Yes
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	31, 36, 44	7,8		Yes
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	30			Yes
<b>SOCIAL PERFORMANCE - LABOR PRACTICES AND DECENT WORK</b>					
G4-DMA	Management Approach		6		
G4-LA1	"Total number and rates of new employee hires and average employee turnover by age group, gender, and region"	47, 51			Yes
G4-LA2	Social benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	48			Yes
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	52			Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	52			Yes
G4-LA9	Average hours of training per year, per employee	48	6		Yes
G4-LA10	Programs for skills management and lifelong learning	48			Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews	48	6		Yes
<b>SOCIAL PERFORMANCE - HUMAN RIGHTS</b>					
G4-DMA	Management Approach				
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures	48	1		Yes

# GRI CONTENTS

INDICATOR	DESCRIPTION	PAGE	GLOBAL COMPACT	OBSERVATIONS	EXTERNAL ASSURANCE
<b>SOCIAL PERFORMANCE - SOCIETY</b>					
G4-DMA	Management Approach				
G4-SO1	Percentage of centers with implemented development programs, impact assessments, and local community engagement	38	1		Yes
G4-SO2	Operations with significant potential or actual negative impacts on local communities	38	1		Yes
G4-SO4	Communication and training on anti-corruption policies and procedures	16			Yes
G4-SO5	Confirmed incidents of corruption and actions taken	16		This indicator is confidential.	Yes
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on societ			"No social criteria for screening suppliers were used in previous years. The company's current suppliers were screened during 2014."	No
G4-SO10	Significant and potential negative impacts on society in the supply chain and actions taken	44			Yes
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanism	26, 44		This indicator is confidential.	No
<b>SOCIAL PERFORMANCE - PRODUCT RESPONSIBILITY</b>					
G4-DMA	Management Approach	44, 52			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts were assessed	44			Yes
G4-PR2	Incidents of non-compliance with regulations or voluntary codes concerning the health and safety impacts of products and services	44			Yes
G4-PR5	Customer satisfaction	26			Yes



Risk  
Rosario Norte 407  
Piso 8  
Las Condes, Santiago  
Chile  
Fono: (56-2) 2 729 8281  
Fax: (56-2) 374 9190  
e-mail: riskchile@deloitte.com  
www.deloitte.cl

Mayo 15, 2015

**INFORME DE REVISIÓN INDEPENDIENTE DEL REPORTE DE SOSTENIBILIDAD 2014 LATAM**

Señor  
Enrique Cueto  
Vicepresidente Ejecutivo  
Presente

De nuestra consideración:

Hemos realizado la revisión de los siguientes aspectos del Reporte de Sostenibilidad 2014 de LATAM:

**Alcance**

- ✓ Revisión de seguridad limitada de la adaptación de los contenidos e indicadores del Reporte de Sostenibilidad 2014, con lo establecido en la Guía para la elaboración de Memorias de Sustentabilidad GRI en su versión G4, en cuanto al perfil de la organización e indicadores materiales surgidos del proceso de materialidad realizado por la compañía en torno a los criterios establecidos en la guía GRI-G4, relacionados a las dimensiones Económica, Social y Ambiental.

**Estándares y procesos de verificación**

Hemos realizado nuestro trabajo de acuerdo con la Internacional Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) emitida por el International Auditing and Assurance Standard Board (IAASB) de la International Federation of Accounts (IFAC)

Nuestro trabajo de revisión ha consistido en la formulación de preguntas a diversas unidades y gerencias de LATAM que se han visto involucradas en el proceso de realización de este reporte, así como en la aplicación de procedimientos analíticos y pruebas de revisión que se describen a continuación.

- ✓ Reunión con la Jefa de Responsabilidad Social Corporativa, Srta. María Loreto Silva.
- ✓ Reunión con el equipo que lideró el proceso de materialidad.
- ✓ Reuniones con el equipo de la consultora externa responsable de la elaboración del Reporte de Sostenibilidad 2014 para conocer los principios, sistemas y enfoques de gestión aplicados.
- ✓ Análisis de la adaptación de los contenidos del Reporte de Sostenibilidad 2014 a los recomendados en la Guía GRI-G4 y comprobación que los indicadores verificados incluidos en este Reporte se corresponden con los protocolos establecidos por dicho estándar y que se justifican los indicadores no aplicables o no materiales.
- ✓ Comprobación, mediante pruebas de revisión de la información cuantitativa y cualitativa correspondiente a los indicadores GRI G4 incluida en el Reporte de Sostenibilidad 2014 y su adecuada compilación a partir de los datos suministrados por las fuentes de información de LATAM.

**Conclusiones**

- ✓ El proceso de verificación se realizó en base a los indicadores establecidos a partir del proceso de materialidad realizado por la empresa. Una vez identificados, priorizados y validados los indicadores fueron incluidos en el reporte. Los indicadores reportados y verificados, se señalan en la siguiente tabla:

GRI G4						
Contenidos Básicos Generales						
G4-1	G4-2	G4-3	G4-4	G4-5	G4-6	G4-7
G4-8	G4-9	G4-10	G4-11	G4-12	G4-13	G4-14
G4-15	G4-16	G4-17	G4-18	G4-19	G4-20	G4-21
G4-22	G4-23	G4-25	G4-26	G4-27	G4-28	G4-29
G4-30	G4-31	G4-32	G4-33	G4-34	G4-56	
Contenidos Básicos Específicos						
G4-EC1	G4-EC2	G4-EC4	G4-EC6	G4-EC7	G4-EC8	G4-EC9
G4-EN1	G4-EN3	G4-EN6	G4-EN8	G4-EN15	G4-EN16	G4-EN17
G4-EN18	G4-EN19	G4-EN20	G4-EN21	G4-EN23	G4-EN27	G4-EN29
G4-LA1	G4-LA2	G4-LA6	G4-LA7	G4-LA9	G4-LA10	G4-LA11
G4-HR7	G4-SO1	G4-SO2	G4-SO4	G4-SO10	G4-PR1	G4-PR2
G4-PR5						

- ✓ Respecto de los indicadores verificados podemos afirmar que no se ha puesto de manifiesto ningún aspecto que nos haga creer que el Reporte de Sostenibilidad 2014 de LATAM no ha sido elaborado de acuerdo con la Guía para la elaboración de Reportes de Sustentabilidad del Global Reporting Initiative en su versión G4 en los aspectos señalados en el alcance.

**Informe de Mejoras**

Adicionalmente, se presenta a la empresa un informe de oportunidades de mejoras orientadas a reforzar aspectos de gestión y la capacidad de reporte de su desempeño en materia de sustentabilidad.

**Responsabilidades de la Dirección de LATAM y de Deloitte**

- La preparación del Reporte de Sostenibilidad 2014, así como el contenido del mismo es responsabilidad de LATAM, la que además es responsable de definir, adaptar y mantener los sistemas de gestión y control interno de los que se obtiene la información.
- Nuestra responsabilidad es emitir un informe independiente basado en los procedimientos aplicados en nuestra revisión.
- Este informe ha sido preparado exclusivamente en interés de LATAM, de acuerdo a los términos establecidos en la Carta de Compromiso.
- Hemos realizado nuestro trabajo de acuerdo con las normas de independencia requeridas por el Código de Ética de la IFAC.
- Las conclusiones de verificación realizadas por Deloitte son válidas para la última versión de Reporte en nuestro poder, recibida con fecha 15/05/2015.
- El alcance de una revisión de seguridad limitada es sustancialmente inferior al de una auditoría o revisión de seguridad razonable, por lo que no proporcionamos opinión de auditoría sobre el Reporte de Sostenibilidad 2014 de LATAM

Fernando Gaziano.  
Socio

### General Coordination

Directorate of Institutional Relations  
and Corporate Social Responsibility

Bruno Ardito

Loreto Silva Lavin

Directorate of Institutional Relations  
and Sustainability

Gislaine Rossetti

Cristine Naum

Sarita Severien

Tais Brandão

### Editorial production, design and GRI consulting

Visão Sustentável

#### Team:

José Pascowitch,

Rafael Morales,

Andrea Fumo,

Carolina Besse,

Carolina de Paula

S+G Comunicação

### Final editing

Art & Texts – Sandra Muraki

### Translation

Kevin Mathewson



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— LATAM AIRLINES GROUP —