



# Sustainability Report 2015





## 2015 Highlights

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LATAM  
AIRLINES GROUP

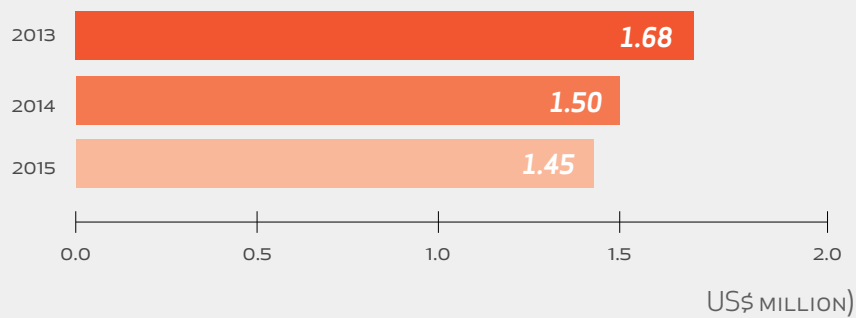
**11th largest airline** in the world  
and leader in South America

Passenger and cargo sectors  
(domestic and international)

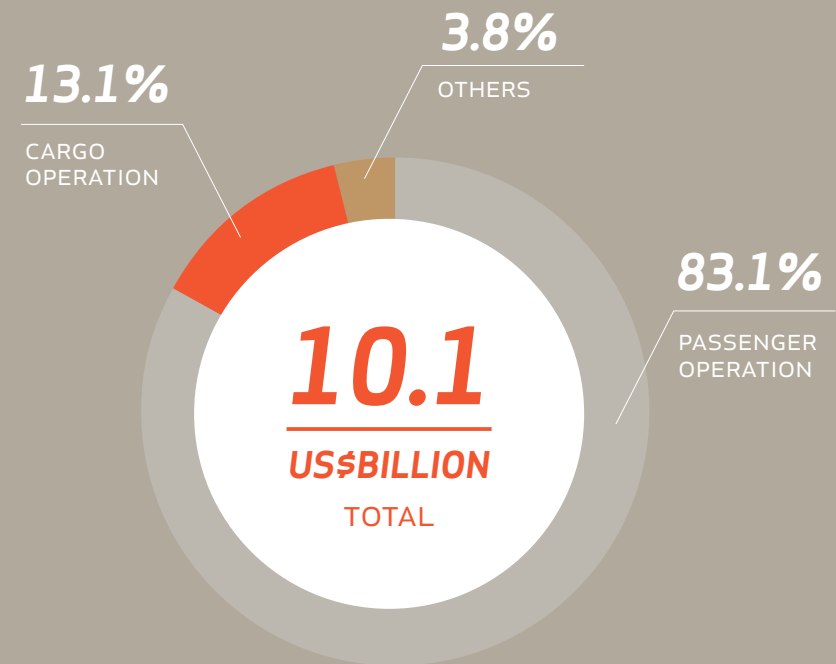
Listed on the Dow Jones Sustainability World Index

More than **67 million**  
passengers carried in **29 countries**  
**1 million** metric tons of cargo.

EBITDA (US\$ million)



## 2015 Revenues %





## NEW LOOK

*The geographical outline of Latin America inspires the new LATAM brand, which conveys some of the company's key attributes, such as commitment to efficiency, care for people and the strong identification with the continent in which it is based. The change in the corporate image will take place gradually in a process lasting until 2018.*

## COMMITMENT TO SAFETY

*All operational safety indicators improved in 2015. The company's total injury rate dropped by 41%, with the decrease reaching 54% in some units.*

## HEALTH AND SAFETY PERFORMANCE LA6

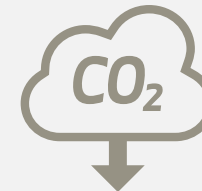
	2014	2015	2015 / 2014
Number of injuries	1,234	739	-40.1 %
Injury rate	2.40	1.42	-40.1 %
Number of days lost	12,764	12,072	-5.4 %
Number of fatalities	0	0	0%

EFFICIENCY  
AND CARE

↑ 2.5% AVERAGE ANNUAL  
IMPROVEMENT IN FUEL  
EFFICIENCY FROM  
2012 TO 2015



↓ 38.4 MILLION GALLONS  
OF FUEL ECONOMIZED  
THROUGH ECOEFFICIENCY  
MEASURES



↓ 40% REDUCTION OF UP TO 40%  
IN NOISE GENERATED  
DURING TAKE-OFFS  
THROUGH USE OF  
MORE MODERN AIRCRAFTT



ENVIRONMENTAL  
MANAGEMENT

• Flight operations: The Chilean international operation was certified under the International Air Transportation Association's voluntary environmental program: IATA Environmental Assessment (IEnvA). LATAM is the first airline in Latin America and the third worldwide to receive this certification.



FLIGHT  
OPERATIONS

• Ground operations: In 2015, LAN CARGO became the first cargo airline with operations at Miami International Airport to receive ISO 14001 certification for its Environmental Management System.



GROUND  
OPERATIONS

CONNECTIVITY  
AND CLIENT SATISFACTION



**FACILITIES VIA WEBSITE OR CELLULAR TELEPHONE** ticket purchase, seat reservation, check in, emission of boarding pass, flight status.

**RECOMMENDATION LEVEL (NET PROMOTER SCORE):** 40 (a point higher than in 2014)

**CULTURAL CHANGE PROJECT (PILOT AT TWO UNITS):** 12% increase in client satisfaction (Estado Contact Center in Santiago, Chile) and 40% (Brasilia Airport, Brazil)

**US\$ 195,500**  
**INVESTED**

**IN THE CUIDO MI DESTINO SUSTAINABLE TOURISM PROGRAM TOTAL OF US\$ 1.6 MILLION INVESTED SINCE 2009.**



## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders,

2015 was the most challenging year in the history of LATAM and its affiliates airlines operate, local currencies depreciated; thus impacting our revenues and costs related to the import of goods and services. Moreover, we faced a huge economic and political crisis in Brazil, our largest market; which strongly impacted the civil aviation sector. The country faced the largest recession of its modern history; resulting in a contraction of GDP, increased unemployment and a fall in real wages. This has had a significant impact on the wealth of individuals and companies, with the troubles in the political environment affecting expectations, thus exacerbating the damage to the macroeconomic scenario.

This highly challenging scenario in the largest market explains the 219 million dollars loss that LATAM reported in 2015, which could have been worse if it wasn't mitigated by the strong performance of the Spanish speaking markets. It's worth highlighting that LATAM met its operating margin forecast of 5%, with the most adverse impact on currency depreciation, mainly in Brazil.

Notwithstanding the above, LATAM Airlines Group retained its leadership in the main

markets in which we operate, such as Chile and Peru. In 2015 the seat capacity (ASKs) was reduced by 2.5% in Brazil's domestic operation and renegotiated our aircraft deliveries, which resulted in the cancellation of nearly 40% of our fleet commitments through 2018 and an investment reduction of 2.9 billion dollars. We are aware of future challenges, and in 2016 we will continue to adapt TAM's network with an important additional reduction of 8% to 10% in seat capacity in the Brazilian domestic market as well as downsizing the international market from Brazil, especially to the United States. Therefore, 2015 will be remembered as the year where LATAM demonstrated its ability to respond to challenging economic scenarios.

We continue to consolidate the leadership in our main hubs – Guarulhos, Brasilia, Lima and Santiago – which will enable us to develop our network and offer the broader range of destinations to our passengers. Proof of this is the thirteen regional and international routes that were announced during the year, including connections between Brasilia and Montevideo (JJ), Punta Cana and Buenos Aires (4M) and Lima to Montevideo (LP), Antofagasta and Washington D.C.(LP)

I would like to highlight the 'joint business agreements' negotiated in 2015 between LATAM and IAG (controlling holding company of British Airways and Iberia) and American Airlines (AA), one of the leading airlines in the United States. Once approved by the corresponding authorities, we will have access to a broad network of connections in important

hubs in the United States and Europe. With these agreements, we have the possibility to open a large network of destinations and offer further advantages to our customers, such as the unique ticket sales and improved travel experiences. This was only possible because of our unrivalled flight network and connections within South America.

Finally, I wouldn't like to end this message with announcing our new brand, LATAM Airlines. Since the beginning we knew that the best way to merge the different hispanic and Brazilian cultures would be through a new brand, a decision that we have arrived to after long discussions and breaking of paradigms, because a new brand has never been created from a merger or association of airlines in the history of aviation. It wasn't an easy decision, because the replacement of powerful and historic brands such as LAN and TAM required courage. It was also a logical decision, because the merger will generate economies of scale in the long run with the process simplification in virtually every area.

In 2016, our plan is to expand LATAM Group's leading position in Latin America, flying to new destinations with our unique identity and the same strength to overcome problems and grow in a profitable way.

Yours sincerely,

**Mauricio Amaro**  
Chairman of the Board  
LATAM Airlines Group



## MESSAGE FROM THE CEO

### G4-1

Dear shareholders,

The consolidation of LATAM as one of the leading airlines in Latin America in terms of quality and service has been a priority over the last few years. We believe that the only way to be successful is to offer a distinctive value proposal to our passengers. Being only a step away from a huge accomplishment – the launch of our new brand – we are still convinced that we have the right strategy to achieve our goal of positioning LATAM among the best airlines in the world.

I would like to take this opportunity to inform you about all the work we've done over the last year. Introducing LATAM has meant change; changes that have opened a world of possibilities and allowed us to reestablish a new culture with the customer and place them at the center of every strategic plan. LATAM has not only brought together the best of LAN and TAM stories, but also it has amplified them on a large scale to deliver our clients much more than the sum of their parts.

We have made these changes in a highly complex and challenging regional scenario, which encourages us to be efficient, take care of our cost structure and to prioritise our strategies. We have focused on initiatives that

allow us to build a distinctive offer. We offer the best network of destinations, a state-of-the-art digital experience and a team that directs its efforts towards satisfying our customers; which will guarantee our future growth.

In this vein, we continue working to enhance our flight network and connections within South America, thus offering our passengers an unparalleled connectivity in the region. LATAM Group will continue to focus on strengthening the main hubs, allowing us to reinforce the group's connectivity in Latin America, North America, the Caribbean, Europe and now Africa.

During 2015, we invested more than US\$50 million in the implementation of digital advances that have allowed us to improve the passenger flight experience, offer better service before and after the flight and improve our how our employees work. Through this investment we look forward to creating a unique flight experience and a competitive advantage for LATAM Group. Some of the innovations that stood out during the year were: the implementation of a new onboard wireless entertainment system that enables passengers to watch movies, series and videos through their own mobile devices; as well as a new smartphone application, offering electronic boarding passes. Additionally, three thousand tablets were delivered to LATAM Group employees; to help improve our service quality, whether directly or indirectly.

I also want to highlight our daily commitment to be a transparent and responsible airline

group to our customers and investors and at the same time provides a valuable contribution to Latin America. For the second consecutive year, we were one of only two airline groups worldwide to be listed in the Dow Jones World Sustainability Index, placing us among a select group of companies for sustainability based on long-term economic, social and environmental criteria.

We have worked with conviction and passion, giving our best to get to this stage. Along with thanking our shareholders, I would like to acknowledge over 50,000 people from different nationalities that work for LATAM Group, whose effort and dedication has been crucial for this unique and historic project. LATAM is a global operator and is preparing to compete in the major leagues of the airline business worldwide, therefore generating value for our shareholders, stakeholders and the society as a whole.

Yours sincerely,

**Enrique Cueto**  
CEO Grupo LATAM





# The Company

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## THE COMPANY: LEADER IN SOUTHAMERICA

### G4-3, G4-4, G4-8 and G4-9

The LATAM Airlines Group is the leader in passenger and cargo transportation in South America. In 2015, the airline group transported more than 67 million passengers and carried a million metric tons of cargo between 29 countries. LATAM Airlines Group S.A. is the new name given in 2012 to LAN Airlines S.A. as a result of its association with TAM S.A. It has 50,413 employees and a fleet of 331 aircraft, one of the youngest and most modern in the industry, with an average age of seven years. G4-3, G4-4, G4-6, G4-8, G4-9

A key differential is the airline group's wide-ranging network of 150 destinations, connecting Latin America, the Caribbean, North America, Europe and Asia Pacific. LATAM and its affiliates airlines also operate in the seven largest domestic markets (Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay and Peru), accounting for half of the passenger traffic within South America. Based on a strategy of hubs in key airports, the company facilitates connections within the region and worldwide. Examples of this strategy are the airports in Guarulhos, São Paulo (Brazil), and Lima (Peru).

The airline group's connectivity is boosted by its participation in the oneworld global alliance, comprising 15 airlines that fly to 150 countries. This alliance gives LATAM passengers access to 117 destinations in Latin America, 435 in North America, 395 in Europe and more than 800 in Asia, Africa and the Middle East.

The group comprises the companies LAN Airlines and its affiliates in Peru, Argentina, Colombia and Ecuador, LAN Cargo and its affiliates, TAM and its TAM Linhas Aéreas subsidiaries, including the TAM Transportes Aéreos del Mercosur (TAM Airlines Paraguay) and the Multiplus business units.

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## SINGLE BRAND

*In the second half of 2015 LATAM announced its new brand, aimed at conveying some of the company's key attributes visually, such as its commitment to efficiency, caring for people and strong identification with Latin America. Inspired by the geographical outline of the continent, work on applying the new brand was initiated in 2016 in the airline group's physical spaces, aircraft, commercial units and communication channels. The change in corporate image will be carried out gradually, with completion scheduled for 2018.*

*Between the association of LAN and TAM and the launch of the single brand, three years were spent on research into stakeholders and scenario studies in ten countries representing strategic markets or activity bases. The process took the history airlines, the expertise developed over decades of activities and the synergies which justified the association into account.*

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# LATAM Airlines Group



COLOMBIA  
ECUADOR  
PERÚ  
CHILE  
ARGENTINA

## ARGENTINA

LAN Argentina is the second largest operator of domestic flights in the country, in a market dominated by state-owned Aerolíneas Argentinas (more than 70%). The company operates 15 aircraft flying to 14 destinations.

**2.4 million passengers on domestic flights**  
**XX passengers on international flights**  
consolidated traffic: + 4.0%(RPK)<sup>1</sup>  
capacity: + 4.0% (ASK)<sup>2</sup>  
Occupancy rate: 76%  
Market share: 25%

## BRAZIL

The Brazilian domestic market is the largest in South America and the fourth largest worldwide in passenger transportation. TAM operates 44 domestic destinations with a fleet of 120 aircraft.

**32.1 million passengers on domestic flights**  
**67.2 million passengers on international flights**  
consolidated traffic: -2.6% (RPK)<sup>1</sup>  
capacity: -2.5% (ASK)<sup>2</sup>  
occupancy rate: 81.6%  
market share: 37%

## CHILE

The leader in the Chilean market, in which it has operated for 86 years, LAN serves 15 destinations with a fleet of 25 aircraft. In 2015, the company transported 7.2 million passengers on domestic routes, stable in relation to the previous year.

**7.2 million passengers on domestic flights**  
**XX passengers on international flights**  
consolidated traffic: +1.3% (RPK)<sup>1</sup>  
capacity: +0.3% (ASK)<sup>2</sup>  
occupancy rate: 83.3%  
market share: 75%



# LATAM Airlines Group



## COLOMBIA

In its fourth year in operation, LAN Colombia transported 4.6 million passengers in 2015, growing 4% over the previous year. The company is the second largest airline in the country, with a fleet of 15 aircraft serving 17 domestic destinations.

**4.6 million passengers on domestic flights**  
**XX passengers on international flights**  
consolidated traffic: +15% (RPK)<sup>1</sup>  
capacity: +15% (ASK)<sup>2</sup>  
occupancy rate: 79%  
market share: 20%

## ECUADOR

In operation since 2009, LAN Ecuador flies to five destinations, offering connection options to promote tourism and national development. In 2015, the company transported some 1.1 million passengers on its domestic routes, 1% up on the previous year. The fleet comprises three aircraft.

**1.1 million passengers on domestic flights**  
**XX passengers on international flights**  
consolidated traffic: +7% (RPK)<sup>1</sup>  
capacity: +8% (ASK)<sup>2</sup>  
occupancy rate: 81.2%  
market share: 39%

## PERU

LAN Perú is the leader in the Peruvian market, in which it has operated for 16 years. In 2015, the company carried 6,2 million passengers, an increase of 8.3% over the previous year. LAN Perú serves 16 destinations with a fleet of 17 airplanes.

**6.2 million passengers on domestic flights**  
**XX passengers on international flights**  
consolidated traffic: +8.3% (RPK)<sup>1</sup>  
capacity: +8% (ASK)<sup>2</sup>  
occupancy rate: 81.6%  
market share: 66.5%



# LATAM Airlines Group



# LATAM Airlines Group

 57

NORTH AMERICA  
DESTINATIONS

 31

EUROPE  
DESTINATIONS

 08

ASIA  
DESTINATIONS

 05

AFRICA  
DESTINATIONS

 30

AUSTRALIA  
DESTINATIONS

 POLINESIA  
FRANCESA

CANADA

EEUU

MEXICO

CUBA

REPÚBLICA  
DOMINICANA

BOLIVIA

PARAGUAY

URUGAY

ISLAS  
MALVINAS

INGLATERRA

ALEMANIA

FRANCIA

ESPAÑA

ITALIA





## THE COMPANY: SUPPLIERS

In 2015, LATAM progressed in the global alignment of parameters for goods and services acquisition and supplier management, consolidating its Procurement and Supply Chain Policy, which takes the group's Code of Ethics and anti-corruption policy into account, in addition to specific regulatory requirements for the different countries in which the company operates. The document is the result of an extensive process undertaken during the year by the Procurement, Compliance and Legal areas. It sets forth the principles governing relations with suppliers, with particular focus on risk reduction, ethics, legal compliance and social and environmental criteria. In the course of the year, the procedures and framework agreements to be adopted by the company were also validated.

These initiatives are part of LATAM's effort to standardize its activities and were undertaken in parallel with the redefinition of the corporate procurement structure. To streamline processes and drive efficiency, all the organization's purchases were grouped in categories and responsibilities assigned to specific areas.

Technical purchases directly related to the operation are divided into fuel; engineering

services; consumables; part manufacturer approval (PMA), wheels, brakes, tires and avionics; in flight entertainment (IFE); seats, trim & finish; sales and rotables; larger components, such as landing gear and others; pooled (repairs, exchanges and rental of certain components offered in a pool by suppliers) and non-pooled parts (such as tools and other types of components). There are another ten categories of non-technical purchases indirectly related to the operation: administration; airport; infrastructure; catering; hotels and uniforms; marketing; professional services and transportation. Specialization enhances

monitoring and the pursuit of synergies through more in-depth knowledge of each sector in the supplier chain.

The same principle guided the adoption of a new tool to track cases of non-conformance identified in internal and external audits. Based on the systematization of the information obtained in the different countries, the solutions developed are becoming increasingly global in nature. Action plans will be monitored on a monthly basis. G4-12

**Identify and manage risks**  
**Reinforce relations**  
**To adopt specific parameters for ethics, sustainability and eco-efficiency in managing suppliers**



### 2015 TARGET:

- definition of a corporate procurement policy

### RESULTS

- standardization of procedures and definition of corporate procurement policy
- improvement of risk monitoring and control processes, encompassing social and environmental risks
- identification of synergies and opportunities; generation of savings (in cost avoided)

## MANAGING THE CHAIN

The establishment of a global procurement and supply chain policy enabled LATAM to standardize the financial, social and environmental criteria used to select and monitor suppliers and to enhance risk management throughout the chain. Partners are systematically submitted to monitoring based on a matrix which takes into account the most relevant risks for each supplier category, encompassing aspects such as level of financial solvency, compliance with labor and fiscal standards, sanitary requirements, ethical conduct, as well as human rights and social and environmental best practices. In 2016, the organization is planning to adopt an IT tool which will permit it to check LATAM suppliers against international databases and blacklists of companies involved in money laundering, fraud, financing terrorism, crimes against humanity, and the exploitation of child or slave labor.

Supplier management also takes into account specific potential risks and impacts in determined value chains, identified from a mapping exercise conducted in Brazil in 2013 and updated by the company in 2015. The potential risks identified include degrading working conditions at apparel suppliers, health and safety in catering supply, the physical safety of crew members and passengers in transportation and hotel accommodation and environmental impacts caused by inadequate waste management on the part of fuel, tire and infrastructure suppliers, for example. EN33 – LA15 – HR11

All company suppliers submit to the company Code of Conduct, which addresses questions such as ethical conduct, anti-corruption practices, occupational health and safety, human rights – and more specifically child and slave labor –, working conditions, as well as social and environmental responsibility. Furthermore, contracts contain specific clauses on compliance with environmental requirements, with performance monitored by audits. Environmental criteria are incorporated into the selection of partners: ranging from the measurement and management of greenhouse gas emissions, energy efficiency and initiatives to ensure the reduction and proper disposal of waste, in particular hazardous varieties. The criteria were already being applied to certain specific procurement categories and were extended to the entire supply chain.

The company conducts audits on third-parties and sub-contractors regarding labor obligations, overtime and equipment maintenance.

Periodic audits are also carried out on suppliers considered to be critical, such as those providing aircraft parts, aviation fuel, airport equipment and passenger back up and tracking systems. Suppliers of products and services that have a high cost, that are not easy to substitute or that could potentially affect operational continuity are considered to be critical.

## ENVIRONMENTAL CLAUSE

*“Once selected, the supplier must sign a contract, which contains an environmental clause. By this clause, providers are compelled to comply with all environmental legal requirements and to take responsibility for any sanctions in this regard. Also, contractors are bound by this clause to safeguard the environment and to avoid actions that may harm it, taking any preventive measures needed. The clause applies to all types of providers, especially those working with hydrocarbons, fuels, effluent discharges, atmospheric pollutants and waste, in particular hazardous varieties.*

*Also, by this clause the supplier agrees to:*

*a. Report any event that may cause real or potential environmental damage to the client*

*b. In the event of an environmental incident, to act strictly in accordance with the guidelines provided by the client (LATAM Airlines Group or any of its subsidiaries), including the application of controls and mitigation measures.*

*c. Heed the observations and apply the corrective or preventive measures proposed by the client or any other inspection authority.*

*d. Provide all the information requested by the Client to facilitate audits and verification of compliance with client guidelines and environmental regulations. Suppliers’ failure to comply with this clause may result in termination of the contract.”*  
Source: LATAM standard contract

## FOCUS ON MICRO AND SMALL COMPANIES

In 2015, LAN Colombia launched its Micro and Small Company program (MyP, in the Spanish acronym), aimed at forging closer relations with these suppliers and promoting their development. Payment policy was modified resulting in payment terms reduced to at most 30 days, attuned with the financial reality of these

companies. Additionally, a specific communication channel through which they may make comments, complaints and clarify doubts was created in the supplier portal. All contacts via the channel receive a response in at most five days. The volume of business LAN Colombia did with micro and small companies totaled over US\$ 2.1 million in 2015. EC7



## THE COMPANY: JOINT CONSTRUCTION

### G4-15 – G4-16

LATAM is committed to dialogue with government agencies and industry associations in the different markets in which it operates, with the objective of driving responsible business conduct, influencing best practices, developing joint projects and working on common causes. For this reason, the company monitors debates on the air industry, promoting transparent dialogue aimed at the pursuit of joint solutions in accordance with legal frameworks.

As part of its environmental strategy, LATAM also participates in industry discussion forums aimed at establishing a joint commitment to reducing environmental impacts, in particular those related to climate change. The company's firm positioning and coherent conduct have helped drive the adoption of a number of agreements on relevant questions. Based on a multi-sector approach, the company seeks to engage different actors in the pursuit of solutions for delicate issues such as sustainable energy sources.

Worthy of note were LATAM's contributions to the following organizations and projects in the course of 2015.

- IATA (International Air Transport Association): the company has actively participated in this association, especially in environmental discussions on climate change strategy and environmental management.

- ICAO (International Civil Aviation Organization): LATAM has contributed in discussions regarding the environment, adaptation to climate change and market-based measures to mitigate it. Among the ICAO Objectives for 2014-16 is Environmental Protection, which seeks to minimize the adverse environmental effects of civil aviation activities.
- ALTA (Latin American and Caribbean Air Transport Association): the company has been leading the regional discussions on climate change and greenhouse gas emission reduction, especially through the Climate Change Group. Since the end of 2015, the LATAM Environment director has presided ALTA.
- Carbon Disclosure Project (CDP): the CDP has played a relevant role globally as a forum for discussing climate change-related issues. In this regard, LATAM Airlines Group has been an active participant, with its Environmental Director speaking at a number of these forums. The company also reports regularly to the CDP on its emissions performance.
- The Sustainable Aviation Fuel Users Group (SAFUG): TAM participates in this group, which was formed in September 2008 with support and advice from the world's leading environmental organizations, such as the Natural Resources Defense Council and the Roundtable on Sustainable Biomaterials (RSB). The group is focused on accelerating the development and commercialization of sustainable aviation biofuels.
- Aliança Brasileira para Biocombustíveis de Aviação (ABRABA): TAM belongs to this organization, which provides a forum for Brazilian aviation companies to discuss and agree upon the production and usage of biofuels in the industry.
- Empresas pelo Clima: TAM also belongs to this alliance of Brazilian companies that seek to mobilize and articulate business leaderships for the reduction and management of greenhouse gas emissions along with management of climate-associated risks and public policies.
- Reforest Patagonia: this is a public-private alliance aimed at reclaiming the ecosystem of a region of key environmental interest, Chilean Patagonia. Over the past 100 years, this region has suffered the impact of fires and commercial exploitation which have devastated more than 3 million hectares in this zone. Through LAN, LATAM is one of the founding companies of this initiative.
- BAM: LAN Peru has been offsetting the emissions of ground operations since 2012 through a REDD project managed by Bosques Amazónicos. In four years of operation this alliance has offset 25,046 tons of CO<sub>2</sub> emissions.



## INDUSTRY ASSOCIATIONS

G4-16

MARKET	MAIN ORGANIZATIONS
Argentina	Cámara de Comercio Argentina Brasileira Cámara de Compañías aéreas de Argentina (JURCA) Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento (CIPPEC) Consejo Empresario Argentino para el Desarrollo Sustentable (CEADS) Instituto para el Desarrollo Empresarial de la Argentina (IDEA) Pacto Global de las Naciones Unidas
Brazil	Aliança Brasileira para Biocombustíveis de Aviação (Abrapa) American Chamber of Commerce for Brasil (AMCHAM) Associação Brasileira de Agências de Viagens (ABAV) Associação Brasileira das Empresas Aéreas (ABEAR) Associação Brasileira de Franchising (ABF) Associação Brasileira de Relações Empresa-Cliente (ABRAREC) Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (CEBDS) Clube Corporativo WWF Empresas pelo Clima Centro de Estudos em Sustentabilidade da Fundação Getulio Vargas (GVces) Junta de Representantes das Companhias Aéreas Internacionais do Brasil (JURCAIB) Pacto Global da Organização das Naciones Unidas Sindicato Nacional das Empresas Aéreas (SNEA)
Chile	Asociación Chilena de Aerolíneas (ACHILA) Acción RSE Cámara Chileno-Brasileña de Comercio (CBC) Cámara Chileno Norteamericana de Comercio (AMCHAM) Cámara de Comercio Chileno-Argentina Cámara Chileno-Colombiana Cámara de Comercio Chileno- Peruana Cámara de Comercio de Santiago

MARKET	MAIN ORGANIZATIONS
Chile	Cámara Oficial Española de Comercio de Chile CIEPLAN Comunidad Mujer Council of the Americas Fedetur Instituto Chileno de Administración Racional de Empresas (ICARE) Sociedad de Fomento Fabril
Colombia	Asociación de transporte Aéreo de Colombia-ATAC Cámara Colombo Brasileira Cámara Colombo Chilena
Ecuador	Asociación de Representantes de Líneas Aéreas Del Ecuador (ARLAE) Cámara Ecuatoriana Americana de Comercio Cámara de Industrias y Producción
Peru	Asociación de Empresas de Transporte Aéreo Internacional (AETAI) Asociación Peruana de Empresas Aéreas (APEA) Cámara Binacional de Comercio Peruano Uruguayo Cámara Binacional Perú- Brasil (CAPEBRAS) Cámara de Comercio Americana del Perú (AmCham ) Cámara de Comercio Peruano- Chilena Cámara Nacional de Turismo (CANATUR) Sociedad de Comercio Exterior del Perú (COMEX)
Strategic alliances	Carbon Disclosure Project (CDP) Global Compact International Air Transport Association (IATA) Latin American and Caribbean Air Transport Association (ALTA)



## THE COMPANY: RELATIONS WITH STRATEGIC STAKEHOLDERS

LATAM has always sought to turn its interactions with its diverse stakeholders into opportunities for joint development. In the course of 2015, the company developed a tool to leverage this process systematically: the Corporate Stakeholder Relationship Policy. The document applies to all LATAM units and will be submitted for approval by the Board of Directors in 2016.

The policy objectively sets forth the criteria to be used in identifying and prioritizing stakeholders, taking into account the specific context, company guidelines, topics considered to be material in managing sustainability, potential impacts and the power of influence of each group. As such, this policy befits the dynamic nature of these relationships and the growing trend towards demands for information, transparency and a proactive stance on the part of the company and will be used periodically to review the list of stakeholder groups.

Roles and responsibilities were determined within the company for the execution of structured engagement plans, tracking progress against the goals and targets established by means of performance indicators. The process will be overseen by the Corporate Affairs area and executed under a matrix structure by the diverse company areas, such as Finance, Marketing, Legal,

Compliance, Human Resources, Investor Relations, Airports and Procurement, among others. The goal is to promote dialogue around subjects of common interest and to transparently reinforce the company's positioning on pertinent questions for the aviation industry.

Based on the policy, LATAM undertook the mapping of the 19 stakeholders groups with which it maintains relations. From these, seven strategic groups were prioritized – public and regulatory authorities, primary suppliers, unions, communication media, passenger clients, employees and investors. Action plans were drawn up and relationship channels defined in accordance with the different profiles. **G4-24 – G4-25**

The Corporate Stakeholder Relationship Policy is aligned with the international commitments assumed by LATAM and with the references the company uses in managing the economic, social and environmental dimensions of the business. Worthy of note among these are: the ISO 26000 social responsibility standard; initiatives such as the Global Compact's Sustainable Development Goals; the International Labor Organization's (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

KEY STAKEHOLDERS	MAIN DIALOGUE CHANNELS
Employees	Internal communication Periodic meetings (Breakfast with executives) Committees and extended committees Surveys Performance appraisals Internal standards and regulations
Passenger clients	Newsletter Website, mobile application and social networks Commercial offices and Contact Center Teams (crew, airport) Satisfaction surveys Loyalty programs Public and regulatory authorities Publications (Annual Report, Sustainability Report) Meetings and working groups Reports Website and social networks Press releases Telephone and emails contact
Primary suppliers	Publications (Annual Report, Sustainability Report) Satisfaction surveys and improvement groups Tender processes Call Center Channel for reporting breaches Channel for reporting breaches Web platform
Investors	Website Publications (Annual Report, Sustainability Report, specific studies and reports) Form 20F Presentation of quarterly results, conference call Periodic meetings Email

KEY STAKEHOLDERS	MAIN DIALOGUE CHANNELS
Communication media	Interviews (individual or group) and publicity events Press releases Social networks FAMPRESS Visits to Maintenance Base Telephone and email
Unions	Monthly meetings Specific agendas

**Drive joint solutions**  
**Encourage best practices**  
**Communicate LATAM's positioning on topics**  
**of interest to the sector**



2015 TARGET:

- systematization of stakeholder relationship dynamics

RESULTS

- definition of corporate stakeholder relationship policy
- prioritization of stakeholder groups
- creation of action plans



## THE COMPANY: AWARDS AND RECOGNITIONS

The companies that belong to the LATAM Airlines Group received nearly 25 recognitions in different areas, such as services, sustainability and onboard entertainment, among others. The most important recognitions that LATAM Airlines Group received during 2015 are highlighted below.

### SERVICES AWARDS

**World Line Airline Awards- Skytrax 2015:**  
the most prestigious award of the industry.

- LAN: 1<sup>st</sup> place in the “Best Airline in South America” category.
- TAM: 3<sup>rd</sup> place in the “Best Airline in South America” category.
- LAN: 1<sup>st</sup> place in the “Best Service in South America” category.
- TAM: 3<sup>rd</sup> place in the “Best Service in South America” category.

**Airline of the Year Awards 2015:**

Acknowledgement granted by AirlineRatings to the best airlines whose purpose is to help passengers to choose with whom to travel.

- LAN: Winner of the Long Haul Americas category.

### SUSTAINABILITY AWARDS

**Dow Jones Sustainability Index 2015:**

- 4<sup>th</sup> year in the “DJSI Emerging Markets” category.
- 2 year in the “DJSI World” category.

**CDP (Carbon Disclosure Project):**

- “Best Company in Latin America” Award.

**IEnva Registered Airline (IATA):**

- Stage 2 IEnvA Certification.

**Award Empresa Alas20 (sustainable leaders):**

- Award “Best of the Best”.
- General Manager Leader in Sustainability: Enrique Cueto.
- 1<sup>st</sup> place in the “Company Leader in Investor Relations” category.
- 2<sup>nd</sup> place in the “Company Leader in Corporate Governance” category.

**Aviation Climate Solutions:**

- Recognition “Efficiency in the air: RNP”.
- Recognition “Efficiency in the air: Ultra-Light Containers”.
- Recognition “Carbon Management: Smart Fuel Program”.

**Bureau Veritas Certification:**

- Certification ISO 14.001 in Miami.

**AENOR (Spanish Association for Standardization and Certification) Environment:**

- Measurement and external verification of carbon footprint.

**CAPITAL magazine and The Note:**

- Company Leader in Climate Change.

#### ONBOARD ENTERTAINMENT AWARDS

- Folio: Eddie & Ozzie Awards 2015: one of the print and digital magazines industry globally.
- IN Magazine: Golden Award for “Best Use of Illustration” for the report “Kings of Speed”, June 2015.
- IN Magazine: Golden Award for “Best General Design” for the report “Gastronomy Special”, November 2014.
- Local newspaper in Peru: Golden Award for “Best New Publication of the Year”.

#### OTHER AWARDS

Structured Financing of the Year – Latin Finance Magazine

Award for the EETC financial transaction, in recognition of size, legal complexity and for being pioneers in this type of transaction and innovative in the market.

#### Corporate Transparency Report 2015 – UDD, KPMG Y Chile Transparente

- LATAM: 2nd Place in the “Best Practices 2015” Category for public traded companies.

#### Award for the most admired companies in Brazil – Carta Capital magazine (BR):

- TAM: Winner in the “Airline Companies” Category (for the 7th consecutive year).

#### Ethical Boardroom Corporate Governance Awards 2015:

- LAN: Winner in the “Best Corporate Governance – Airlines – South America – 2015” category.

#### eCommerce Awards 2015:

The most important award of the electronic commerce sector.

- LAN CL: Lan.com “Leader in eCommerce in the Tourist Industry”.
- LAN PE: Lan.com “Leader in eCommerce in the Tourist Industry”.
- LAN EC: Lan.com recognized for its contribution to the digital economy in the country.

#### Cellars in the Sky Award – Business Traveller:

- LAN and TAM: Silver Medal in the “Best Fortified After Dinner Wine in First Class” category (for the wine 2007 Croft Port LVB).
- TAM: Bronze Medal for the white wine Dr Bürkin-Wolf Gasbohl 2009, Pfalz.

#### Fohla Top of Mind 2015 Award (BR):

- TAM: The most remembered brand in the “Airline Company” category.



# Governance

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## GOVERNANCE: COMMITMENT TO TRANSPARENCY

The LATAM Airlines Group is a publicly listed company with shares traded on the Santiago Stock Exchange, Chile's Electronic Stock Exchange and the Valparaiso Stock Exchange. Its shares are also listed on Brazil's BMFBovespa Exchange as Brazilian Depositary Receipts (BDR), and on the New York Stock Exchange (NYSE) as American Depositary Receipts (ADR). **G4-7**

The company's corporate governance is overseen by the Board of Directors, which is supported in decision making by the Board of Directors' Committee and four other committees dedicated to specific areas. At the executive level, the CEO, corporate vice presidents and senior LAN and TAM executives are responsible for putting the strategy into practice in accordance with the standards of transparency, ethics and regulatory compliance determined by the board. **G4-34**

The main attributions of these entities are:

- **Board of Directors** – comprising nine members, it is responsible for analyzing and defining LATAM's strategic vision. All board seats are renewed at two-year intervals. The directors are elected via a cumulative vote as established in the company's bylaws.

- **Committee of the Board of Directors** – comprising nine members, all of whom are independent and three of whom hold seats on the Board of Directors. This committee fulfills the role stipulated by corporation law and the standards of the Securities and Exchange Commission (SEC). The committee examines: reports from the company's external auditors, balance sheets and other financial statements; internal control reports; the pay scale of senior management, as well as everything concerning related-party transactions.

- **Other Committees** – created by the Board of Directors to discuss and make recommendations regarding Strategy; Finance; Leadership; and Brands, Products and Loyalty Programs.
- **Senior Management** – comprising the executives working in the LATAM Airlines Group or the LAN and TAM business units, including the heads of the Finance, Personnel Management, Marketing, Legal, Audit, Corporate, Planning and Management Control areas.

## BOARD OF DIRECTORS<sup>1</sup>

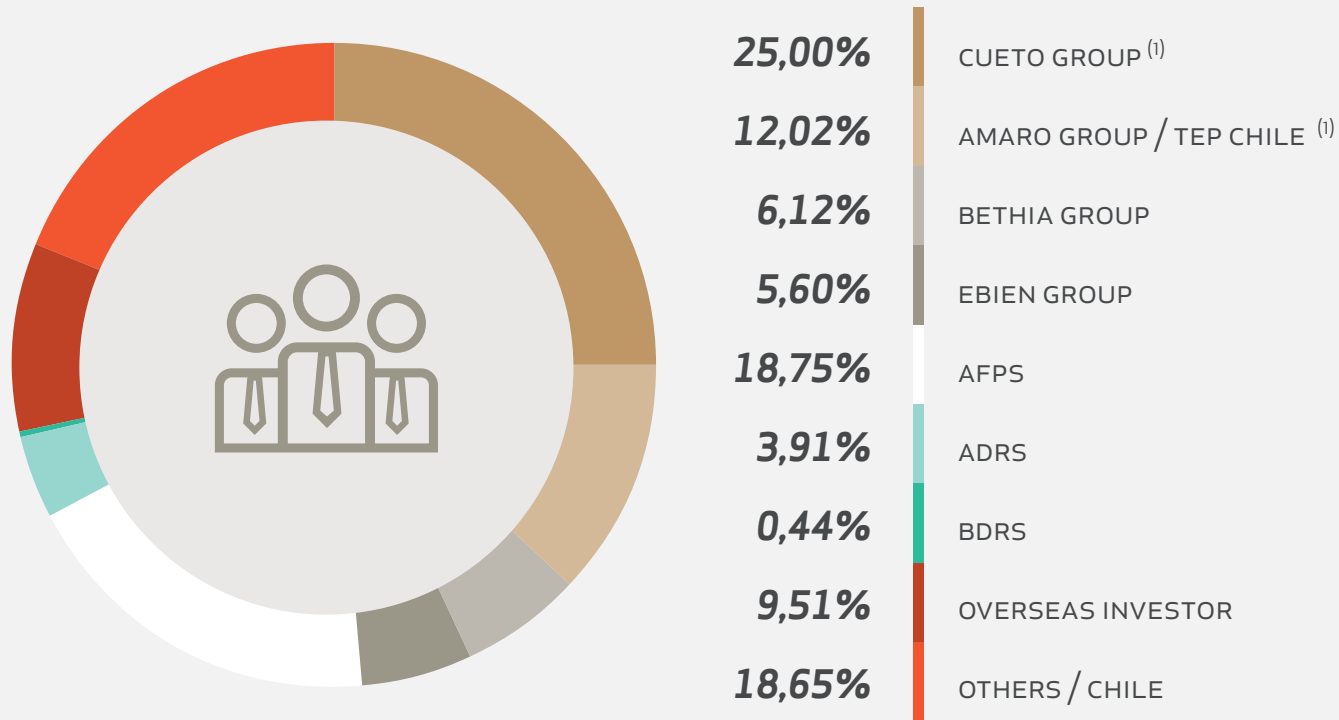
*Mauricio Rolim Amaro (Chairman)*  
*Henri Philippe Reichstul*  
*Juan José Cueto Plaza*  
*Georges de Bourguignon*  
*Ramón Eblen Kadis*  
*Ricardo J. Caballero*  
*Carlos Heller Solari*  
*Gerardo Jofré Miranda*  
*Francisco Luzón López*  
*Emilio del Real (senior vice president, Human Resources)*  
*1members up to April 2016.*

## SENIOR MANAGEMENT

*Enrique Cueto Plaza (CEO, LATAM Airlines Group)*  
*Ignacio Cueto Plaza (CEO, LAN)*  
*Claudia Sender (President, TAM)*  
*Armando Valdivieso (Senior VP Commercial, LATAM)*  
*Cristian Ureta (Executive Vice president, Cargo)*  
*Roberto Alvo (Senior VP International and Alliance, LATAM)*  
*Jerome Cadier (Chief Marketing officer)*  
*Juan Carlos Menció (Senior VP Legal)*  
*Emilio del Real (Senior VP of Human Resources)*  
*Andrés Osorio (Chief Financial Officer)*  
*Hernán Pasman (Chief Operating Officer)*  
*Enrique Elsaca (Senior VP Spanish Speaking countries)*



OWNERSHIP STRUCTURE



<sup>(1)</sup> THE CUETO GROUP CONTROLS THE **LATAM** AIRLINES GROUP VOTING SHARES;  
AND **TEP** CHILE S.A. HAS CONTROL OF **TAM S.A.**

## MARKET RELATIONS

The Investor Relations area oversees relations with LATAM shareholders and other capital market agents, adopting a transparent communication policy that employs specific channels. The group's financial and governance information is made available in English, Spanish and Portuguese on the website <http://www.latamairlinesgroup.net>.

The company presents its results on a quarterly basis by means of reports and teleconferences organized by the Investor Relations area and the Chief Financial Officer (CFO).

## CONSTANT IMPROVEMENT

The LATAM Airlines Group's corporate governance practices are subject to constant review in order to ensure that its internal self-regulatory processes are fully aligned with the regulations in force and with company values. Decision making and commercial activities are underpinned by the principles of ethics and business conduct set forth in the **LATAM Code of Conduct**. Published in 2014, the code consolidates the guidelines set forth in the LAN and TAM codes, providing unified orientation for the entire company and guidelines for relations with relevant stakeholder groups. G4-56

For example, the document explicitly sets forth LATAM's positioning and expectations in terms of employee conduct in relations with government or company representatives, prohibiting the acceptance of gratifications or the offer of irregular payments. Regarding contracts or financial contributions in the name of the group to charity campaigns, social or political causes, the Code determines that the express, prior authorization of the company's Board of Directors is necessary.

All suppliers and all employees must sign a Term of Commitment in which they undertake to observe the guidelines set forth in the Code; the company also promotes periodic training sessions on the code for employees. In 2015, all employees received communications on ethical conduct and legal compliance, and 89% took part in specific courses. A total of 42,300 employees were trained, including almost one thousand working in sensitive areas and more than 1,700 leaders. S04

Additionally, a Compliance Month was organized during each semester aimed at providing information and raising consciousness in this area, as well as publicizing the company's new Ethics website on a massive scale. The internal channels for reports on breaches of laws and internal standards of professional and personal conduct were consolidated in a

single channel, covering matters ranging from compliance with the company's Code of Ethics, to labor issues and questions involving discrimination, harassment, as well as all types of fraud, corruption or bribery.

The channel is operated by a third-party provider to ensure independence and probity in the analysis of and response to all reports. All incidents are analyzed and forwarded to investigative committees in each country. In the event of any irregularity, the Code of Conduct Administration Committee, comprising the Human Resources, Compliance, Legal and other areas in each location, decides on the measures to be taken.

Internal compliance and accountability policies are aligned with the legal requirements for companies with shares traded on the New York, Santiago and São Paulo stock exchanges. The Legal area has staff responsible for supporting the LATAM Chief Compliance Officer in each country (Brazil, Chile, United States, Mexico, Peru, Colombia, Argentina and Ecuador) and in Europe.

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## INTERNAL STANDARDS UNDERPINNING CONDUCT IN LATAM

- *Code of Conduct*
  - *Anti-Corruption Policy*
  - *Policy on Presents, Hospitality and Entertainment for Government Officials and Third Parties*
  - *Corporate Policy on Presents, Hospitality and Entertainment for clients and for suppliers*
  - *Policy on the Roles and Responsibilities of Executives*
  - *Scale-Up Policy (including LAN's and TAM's reporting lines)*
  - *Code of Conduct Administration Committee Procedure*
  - *Special Services for Public Officials Policy*
-



## GOVERNANCE: RISK MANAGEMENT

Risk management is a strategic pillar for the LATAM Airlines Group, subject to ongoing improvement. Based on work begun in 2014, LATAM has been focusing more closely on cross-cutting risks – those involving more than one category – and on the early detection of emerging ones. This approach constitutes a strategic complement to the functional risk monitoring and management system in operation throughout the different company areas, overseen by the respective heads.

In 2015, the CRO's (Chief Risk Officer) team created to support this pillar led the mapping and construction of a strategic risk matrix, which takes into account the probability of occurrence and the potential impact (in economic and reputational terms) of each type of risk. These are monitored systematically by the company from an integrated standpoint, using a single methodology.

This work also enabled the construction of a Corporate Risk Policy, approved by the Board of Directors at the end of 2015 for implementation in 2016.

## MONITORING

At the highest level of governance, strategic cross-cutting and emerging risks are monitored regularly by the Risk Committee, which reports to the Board of Directors. At the executive level, there is a Risk Desk coordinated by the CRO, with the participation of managers from different areas and selected guests. The idea is to encourage a more holistic vision of any issues, to see how the impacts interrelate and to seek opportunities for synergy. The assessment incorporates economic, social and environmental matters.

The plans for 2016 entail extending the approach adopted at corporate level to the local operations in order to integrate the main strategic risks identified in the subsidiaries. The company also intends to advance in the consolidation of an internal risk management culture, ensuring the entire team is aware of the potential impacts each decision may have on overall results.

Among the emerging risks identified by the company, worthy of note are possible financial impacts in the medium term resulting from more restrictive atmospheric emission standards legislation and the propagation of communicable diseases, which in extreme situations could affect demand for services. To minimize

these risks, LATAM acts in conjunction with the competent authorities, conducts communication and preventive campaigns in the event of epidemics, in addition to incorporating these factors into its emergency response plans.

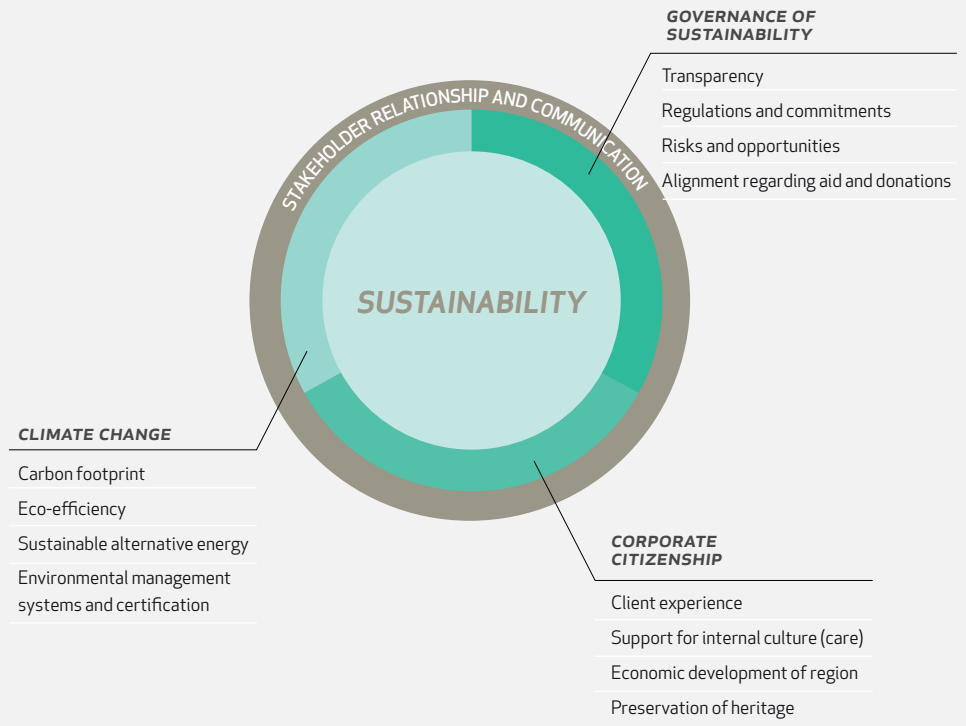




## GOVERNANCE: MANAGING SUSTAINABILITY

Sustainability is integrated throughout LATAM Airlines Group strategy, breaking down into three dimensions:

- **governance of sustainability:** the company has a clear, transparent positioning in relation to its commitments and goals, with decision making, execution and the monitoring of results supporting the implementation of strategy;
- **climate change:** developing a balanced vision incorporating the mitigation of risks and the pursuit of new opportunities to manage the businesses' actual and potential environmental impacts, with special emphasis on reducing the company's carbon footprint, using alternative energy sources and implementing eco-efficiency measures;
- **corporate citizenship:** making LATAM's businesses and its value chain relationship network – suppliers, employees, clients and society – a catalyst for social and economic development and environmental balance in the region by means of employee development, private social investment defined in accordance with corporate values and adjusted for local needs, encouraging the adoption of best practices and fostering tourism.



These three dimensions sustain the company's performance and guide its actions, helping LATAM to exercise the responsibility inherent to its leadership role in the region in its relations with stakeholders.

The company addresses compliance with laws, regulations and voluntary agreements and sustainability-related risk management strategically. Senior management is responsible for the environmental and sustainability area, monitoring performance in conjunction with the relevant departments and units, and working with the subsidiaries, suppliers and industry associations to drive compliance with environmental standards, emission levels, internal environmental guidelines and the application of best practices. Periodically the Executive Committee monitors performance in the key indicators for economic, social and environmental questions, as well as evaluating the effectiveness of internal controls and risk management in these areas.

## LATAM SUSTAINABILITY

ACHIEVEMENTS IN 2015	GOALS 2016	GOALS 2017
<i>GOVERNANCE OF SUSTAINABILITY</i>		
Definition of supplier management strategy Sustainability strategy Internal training	Implementation of supplier management strategy	Improve scores in DJSI
<i>CLIMATE CHANGE</i>		
CNG2020 Strategy Alternative energies IenvA certification (IATA)	Certification of environmental management system at Maintenance, Repair and Service facilities (MRO), at the maintenance base in Chile and at the cargo unit in Miami (USA)  Definition of environmental management systems for the other operations	Meet CNG2020 initiative at the lowest possible cost  Implementation of environmental management systems in all company operations
<i>CORPORATE CITIZENSHIP</i>		
LATAM social investment strategy Engage employees in corporate citizenship actions.	Insert concept of sustainability in value proposition	Execution of social investment strategy Corporate citizenship projects involving employees

## TRANSPARENCY

Transparency is a corporate value for LATAM, underpinning communication with clients, suppliers, authorities and other stakeholders. By means of a series of tools and participation in key forums, the company ensures accountability for its commitment and performance in sustainability. These include:

- **Sustainability report:** in accordance with Global Reporting Initiative (GRI) guidelines, LATAM publishes an annual report presenting its most relevant indicators, encompassing greenhouse gas emissions, energy consumption, waste generation and legal compliance.
- **Global Compact:** the company has been a signatory to this United Nations initiative since 2012, providing annual updates on its measures to achieve the ten compact goals.
- **Carbon Disclosure Project (CDP):** LATAM has reported to the CDP since 2011 and is committed to improving company performance year on year.
- **Dow Jones Sustainability Index (DJSI):** Latam Airlines Group has reported to the DJSI since 2011, and has been listed in the emerging markets index since the following year. In 2015, LATAM was listed on the index for the fourth year running, an achievement which positions it among the world leaders in climate change and eco-efficiency in the aviation industry.



# Strategy

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## STRATEGY: BUILDING THE FUTURE

For LATAM Airlines Group, achieving its aspiration of being one of the three biggest airlines groups in the world involves much more than mere numbers that demonstrate its financial performance, fleet excellence, destinations map and service quality. The airline group's vision is based on relationship dynamics and businesses which are sustained over time and generate shared value for shareholders, the market, employees, clients, suppliers and society as a whole, and upon which the future is built one day at a time, in the present.

Five strategic pillars established in 2014 drive the company's internal dynamics and its teams' efforts geared towards achieving the LATAM future vision. These are:

**Leadership in destination network:** its extensive network of destinations within South America, and connectivity with the rest of the world are at the heart of LATAM strategy and constitute a major appeal for clients and potential partners. In addition to consolidating domestic and international hubs in key airports in which the company operates directly, LATAM invests in agreements to expand the possibilities offered to clients. This is exemplified by the agreements signed at the beginning of 2016 with American Airlines and with the International Airlines Group (IAG), comprising British Airways and Iberia, which added 420

destinations in Europe, the United States, Canada and South America to the network. Both agreements are subject to government approval.

**Leading brand and client experience:** in 2015, a LATAM launched its new brand, which unifies the LAN and TAM brands consolidating the strong association with the Latin American continent, which is the heartland of company operations. More than just a graphic symbol, the new brand stands for the internal cultural transformation the company has been undergoing since the merger and is fully attuned with the renewal of its value proposition for clients and its differentiation strategies. This is manifest in the Twist project, which is changing the way the company relates with its clients and involves heavy investment in digital technology.

**Cost competitiveness:** the commitment to efficiency fundamental to any operation gains even greater relevance given the challenges posed by the current macroeconomic conjuncture. Diligence in financial management, a focus on operational excellence and fine tuning fleet investment plans are some of the elements in this pillar. The target is a 5% reduction in total operational costs by 2018.

**Organizational strength:** technical capacity and employee engagement underpin all LATAM's work. In 2015, the company invested heavily in process simplification, in strengthening leadership roles and in adapting internal structures, aimed at avoiding duplication and overlap and driving efficiency.

**Risk management:** a more strategic and systemic approach was adopted, incorporating the mapping and consolidation of new dynamics for monitoring cross-cutting and emerging risks. The process involves different areas and all levels and is aimed at establishing an internal decision making culture which takes the correlations and potential impacts of each initiative into account on a broad basis.

Combined in a matrix with the topics covered by Corporate Sustainability Strategy, these pillars are translated into the initiatives executed by the different company areas on a day to day basis.



STRATEGIC PILLARS X MATERIAL SUSTAINABILITY TOPICS <sup>(1)</sup>

	NETWORK LEADERSHIP	BRAND LEADERSHIP AND CUSTOMER EXPERIENCE	COST COMPETITIVENESS	ORGANIZATIONAL STRENGTH	RISK RESILIENCE
CLIENT CONNECTIVITY AND RELATIONS					
INCREASE IN CLIENT (CULTURAL CHANGE AND TOTAL NPS PILOT PROJECTS) AND EMPLOYEE SATISFACTION					
TALENT MANAGEMENT AND CONTROLLING STAFF TURNOVER.					
ECO-EFFICIENT MANAGEMENT.					
CLIMATE CHANGE MITIGATION.					
NOISE REDUCTION.					
GOVERNMENT RELATIONS, FAIR COMPETITION AND SPECIFIC REGULATORY MATTERS.					
ECONOMIC-FINANCIAL SUSTAINABILITY.					
VALUE CHAIN.					

<sup>(1)</sup> THE PROCESS OF DEFINING **LATAM**'S MATERIAL TOPICS INVOLVES INFORMATION ON THE INDUSTRY CONTEXT, ON THE COMPANY'S INTERNAL STANDARDS AND COMMITMENTS, STAKEHOLDER PERCEPTIONS, AND STRATEGIC ANALYSIS BY SENIOR MANAGEMENT ON THE PROBABILITY AND DIMENSION OF THE COMPANY'S IMPACTS AND ITS CAPACITY TO INFLUENCE THE DIVERSE TOPICS. (FOR FURTHER INFORMATION SEE REPORTING PROCESS AND MATERIALITY).



## STRATEGY: FINANCIAL AND OPERATIONAL RESULTS

LATAM maintained its leadership position in 2015 in spite of the challenging economic conjuncture, marked by a downturn in economic growth and the devaluation of local currencies in South America, particularly in Brazil. The company managed to increase operating margin by 1 percentage point (p.p.) compared with 2014, reaching 5.1%, with an operating income of US\$ 513.9 million. It also maintained an adequate level of liquidity, ending the year with US\$ 1.361 billion in cash and cash equivalents, corresponding to 13.4% of net revenue for the preceding 12 months.

The company's resilience to macroeconomic difficulties is due to its diversified commercial model, rigorous expense management, adjustments in the fleet plan and its agility in adapting to lower demand by reducing capacity in the domestic and international markets in Brazil. The cost reduction strategy generated savings of around US\$ 325 million in the year, higher than the original expectation; the target is to reach a 5% reduction by 2018. In addition to increased efficiency, operating costs were positively impacted by the devaluation of local currencies, with an 11.5% reduction in cost per ASK -equivalent (excluding fuel) in 2015.

### *Pursue synergies in cost and asset management Generate value for the company and its capital providers*



#### TARGET:

- approximate reduction of 5% in operating costs by 2018
- maintain liquidity level at around US\$ 1.5 billion

#### 2015 RESULT

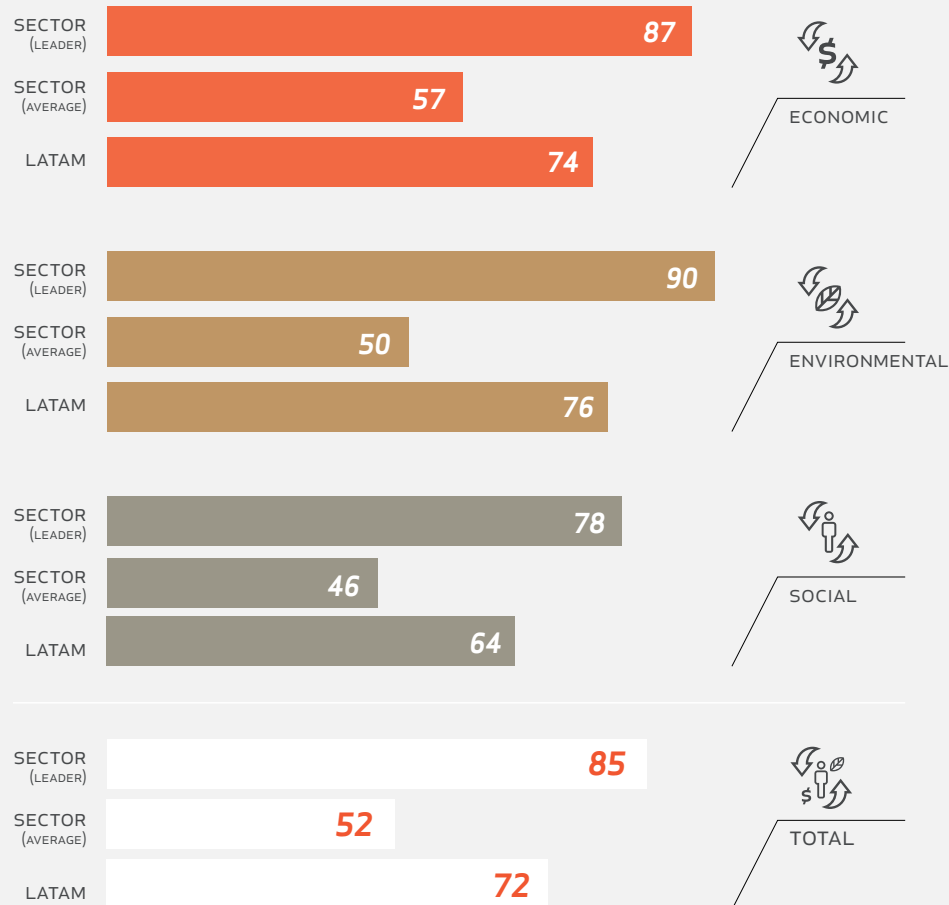
- approximate reduction of US\$ 325 million in operating costs
- balance of US\$ 1.361 billion at end of year

## LEADERSHIP IN SUSTAINABILITY

In 2015, for the fourth year running LATAM was quoted on the **Dow Jones Sustainability Index (DJSI)**, the main global reference in the economic, social and environmental aspects of long-term value generation. The selection is based on a methodology known as Best in Class, which analyzes large publicly traded companies in different industries in terms of their economic, social, environmental performance and governance practices. Only leading companies are included in the final list, which is published annually. The process of selecting the companies in the DJSI is conducted by RobecoSAM, an investment consultancy specialized in sustainability.

In addition to being in the indices for Chile and the Emerging Markets – with companies in countries such as Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Thailand, Taiwan and Turkey –, LATAM is also in the Dow Jones Sustainability World Index, reserved for the top 10% of the entire ranking. In 2015, the 2,500 largest companies (according to the S&P Broad Market Index) from 47 countries were assessed, from which 317 were selected.

## DJ PERFORMANCE



## 2015 NUMBERS

Total revenue was US\$ 10.125 billion in 2015, 18.8% down on the previous year, driven by a 19% and 22.4% decrease in passenger and cargo revenues respectively, partially offset by a 2.2% increase in other revenues. In 2015, passenger and cargo revenues accounted respectively for 83.1% and 13.1% of total operating revenue.

Demand in the Spanish-speaking countries – Chile, Peru, Argentina, Colombia and Ecuador – continued to grow at a modest rate in the fourth quarter of 2015, with a 5.3% increase in passenger traffic measured in RPK, ending the year at 17,858. Passenger capacity, measured in ASK, increased 25.5% in the year, driven by growth in Peru and Argentina, together with a 0.2 percentage point rise in the occupancy rate, which reached 81.5%.

On a global level, the company's total capacity increased by 3.1%, driven by 6.4% growth in the international routes, focused on strengthening the hubs and routes to the Caribbean. Domestic capacity in the Spanish-language markets grew 4.8%, mainly due to Colombia and Peru; there was a decrease in the routes between Brazil and the United States.

## CARGO OPERATION

*LATAM progressed in its pursuit of synergies between the cargo and passenger businesses, leveraging the two operations through optimized use of aircraft capacity. Integrated route planning and the use of aircraft holds on passenger flights to carry cargo is proving to be the right strategy. LATAM and its affiliates, have cargo operations*

*in Argentina, Chile Colombia, Peru, Brazil, Paraguay, Uruguay, Mexico, Miami, Los Angeles and Europe, which account for around 13% of its total business. In 2015, the airlines group transported 1 million metric tons, 9% down on 2014. Cargo capacity, measured in ATK, dropped 1%, resulting in a 4 p.p. reduction in the occupancy rate, which reached 56%. Of the markets in which the company*

*operates, the macroeconomic situation in Brazil presented the major challenges for the company. Low growth, the accentuated devaluation of the currency and economic and political instability led to a 15% reduction in air cargo imports on routes from the United States to Latin America. This situation provoked a 22.4% decrease in cargo revenues in 2015, the result of the 12.0% decrease in cargo traffic and the 11.8% drop in income.*

## FLEET

In 2015, LATAM announced the restructuring of its 2016 – 2018 fleet renewal plan, reducing its pre-delivery advance payments, with a view to adapting capacity to Latin American market conditions. The renewal scheduled for the period was reduced by around 40% (approximately US\$ 3.0 billion). This measure is aligned with company strategy to maintain a healthy balance and appropriate liquidity levels.

## EBITDA (US\$)

SECTOR (LEADER)	85
SECTOR (AVERAGE)	52
LATAM	72



EC1

ADDED VALUE STATEMENT (AVS) 2015 - US\$ THOUSAND	
Revenues	10,125,826.00
Sales of goods, products and services	9,740,045.00
Allowance for loan losses - reversal/constitution	0.00
Non operating	385,781.00
Inputs acquired from third-parties	6,614,795.00
Raw materials consumed	0.00
Cost of goods and services sold	3,963,728.00
Materials, energy, third-party services and others	2,651,067.00
Loss/recovery of assets	0.00
Gross Added Value	3,511,031.00
Retained	934,406.00
Depreciation, amortization and exhaustion	934,406.00
Net Added Value	2,576,625.00
Added value received in transfer	27,025.00
Equity income	37.00
Financial revenues	26,988.00
<b>Total added value</b>	<b>2,603,650.00</b>

DISTRIBUTION OF ADDED VALUE	
Employee salaries and charges	2,072,805.00
Taxes, charges and contributions	-173,142.00
Interest and rent	413,357.00
Interest on own equity and dividends	0.00
Retained profit/losses	-143,005.00
Investments in the community	1,934.95
Added value retained	431,700.05



# Clients

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## CLIENTS: THE BEST EXPERIENCE

The LATAM brand and service quality are differentials for the company. To reinforce these and take relationship to the next level, LATAM is working on a number of initiatives aimed at enhancing the client experience across a broad spectrum that goes beyond the time spent in the air. Investments in technology, new communication platforms, a client-focused service culture and rewards programs are some of the instruments the company uses to forge closer ties with passengers at all points of interaction, ranging from the website, stores, contact centers to airports and in flight services.

The airline group invests constantly in digital technology to improve connectivity with clients and facilitate access to its services. Passengers may buy tickets, reserve their seats, check in and get their boarding pass via the company website and mobile phone apps. In 2015, new features were introduced such as flight status, with real-time information on whether a flight is on time or late, with explanations about any delays and expected arrival and departure times.

In the second half of the year, an option permitting LAN clients to reschedule delayed or cancelled flights by means of a chat available in the application was enabled. The service helped to reduce the impact of an air traffic controllers' strike in

Chile in the second half of the year. Around 31,300 LAN passengers were notified about the risk of delays or cancellations by SMS or email, and 13,700 (44%) used the chat to seek alternatives. The majority of accesses (70%) were by mobile phone, and 26.4% used the service via computer. This feature will be extended to TAM in 2016.

In addition to pre-boarding services, during the flight passengers have access to the LAN and TAM entertainment menu and information via an application for mobile phones, tablets and notebooks.

***Offer new forms of communication and connectivity***  
***Enhance the client experience***  
***Engage employees in promoting the experience***



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### 2015 TARGETS:

- satisfaction rate (cargo operation): 74%

### 2015 RESULTS

- new functionalities on the website and mobile phones
  - increase in client (Twist and Total NPS pilot projects) and employee satisfaction
  - increase in productivity
  - satisfaction rate (cargo operation): 77%
-

## CULTURAL CHANGE PROJECT

To leverage a new across-the-board service culture, LATAM has launched a cultural change project. This process was initiated with pilot projects in two locations: Brasilia airport, in Brazil, the fourth largest in the LATAM operational region, and in the Estado Contact Center in Santiago, Chile, operated by a team of around 500 people. The first step was to identify specific work details, the way the teams are organized, the demand flow, client profiles and needs in the two units. The proposal was to elaborate the global strategy and act locally, adapting it to specific requirements and possibilities.

During three months, the transformation teams implemented changes in the operational routines and monitored the results. There were over 40 initiatives, ranging from rethinking how company policies are applied and how tasks and responsibilities are divided among the team to the adoption of tools to monitor client satisfaction in real time. A key element in the project was higher employee engagement stemming from increased decision making autonomy.

The project results were highly positive in the three dimensions in which it is monitored: client satisfaction; employee engagement and productivity. In the Contact Center, for example, productivity increased by 20%; the number of satisfied clients grew 12% while dissatisfied clients decreased by 33%. At Brasilia airport, service efficiency was up by 12% (based on the average number of clients served per employee). Employee satisfaction, measured on a daily basis, grew 40%.

The initiative is being extended to the rest of the service network in 2016. Twist is already underway in the LATAM service units at the Galeão and Santos Dumont airports in Rio de Janeiro (Brazil), Miami (United States) and at the airport and contact center in Lima (Peru). By the end of 2016, the project will have been implemented at all the contact centers and around 70% of the airports used by the company.

## Cultural change Project

### ESTADO CONTACT CENTER

**+20%**

**IN PRODUCTIVITY <sup>(1)</sup>**



**+12%**

**IN SATISFIED CLIENTS**



**33%**

**REDUCTION IN DISSATISFIED CLIENTS**



### BRASILIA AIRPORT

**+12%**

**IN PRODUCTIVITY <sup>(1)</sup>**



**+40%**

**IN SATISFIED EMPLOYEES**



<sup>(1)</sup> PASSENGERS/EMPLOYEES (PAX/FTE—FULL TIME EMPLOYEE)



## SATISFACTION PR5

LATAM tracks passenger satisfaction via online surveys based on Net Promoter Score (NPS) methodology. The questionnaires are sent out on a weekly basis to passengers who have flown LAN or TAM. From 2014 to 2015, Total NPS increased slightly from 39 to 40 points. With this methodology, the result may vary from -100 points to +100.

To offer a more complete view of client perceptions, the calculation also includes passengers whose flights suffered delays. At TAM, the survey is conducted among participants in the TAM Fidelidade program, while LAN takes into account both LANPASS clients and passengers not in the loyalty program.

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## CARGO CLIENTS

*In the cargo operation, the methodology used is the total satisfaction rate, which takes into account different aspects of the service. The rating in 2015 was 77%, 6 percentage points up on 2014, beating the target (74%) set for the period. The improvement in the rate is due to the action plans adopted by the company based on the results of the previous survey and the focus on factors such as reservation fulfillment, reduction in Contact Center and customer service response times, cargo delivery conditions and the fit between cargo capacity/destination network and client needs. In terms of individual operations, the leaders are Quito (83%), New York (82%) and Miami (81%). The operations in Europe had an average score of 82%, compared with 77% in Latin America.*

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## LOYALTY PROGRAMS

The LATAM Airlines Group operates two loyalty programs that reward more frequent flyers with free tickets, upgrades, products and, in some cases, facilitated access to check in and boarding. The programs work in parallel, enabling the respective participants to accumulate and exchange points for travel on LAN and TAM, as well as on flights operated by oneworld alliance member companies.

These are:

- LANPASS was created in 1984 and enables members to accumulate miles which may be redeemed as airline tickets or products. In 2015, the program had 10 million members in Chile, Peru, Argentina, Colombia, Ecuador and the United States, a 13% increase compared with 2014.
- TAM Fidelidade: was the first ever loyalty program created in Brazil back in 1993. Since 2010 it has been part of Multiplus, the biggest loyalty network in Brazil. Members may accumulate points and exchange them at 13,000 points belonging to 465 companies in diverse segments, in addition to acquiring airline tickets. Multiplus is listed on the BM&FBovespa exchange, with TAM as its main shareholder. TAM Fidelity ended 2015 with 12.8 million members, 8% up on the previous year.



# Environment

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## ENVIRONMENT: ENVIRONMENTAL ASPECTS AND CLIMATE CHANGE

In absolute terms, air transportation accounts for only 2% of greenhouse gas emissions related to human activity, according to data from the Intergovernmental Panel on Climate Change (IPCC). Around 80% of the sector's greenhouse gas (GHG) emissions are related to flights of over 1,500 kilometers, journeys for which air travel is the most efficient alternative<sup>3</sup>. In spite of the limited relevance in terms of global emissions, the potential effects of aviation on climate change represent the industry's main environmental impact and are the target of coordinated efforts and voluntary public commitments.

In the list of topics considered to be material by LATAM, the environmental component of sustainability management is a constant. In the process of elaborating this report, three of the nine relevant topics are related to environmental impacts and are addressed from a perspective of mitigating climate change and capacity to adapt to it. This is a topic that can have a profound effect both on the profitability and execution of the company's operations. The LATAM risk management system has detected risks arising from the growth in regulations aimed at controlling climate change, and over the past year the company has been engaged in the implementation of its

climate change strategy, pursuing several lines of action.

The LATAM environmental management system was designed to reduce the company's impacts on climate change and to improve its capacity to adapt to changes in weather patterns and in the regulatory environment. This also permits LATAM to track and follow up on the targets established, facilitating management of its material issues.

### JET FUEL

The main source of GHG emissions in aviation is fuel consumption, and by means of constant investment in technology and the improvement of procedures, the operation has been driving efficiency gains year on year. Relative fuel consumption (measured in RTK<sup>4</sup>) has decreased on average by 70% since the birth of the air travel industry<sup>5</sup>. Flights have also become more efficient in terms of emissions: while total passenger numbers have grown by around 5%, the annual increase in emissions is approximately 3%.

With its Fuel Efficiency Program, LATAM economized 38.4 million gallons of fuel in 2015, avoiding 366,500 tons of CO<sub>2</sub>e emissions. Since fuel is also one of the main resources used in the operation, efficient management has a direct impact on costs. The company has also committed to putting a price on its carbon footprint

in order to influence investment decisions and to drive down greenhouse gas emissions.

### EMISSIONS

LATAM is a member of the main discussion forums on climate change and collaborates with a number of group initiatives to improve environmental performance in aviation. The company is the leader in efficient fuel use and is committed to the International Air Transportation Association's (IATA) Carbon-Neutral Growth (CNG2020) initiative. An

<sup>3</sup>Air Transport Action Group (ATAG), 2014. *Aviation – Benefits beyond borders*, p.7.

<sup>4</sup>RTK: revenue ton kilometer. Weight transported multiplied by the distance traveled.

<sup>5</sup>Air Transport Action Group (ATAG), 2014. *Aviation – Benefits beyond borders*, p.23.



unprecedented proposal, CNG2020 is a voluntary commitment under which, from 2020 airlines will offset all sector emissions exceeding average emissions in the baseline period 2018-2020 until the company achieves its emissions reduction target.

LATAM is working towards becoming carbon neutral in its ground operations. Since 2012, the company has reduced annual emissions by 12% and offset a further 7%. An example of this effort is Colombia, which offset all its emissions from ground operations in 2014. This involved the purchase of carbon credits from the REDD Chocó Forest Conservation project in the Darién region, close to the Panamanian border. Emissions measurement was verified externally by the Spanish Association for Standardization and Certification, AENOR.

## COMPLIANCE

Other environmental management aspects of the operation are also taken into account in long-term planning. The proliferation of regulations governing air quality and noise levels constitute a critical issue for LATAM performance standards. There is also concern related to urban growth. These days, more and more housing developments are located closer to airports, increasing

public exposure to aircraft noise. It is important that urban development plans take this into consideration in order not to restrict air industry growth. Currently, the LATAM fleet is compliant with the ICAO Chapter IV Standard, the most rigorous noise standard in the aviation industry, and the company is engaged in diverse initiatives to improve its performance in this area. In recent years, it has withdrawn aircraft generating higher noise levels from the fleet, including the A340, replacing it with models such as the

B787 and the new Airbus A350, which will come into operation in 2016. These new aircraft generate up to 40% less noise than similar models. Even so, the company aims to decrease noise generation further by investing in more modern and silent aircraft and engines and by implementing operational best practices, such as continuous descent approaches and one-engine taxiing; technological developments, like RNP; and on ground initiatives, such as minimizing the use of APUs in airports.

### *Mitigate operational impacts on climate change*



#### TARGETS:

- Achieve Carbon Neutral Growth by 2020
- Halve the company's 2005 carbon footprint level by 2050.

#### 2015 RESULTS

- Average GHG emissions of 80.37 kgCO<sub>2</sub>/100 RTK



## ENVIRONMENT: ENVIRONMENTAL MANAGEMENT

Climate change, and on a broader level, the company's performance in environmental questions, are incorporated into the risk matrices that guide business decision making. The analysis encompasses any potential operational impacts, supply chain management and the company's capacity to adapt to increasingly restrictive standards and legislations, as well as to changing weather conditions, including increases in temperature, variations in wind and the volume of rainfall and the occurrence of extreme climatic events. Management methodology includes preventive and mitigation measures. EC2

Regarding legal compliance risks, in addition to financial impacts, the company analyzes the potential impact on its image of non-compliance with standards.

The management of environmental risks in LATAM Airlines Group is aimed at:

- ensuring the legal compliance of all LATAM Airlines Group operations,
- implementing and monitoring mitigation actions and
- preparing the company to implement and comply with the IATA Carbon Neutral Growth 2020 target.

## ENVIRONMENTAL MANAGEMENT SYSTEM

The company's environmental management guidelines are applied to all the operation's services, including support activities such as maintenance, logistics and waste management services; they also guide new product development and supplier selection. The standards constitute a specific item in the LATAM Code of Conduct, available online, and are also made explicit in the company's internal policies. [+Attachment 1]

In **flight operations**, particularly noteworthy in the year was the Chilean international operation's certification under the International Air Transportation Association's voluntary environmental program: IATA Environmental Assessment (IEnvA). LATAM is the first airline group in Latin America and the third worldwide to receive this certification. The process took three years and involved analysis of environmental requirements at all destinations served by the unit, as well as a detailed study of the environmental impact caused by flights and corporate activities.

IEnvA is an environmental management system designed by the aviation industry, specifically for the aviation industry to drive environmental improvement. It allows airlines to focus on environmental performance improvement and leverage universal solutions that exist across the aviation industry.

The program is based in the development of environmental requirements that are common to the participating companies and is geared towards sharing best environmental practices. It is designed to be implemented in two stages:

- Stage 1 allows the airline to establish the framework for its EMS and to identify and comply with legal requirements and other obligations.
- Stage 2 allows the Airline to determine the significance of its environmental aspects and set objectives and targets. It also provides a framework for monitoring requirements, internal assessments and management review.

Worthy of note among the benefits of IEnvA certification are: a reduction in risks of legal compliance; financial savings through the lower use of resources; demonstration of good environmental governance; environmentally conscious personnel; transparent environmental information for stakeholders.

## COMPATIBILITY WITH THE ISO14001 STANDARD

IATA commissioned Societé Générale de Surveillance (SGS) to conduct an independent compatibility review of the IATA Environmental Assessment (IEnvA) Program against the International Standard for Environmental Management (ISO14001:2004). SGS confirmed that the IEnvA standards are consistent with the International standards and the programs are compatible. (The complete SGS declaration may be viewed in the Attachment.) [+ Anexo 2].

In 2015, LATAM advanced towards its target of developing environmental management systems based on the ISO14001 standard in its **ground operations** for the maintenance units (MRO's) in the countries in which we operate. The maintenance bases in Argentina, Brazil, Chile, Colombia, Ecuador and Peru are engaged in implementing management systems along these lines. The LAN Cargo unit system in Miami received ISO 14001 certification in 2015.

Considering the airline group's total transportation, measured in RTK, so far 25% of our operations already have systems certified in accordance with international standards.

To drive **internal performance improvement**, LATAM has established management goals in the areas of technology, operations, infrastructure, economic performance, legal compliance and external commitments. The company monitors progress towards these by means of 21 key indicators.  
[+ Attachment 3]

### Return on environmental investments

The systematization and integration of environmental management throughout the company also enables more accurate

tracking of environmental investment and the measurement of the results achieved in terms of efficiency gains and cost avoidance.

ENVIRONMENTAL MANAGEMENT (US\$)	2013	2014	2015
Investments (Capex)	12,522,000	2,522,000	911,691
Operational expenses (Opex)	817,760	983,110	1.925,418
Total	13,339,760	3,505,110	2.837,108

### Environmental Violations

The 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 2015.

ENVIRONMENT: 2015 PERFORMANCE

LATAM actively strives to improve its environmental performance, pursuing impact reduction targets and monitoring progress against these targets periodically.

COMMITMENT	BASELINE YEAR	TARGET	2015 ACHIEVEMENT
A 1.5% annual improvement in fuel efficiency until 2020 (IATA* Target N°1)	2009/2012	1.5% annually until 2020	2.5% average annual reduction from 2012 to 2015.
Carbon Neutral Growth (CNG) by 2020 (IATA* Target N°2)	2009	Carbon Stabilized Growth by 2020	Advances in discussions that will enable the implementation of a carbon neutral growth strategy.
Halving net CO2 emissions by 2050, relative to 2005 levels (IATA1 Target N°3)	2009	Reducing stabilized emissions relative to 2005 levels	Advances in discussions on action plans in the area.
Carbon Neutral Ground Operations by 2020	2012	Zero-carbon in ground operations	12% reduction in emissions from 2012 to 2015.
Offsetting of 7% of emissions by means of reforestation projects.			
A 10% improvement in infrastructure energy efficiency by 2020	2012	10% reduction in energy intensity in buildings (MWh/FTE2)	Expansion of eco-efficient lighting projects in administrative buildings and hangars.
Maintenance of consumption levels compared with 2014.**			
10% less waste by 2020	2012	10% reduction in waste generation	19% increase in waste generation compared with 2014. Management programs to enable target to be achieved on schedule are under development.
Having an Environmental Management System (EMS) implemented by 2016	2012	100% implementation	lenVA – level 2 certification obtained for the Chilean international operation, as well as ISO 14001 certification for the LAN Cargo operation in Miami. Advance in implementation of ISO 14001-based environmental management systems in the main Aircraft Maintenance, Repair and Overhaul (MRO) facilities.

\*International Air Transportation Association.

\*\*Full Time Employee.

\*\*\*Takes the adjusted data into account, since the coverage scope was extended from 2014 to 2015.



## EMISSIONS

LATAM monitors its greenhouse gas (GHG) emissions on an annual basis using GHG Protocol methodology. The calculation takes into account international reference data and information collected from the management systems in diverse LATAM areas. Whenever necessary, data on other consumption sources are also used for purposes of estimates.

The emissions inventory has been conducted since 2010, but, for purposes of comparison and analysis of annual variations, 2012 data are used. This was the year when the LAN/TAM merger took place and also when the ISO 14.064 standard was introduced as a monitoring tool.

Obs.: the emissions factors used for the calculation and the scope of the data are detailed in the Attachment.[+Attachment 4]

EN15 - EN16 - EN17 - EN18

GREENHOUSE GASES (T CO <sub>2</sub> E)	2013	2014	2015	Δ 2015/2014
Direct emissions*	11,844,687	11,716,772	11,610,378	-0.91%
Indirect emissions**	18,597	18,003	20,660	14.7% <sup>2</sup>
Other indirect emissions***	4,283	7,091	4,214	-40.6% <sup>4</sup>
Total	11,867,567	11,741,866	11,635,252	-0.01%
Emissions intensity (kg CO <sub>2</sub> e/100 RTK) <sup>4</sup>	81.09	80.14	80.37	0.34%

\*Direct emissions (Scope1): fuel consumption in air operations, fixed sources and the LATAM vehicle fleet, as well as refrigerant gas fugitive emissions.

\*\*Indirect emissions (Scope2): electricity purchase. The increase is due to changes in Ecuador (increment of data coverage from 28% to 88%) and Brazil (due to constructions and the opening of new facilities).

\*\*\*Other indirect emissions (Scope3): ground transportation linked with operations (employees, suppliers and waste) and employee business air travel (using other companies). The decrease is due to different factors. First, a general reduction in the corporate travels. Also, there is a reduction in the data coverage for employee commuting in Peru, which explains an 8%. And, Brazil had a decrease of 44% due to a lack of coverage of data.

\*\*\*\*Emissions intensity: indicator for air operations only.

From 2012 to 2015, LATAM reduced its annual greenhouse gas emissions from ground operations by 12% and offset a further 7% by means of reforestation programs.

The diverse LATAM initiatives to optimize fuel use in 2015 permitted a reduction of 366,500 metric tons of CO<sub>2</sub> equivalent. The main factors driving this result were minimization of the use of auxiliary power units (APU), accounting for 27.6% of the overall reduction, and the new operational procedures adopted (impact of 15.6%). EN19



EN20 – EN21

OTHER EMISSIONS	2013	2014	2015	Δ 2015/2014
Ozone-depleting gases (t CFC11e) *	3.86	2.18	4.96	127.4%*
Nitrogen oxides (NOx) – t	40,752	40,022	39,722	-0.8%
NOx emission intensity (g NOx/RTK)	2.80	2.75	2.76	-0.5%
NOx intensity in the passenger operation	0.30	0.28	0.28	0.3%
NOx intensity in the cargo operation	1.57	2.02	2.13	5.4%
Sulfur oxides (SOx) – t	1,805	1,776	1,759	-1.0%***
SOx emission intensity (g SOx/RTK) <sup>2</sup>	0.12	0.12	0.12	-0.3%
SOx intensity in the passenger operation	0.01	0.01	0.01	-0.5%
SOx intensity in the cargo operation	0.07	0.09	0.09	5.4%

\*Includes: HCFC-22, HFC-134a, HCFC-141b, R-410a, R-422d, R-438a and Halon 1301. Variation in ozone-depleting gases is due to an increment in Brazil.

\*\*Sulfur oxides (SOx): An adjustment was made in the values presented for 2014 (from 2,779 Ton to 1,776 Ton) due to a homologation in the methodology used for sulfur oxides calculations.

ECO-EFFICIENCY

LATAM is the world leader in efficient fuel use. Measured in RTK6, its operations consume 10% less fuel than the average for members of IATA7, which has 260 affiliates and represents 83% of all international air traffic. EN27

In addition to the direct environmental benefits of reduced non-renewable fuel consumption and the corresponding decrease in climate change impacts, the increased operational efficiency generates financial gains for the company. In 2015, the measures enabled savings of 38.4 million gallons of fuel, which translates into a cost avoidance of US\$ 79.1 million.

The airline group's robust environmental performance also represents a differential in terms of attractiveness compared with competitors. Around 25% of cargo service revenues come from customers that use environmental criteria in supplier selection. To maintain the highest eco-efficiency standards, LATAM focuses on three fronts: a young fleet, efficient fuel use and infrastructure improvements.

<sup>6</sup>Revenue ton kilometer.

<sup>7</sup>According to the 2014 comparison. The data for 2015 were not available on publication of this report..

Eco-efficiency in fuel use



TARGETS:

- Increase fleet fuel efficiency by 1.5% a year until 2020 to reduce relative GHG emissions (measured in Co2/RKT)

2015 RESULTS

- Efficiency gains of 0.3%
- Savings of 38.4 million gallons of fuel
- Sustainability differential maintained for clients

### Young fleet

The LATAM business model, based on an efficient, modern fleet, drives financial and environmental gains. Currently, the average age of the company's aircraft is seven years, the same as the previous year, reflecting LATAM strategy of maintaining a modern fleet. More efficient engines and operational procedures oriented to combating waste ensure excellent aircraft performance. In 2015, LATAM fleet emissions were on average 80.37 kg CO<sub>2</sub>/100 RTK, lower than the industry average.

In some of the more modern aircraft such as the Boeing 787, impact reduction is even more significant: a reduction of up to 20% in GHG emissions and up to 40% in noise during takeoff, the most critical flight phase for noise pollution. EN27

### **Control acoustic impact of LATAM aircraft in communities close to airports**



Invest in technology to reduce noise generation

#### TARGET:

- Keeping 100% of the fleet in compliance with the International Civil Aviation Organization (ICAO) Chapter IV

#### 2015 RESULTS

- Fleet 100% compliant.

### Efficiency in fuel use

The LAN and TAM efficiency programs were unified in the LATAM Fuel Efficiency Program in 2015. In addition to investing in consolidating a culture of efficiency and an environmentally responsible mindset within the team to ensure the maintenance of existing initiatives (see box), management at corporate level drove new synergies and an advance in the company's strategic approach.

The management and operational procedures determined in the new program enabled total savings of 38.4 million gallons of fuel in the year. On average, the fuel efficiency of the company has improved by 2.5% per year compared to 2012 levels<sup>8</sup>.

The new measures adopted in 2015 involve three main focuses. Together with the Operations and Safety areas, the procedure for activating exterior lighting during approach and landing operations was reviewed, and with the lighting being turned on only at lower altitudes, when it is really necessary. In addition to the direct impact on energy consumption by the actual lighting system, the modification reduces the time the aircraft is submitted to the aerodynamic resistance caused by the equipment.

In an operation involving the Maintenance area there was a review of the protocol for activating the airplanes' auxiliary power unit (APU), used to operate the doors and the

air conditioning on the ground. Software developed by the company enabled the mapping of situations in which the equipment was turned on during maintenance processes, identifying unnecessary waste. Through initiatives to boost team awareness and investments in infrastructure improvements, including external power sources, it was possible to reduce waste in the use of the APUs at all stages of maintenance.

Lastly, the airline group also enhanced global management of inspection and maintenance activities, which were coordinated with flight operations. This integrated planning helped reduce the need to relocate planes from one city to another exclusively for purposes of inspection, ensuring alignment between inspections and cargo or passenger transportation operations.

These three measures were incorporated into LATAM's routines, complementing the fuel efficiency initiatives already in use, which are described in the box below.

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## MAIN ACTIONS

### Weight on board:

- use of lighter materials;
- efficient combination of passengers and cargo
- optimization of weight distribution to ensure the most suitable center of gravity.

### Routes, cruising speed and landing:

- planning of routes to avoid adverse weather conditions or turbulence with the support of navigation tools and real time information;
- prioritization of direct routes and continuous descent approach procedures;
- use of tools such as the RNP satellite navigation systems to ensure safer, more efficient approach maneuvers;
- optimization of cruising speeds;
- standardization of approach and landing operations.

### Use of engines on the ground:

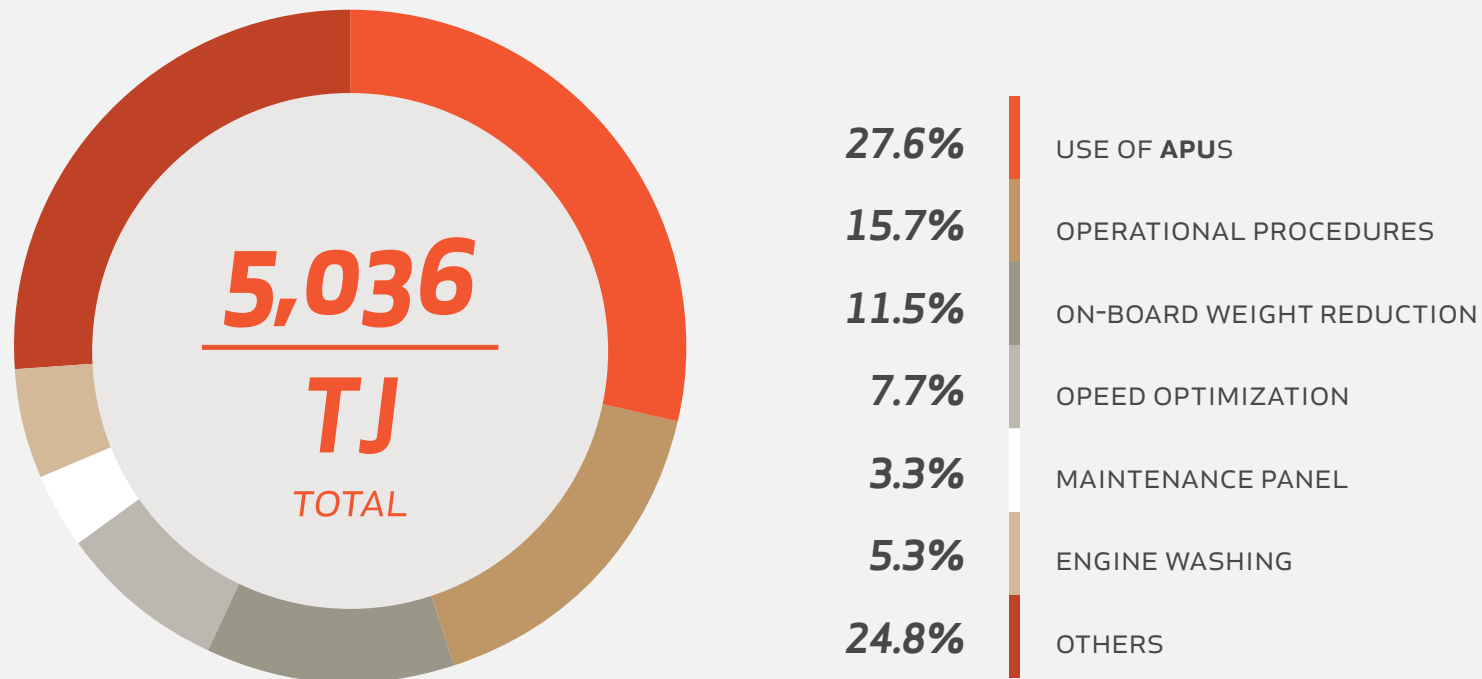
- taxiing with just one engine;

### Maintenance:

- development of a program to correct defects that affect fuel yield;
  - washing engines to ensure more efficient combustion and to reduce particulate emissions.
-

*The different fuel efficiency measures enabled a 5,000TJ reduction in the operation's energy consumption.*

ENERGY SAVINGS (TJ) EN6



Infrastructure

Even though they represent only a small proportion of the company's carbon footprint, ground operations are also the target of impact reduction initiatives. LATAM has developed construction and building enablement manuals based in Green Building criteria, taking into account environmental matters, and is now working in implementing the in the infrastructure plan of the company. The company constantly develops programs to drive the rational use of water and energy. In terms of waste management, LATAM takes measures to guarantee that the largest quantity possible of waste material remains in the production chain, and when this is not possible, it ensures adequate disposal.

Even though the overall electricity consumption increased compared with 2014, we have developed several initiatives in 2015.

One of the initiatives adopted to reduce power consumption was the modernization of the lighting at headquarters in Santiago, Chile. The light bulbs were replaced with more efficient models, driving a reduction in consumption of over 20%.

Also, in Colombia, an eco-efficiency and employee environmental awareness project is underway at the company's three offices in the capital, Bogota. A diagnosis conducted in 2015 identified potential energy savings of around 8%.

Considering all energy sources, LATAM consumption dropped by 0.7% and energy intensity remained stable. EN7

ENERGY CONSUMPTION (MWH)* EN5	2013	2014	2015	Δ 2015/2014
Energy for Air Operations	45,280,763	44,389,626	44,136,305	-0.6%
Energy for Ground Operations	87,742	213,547	174,103	-18.5%
Total	45,368,505	44,603,173	44,310,407	-0.7%
Energy efficiency (MWh/100 RTK)	0.31	0.31	0.31	0.6%

*\*Energy consumption (MWh): Includes internal and external consumption. Breakdown by type of consumption and type of fuel in Attachment 5. [+Attachment 5].*

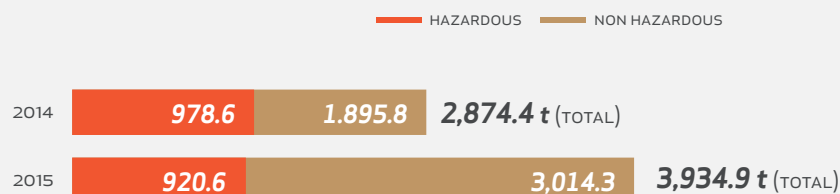
Normally for the air industry, water consumption does not represent a significant environmental impact; however, LATAM has historically opted to monitor this indicator. Consumption in 2015 was 335,900 m3, practically stable compared with 2014 (335,100 m3). EN8

Also, the airline group monitors the water use in airplanes in order to optimize the volume loaded and, therefore, reduce its consumption.

The water crisis which began in the southeast of Brazil in 2014 remained serious throughout 2015, particularly in the state of São Paulo. Under the circumstances, LATAM maintained its contingency plan to minimize its impacts. One of the measures adopted was supplying water for the aircraft at airports in regions not affected by the drought. In addition to reducing demand in the region, these measures ensured company operations were not jeopardized.

In 2015, the total waste generated by the operation increased by 37% compared with 2014, reaching 3,934.9 metric tons.

### WASTE (T)



(\*) FOR NON HAZARDOUS WASTE, THE INCREMENT IN THE GENERATION IS EXPLAINED BECAUSE THERE WAS AN INCREMENT IN DATA COVERAGE OF 29% (IN 2014 CHILE DID NOT REPORT THIS ITEM).

2015 WASTE DESTINATION EN23	HAZARDOUS (T)	NON HAZARDOUS (T)
Landfill	92.21	1,606.30
Recycling	132.96	1,210.85
Incineration	92.04	0
Co-processing	223.55	19.18
Controlled waste depot	238.15	0
Effluent treatment	123.48	0
Others	18.21	178.03
<b>Total</b>	<b>920.60</b>	<b>3,014.36</b>

### ALTERNATIVE ENERGIES

Over the years LATAM has conducted three flights using biofuels. In 2010, LAN Airlines carried out a test flight prior to ASTM certification of this fuel; in 2012 it pioneered the use of biofuel in a commercial flight in South America with a flight in Chile; and in 2013 it was responsible for the first commercial flight in Colombia.

LATAM adopts the positioning that the concept of alternative energies in aviation should not be limited to biofuels, but rather extended to include all sustainable fuels. With this goal, the airline group has been active on a number of fronts, such as conducting studies on the eco-efficiency of biofuels and the potential for using them in different regions, promoting seminars and debates with authorities in the countries in which it operates, as well as monitoring the development of alternative fuels worldwide. Through TAM, the company is a member of the Sustainable Aviation Fuel Users Group (SAFUG).

In spite of these efforts, incorporating the use of alternative sustainable fuels is still not feasible in the region in which LATAM operates. There is a disparity between the volume of fuel required by the industry and production volumes, which translates into prices that are far higher than those of regular fossil fuels. Moreover, the location of

production plants and distributors could result in high transportation costs and a consequent increase in the company's carbon footprint due to the long distances involved. Furthermore, governments have been occupied with other issues lately, leaving little or no space for the discussion of sustainable fuels. This has led to regulations imposing the incorporation of biofuels that have ended up being impossible to apply. A case in point is Peru, where the government was forced to revoke this ruling, it being impossible to execute due to high prices and the lack of volumes necessary to supply the airline industry.

It is the company's perception that the feasibility of sustainable alternative fuels depends on the adoption of a multi-sector approach that includes fuel producers, engine and aircraft manufacturers, policy-makers, as well as the airlines. Together they may address this challenge and start developing guidelines and sources of funding to stimulate the incorporation of alternative sustainable fuels. The current conjuncture is not favorable for the use of this type of fuel in airline operations. The constant pursuit of new energy sources is a key issue for the sustainable development of the industry, and LATAM will continue to work on developing alternatives which will enable the use of more sustainable fuels in the future.



# Safety

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INTEGRATED STRUCTURE

56



## SAFETY: INTEGRATED STRUCTURE

Safety is a priority for LATAM. The airline group addresses this question in an integrated fashion based on risk management at all stages of the operation, systematic performance monitoring and a commitment to continuous improvement, sustained by investments in technology, knowledge and the engagement of the entire work force. Safety management is aligned with the highest international standards and is broken down into four specific areas: operational or in-flight safety, corporate or infrastructure security, occupational safety and emergency response.

As with in other company areas, 2015 was the year in which corporate structures in the safety area were coordinated. LATAM progressed in the alignment and standardization of procedures for the entire airline group operations, which enabled the integration of information and the adoption of a more systemic approach to safety management.

### **Ensuring the highest safety standards for clients, employees and the community Consolidating a culture of prevention**



#### 2015 TARGETS:

- injury rate: 1.86

#### RESULTS

- injury rate: 1.42 (40.1% reduction throughout the company)
- Standardization of corporate procedures
- US\$ 1 million in costs avoided (through reduction in insurance premium for 2016 and 2017)

## OPERATIONAL SAFETY

Using diverse tools and indicators, the airline group oversees fleet behavior and aircrew compliance with procedures aimed at minimizing risks in flight operations. Worthy of note in 2015 was the consolidation of a centralized information analysis system for all company flights, collected individually by automated systems on each aircraft. In addition to measuring performance, the indicators are used to drive improvement measures. Based on the analysis of these indicators, targets are established and reviewed periodically using as a yardstick the best results from the previous period.

The analysis of operational performance, in place since 2013, also takes into account human factors impacting safety, with action plans incorporating factors linked with team behavior. This work encompasses crew members, as well as the airport and maintenance teams, who work together to identify risks and share best practices.

Work on monitoring and continuous improvement directly involves 130 company executives. Operational managers in the holding company and safety managers from specific areas meet on a monthly basis to analyze the evolution of the indicators and discuss solutions for the problems and risks



identified. Furthermore, there are discussion forums dedicated to questions inherent to human factors, cargo transportation and airport operations.

### INFRASTRUCTURE SECURITY

In line with the principle of standardization adopted by LATAM, operational security processes implanted by LATAM in 150 airports were redefined based on a single standard and are aligned with local operating standards. Currently the main focuses in infrastructure security are drugs and passengers with either no valid documents (out of date or counterfeit) or ones that are inadmissible (prohibited at the destination).

### OCCUPATIONAL SAFETY

This area underwent standardization in 2015, with the definition and approval in coordination with the corporate level of monitoring procedures and indicators to be applied throughout the group. The work was led by the Occupational Safety Center of Excellence and involved safety leaders in the diverse countries in which LATAM operates, who provided information, discussed best practices and sought solutions for common challenges.

This joint effort also enabled the definition of the company's operational safety management strategy and macro objectives for the three following years. The idea is

to reinforce a culture of proactive risk prevention. Throughout the operation, teams were focused on improving risk exposure diagnoses and applying the information obtained in corrective plans. LATAM also implanted its Action Plan Index to monitor the execution of actions plans. In parallel, a

series of measures to engage employees, in particular leaders, was developed.

These measures resulted in an average 41% reduction in the airline group's injury rate. In some units, the decrease reached 54% (see box).

HEALTH AND SAFETY PERFORMANCE / LA6	2014	2015	2015/2014
Number of injuries	1,234	739	-40.1%
Rate of injuries*	2.4	1.42	-40.1%
Number of days lost	12,764	12,072	-5.4%
Number of fatalities	0	0	0%

\*Injury cases/average number of employees x100.

Aligned with the upgrading of the airline group's approach to risk, a number of LATAM units have implanted measures to drive synergies and knowledge to enhance management in this area. In Chile, for example, the environmental and occupational safety teams joined forces to create a plan to boost the efficiency of internal audits and discussed joint actions to improve legal compliance and reduce indirect impacts.

The main risks of accidents in the company are concentrated in six categories: work

at height or in confined spaces, exposure to noise and handling mobile equipment, hydraulic systems or aircraft engines. Risks of illnesses are related to exposure to fiberglass, UV radiation, solvents, dust mites and vibrations, manipulation of metals, manual work with cargoes and psychosocial risk factors, which may provoke asthma, tendinitis, injuries, allergies, skin cancer and work-related stress. The company works on minimizing these risks and monitors associated indicators. LA7

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## SAFETY AND SAVINGS

*In Andes, the LATAM unit responsible for all ground support for flight operations in Chile, the restructuring of occupational safety management helped reduce the injury rate by 54% compared with 2014. In addition to the direct gains in employee health and safety, this reduction also enabled productivity gains and savings for the company. With the reduction in claims, LATAM was able to negotiate better terms in the annual renewal of its insurance contract in 2015, with a US\$1 million reduction in the premium for the next two years.*

*This work was aligned with LATAM's overall efforts to broaden its approach to risk management through the enhanced identification of risks and opportunities, the*

*improvement of monitoring mechanisms, as well as initiatives to drive employee awareness, engagement and co-responsibility.*

*In addition to analyzing the most common incidents, mapping work place-related risk situations, equipment conditions, information levels, employee training and their behavior in risk situations, the company also sought to identify the correlation between individual attitudes and organizational culture.*

*Employees were invited to participate in a survey based on an internationally approved methodology focused on aspects related to people management, engagement, internal climate and the degree of identification with corporate practices. Around 80% of the work force participated in the survey, the results of which will be used to implement improvements.*

## EMERGENCY RESPONSE

In 2015, LATAM consolidated its corporate emergency response plan, which incorporated the best practices developed in the diverse group companies. Overseen by the Emergency Committee, which reports directly to the CEO, the plan mobilizes 5 thousand people organized in 11 local committees and is based on three directives: caring for passengers and family members; supporting authorities in investigation processes; and keeping the media informed. Some 4,000 volunteer employees are also prepared to provide humanitarian aid.

Groups of employees are trained especially to provide support in aviation incidents, focused on meeting the immediate needs of passengers and their families and the provision of psychological support. The plan also incorporates measures to ensure the continuity of company activities and the provision of information to the media and authorities.

In 2015, all executives and the 300 emergency monitors who work at the airports received training.



# People

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 SIMPLICITY AND EFFICIENCY

60



## PEOPLE: SIMPLICITY AND EFFICIENCY

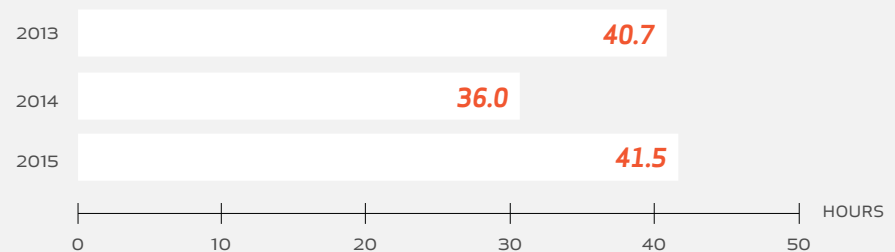
To meet the challenge of ensuring the alignment and high performance of 50,413 professionals, comprising 62 different nationalities in 26 countries, LATAM maintains a human resources management framework that comprehends talent attraction and retention, training, performance management and succession management. The work done by this area supports the company's five strategic pillars and its aspiration to be one of the three best airlines worldwide.

In 2015, a key focus was process simplification and standardization of training for the entire group. Courses were adapted to incorporate modifications in procedures, in particular in the regulatory and safety areas. Based on a central design, these will be executed locally in the countries in which LATAM and its affiliates have operations. For example, this process enabled the delivery of a single compliance training program for the entire LATAM group, covering the main internal compliance policies and guidelines. 42,300 employees were trained, representing 84% of the work force.

Also worthy of note was an initiative to consolidate the LATAM culture, with the organization of a massive agenda of workshops. The first wave was for leaders, with all the company's 1,500 team leaders taking the courses. In a second stage, the training was extended to the teams, with the target of reaching all passenger-facing staff by the end of 2016.

A total of over 2 million hours of technical, behavioral and leadership training was provided for employees in the diverse company areas, averaging 41.5 hours per person.

### AVERAGE NUMBER OF HOURS TRAINING PER EMPLOYEE



## ENGAGEMENT FOR SUSTAINABILITY

LATAM invests in training its employees in the economic, social and environmental aspects of sustainability. In parallel with the incorporation of these questions into business strategy, the company has been striving to raise employee consciousness and knowledge in sustainability-related issues.

Corporate health, safety and environment guidelines are set forth in the Code of Conduct which was approved in 2014. The company has developed specific training programs based on the document to disseminate its contents among the work force. Sustainability was also featured in the LATAM culture workshop program taken by the entire work force.

Moreover, forums and workshops are being organized to brainstorm improvements in environmental development to encourage environmentally friendly choices among company personnel.

The airline group's progress and challenges related to environmental performance are also addressed in a monthly newsletter sent to all employees.

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## HEALTH AND ENVIRONMENT

*In 2015, LATAM implanted the use of tricycles to help employees move more quickly around the Maintenance Base in Santiago, Chile. These vehicles present a number of advantages compared with the electric motorcycles used previously: they do not generate any environmental impact, are equipped with cargo platforms for transporting heavier objects and help employees to stay fit; they can also be maintained and repaired by suppliers already working on the Base. In a survey conducted among users, the tricycles were considered to be the safest and most convenient means of transport by 67% of the respondents.*

*Focused on emissions reduction, the company offers its employees incentives to encourage environmentally responsible commuting. Some units provide vans for employee transportation, as well as preferential parking for participants in car sharing schemes.*

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## LEADERSHIP ROLE

In the effort to consolidate and disseminate the organizational culture, of key importance are the team leaders, responsible for driving employee engagement in the day to day operations and ensuring their alignment with strategic objectives. The team leaders played an important role in preparing the development and culture workshops. A group of 40 leaders was responsible for training other leaders, who acted as multipliers, replicating the courses to their teams.

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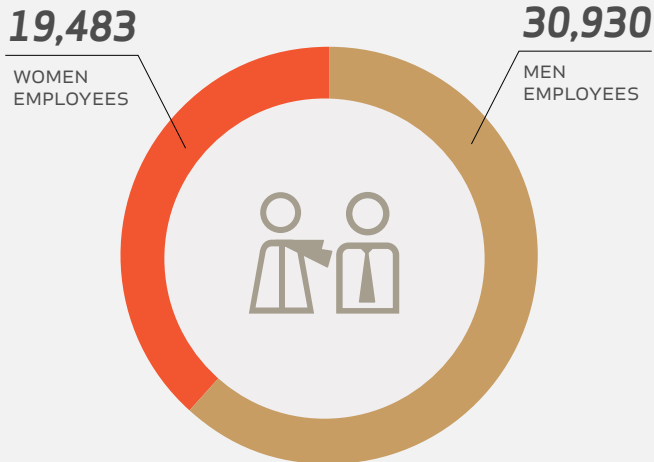
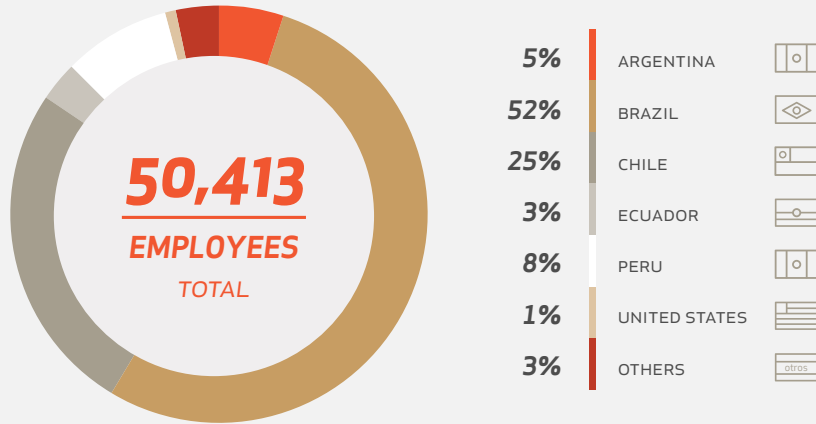
## SUPPORT FOR LEADERS

*In line with the goals of simplifying processes and driving efficiency gains, LATAM has been refining the tools it provides to support leaders in managing their teams. In 2015, the company created a virtual library containing the main documents on people management policies and practices, which are updated and available for consultation and download. An internal contact center was also set up to clarify team leaders' doubts. In the first six months of activity, 98% of the leaders rated the service as "excellent".*

*To enable managers to be independent and proactive in managing their own careers, studies are underway to improve information channels. In the Chilean unit, a Personnel Attention Module is in place on the company intranet, providing each employee with information on their functional situation in the company. The idea is to refine this model and extend it to the rest of the operation.*

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EMPLOYEES (2015) G4-10



PROFESSIONAL DEVELOPMENT

Performance appraisal is conducted in accordance with objective, predefined criteria and periodic calibration forums, involving all company executives and ensuring uniformity in the reviews of the entire group. Around 95% of the staff eligible for assessment were submitted to structured appraisal and feedback processes in 2015. The process includes employees at all hierarchical levels in all the countries in which LATAM operates, with the exception of special cases such as union representatives or employees on leave for more than 180 days. The air crew appraisal process follows a specific calendar which extends to the first quarter of the year after the period assessed. LA11

The employee appraisal results determine career progression, and high performance is rewarded with development opportunities. In 2015, 85% of the vacancies for executive positions were filled by existing company employees, higher than the target rate for the period (70%). Moreover, 38.1% of employees considered to be high performers changed job during the year and 84.7% received salary increases.

To drive internal mobility and the pursuit of new professional challenges within the airline group, LATAM posts job vacancies on the company intranet. Employees also receive a weekly summary of the opportunities available via email.

Focused specifically on employees identified as high potential, in 2015 the airline group conducted its Talent Review, which brought together the professionals responsible for talent management throughout the operation for an exchange of information on the main profiles identified and the needs of each country.

PILOTS: RIGOROUS SELECTION

*Pilot selection at LATAM incorporates international parameters governing technical knowledge, aeronautics and flight simulator tests, as well as psychological factors, in line with the legal requirements in the diverse countries in which the airline operates. To ensure autonomy, the process is outsourced and subject to external verification. It is also submitted to internal audit, involving meetings with representatives of the Human Resources area and senior Flight Operations and Safety executives.*

## REMUNERATION

The company's remuneration strategies include a fixed salary and a variable component, based on performance against corporate, departmental and individual goals and targets. Employees also receive benefits such as medical assistance, accident insurance, maternity and paternity leave, pension plan and stock purchase plan. LA2

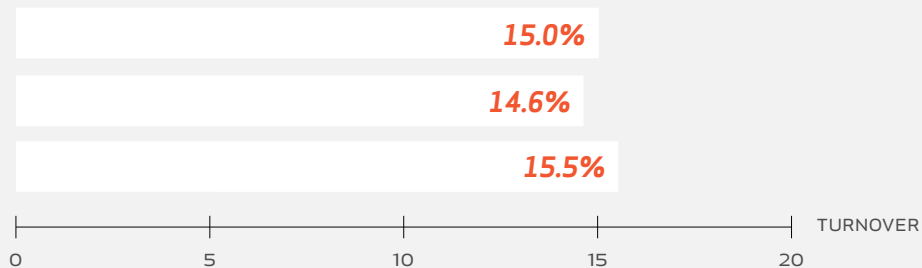
## SUCCESSION

Focused on the future, LATAM maintains a structured succession plan, the execution of which is closely monitored. Potential successors have been identified for around 78% of the company's critical positions, be it professionals deemed completely ready to assume the new function (61%) or those undergoing preparation within the company (17%). The result exceeded the 70% target established for the period.

## PILOTS: RIGOROUS SELECTION

*In recent years the turnover rate has remained stable in the company, at around 15%. A number of measures have contributed to this performance, such as the enhancement of recruitment and selection processes, employee engagement, performance appraisal and internal mobility, in addition to development and talent retention initiatives.*

### STAFF TURNOVER LA1



**To stimulate team development and a high performance culture**  
**To promote internal engagement and strengthen the LATAM culture**



#### 2015 TARGETS:

- Identification of potential successors for 70% of critical positions
- Managing turnover

#### RESULTS

- Mapping of successors for 78% of the positions considered to be critical



# Corporate Responsibility

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## CORPORATE RESPONSIBILITY: GENERATING VALUE

LATAM is committed to the social and economic development of the regions in which it operates and to generating shared value for its diverse stakeholders. The company has been engaged in an ongoing effort to drive sustainability further into its business strategy. By means of the accurate diagnosis of risks and opportunities throughout its relationship network, LATAM strives to promote positive impacts and mitigate the potentially negative impacts of its operation. This work is conducted via a cross functional structure focused on four areas:

- Considering social and environmental variables in the creation and offer of products and services that improve the client experience
- Supporting values in the company's internal culture, such as a passion for flying and genuine care for people
- Contributing to the economic development and
- Help to converse the continent's environment and reinforcing its cultural heritage of Latin America.

By fostering sustainable tourism, undertaking private social investment in local development projects, providing free cargo transportation

or offering special terms for humanitarian and environmental protection initiatives, LATAM reinforces its links with society and helps to promote autonomy<sup>9</sup>.

## ECONOMIC STIMULUS <sup>ECB</sup>

Air transportation is a key driver for global development and the world economy, enabling more efficient transportation of people and goods around the globe. The industry<sup>10</sup> generates over 8.7 million 2 direct jobs and another 49.3 million indirect ones globally, as well as driving other sectors. The global economic impact is some US\$ 2.4 trillion, representing 3.5% of global Gross Domestic Product. Around 35% of world trade – in value – involves air transportation. The share is even greater in the tourist industry, with 52% of holiday makers traveling by air.

According to the World Travel & Tourism Council (WTTC), the sector accounted for 284 million jobs in 2015, generating around US\$ 7.8 trillion for the global economy, an increase of 3% compared with 2014.

As the leader in the region, LATAM contributed towards leveraging the sector's results. In 2015, the company transported more than 4.8 million passengers from diverse regions of the world to the main destinations in South America, with an impact estimated at US\$ 4.7 billion. This total includes the average amount spent per tourist as informed by tourism organizations in the region<sup>11</sup>, including airport

charges and spending on accommodation, meals, transfers, excursions and shopping. In 2015, LATAM was the official sponsor of the 12 th summit meeting of the Adventure Travel Trade Association (ATTA), which represents adventure tourism operators the world over. The meeting is held every two years, always in a different location. The 2015 encounter took place in Puerto Varas in Chile

<sup>9</sup>Obs.: in addition to the initiatives aimed at external stakeholders described in this chapter, the concept of corporate citizenship, which represents one of the dimensions of LATAM's sustainability strategy, also encompasses the work force, driving measures to promote employee quality of life. This aspect is addressed in greater detail in the chapter People in this report.

<sup>10</sup>Source: Aviation: benefits beyond borders, Air Transportation Action Group (ATAG), published in April 2014.

Obs.: the data refer to 2012 and comprehend commercial aircraft operators, airports, air navigation service providers and aircraft and aircraft component manufacturers.

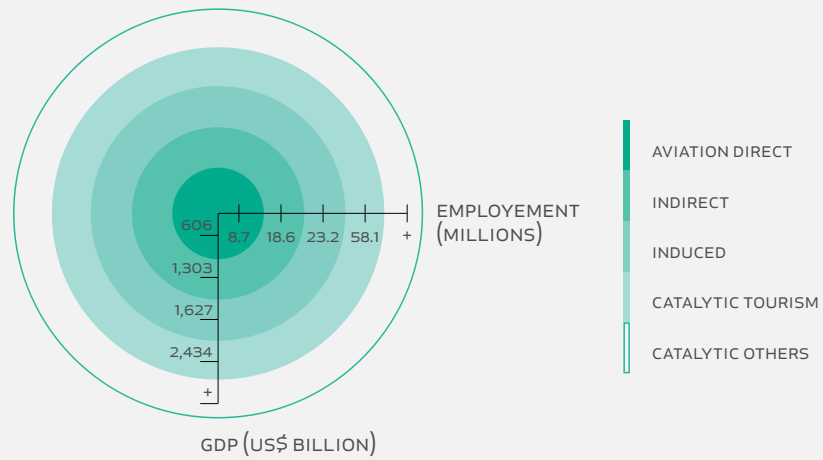
<sup>11</sup>Based on information provided by Senatur (Chile), Mincetur (Peru), Indec (Argentina), Ministries of Tourism (Brazil and Ecuador), the World Bank and Procolombia.

and was attended by some 700 professionals from 55 countries. In addition to promoting discussions on sector trends and opportunities, the event enables the tourism operators to discover new destinations in the host country, as well as develop closer relations and identify partnership opportunities in the local market.

CORPORATE RESPONSABILITY:  
GENERATING VALUE

BEYOND THE INDUSTRY

THE AVIATION SECTOR'S GLOBAL EMPLOYMENT AND GDP IMPACT<sup>2</sup>.

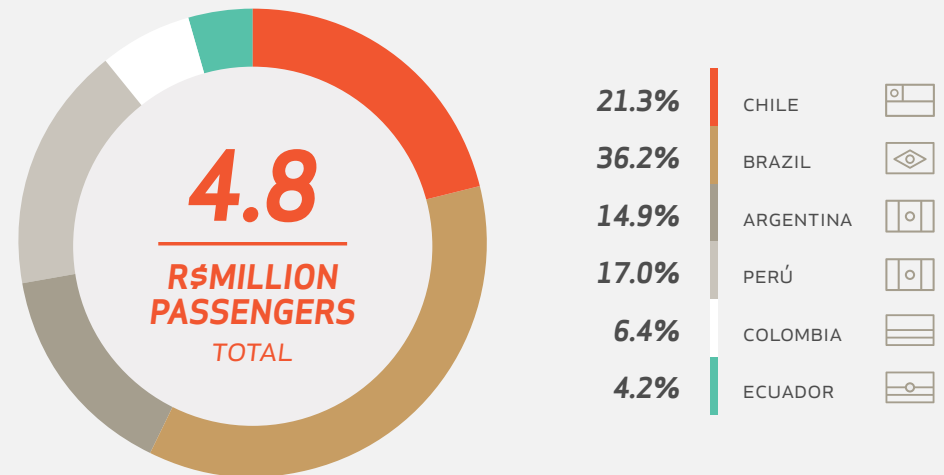


(<sup>2</sup>)BASED ON INFORMATION IN OXFORD ECONOMICS, PUBLISHED IN THE **ATAG** STUDY AVIATION: BENEFITS BEYOND BORDERS.

CORPORATE RESPONSABILITY:  
GENERATING VALUE

LATAM - INTERNATIONAL OPERATIONS

SOUTH AMERICA - MAIN DESTINATIONS (2015)





## CORPORATE RESPONSIBILITY: SUSTAINABLE TOURISM

To leverage the positive effects its operation generates for tourism in South America, LATAM engages a series of local actors in initiatives that combine economic development, environmental consciousness and the preservation of cultural heritage.

Together with other companies, non-governmental organizations and government representatives, LATAM supports the implementation of strategic plans for sustainable tourism and the development of tools for identifying risks and critical issues and for mitigating impacts, in addition to providing information and driving client and passenger awareness in this area. EC7

In the Cuido mi Destino program, created in 2009, LATAM coordinates the work done by employee volunteers, students and authorities in repairing and refurbishing tourist spaces in determined cities, settlements or regions. The places selected are submitted to three interventions, which are defined in conjunction with the local community, over a three-year period. The goal is to promote the development of sustainable tourism. The program also has a direct positive impact on the economy and commerce in these areas.

In 2015, the group invested US\$ 195,500 in these measures. Since 2009, spending has totaled US\$ 1.6 million.

In Chile, 40 young volunteers worked together on building a space in which artisans from the city of Neltume could produce their work and receive the hundreds of tourists that visit the town every year. US\$ 29,300 was invested in the project, which took three months to execute. The intervention has helped empower the women involved and develop their small businesses, which now represent an important source of income for families in Neltume. In Puerto Natales, also in Chile, the access was remodeled and Community Participation Workshops were set up to boost tourism in the region. US\$ 25,000 was invested in the city, one of the most important tourist destinations in the country. After the airport has been modernized, LAN should begin to operate a direct flight to the city from Santiago.

In Peru, the measures were aimed at valuing public spaces and organizing workshops to promote consciousness of the importance of the environment and tourism. Between 2010 and 2015, US\$ 81,000 was invested in remodeling work on the Mirador de Acuchimay belvedere in Ayacucho and in Pantanos de Villa, an area in Lima that shelters more than 200 species of birds. The local was visited by 34,000 tourists in 2015. The work was carried out by 163 people, including LAN employees, students and teachers.

In Brazil, 16 volunteer employees gave four days of workshops on sustainable tourism as part of the commemoration of the 450th anniversary of the state of Rio de Janeiro.

Some 100 young people from three NGOs that work in local communities took part in the workshops. The end of the event was marked by music, capoeira, theater and dance performances, as well as graffiti in the city of Rio de Janeiro. R\$ 114,600 was invested in the project.

In Colombia, the Cuido mi destino program was implanted in San Andrés. Additionally, the 2013-2015 cycle of interventions in Girón, Santander, was concluded, with the participation of more than 100 students, 70 members of the tourism business chain (such as hotels, travel agencies and tourism operators), 15 suppliers and 60 LATAM volunteers and employees.

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## DIGITAL LITERACY

*Female artisans in Neltume, Chile, are learning to take their first steps in the digital world. Through a partnership between LAN and the foundation Chilenter, the women received a donation comprising a room equipped with ten computers for digital literacy courses. In the classes, the women learn the basics of computing, including how to communicate by email and how to publicize their products on the social networks. In addition to developing their small businesses, this helps them attract customers from areas other than where they live. The courses were held in October and November 2015 and should continue in the first quarter of 2016. A total of US\$ 700 was invested in the project.*

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## AN INTEGRATED LOOK AT THE BUSINESS

Large companies have complex structures characterized by numerous simultaneous processes with established goals and targets. Frequently, the pressures of the day to day tasks limit a team's capacity to rethink the work it does and incorporate new approaches. To avoid this, LATAM created the Espacio LAB (Lab Space), which stimulates reflection on the dynamics of company routines and the pursuit of creative solutions that add value for the company and for its strategic stakeholders.

The Espacio Lab brings together employees from different company areas with the common goal of establishing a new meaning for the client experience based on the values and attributes associated with the LATAM brand, such as innovation, its ties with Latin America and the delivery of a differentiated experience. The methodology employed encompasses the study of scenarios and trends and the integration of different viewpoints in a joint construction. External stakeholders – such as clients, opinion formers and specialists – and the different company areas – including crew members, catering and operations teams – were invited to participate.

One of the items the team focused on in 2015 was in-flight meals, which were analyzed employing a multifaceted approach, incorporating the cultural value of Latin

American gastronomy and the care that goes into planning and preparing food for passengers. The wealth of Latin America, which encompasses landscapes as diverse as the Caribbean, Patagonia, the Argentinean Pampas, the Brazilian Northeast and the Amazon, the importance of the origin and identity of the food and the connection between gastronomy, cultural heritage and tourism were some of the aspects considered.

This study drove the refinement of the basic concept of in-flight meals and communication with the client. The plan for 2016 is to increment the menu with a product-focused cuisine. The company is considering including typical seasonal Latin American ingredients such as potatoes from Chiloé, cocoa from Peru, salmon from Patagonia. Apart from experiencing new flavors, passengers will learn some of the history of the region and curious details that make up its heritage.

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### POTATOES WITH DESIGNATION OF ORIGIN

*Nowadays the potato is a fundamental culinary ingredient in diverse European countries, such as Russia, Poland and Spain, but cultivation of this tuber has its origins in the Americas. In the Andean region alone, more than 10,000 varieties have been identified, a veritable genetic treasure that inspires popular feasts and tourist events in Peru, Bolivia and Chile. The Chilean archipelago Chiloé, for example, has 286 native types that come in a variety of shapes and colors, ranging from red, white and blue to yellow, black, purple and pink. A number are described below:*

- *viscocha: used in the preparation of pasta and dough such as gnocchi, dumplings or potato pancakes;*
  - *clavela lisa: rosy in color with a creamy texture, it is ideal for tortillas;*
  - *guadacho: known for its variety of colors (red, blue, white and black);*
  - *cabra: with a sweet, slightly peppery flavor, it is typically fried;*
  - *bruja: dark in color, normally eaten as a salad.*
-



## CORPORATE RESPONSABILITY: SOCIAL ASPECTS OF THE OPERATION

Through free or subsidized services offered by its units, LATAM facilitates logistics for social and environmental initiatives in different regions in the world. EC7

### CARGO UNIT

#### Removal of recyclable waste from Easter Island

Free of charge, the company transports post-consumer cardboard and plastic waste which is collected by the local government and prepared for recycling. The island is one of the most isolated places in the world, located in the Pacific Ocean 3,700 kilometers off the South American coast. LAN maintains strong links with the island. It is the only airline serving this destination, which was included in its network in 1967.

The transportation of waste is aligned with LATAM's commitment to help preserve vulnerable ecosystems in the destinations it operates.

In 2015, 302.6 metric tons of waste were transported. The material is sold to recycling operators, and the funds generated by the operation are invested in environmental initiatives undertaken by the island's local government.

#### Animal rescue

In Brazil, an agreement with the environmental agency Ibama (Instituto Brasileiro do

Meio Ambiente e dos Recursos Naturais Renováveis) ensured the return of 70 wild animals – toucans, macaws and one jaguar – to their natural habitats in 2015. This work has been in place since 2009.

In Chile, agreements were established with the Mundo Mar Foundation and the National Fisheries Service to transport marine animals rescued on the Chilean coast to recovery shelters. Seven animals were transported in 2015.

### HUNTING TROPHIES

*In 2015, LATAM joined the commitment proposed by the oneworld alliance to ban the transportation of the "big five" hunting trophies: elephant, rhinoceros, lion, leopard and Cape buffalo.*

#### Humanitarian aid

The Avião Solidário (Humanitarian Airplane) program in Chile provides support in social initiatives and natural catastrophes and emergencies in partnership with governments and civil society organizations. In 2015, the aircraft transported more than 120t of foodstuffs and medicines for those left homeless by the rains in Northern Chile, in a coordinated action with the Fundación Desafío Levantamos Chile. During the crisis between Colombia and Venezuela, the aircraft carried humanitarian aid from Bogota to the border region. In Argentina, it provided support for the work done by the Banco de Alimentos (Food Bank), transporting 17t of food.

In Peru, LAN provides transportation for cargo during national emergencies, as well as for donations that are in accordance with the company's procedures manual. In 2015, some 1,500 blankets were delivered to needy families in its areas of influence. 59 laptops and 842 kits of school materials were donated to the Colégio de Ciudad de Papel and the Machu Pichu local government, benefiting 380 people. The communities of Chosica and Villa el Salvador received 13t of clothes and food.

Similarly, 708 computer components and used telephones weighing 1.5 t were transported for the Ciudad de Papel electronic equipment recycling program. This work has had a positive impact on the LATAM work force, as evidenced by an internal survey conducted in 2015, showing that 97% of the employees approve the company's humanitarian aid measures. During the year, 820 volunteers took part in the programmed activities, exceeding the target established for the period by 40%.

In Brazil, a number of clothing and food donation campaigns were conducted as part of the 2015 Social Action program, which raised more than 900 kg of goods. When the state of Acre suffered one of the biggest floods in its history, some 1,800 cleaning products were donated, and employees who work in the city of São Paulo were transported to the region to assist in volunteer work. Almost 170 kg of food were collected after floods in the states of Santa Catarina and Rio Grande do Sul, while employee volunteers provided humanitarian support.

### Organ transport

In Brazil, a cooperation agreement with the Ministry of Health enables the free air transportation of organs, tissue and the medical teams involved in transplant operations nationwide. The agreement has been in place since 2013 and, in addition to the airport authority Infraero (Empresa Brasileira de Infraestrutura Aeroportuária), involves other airlines in the country. In 2015, TAM made the second largest contribution to organ transport among the airlines in Brazil, carrying 1,500 items, including organs, tissue and medical teams.

### Art and culture

To promote culture, LAN Cargo established a new partnership with the CorpArtes Foundation, a Chilean organization dedicated to broadening access to culture, with a strong emphasis on education, providing high quality artistic experiences to boost cultural capital. In Colombia, the company supported initiatives by the Habitat Sur Foundation, transporting mobile libraries in the Amazon region, and the RE Foundation, transporting musical instruments.

### DONATION OF AIR TICKETS TO CHARITY EC7

In 2015, LATAM donated 575 tickets. In addition to the three organizations with which the company has ongoing agreements – Fundación Techo, América Solidaria and Coaniquem – requests were also granted from the organization María Ayuda. The project has

been in place since 2006. This support is aimed at facilitating transportation for people who work in these institutions, so that they may expand their field of action.

In Colombia, the air ticket donation program benefited the Operación Sonrisa Colombia Foundation, which provides assistance for children with cleft lip and palate in diverse regions of the country. Around 300 tickets were used to transport doctors, patients and family members, enabling corrective surgery for 388 children and assessment for a further 750.

In Peru, the company offers free air transport for low-income individuals requiring emergency medical treatment outside the area in which they live. In 2015, a total of 683 people received free tickets, encompassing both humanitarian aid and partnerships with institutions.

In Brazil, the company donated 516 air tickets to people requiring medical treatment away from their homes. Through a partnership with the NGO Make-A-Wish, the company also donated tickets to enable children with serious illnesses to make their dream of visiting a particular place in the world come true. In 2015, the company intensified this partnership, launching a volunteer program for employees interested in participating in the initiative. They formed different groups to work on making the children's dreams come true. A total of 200 employees helped make the dreams of 40 children come true in TAM's

biggest ever engagement with an ONG. More than 100 domestic and international air tickets were donated in this initiative. TAM Linhas Aéreas grants free domestic and international air tickets to almost 30 institutions engaged in sustainable social development activities all over Brazil. These tickets contribute to the realization of a series of projects aimed at income generation, environmental conservation, humanitarian aid, health, education and sustainable tourism. In 2015, 28 institutions received a total of 1,689 air tickets, a 38% increase over the previous year.

In Ecuador, the Toqué el Cielo con LAN program enables low-income children to have the opportunity to travel by air. The program is part of an agreement with diverse institutions. The organization Plan Internacional conducts a means test to select the beneficiaries of the program.

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### TELETON

*In Chile, every year the company participates in the Teletón, a major charity event broadcast on television and aimed at raising funds for rehabilitation centers for children and young people with motor skill disorders. The Teletón is a private non-profit institution which brings companies, artists, communication media and the governments together to raise donations. The event is held in most Latin American countries. In 2015, LATAM donated US\$ 420,700 during the event.*

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# About the Report

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## ABOUT THE REPORT: REPORTING PROCESS AND MATERIALITY

The LATAM 2015 Sustainability Report presents the most important information about the economic, social and financial performance of the companies in the LATAM Airlines Group during the period from January 1st to December 31st, 2015. The publication was prepared based on the Global Reporting Initiative (GRI) G4 guidelines, the main global reference for communicating sustainability. It fulfills the requirements for the application of the Core option of the methodology, as attested in the independent verification conducted by Deloitte.

The report content was determined based on the GRI methodology principles – balance, completeness, materiality and stakeholder inclusiveness – and reflects LATAM’s management of the most relevant topics for its sustainability strategy. These topics are revised annually to guarantee alignment with the expectations and needs of the company’s stakeholders and to ensure closer focus in its action plans and communication strategies.

The following elements were taken into account in the materiality process underpinning the 2015 Sustainability Report: [G4-18](#) and [G4-26](#)

- the results of a broad stakeholder consultation process carried out in December 2013, which involved individual interviews, meetings, panel discussions and online surveys that conveyed the opinions and perceptions of executives, employees, clients, suppliers, market analysts

- and specialists in the aviation sector;
- global reference documents on critical sector questions and impacts, such as the publications Sustainability topics for Sectors – What do Stakeholders Want to Know, from the Global Reporting Initiative (GRI) and the Airlines Sustainability Accounting Standard guide from the Sustainability Accounting Standards Board (SASB);
- internal LATAM policies, including its Corporate Sustainability Strategy and the business’s strategic pillars;
- the company’s external commitments, such as the Carbon Neutral Growth 2020 initiative organized by the International Air Transport Association (IATA).

In line with the recommendations in the GRI-G4 guidelines, senior management analyzed the topics which could potentially impact LATAM and its stakeholder groups, as well as the company’s capacity to influence each topic. At the end of the process, the interrelationships between the topics defined as priorities were analyzed and strategies devised to group them together or separate them in order to ensure even greater clarity and accuracy in the processes of monitoring and communicating the results.

The end result of this process is the following list:

- **client connectivity and relationship:** to invest in service quality, in transparent and ethical communication and in meeting

- our clients new demands;
- **health and safety in the air and on the ground:** to manage potential risks and to ensure the highest safety standards for our clients, employees and the community;
- **talent management and controlling staff turnover:** to enhance performance and career management in the different business units aimed at creating an integrated LATAM culture;
- **eco-efficient management:** to achieve standards of excellence in the use of natural resources and in managing waste;
- **mitigating climate change:** to continually reduce emissions intensity, to research new energy technology and control company impacts on air quality;
- **noise reduction:** to constantly control the acoustic impact of aircraft on communities close to airports and to invest in noise reduction technology;
- **government relations, fair competition and specific regulatory matters:** to maintain permanent dialogue with



governments, local authorities and sector associations geared towards achieving responsible business solutions;

- **economic and financial sustainability:** to drive synergies in cost and asset management and the planning of current and future investments, focused on generating value for the company and its capital providers;
- value chain: to adopt specific parameters for ethics, sustainability and eco-efficiency in managing suppliers.

Each material topic has one or more indicators (see table) through which the company monitors its progress against goals and targets. All are directly or indirectly related to the macro objectives of the business and are backed by defined strategies and people responsible for their execution. The company's performance impacts the variable remuneration of leaders, who manage results via a matrix structure.

Safety performance, for example, and more specifically the non-occurrence of any accidents, is the trigger for the payment or not of a bonus each year. A second stage of the calculation takes into account performance against corporate targets, which directly affects the Executive Committee's variable remuneration and impacts the variable component of remuneration for all employees. Worthy of note among the targets

monitored are aspects related to the material themes in managing sustainability, such as customer satisfaction, linked with the topic of connectivity, and talent management and controlling staff turnover, which are part of the Organizational Health Index (OHI). The topic of economic-financial sustainability also comes into this stage of the calculation and is monitored via company income and cost efficiency indicators.

The third stage of the calculation takes into account specific topics and indicators for each area. Among the company's top 19 executives, 15 have targets linked with customer satisfaction, 8 answer for safety-related topics, six have targets linked with the OHI and 5 have targets related to environmental performance.

Information on the management of the material topics and the results achieved is presented in the 2015 LATAM Sustainability Report, the purpose of which is to hold the company accountable to its different stakeholder groups in relation to its commitment to integrating the economic, social and environmental dimensions of the business, striving for balance in the goals of driving economic growth, managing environmental impacts and generating social progress in the communities in which the organization operates.

G4-19 to G4-21 and G4-27

MATERIAL TOPIC	G.R.I ASPECT	LIMITS		INDICATOR <sup>1</sup>	CHAPTER <sup>3</sup>
		Is the aspect material inside the organization?	Is the aspect material outside the organization?		
Client connectivity and relations	Marketing communications	Yes	Yes (clients)	PR5	Clients
	Product and service labeling	Yes	Yes (clients)	PR7	
Health and safety in the air and on the ground	Occupational health and safety	Yes	Yes (clients and society)	LA6	People Safety
Talent management and controlling staff turnover	Employment	Yes	No	LA1	People
	Training and education	Yes	No	LA9	
Eco-efficient management	Energy	Yes	Yes	EN3 EN6	Environment
	Effluents and waste	Yes	Yes	EN23	
Climate change mitigation	Emissions	Yes	Yes	EN15 EN16 EN17 EN18 EN19 EN20 EN21	Environment
Noise reduction <sup>3</sup>	There is no related GRI aspect.	-	-	-	Environment
Government relations, fair competition and specific regulatory matters	Anti-corruption	Yes	No	SO4 SO5	The Company
	Anti-competitive behavior	Yes	Yes (regulatory and government authorities)	SO7	
Economic-financial sustainability	Economic performance	Yes	Yes (investors)	EC1 EC2	Strategy
	Indirect economic impacts	Yes	Yes (suppliers, communities)	EC7 EC8	
Value chain	Supplier assessment for labor practices	Yes	Yes (suppliers)	LA15	The Company Environment
	Supplier human rights assessment	Yes	Yes (suppliers)	HR11	
	Supplier environmental assessment	Yes	Yes (suppliers)	EN33	

<sup>1</sup> GRI indicator through which LATAM monitors performance in each material topic. In addition to these priority topics, the report also presents other GRI indicators relevant for managing the company.

<sup>2</sup> Chapter in which the topic is covered in this report.

<sup>3</sup> Although it is not directly related to any GRI aspect, the topic was covered in the report with information gathered on how it is managed at LATAM, as well as the company's goals and targets and the results achieved.



ABOUT THE REPORT:  
GRI CONTENT INDEX

GENERAL CONTENT

Aspect	Indicator	Page/response	External Assurance
Strategy and analysis	G4-1 Message from the president	PAGE 8	Verified. See PAGE 85
Organizational Profile	G4-3 Name of the organization	PAGE 10	Verified. See PAGE 85
	G4-4 Primary brands, products and/or services	PAGE 10	Verified. See PAGE 85
	G4-5 Location of the organization's headquarter	Chile	Verified. See PAGE 85
	G4-6 Countries in which the operation's main or most relevant units for the sustainability aspects of the report are located	PAGE 10	Verified. See PAGE 85
	G4-7 Nature of ownership and legal form	PAGE 24	Verified. See PAGE 85
	G4-8 Markets served	PAGE 10	Verified. See PAGE 85
	G4-9 Scale of organization	PAGE 10	Verified. See PAGE 85
	G4-10 Employee profile	All employees are hired on permanent contracts and 99.2% work full-time. Further information on PAGE 91	Verified. See PAGE 85

	G4-11 Percentage of employees covered by collective bargaining agreements	68% of company employees are covered by collective bargaining agreements.	Verified. See PAGE 85
	G4-12 Description of organization's supply chain	PAGE 15	Verified. See PAGE 85
	G4-13 Significant changes in the organization's size, structure, ownership, and supplier chain	There were no significant changes.	Verified. See PAGE 85
	G4-14 Description of how the precautionary approach or principle is addressed by the organization	The company does not formally adopt the precautionary principle, but its planning does take into account potential operational risks for consumers and society. All the group's services, including routes, itineraries, maintenance activities and loyalty programs comply with applicable legislation.	Verified. See PAGE 85
	G4-15 Social charters, principles, or other initiatives developed externally	PAGE 17	Verified. See PAGE 85
	G4-16 Participation in associations and organizations	PAGE 17	Verified. See PAGE 85

Material aspects identified and boundaries	G4-17 Entities included in the organization's consolidated financial statements, and entities not included in the report	All the subsidiaries were covered by the report.	Verified. See PAGE 85
	G4-18 Process for defining the report content	PAGE 72	Verified. See PAGE 85
	G4-19 List of material aspects	PAGE 73	Verified. See PAGE 85
	G4-20 Boundary within the organization for each material aspect	PAGE 73	Verified. See PAGE 85
	G4-21 Boundary outside the organization for each material aspect	PAGE 73	Verified. See PAGE 85
	G4-22 Restatements of information provided in previous reports	There were no restatements of information from previous reports.	Verified. See PAGE 85
	G4-23 Significant changes in scope and boundaries of material aspects in relation to previous reports	There were no significant changes.	Verified. See PAGE 85
Stakeholder engagement	G4-24 List of stakeholder groups engaged by the organization	PAGE 19	Verified. See PAGE 85
	G4-25 Basis for identification and selection of stakeholders with whom to engage	PAGE 19	Verified. See PAGE 85
	G4-26 Approach to stakeholder engagement	PAGE 72	Verified. See PAGE 85

	G4-27 Key topics and concerns that have been raised through engagement, by stakeholder group	PAGE 73	Verified. See PAGE 85
Report profile	G4-28 Reporting period	From January 1st to December 31st 2015.	Verified. See PAGE 85
	G4-29 Date of most recent previous report	2015	Verified. See PAGE 85
	G4-30 Reporting cycle	Annual	Verified. See PAGE 85
	G4-31 Contact point for questions regarding the report or its contents	investor.relations@lan.com	Verified. See PAGE 85
	G4-32 Option of application of guidelines and location of GRI table	Core	Verified. See PAGE 85
Governance	G4-33 Policy and current practice with regard to seeking external assurance for the report	The report underwent external assurance.	Verified. See PAGE 85
	G4-34 Organization's governance structure	PAGE 24	Verified. See PAGE 85
Ethics and integrity	G4-56 Values, principles, standards and norms of behavior in the organization	PAGE 24	Verified. See PAGE 85

SPECIFIC			
Economic category			
Aspect	Indicator	Page/response	External Assurance
Economic performance	DMA*	PAGE 34	Not verified by external assurance
	EC1 Direct economic value generated and distributed	PAGE 37	Verified. See PAGE 85
	EC2 Financial implications and other risks and opportunities for organization's activities due to climate change	PAGE 45	Verified. See PAGE 85
Indirect economic Impacts	DMA*	PAGES 16, 65, 69	Not verified by external assurance
	EC7 Development and impact of infrastructure investments supported	PAGES 16, 65, 69	Verified. See PAGE 85
	EC8 Description of significant indirect economic impacts	PAGE 65	Verified. See PAGE 85

ENVIRONMENTAL CATEGORY				
Aspect	Indicator	Page/response	External Assurance	
Energy	DMA*	ATTACHMENTS - PAGES 53, 54	Not verified by external assurance	
	EN3 Energy consumption within the organization	ATTACHMENTS - PAGE 91 (attachment 5)	Verified. See PAG 85	
	EN5 Energy intensity	2015 PERFORMANCE and ATTACHMENTS - PAGES 53, 54	Not verified by external assurance	
	EN6 Reduction in energy consumption	PAGE 52	Verified. See PAG 85	
	EN7 Reductions in energy requirements of products and services	PAGE 53	Not verified by external assurance	
	Water	DMA*	PAGE 53	Not verified by external assurance
		EN8 Total water withdrawn by source	PAGE 53	Not verified by external assurance
Emissions	DMA*	PAGE 48	Not verified by external assurance	
	EN15 Direct greenhouse gas emissions	PAGE 48	Verified. See PAG 85	
	EN16 Indirect greenhouse gas emissions from the acquisition of energy	PAGE 48	Verified. See PAG 85	

	EN17 Other indirect greenhouse gas emissions bargaining agreements	PAGE 48	Verified. See PAGE 85
	EN18 Greenhouse gas emission intensity	PAGE 48	Verified. See PAGE 85
	EN19 Reduction of greenhouse gas emissions	PAGE 48	Verified. See PAGE 85
	EN20 Emissions of ozone depleting substances	PAGE 49	Verified. See PAGE 85
	EN21 NOx, SOx and other significant atmospheric emissions	PAGE 49	Verified. See PAGE 85
Effluents and waste	DMA*	PAGE 53	Not verified by external assurance
	EN23 Total weight of waste, by type and disposal method	PAGE 54	Verified. See PAGE 85
Products and services	DMA Management approach	PAGES 49, 50	Not verified by external assurance
	EN27 Initiatives to mitigate environmental impacts	PAGES 49, 50	Not verified by external assurance

Compliance	DMA Management approach	In 2015, LATAM received four significant fines for breaches of environmental standards, totaling US\$ 18,000. Three of the fines were applied by the Brazilian environmental protection agency Ibama (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis ). These were for the transportation of ornamental fish caught without authorization, transportation of fish without proof of origin and for nonregistration with the federal agency overseeing the shipment of potentially hazardous goods. The company also received a fine from the São Paulo environmental agency Cetesb (Companhia Ambiental do Estado de São Paulo) for lack of an environmental license for Hangar 2.	Not verified by external assurance
	EN29 Value of fines and total number of sanctions resulting from non-compliance with environmental laws		

Supplier environmental assessment	DMA*	In accordance to risk analysis undertaken by LATAM, of the 21 technical and non-technical purchase categories in the supply chain, 7 involve value chains in which there is a risk of potential negative environmental impacts from improper waste management. To reduce such risks, the company demands compliance with specific contract clauses and conducts periodic audits. For further information, see PAGE 16.	Not verified by external assurance
	EN33 Suppliers identified as having significant actual and potential negative environmental impacts		

Verified. See PAGE 85

SOCIAL CATEGORY – LABOR PRACTICES AND DECENT WORK			
Aspect	Indicator	Page/response	External Assurance
Employment	DMA*	PAGE 60	Not verified by external assurance
	LA1 Total number and rates of new employee admissions and employee turnover	PAGES 60, 92 (attachment 9)	Verified. See PAGE 85
	LA2 Comparison of benefits for full-time and temporary workers	PAGE 63	Not verified by external assurance
Occupational health and safety	DMA*	PAGE 56	Not verified by external assurance
	LA6 Injury, illness, and lost days rates	PAGE 57	Verified. See PAGE 85
	LA7 Employees with high incidence or high risk of diseases related to their occupation	PAGE 58	Not verified by external assurance

Training and education	DMA*	PAGE 60	Not verified by external assurance
	LA9 Average hours training per year	PAGE 91 (attachment 6)	Verified. See PAGE 85
	LA10 Programs for skills management and lifelong learning	In addition to the ongoing employee skills management and lifelong learning strategies described on "PAGES 61, 62", LATAM provides orientation for employees about to retire. In the event of dismissal, severance packages take into account the employee's age and length of service. In some cases the company offers outplacement support.	Not verified by external assurance

	LA11 Percentage of employees receiving performance appraisals	PAGES 62, 92	Not verified by external assurance
Supplier assessment for labor practices	DMA*	PAGE 16	Not verified by external assurance
	LA15 Significant actual and potential negative impacts from labor practices in the supply chain	In accordance to risk analysis undertaken by LATAM, of the 21 technical and non-technical purchase categories in the supply chain, 14 (67%) involve value chains in which the risk of non-compliance with labor standards is considered to be medium. To reduce such risks, the company adopts preventive measures such as the requirement of reports from the supplier and the inclusion of specific contract clauses. For further information, see PAGE 15, 16.	Verified. See ASSURANCE

SOCIAL CATEGORY – HUMAN RIGHTS

Aspect	Indicator	Page/response	External Assurance
Supplier human rights assessment	DMA*	Since it involves the textile industry value chain, the supply of uniforms presents potential human rights risks, such as the exploitation of child or slave labor by companies that outsource services. This topic is monitored by LATAM on a periodic basis. (For further information, see PAGES 15, 16.)	Not verified by external assurance
	HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken admissions and employee turnover		Verified. See PAGE 85



SOCIAL CATEGORY - SOCIETY			
Aspect	Indicator	Page/response	External Assurance
Anti-corruption	DMA*	PAGE 24	Not verified by external assurance
	SO4 Percentage of employees trained in anti-corruption policies and procedures	PAGE 26	Verified. See PAGE 85
	SO5 Confirmed cases of corruption and measures taken	There were no cases of corruption or breaches of the Code of Ethics.	Verified. See PAGE 85
Anti-competitive behavior	DMA* SO7 Total number of legal actions for anti-competitive behavior	In 2015, the European Court of Justice ruled in favor of LATAM, annulling a fine applied by the European Commission in 2010 for anticompetitive practice. This decision is not yet final. Some suits brought by users based on the initial fine are still pending. At the end of the year, a conciliation agreement was reached between LATAM and Chile's Fiscalía Nacional Económica, to detail the company's obligations related to the use of codes shared with other airlines. The agreement does not imply recognition of any infraction on the part of the company and finalizes the FNE's questioning of the LAN/TAM merger as constituting a monopoly in the Chilean operation.	Verified. See PAGE 85

SOCIAL CATEGORY - PRODUCT RESPONSIBILITY			
Aspect	Indicator	Page/response	External Assurance
Product and service labeling	DMA*	PAGE 39	Not verified by external assurance
	PR5 Results of surveys to measure customer satisfaction	PAGE 39	Verified. See PAGE 85
Marketing communications	DMA Management approach PR7 Cases of non-compliance related to product and service communications	In 2015, 11 fines were received, none of which are considered significant. Three of these are under appeal.	Verified. See PAGE 85
Compliance	DMA* PR9 Fines for non-compliance related to the provision and use of products and services	There were no significant definitive fines. For LATAM, fines of more than US\$ 50,000 or with the potential to impact the company's image or operational continuity are considered to be significant.	Not verified by external assurance

DMA\* : Disclosure on management approach.

Obs.: There were no omissions in GRI required information.

## GLOBAL COMPACT

Since 2012, LATAM has been a signatory to the Global Compact, a voluntary United Nations Organization (UNO) initiative aimed at promoting corporate best practice in four areas: human rights, labor, environment and anti-corruption. The commitment was one of the directives for the company's Corporate Stakeholder Relationship Policy, which was elaborated in the course of 2015 and will be submitted to the Board of Directors in 2016. LATAM is developing a series of initiatives to put the ten Compact principles into practice. The main ones may be located in this report in accordance with the following table.

PRINCIPLE	PAGE
<b>Human rights</b>	
1. Support and respect the protection of internationally proclaimed human rights.	16, 80
2. Ensure non-complicity in human rights abuses.	16, 26
<b>Labor</b>	
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.	75
4. Support the elimination of all forms of forced and compulsory labor.	16, 26
5. Support the effective abolition of child labor.	16, 26
6. Eliminate discrimination in respect of employment and occupation.	62
<b>Environment</b>	
7. Support a precautionary approach to environmental challenges.	43
8. Undertake initiatives to promote greater environmental responsibility.	43
9. Encourage the development and diffusion of environmentally friendly technologies.	54
<b>Anti-corruption</b>	
10. Work against corruption in all its forms, including extortion and bribery.	26



## ABOUT THE REPORT: CREDITS

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# Assurance

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ASSURANCE

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Abril 25, 2016

**INFORME DE REVISIÓN INDEPENDIENTE DEL  
REPORTE DE SOSTENIBILIDAD 2015 LATAM**

Señor  
Enrique Guzmán  
Director de Sustentabilidad  
Presente

De nuestra consideración:

Hemos realizado la revisión de los siguientes aspectos del Reporte de Sostenibilidad 2015 de LATAM:

**Alcance**

- ✓ Revisión de seguridad limitada de la adaptación de los contenidos e indicadores del Reporte de Sostenibilidad 2015, 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 tomo 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 Lavín.
- ✓ Reunión con el equipo que lideró el proceso de materialidad.
- ✓ Análisis de la adaptación de los contenidos del Reporte de Sostenibilidad 2015 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 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 2015, 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	G4-24	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- EC7	G4- EC8	G4-EN3	G4-EN6	G4-EN15
G4-EN16	G4-EN17	G4-EN18	G4-EN19	G4-EN20	G4-EN21	G4-EN23
G4-EN33	G4-LA1	G4-LA6	G4-LA9	G4-LA15	G4-SO4	G4-SO5
G4-SO7	G4-HR11	G4-PR5	G4-PR7			

- ✓ 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 2015 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 2015, 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 25/04/2016.
- 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 2015 de LATAM

Fernando Gaziano,  
Socio



# Attachments

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	ATTACHMENTS: ENVIRONMENTAL	87
	ATTACHMENTS: PEOPLE	91



## ATTACHMENTS: ENVIRONMENTAL MANAGEMENT

### Attachment 1

LAN Safety, Quality and Environment Policy

LAN, a member of the LATAM Airlines Group, undertakes to comply with the highest, Safety, Quality and Environmental standards in all of its operational and administrative activities and facilities. For this reason, it undertakes the following commitments:

- Declaring Safety an Uncompromising Value of our company, fostering in our people a culture of self-care, developing prevention-oriented processes, identifying hazards, and assessing and mitigating the risks associated with the various operating and administrative activities that are inherent to the company's operations.
- Complying with all applicable laws and regulations while also observing the internal procedures established by the company and the voluntary commitments to which it is a signatory.
- Giving due importance to the reports of unsafe actions and conditions, ensuring no sanctions are imposed on those who file such reports, given the understanding that errors are inherent to the human condition, while not condoning attitudes involving operational negligence or

deliberate violations of the company's operating standards or processes.

- Developing a Safety, Quality and Environmental Management System that enables the periodic review of targets, goals and allocated resources, while implementing best environmental practices that enable us to prevent any form of contamination and to efficiently manage our carbon footprint.
- In our company, we adopt the principles of ethics, excellence and continuous improvement in all management processes with the aim of advancing towards our goal of being the best airline in Latin America and one of the best in the world, while reinforcing our commitment to create value for our clients, shareholders, suppliers, authorities, employees and local communities.

### LATAM Airlines Group Code of Conduct

#### 5.2. Environment, Health and Safety

The LATAM Group is committed to protecting the environment, health and safety and will endeavor to promote a safe and healthy environment, preventing unfavorable and harmful impacts on the environment in the communities in which it operates.

Therefore, in practice, we must:

- Comply with environmental laws and regulations.
- Create and maintain a safe work environment and prevent occupational accidents and diseases.

c. Reduce waste, emissions and the use of toxic materials, according to internal procedures. Never improvise in the disposal of industrial residues and waste.

d. Respect the rights and environmental interests of neighboring countries and communities.

e. Make efficient use of the natural resources available in the workplace, recycle whenever possible and promote innovative practices that enable greater economic efficiency through ecological efficiency.

f. Act in a socially responsible manner, respecting the customs and traditions of the people with whom the company interacts and contribute toward the sustainable development of the communities in which it operates, particularly in relation to tourist activities.

g. Propose improvements that ensure the work place is always safe and healthy, notifying immediate superiors in the event of irregularities or noncompliance with laws and adjusting irregular conduct rapidly.

h. Always act in accordance with the stipulated rules. Under no circumstances should safety practices be ignored or disobeyed.

i. Know the location of the emergency exits and firefighting equipment in the work place.

Obs: the complete document may be consulted here.

<http://www.latamairlinesgroup.net/phonix.zhtml?c=251290&p=irol-govconduct>

Attachment 2

**INDEPENDENT VERIFICATION STATEMENT**

*SGS Société Générale de Surveillance SA was commissioned by IATA to conduct an independent and formal review of the "IATA Environmental Assessment Standards Manual (IESM) version 2.0 february 2015" against ISO 14001:2004.*

*The verification assessment was executed as a desk top study and did not include a review of any system implementation.*

*The IESM version 2.0 included a set of requirements as well as guidance for their implementation. On the basis of the verification work performed, the IESM requirements together with their guidance information are consistent with ISO 14001:2004 requirements.*

*Geneve, 28.12.2005.*

*Signed for and on behalf of the SGS Société Générale de Surveillance SA  
Stéphane Rombaldi*

Attachment 3

The following table shows the 21 key indicators LATAM uses to measure its progress against internal environmental management goals and targets.

AREA	INDICATOR	UNIT	GOAL
Technology	1. Fleet modernization	Years	Same as first in benchmark
	2. Engine noise	% Chapter III (ICAO)/% Chapter IV	100% Chapter IV (ICAO)
	3. Support to Sustainable fuel development	Number of biofuel flights	Having regular flights with biofuels
	4. Research and Development	% Investment R&D/ revenues	Control and measurement of R&D investment impact
Operations	5. Greenhouse Gas emissions control	Kg CO <sub>2</sub> /100RTK	Same as first in benchmark
	6. Control of the emission of other pollutant gases	g gas/100RTK	Total same as first and second od benchmark
	7. In-flight fuel jettison	Number of events	Same as first in benchmark
	8. Hazardous waste reduction and treatment	Ton	Total hazardous waste known and treated
	9. Non-hazardous waste reduction	Ton	Total non-hazardous waste known and not treated



	10. Water consumption reduction	Cubic meters / Employee	Same as first in benchmark
	10. Water consumption reduction	Cubic meters / Employee	Same as first in benchmark
	11. Suppliers	Yes/No	Existing environmental guidance
			Due Diligence Compliance
Infrastructure	12. Green-building	Projects	New project certified by LEED
	13. Energy	MWh/employee	Same as first in benchmark
	14. Implementation of RNP	Implemented airports/ Total expected airports	76%-100%
Economic	15. Environmental expenditure	Yes/No	Existence of Environmental expense control
	16. Emission of Carbon Bonuses	Million euros	Application in projects
Legal and others	17. Legal compliance	% Legal regulation data of operation countries	All legal data and no fines or sanctions
		Yes/No	Compliance
	19. Environmental Management System	Yes/No	100% implementation
	20. Carbon offsets	Yes/No	Reporting of all GRI indicators
	21. Signed voluntary agreements	Yes/No	100% score in environmental section of Dow Jones sustainability Index "A" score in CDP

## 2015 PERFORMANCE

### Attachment 4 Emissions inventory

SOURCE	EMISSION FACTOR	GOAL
Jet kerosene	3,15 kg CO <sub>2</sub> /kg fuel	EU Regulation (EU) N°601/2012
Gasoline	69.300 kg CO <sub>2</sub> /TJ	IPCC 2006**
Diesel Gas oil	74.100 kg CO <sub>2</sub> /TJ	IPCC 2006**
Natural gas	56.100 kg CO <sub>2</sub> /TJ	IPCC 2006**
Liquefied Petroleum Gas	63.100 kg CO <sub>2</sub> /TJ	IPCC 2006**
Electricity (Chile)	326,26 g CO <sub>2</sub> /kWh	<a href="http://www.iea.org/co2highlights/">http://www.iea.org/co2highlights/</a>
Electricity (Argentina)	540 g CO <sub>2</sub> /kWh	<a href="http://energia3.mecon.gov.ar/contenidos/verpagina.php?idpagina=2311">http://energia3.mecon.gov.ar/contenidos/verpagina.php?idpagina=2311</a>
Electricity (Peru)	547 g CO <sub>2</sub> /kWh	<a href="http://www.fonamperu.org/general/mdl/bienvenida.php">http://www.fonamperu.org/general/mdl/bienvenida.php</a>
Electricity (Ecuador)	731,1 g CO <sub>2</sub> /kWh	<a href="http://web.ambiente.gob.ec/sites/default/files/users/greinoso/Informe%20de%20Factor%20de%20Emision%20de%20CO2%202011.pdf">http://web.ambiente.gob.ec/sites/default/files/users/greinoso/Informe%20de%20Factor%20de%20Emision%20de%20CO2%202011.pdf</a>
Electricity (Colombia)	284,9 g CO <sub>2</sub> /kWh	<a href="http://www.minminas.gov.co/minminas/kernel/usuario_externo_normatividad/form_consultar_normas_energia.jsp?parametro=2266&amp;site=1">http://www.minminas.gov.co/minminas/kernel/usuario_externo_normatividad/form_consultar_normas_energia.jsp?parametro=2266&amp;site=1</a>
Electricity (Miami)	555,9 g CO <sub>2</sub> /kWh	<a href="http://www.iea.org/co2highlights/">http://www.iea.org/co2highlights/</a>
Electricity (Brazil)	124,4 g CO <sub>2</sub> /kWh	<a href="http://www.mct.gov.br/index.php/content/view/321144.html">http://www.mct.gov.br/index.php/content/view/321144.html</a>

\*The calculation for electricity takes into account the type of consumption and the percentage share of each country in the overall operation, measured in RTK.

\*\*IPCC: Intergovernmental Panel on Climate Change

References used in preparing the GHG inventory

**SPANISH SPEAKING COUNTRIES**

ISO 14064:2006 standard, part 1  
Greenhouse Gas Protocol (GHG Protocol)  
developed by the World Resources Institute (WRI) and the  
World Business Council for Sustainable Development (WBCSD)  
IPCC Guideline for National Greenhouse Gas Inventories

**BRAZIL**

ISO 14064:2006 standard, part 1  
Brazilian GHG Protocol Program  
IPCC Guidelines for National Greenhouse Gas Inventories  
UK Department for Environment, food & Rural Affairs (UKDEFRA) Guidelines on GHG conversion factors.

EMISSION		2013	2014	2015
Fuel in air operations	Jet Fuel	100%	100%	100%
Fuel for fixed sources	Diesel	93%	82%	96%
	Natural Gas	93%	100%	100%
	Gasoline	93%	100%	96%
Fuel in mobile sources	LPG	93%	61%	100%
	Diesel	93%	80%	86%
	Gasoline	96%	92%	82%
	LPG	100%	100%	100%
Refrigerating gases	Various	93%	100%	100%
COBUS in other airlines	Jet Fuel	100%	100%	100%
Electricity	Electricity	83%	84%	96%
Water consumption	Water consumption	69%	65%	89%
Waste	Non-hazardous waste	79%	86%	94%
	Hazardous waste	100%		95%

Attachment 5

2015 ENERGY CONSUMPTION (TJ)	INTERNAL EN3	EXTERNAL EN4
Aviation fuel	158,889,43	-
Gasoline	10,07	-
Diesel	351,70	2,65
LPG	7,23	-
Natural Gas	1,28	-
Ethanol	0,26	0,13
Electricity	214,92	38,52
<b>Total</b>	<b>159.474,89</b>	<b>41,30</b>

ENERGY CONSUMPTION (MWH) EN5	2015
Aviation fuel	44,136,305
Gasoline	2,797
Diesel	98,431
LPG	2,009
Natural Gas	355
Ethanol	110
Electricity	70,401
<b>Total</b>	<b>44,310,407</b>

ATTACHMENTS:  
PEOPLE

SIMPLICITY AND EFFICIENCY

Attachment 6

TRAINING - AVERAGE NUMBER OF HOURS TRAINING PER EMPLOYEE LA9	
By functional category	
Administration	21.8
Maintenance	51.7
Operations	37.6
Flight crew	45.4
Cabin crew	60.8
Sales	39.5
By gender	
Men	41.3
Women	41.9
<b>Total</b>	<b>41.5</b>

G4-10

Attachment 7

EMPLOYEES 2015	
By country	
Brazil	26,231
Chile	12,413
Peru	3,896
Argentina	2,703
Colombia	1,747
Ecuador	1,605
United States	436
Others	1,382
By gender	
Men	30,930
Women	19,483
By functional category	
Administration	9,118
Maintenance	5,990
Operations	16,878
Air crew	13,405
EMPLOYEES 2015	
Commercial support	5,022
Sales	3,383
By age group	
Under 30 years	18,081
From 31 to 40 years	20,444
From 41 to 50 years	8,391
From 51 to 60 years	2,980
Over 60 years	517
<b>Total</b>	<b>50,413</b>

<sup>1</sup>All work contracts are permanent and presuppose full-time employment.

Attachment 8

PERFORMANCE APPRAISAL  
COVERAGE 2015\* / LA11

By functional category	
Administration	90.7%
Maintenance	51.9%
Operations	90.8%
Cabin crew	36.2%
Flight crew	0.5%
Sales	90.4%
By gender	
Men	41.3%
Women	41.9%
<b>Total</b>	<b>41.5%</b>

\*Considering all employees in accordance with GRI methodology.

Internally the indicator for performance appraisal coverage in LATAM is based on the universe of employees eligible for appraisal during the period, which excludes temporary contracts, special cases (such as union representatives), employees on leave for more than 180 days and flight crew members, whose appraisal calendar extends to the first quarter of the year following the period assessed. Based on this calculation, total coverage in 2015 was 95%.

LA1

Attachment 9

TURNOVER RATE (%)

By gender	
Men	15.77
Women	15.05
By age group	
Under 30 years	19.90
From 31 to 40 years	14.28
From 41 to 50 years	10.4
From 51 to 60 years	9.77
Over 60 years	24.56
By country	
Argentina	5.81
Brazil	16.82
Chile	14.43
Colombia	19.52
Ecuador	16.26
Peru	15.89
Others (including the United States)	12.54
<b>Total</b>	<b>15.49</b>