



Sustainability Report 2017



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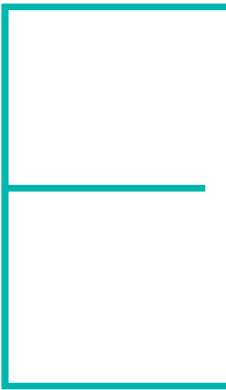




Presentation

Presentation . _____

Guide for readers



Every year in its Sustainability Report, LATAM presents the main advances and challenges in its effort to ensure balanced management of the different dimensions of its business. Financial results, commitment to customers, passenger and employee safety, environmental management and social and economic development and other elements are connected in this report.

In the 2017 edition of the report – covering the entire operation in the period from January 1st to December 31st –, the Group has innovated in the way in which it shares information with stakeholders.

The publication is now ordered in five major blocks of information. The first part focuses on institutional information and managing for sustainability. This is followed by three blocks that address the organization's performance in the economic, environmental and so-

cial dimensions, in line with the approach adopted by the Dow Jones Sustainability Index (DJSI). Lastly, the document provides more technical information about the process of drafting the report and applying the Global Reporting Initiative (GRI) guidelines.

Each block starts with a **HIGHLIGHTS** page to facilitate rapid understanding of essential content. In the chapters that make up the dimensions, summarized panels present the historical series of the main indicators. These are **Snapshot** of recent events that LATAM has used since the 2016 report.

Also new are the fact sheets, in which LATAM proposes to go **STRAIGHT TO THE POINT** where key aspects of management are concerned. The new section is identified by its differentiated layout and comprises three elements:

Context and positioning importance of the topic for LATAM, for the air travel industry or, on a broader scale, for society as a whole;

Management approach initiatives and action focuses, including the opportunities and challenges mapped.

Advances in 2017 recent achievements and measurement of results.

It should be noted that these are aimed at ensuring greater objectivity and transparency in accountability, without attempting to cover every aspect of LATAM's management for sustainability.

In this quest for continuous improvement, suggestions and criticisms from readers are fundamental. Should you wish to make comments or clarify any doubts, send an email to: sostenibilidad@latam.com. [102-53]

Enjoy reading it!

Message from the CEO [102-14]



Enrique Cueto
CEO LATAM Airlines Group

In 2017 we experienced the greatest transformation in our recent history—a process that we undertook with the aim to improve our services to passengers and move towards a simpler and more efficient organization. We aspire to become one of the most admired airline groups in the world, and I am certain that the steps we have taken in the last few years in terms of client initiatives, destinations network, productivity, and sustainability have set us on the right path to achieve this.

Our commitment is to offer passengers a unique travel experience; this is why all our decisions focus on customer satisfaction. With the current trend aiming towards a customized travel, in 2017 the Group implemented a new business model for domestic markets. Supported by “Mercado LATAM” and a new segmented fares structure, this new model brought to over 85% of our passengers the access to tariffs up to 40% lower and a greater flexibility in their travel. Its rollout among our domestic affiliates implied a great effort from all of us at LATAM Group, and we are proud of the positive results we have obtained.

Also, after seeing the great difference to the international travel experience that on-board dining makes, we embarked upon the challenge of redesigning the traditional food tray served on board the Economy cabin of flights lasting over seven hours. As a result, we developed a new

dining experience, unique in the industry, that gives our passengers more options to choose from, a more comfortable format, and gourmet quality food that showcase the best of Latin American and international cuisine, with over 300 new dishes. All this is available at no additional cost to our passengers, who have loved the new service.

Along the same line, we have continued to invest in self-service technologies, so that our passengers can tend to themselves in a simple, transparent, and fully independent way. As an example, during 2017 we set up over 700 kiosks throughout more than 80 airports. The International Air Transport Association (IATA) acknowledged our self-service initiatives and certified us in the “Platinum” category of its “Fast Travel” program, confirming our commitment with offering a leading travel experience in the industry.



A new business model for domestic markets brought to over 85% of our passengers the access to tariffs up to 40% lower and a greater flexibility in their travel.

In 2017, we made great achievements in terms of expanding and optimizing our network, opening 30 new routes, including Santiago–Melbourne, whose 15-hour duration makes it LATAM’s longest non-stop flight. Moreover, the Group continued to strengthen its hubs, connecting Sao Paulo to Bariloche and more domestic destinations in Brazil, Lima to Rio de Janeiro and Cartagena, both Lima and Santiago to various secondary cities throughout Argentina, and Santiago to Orlando and Santa Cruz.

Simultaneously, in 2017 we continued to work towards obtaining the approval of the Joint Business Agreements (JBAs) with American Airlines and IAG (British Airways and Iberia). The antitrust authorities of Brazil, Colombia, and Uruguay have already granted their approval, and we

30 new routes
were opened in 2017.

LATAM UPHOLDS A LONG-TERM COMMITMENT TO THE REGION, REFLECTED IN ITS SUSTAINABILITY STRATEGY, WHOSE FOCUS IS BOTH TO COMPENSATE THE ENVIRONMENTAL IMPACT OF OUR OPERATIONS AND TO ACTIVELY CONTRIBUTE TO SOCIETY.

are only awaiting the approval in Chile and the confirmation of Open Skies in Brazil (which has already been approved by Congress). We expect to complete this process in 2018 so we can begin to implement these new agreements, which will provide our passengers with access to a broader network of destinations, as well as more flights, better connection times, and better prices.

In order to expedite the coordination among our affiliates and streamline the decision-making process, we defined a new organizational structure in 2017, shifting from business units to a functional structure that focuses on four main areas of responsibility—Clients, Operations, Marketing, and Finance. This will enable us to adapt continuously to an evolving industry and a volatile economic environment, thereby improving our competitiveness.

At LATAM Group we uphold a long-term commitment to the region, reflected in its sustainability strategy,

whose focus is both to compensate the environmental impact of our operations and to actively contribute to society. Accordingly, for the fourth consecutive year, we were included in the “World” category of the Dow Jones Sustainability Index (DJSI), which acknowledges the performance of the top 10% leading companies in sustainability within this index, being among the only three airline groups in this category worldwide.

The efforts we have made these past years have mirrored in a steady improvement of our financial results. In 2017, operating income was the highest in our history, reaching US\$715 million, while net profit totaled US\$155 million, surpassing the US\$69 million from 2016. On the revenue side, these results were boosted by the development of our business strategy, as well as an overall better economic environment in the markets where we operate. Moreover, assisted by our productivity and efficiency measurements, we were able to keep costs below 2016 inflation levels and the fuel increase of 2017, thus expanding our operating margin to 7%.

We also managed to make progress in strengthening our financial front. In 2017, we continued with our investment discipline, being the year with the lowest fleet commitments in LATAM’s history. We also achieved a significant improvement in our debt profile, aside from disposing of a US\$450 million revolving credit facility¹, which was fully available at yearend. As a result, we achieved the highest cash flow and lowest indebtedness level since the association of LAN and TAM, maintaining a healthy liquidity level.

In a nutshell, 2017 was a year of transformation, with important steps towards a more efficient organization, with a unique position in the market in terms of customers offer and destinations network, so we can ensure that our business model will be competitive and sustainable in the long term. The market acknowledged this improvement, which was reflected in the 54% increase of stock price in 2017. I would like to thank our shareholders for the trust they have placed in this administration and in LATAM Group’s project.

The major changes we implemented throughout 2017 were possible thanks to the work of the many teams involved. This is why I cannot end this letter without first thanking everyone in the great LATAM family for their effort, commitment, and dedication. I encourage you to keep this same spirit alive and to keep working with passion and excellence, ensuring that our clients’ dreams reach their destination, all this in our aim to become one of the most admired airline groups in the world.

Enrique Cueto
CEO LATAM Group



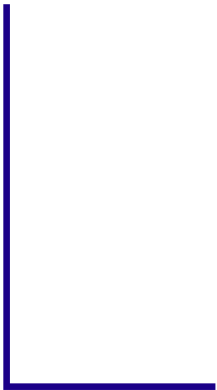
¹ Subject to borrowing base availability.

who we are



Who we are . _____

Connecting people and destinations!



ATAM Airlines Group and its affiliates operate in the domestic markets of Argentina, Brazil, Chile, Colombia, Ecuador and Peru, in the regional market among these countries and on long-haul flights to and from North America and Central America, Europe, Africa and Oceania. The airline group is considered a benchmark in connectivity in Latin America and in the world. In 2017, the Group connected 137 passenger destinations in 24 countries, with an average of over 1,300 flights per day. Cargo transportation covered 144 destinations in 29 countries. The parent company of the Group has its headquarters in Chile and the Group has 43,095 employees of 64 nationalities. Its shares are traded on the Santiago (Chile) and the New York (United States) stock exchanges. [\[102-1, 102-2, 102-4, 102-6 and 107-7\]](#)

The LATAM Airlines Group (formerly LAN Airlines) is comprised of affiliates in Peru, Argentina, Colombia and Ecuador; as well as LATAM CARGO and its subsidiaries; TAM S.A and its subsidiaries TAM Linhas Aéreas S.A. (LATAM

Airlines Brasil) and its business units TAM Transportes Aéreos Del Mercosur S.A. (LATAM Airlines Paraguay) and Multiplus S.A.

In October, LATAM announced the sale of its subsidiary Andes Airport Services S.A., responsible for ground maintenance services at Santiago airport (Chile). The transaction involving two Spanish companies allows the Group to focus its efforts on its core activity in order to continue to enhance service levels for passengers and cargo customers.

In financial terms, 2017 saw important operating and financial results for the Group. EBITDAR (earnings before interest, taxes, amortization, depreciation and aircraft rentals) was US\$2.3 billion, 9.5% up on 2016. Operating earnings increased by 25.8% compared with the previous year, reaching US\$715 million, the highest ever for LATAM. Net profit totaled US\$155.3 million.

SYNERGIES

To further optimize operational efficiency, the Group has developed a combined format for transporting LATAM Cargo merchandise, shipping merchandise both in passenger and dedicated cargo aircraft. Currently, the LATAM Cargo operating fleet numbers nine aircraft.

**IN DECEMBER 2017, THE MIX OF
CARGO TRANSPORTED WAS:**

60%

in passenger airliners

40%

in cargo aircraft



In 2017, LATAM Airlines Group and its affiliates transported 67.4 million passengers and 896,000 metric tons of cargo. Ever more efficient, in 2017 the Group's EBITDAR increased by 9.5%

An ever-growing network

In 2017, LATAM and its affiliates launched 30 new domestic and international routes:

LATAM Airlines Brazil

Belo Horizonte to Goiania and Vitoria (Brazil).

Fortaleza to Manaus (Brazil).

Sao Paulo to Bauru, Joinville, Londrina, Uberlandia, Rio de Janeiro (Brasil); and Bariloche (Argentina).

Rio de Janeiro to Goiania (Brazil); and Orlando (United States).

LATAM Airlines Group

Antofagasta to Gran Concepción (Chile).

Gran Concepción to Punta Arenas (Chile).

Santiago to Santa Cruz de La Sierra (Bolivia);

Melbourne (Australia); Orlando (United States); and four routes to Argentina (San Juan, Rosario, Tucuman and Neuquén).

LATAM Airlines Colombia

San Andrés to Cartagena de Indias; Barranquilla to Medellin; Cali to Cartagena de Indias; and Medellin to Santa Marta. Medellin to Santa Marta.

LATAM Airlines Peru

Cuzco to Trujillo (Peru).

Lima to Jauja (Peru); Cartagena de Indias (Colombia); Mendoza and Tucuman (Argentina); and Rio de Janeiro (Brazil).

Another 21 international routes are scheduled for 2018:

Santiago (Chile) to Cuzco (Peru); Bariloche (Argentina); Punta Del Este (Uruguay); Foz do Iguaçu (Brazil); and Ushuaia (Falkland Islands/Argentina).

Lima (Peru) to San José (Costa Rica); Medellin (Colombia); and Montego Bay (Jamaica).

Sao Paulo (Brazil) to Rome (Italy); Lisbon (Portugal); Boston and Las Vegas (United States); Tel Aviv (Israel); Mendoza and Tucuman (Argentina); and Santa Cruz de la Sierra (Bolivia).

Brasilia (Brazil) to Punta Cana (Dominican Republic).

Fortaleza (Brazil) to Orlando (United States).

Salvador (Brazil) to Miami (United States).

Buenos Aires (Argentina) to Salvador (Brazil).

Montevideo (Uruguay) to Florianopolis (Brazil).

Announced in 2016, the first direct flight between Santiago and Melbourne took place in October 2017. The 15-hour flight covers a distance of 11,000 kilometers.



Strategic hubs

The Group also has strategic hubs in major South American airports enabling connection to a growing number of destinations and facilitating travel for passengers. LATAM Airlines Group and its affiliates currently have four main hubs in operation: Guarulhos (Sao Paulo/Brazil), Lima (Peru), Brasilia (Brazil) and Santiago (Chile).



Global alliance

LATAM Airlines Group is a member of the **oneworld** global alliance, consisting of 15 airlines with flights that connect Latin America, North America, Europe, Asia, Africa and the Middle East.

BOOSTING ACCESS

With the aim of offering customers greater connectivity and a wider range of options, the Group establishes operating agreements with other airline groups for the joint operation of routes. During the course of 2017, the Group advanced towards the implementation of two Joint Business Agreements (JBA), one with the US company American Airlines and the other with the International Airlines Group (IAG), which controls British Airways and Iberia. The agreements have been approved in Brazil, Colombia and Uruguay. In Chile, the proposal is being analyzed by the country's antitrust authority (Tribunal de Defensa de la Libre Competencia).

These commercial agreements, which do not involve any change of ownership among the parties and do not affect the competitive environment, are a means of enhancing the value proposition for customers and attracting new users to air travel. They ensure the Group's presence on new routes and in new connection hubs and increase the offer and frequency of direct flights to destinations not operated by the Group. These synergies optimize costs, which translates into cheaper air tickets.

WHEN THEY
COME INTO
OPERATION,
THE JBAs WILL
OPEN ACCESS TO
MORE THAN 420
DESTINATIONS
AND OVER
800 MILLION
POTENTIAL
PASSENGERS.

LATAM brand

In the course of 2017, the Group advanced in the process of consolidating the single LATAM brand, which should be concluded by 2021. The visual identity has already been implemented on 21% of LATAM's aircraft, in 31% of its hangars and buildings and in 84% of the LATAM Travel offices. The new uniform has also been adopted by the air crews from all the countries, with the exception of Argentina.

In 2018, the client purchase experience will also be unified. With the integration of the passenger service systems, ticket purchase, the issue of boarding cards and consultations about flight status will take place on the same platform, regardless of the flight code, LA or JJ.



“With LATAM’s network and capillarity, we intend to be the driving force behind the development of air transportation in South America. We are working to ensure the highest levels of service so that we may respond to the demands and fulfill the expectations of different passenger profiles. This involves building closer relations with passengers, monitoring their experiences with our brand, responding rapidly to new trends and innovating continuously.”

CLAUDIA SENDER
SENIOR VICE PRESIDENT, CUSTOMERS



POPE FRANCIS AND HIS ENTOURAGE FLEW VIA LATAM ON HIS VISIT TO CHILE AND PERU.

#ELVUELODEFrancisco

LATAM was the airline group chosen to transport Pope Francis and his entourage of approximately 130 people during his visit to Chile and Peru, in January 2018. After completing his scheduled program in the capital, Santiago, the Pope went on to the other Chilean cities of Temuco and Iquique in an Airbus A321 from the LATAM fleet, which bore the papal emblem and the slogan #ElVueloDeFrancisco (#FrancisFlight, in English) on the fuselage. LATAM was also responsible for the Pope's flights to Lima, Puerto Maldonado and Trujillo in Peru, and his return trip, via a direct flight from Lima to Rome (Italy). Total time in the air was over 25 hours, covering a distance of 17,288 kilometers.

The trip lasted a total of six days, but preparations began six months before. In addition to customizing

the aircraft both internally and externally and adapting the in-flight services, LATAM participated fully in planning the journeys with the Vatican and the aviation authorities involved. This is the second time the Group has transported a pontiff. In 1987, Pope John Paul II flew to eight cities in Chile via LAN.

To commemorate the Pope's visit to the two countries and disseminate a message of peace and harmonious coexistence with the environment, LATAM organized two symbolic acts which will involve volunteer employees in 2018. One is the planting of five thousand seedlings of native tree species in the Chilean region of Santa Olga, affected by forest fires in the beginning of 2017. The other action is the planting of one thousand tara trees, a medicinal plant, in the Pachacútec region of the Peruvian province of Callao.

LATAM Airlines Group on the map

Regional leadership

LATAM is the largest airline group in South America. It is among the domestic market leaders in Argentina, Brazil, Chile, Colombia, Ecuador and Peru. During the course of the year, 51.3 million passengers flew by LATAM in these markets.

 Load factor  Market share






 Consolidated traffic (compared to 2016)

 Capacity (compared to 2016)

LATAM AIRLINES COLOMBIA

Second largest airline company in the domestic market, which is the third largest in Latin America






It operates **16 aircraft** to **14 destinations**.

	 83%	 22.4%
4.8 million passengers	 +6.6% RPK	 +3.1% ASK

LATAM AIRLINES ECUADOR

Present in the country sin 2009





It operates **six aircraft** with **five destinations**.

	 83%	 36%
1 million passengers	 +5.3% RPK	 +0.4% ASK

LATAM AIRLINES PERU

Leader of domestic market

Operating **18 aircraft** to **18 domestic destinations**.






	 82.8%	 58%
6.7 million passengers	 +1.4% RPK	 -1.5% ASK

LATAM AIRLINES BRAZIL

Second largest airline company in the largest domestic market in South America and third largest in the world

Fleet of **90 aircraft** operating in **44 airports**.






Daily average of **560 domestic flights** in the year.

	 82.7%	 33%
28.3 million passengers	 -3.2% RPK	 -3.6% ASK

LATAM AIRLINES ARGENTINA

The second largest airline company in the country






It operates **15 aircraft** to **14 domestic destinations**.

	 80%	 18%
2.6 million passengers	 -2.0% RPK	 -6% ASK

LATAM AIRLINES CHILE

Leader in the domestic market

It operates **26 aircraft** to **16 destinations**.

	 81.7%	 70.9%
7.9 million passengers	 +0.1% RPK	 +2.8% ASK

RPK (Revenue Passenger Kilometers): number of paying passengers transported multiplied by the distance flown. **ASK** (Available Seat Kilometers): number of seats available multiplied by the distance flown.

ECONOMIC DIMENSION

ENVIRONMENTAL DIMENSION

SOCIAL DIMENSION

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International
flights LATAM
27
DESTINATIONS



Codeshare
flights
148
DESTINATIONS



Only cargo
operations

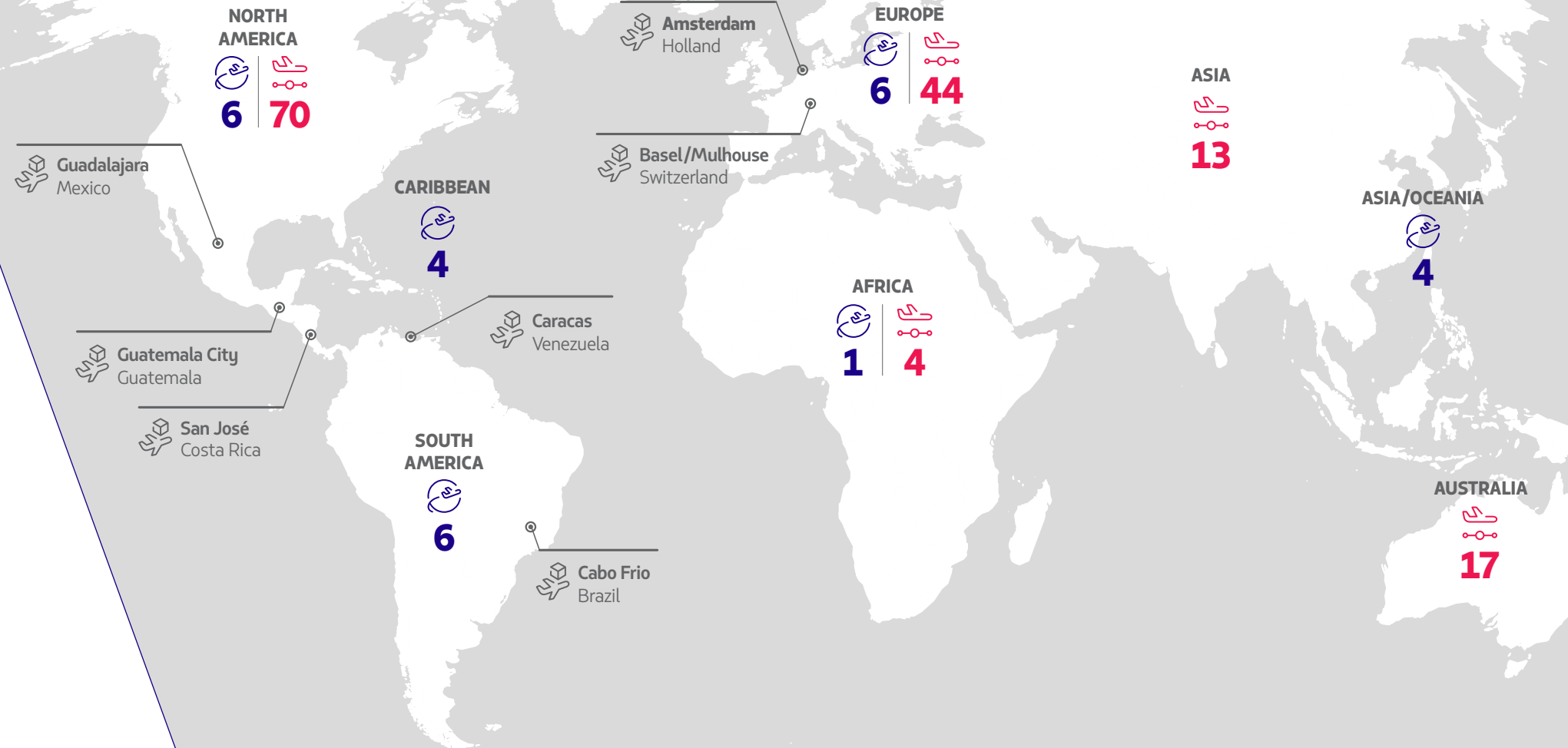
ECONOMIC
DIMENSIONENVIRONMENTAL
DIMENSIONSOCIAL
DIMENSION[\Presentation](#)[\Who we are](#)[\Sustainability](#)[\Our business](#)[\Suppliers](#)[\Customers](#)[\Environment](#)[\Employees](#)[\Safety](#)[\Society](#)[\About the report](#)[\Attachments](#)[\Credits](#)

LATAM Airlines Group on the map

Worldwide connections

The Group has an operating fleet of 120 aircraft dedicated to its international operations. LATAM's own flight network covers 27 destinations in 18 countries, including long-haul flights and regional flights within South America and the Caribbean, where the Group is market leader. Networking via codeshare agreements further boosts this connectivity and shortens the distances between continents.

Cargo transportation plays a key role in the economies and logistics infrastructure in diverse regions.



Decision making

[102-5]

ATAM is a public company, with its shares traded on the Santiago Stock Exchange and the NYSE (New York Stock Exchange). As such, the airline group is committed to the ongoing enhancement of its processes, structures and control mechanisms to drive best practices in compliance and accountability.

The Group's main corporate governance body is the Board of Directors, with nine members who serve two-year terms of office. It is aligned with the directives set forth in Chilean corporate legislation and by the United States Securities and Exchange Commission (SEC). The Board's

mission is to establish strategic direction for the Group. In this, it is supported by the Directors' Committee, comprising three independent board members, in line with the Sarbanes-Oxley Act and the respective SEC guidelines. Given the similarity of functions, the Directors' Committee also exercises the role of Audit Committee (*for further information on the board, consult [goo.gl/AWPQFC](#)*).

New structure

In the beginning of 2017, LATAM adopted a simpler, more streamlined structure in the executive sphere. This is aimed at ensuring the Group achieves its established objectives and overcoming industry challenges. Four macro areas reporting directly to the CEO were set up: Clients, Commercial, Operations and Fleet, Finance. Together with the CEO, they make up the Senior Management Committee, which meets on a weekly basis to monitor more strategic questions for the business, with support from the vice president of Human Resources and the Strategic Planning director and representatives from other areas.

The Human Resources, Corporate Affairs, Safety, Technology, Planning and Legal areas operate across the entire Group. In each country where a LATAM affiliate operates – Argentina, Brazil, Chile, Colombia, Ecuador and Peru –, there is a CEO who is responsible for the local operation (*see the complete [ORGANIZATIONAL CHART](#) on the next page*).

BY REFORMULATING ITS ORGANIZATIONAL STRUCTURE, LATAM SIMPLIFIED AND STREAMLINED ITS DECISION MAKING PROCESS.

Organizational chart [102-18]



MARKET RELATIONS

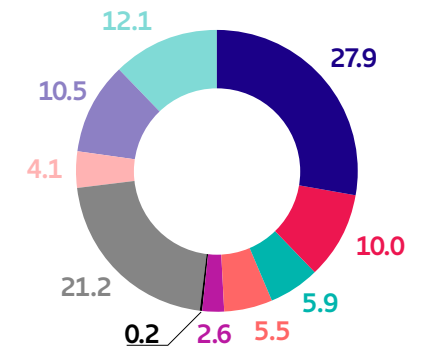
LATAM maintains permanent relations with shareholders and other capital market actors. The Investor Relations website – published in English, Spanish and Portuguese –, provides up-to-date information, including quarterly results and data on the Group's corporate governance structure.

For further information, access:

WWW.LATAMAIRLINESGROUP.NET

[102-10]

SHAREHOLDER BREAKDOWN¹ (%)



TOTAL

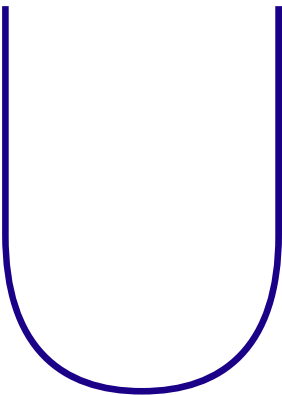
606,407,693

shares paid up and underwritten

- Cueto Group
- Qatar Airways
- Ebien Group
- Bethia Group
- Amaro Group
- Hirmas Group
- AFP (Chilean Pension Fund Managers)
- ADR (American Depositary Receipts)
- Overseas investors
- Others

¹ Information from December 31, 2017.

Commitment to ethics



Underpinned by the principles of ethics and transparency, LATAM is aligned with the specific regulations in each country in which it operates, making every effort to eliminate any kind of illicit activity (corruption, anti-competitive practices and money laundering, among others). As part of its Compliance program, the Group has its Code of Conduct, which sets forth the behavior expected of LATAM staff at work and in interactions with other stakeholders. The Group also maintains an efficient self-regulatory framework, which is reviewed and updated periodically.

The Chief Compliance Officer tracks compliance-related questions on a regular basis. Employees undergo training in ethics, compliance, anti-corruption and anti-competitive practices. In 2017, a new version of the e-learning program on the Code of Conduct was launched, reinforced with practical examples that facilitate the connection of daily work

routines with the questions addressed in the document, in addition to a final test to verify the program's effectiveness. This program is mandatory for all new employees.

In the course of the year, all Group employees received training on the Code of Conduct. Specific training programs were taken by a total of 72% of the workforce and 89% of senior management – executives and members of the Board of Directors. [205-2]

Moreover, 151 professionals act as “compliance ambassadors” in their units. This initiative involves representatives from the following areas: Airports, Audit, Cargo Operations, Infrastructure, Legal, LATAM Travel, Marketing, Operations and Maintenance, People, Corporate Affairs, Network and Fleet, Supplier Management, Treasury and Sales.

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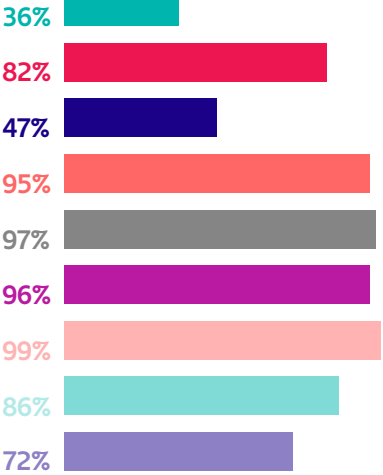
employees act
as “compliance
ambassadors”.

72%

of Group
employees received
training on the
Code of Conduct.



CODE OF CONDUCT TRAINING¹



- Argentina
- Brazil
- Chile
- Colombia
- Ecuador
- Peru
- United States
- Others
- LATAM average

¹ Percentage of employees receiving training in each country during the year.

Corporate policies [102-16]

All LATAM executives and employees are supported by internal policies that provide orientation on how to conduct business on a day to day basis. Worthy of note among these are:

- ⇒ **Code of Conduct**
(GOO.GL/MWDRrL)
- ⇒ **Policy on Executives' Roles and Responsibilities**
- ⇒ **Risk Management Policy**
(Further information on PAGE 34.)
- ⇒ **Anti-Corruption Compliance Policy**
- ⇒ **Crime Prevention Manual**
- ⇒ **Escalation Policy**
- ⇒ **Policy on Special Services for Civil Servants**
- ⇒ **Political Contributions Policy**
(GOO.GL/8NR7D6)
- ⇒ **Policy on Gifts, Hospitality and Entertainment for government representatives**
- ⇒ **Procurement Policy**
(Further information on PAGE 38.)
- ⇒ **Safety, Quality and Environment Policy**
(Further information on PAGES 49 and 88.)
- ⇒ **Donations Policy**
(Further information on PAGE 75.)
- ⇒ **Sustainability Policy**
(Further information on GOO.GL/IVTRXB and PAGE 22.)



ETHICS CHANNEL [102-17 and 205-3]

This is the channel through which reports on violations of laws and internal standards are received, encompassing: non-compliance with the LATAM Code of Conduct, labor irregularities and cases of discrimination, sexual or moral harassment, fraud, corruption and bribery, among others.

To ensure the identity of the whistleblower is preserved and the reports are addressed correctly, the channel is managed by a third-party provider. After an initial

analysis, the required cases are assessed by a specific investigation committee in each country (Code of Conduct Administration Committee), comprising representatives of the Human Resources, Compliance and Legal areas, among others. This body decides on the measures to be taken in each case.

In 2017, there were no confirmed cases of corruption involving the team. Neither were any supplier contracts terminated due to corruption.

Political relationship

The Political Contributions Policy, introduced at the end of 2016, regulates on financial contributions to political parties and candidates in all election campaigns in the countries in which LATAM operates. Contributions are allowed only if they are compliant with applicable legislation. Any contributions must be aligned with the LATAM Code of Conduct and require approval by the Board of Directors, represented by the Senior Management Committee.

There have been no contributions since the policy was created. [415-1]

LATAM PERIODICALLY ENHANCES ITS INTERNAL REGULATORY FRAMEWORK BY REVIEWING AND CREATING POLICIES AND CODES.

Recognition

LATAM is recognized for different attributes, such as high client service levels and commitment to sustainability. Worthy of note in 2017 were:



Services

World Line Airline Awards – Skytrax 2017, the most important airline industry award

- 3rd place in the Best Company in South America category
- 3rd place in the Best Service in South America category

Global Traveler's 2017 – Tested Reader Survey awards

- 1st place in the Best Airline Company in South America category, for the fourth year running

World Travel 2017

- Recognized as the Leading Airline Company in South America

Fast Travel Iata (International Air Transport Association)

- Platinum Certification, for the quality of LATAM's self-service facilities for clients at all stages of travel

OAG Punctuality League 2018

- 8th place in the "Top world's largest airlines by OTP" of 2017



Sustainability

2017 Dow Jones Sustainability Index

- Listed for the fourth consecutive year on the Dow Jones Sustainability World Index (DJSI World), comprising 319 companies, of which only three – including LATAM – are in the airline sector

Alas20 Award – Sustainable leaders

- 3rd place in Leading Company in Sustainability category
- 3rd place in Leading Company in Investor Relations category

European CEO Award

- Enrique Cueto was elected the best CEO in the sustainable aviation industry

2017 Corporate Transparency Report – Inteligencia de Negocios (IdN) – Chile

- 1st place in most transparent service sector company category – Publicly traded companies

Informe Reporta – Chile

- 1st place in the Accessibility category of a ranking that assesses the quality of financial and non-financial information disclosed by companies traded on the Santiago Stock Exchange (IPSA)



Other awards

APEX 2018 (Airline Passenger Experience Association)

- Recognized as a Five Star Global Airline for the excellence of its in-flight passenger experience

Content Marketing Awards 2017

- LATAM's Vamos magazine was elected the best travel publication

Adrian Awards – Marketing Digital

- 1st place in the Mobile Marketing category
- 2nd place in the E-mail Series category

Harvard Business Review

- Enrique Cueto listed amongst "The Best-Performing CEOs in the World 2017"



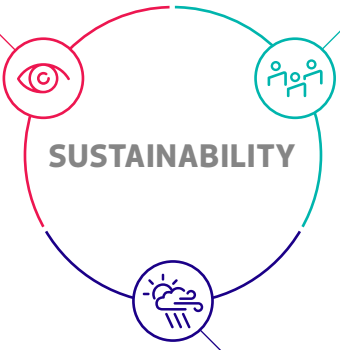
Sustainability

Sustainability . _____

Strategy and approach

GOVERNANCE

Transparency
Regulations and commitments
Risks and opportunities
Alignment regarding aid and donations



CORPORATE CITIZENSHIP

Client experience
Support for internal culture (care)
Economic development of region
Preservation of heritage
Stakeholder relationship and communication

CLIMATE CHANGE

Carbon footprint
Eco-efficiency
Sustainable alternative energy
Environmental management systems and certification

ATAM sustainability strategy is structured in three dimensions:

- **Governance:** this establishes how the Group should position itself in relation to its sustainability commitments and targets, as well as defining responsibilities in decision making, execution and monitoring results.
- **Climate change:** this seeks a balance between mitigating risks and identifying new opportunities for managing actual and potential environmental impacts, stressing reduction of the operations' carbon footprint and the promotion of eco-efficient practices.
- **Corporate citizenship:** this is aimed at transforming the business and the agents in the Group's value

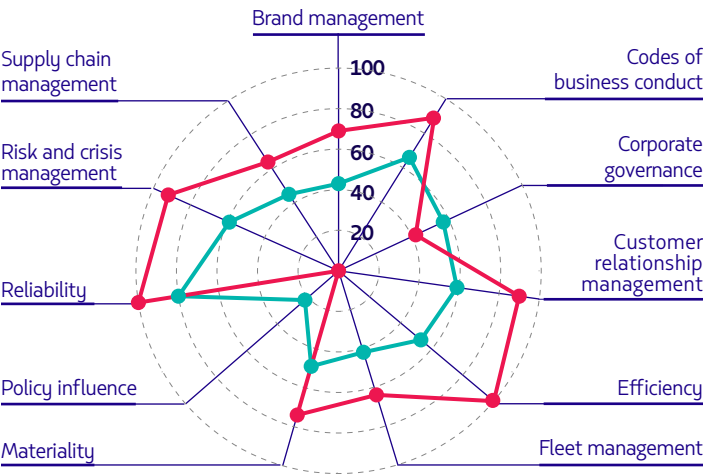
chain into drivers of social and economic development and environmental preservation in the regions in which LATAM operates.

Each dimension encompasses a series of areas to be developed by LATAM. These are broken down into goals and targets. To measure development in these areas, the main tool used by LATAM is its performance on the Dow Jones Sustainability Index (DJSI), whose Best in Class methodology assesses the performance of publicly traded companies in different sectors in terms of managing governance and economic-financial, social and environmental practices. The analysis, conducted by the investment consultancy specialized in sustainability, RobecoSAM, generates a final list featuring the organizations considered to be references in the aspects mentioned.

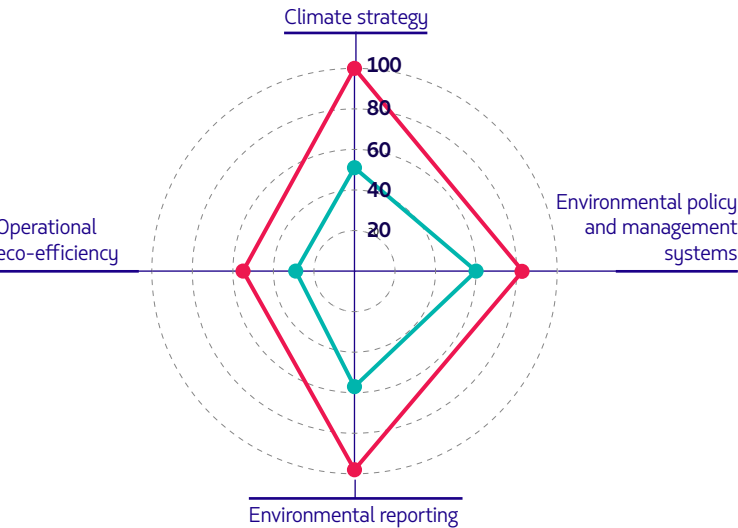
LATAM IS COMMITTED
TO GENERATING
SHARED VALUE
FOR ITS DIFFERENT
STAKEHOLDERS.

● LATAM ● INDUSTRY AVERAGE

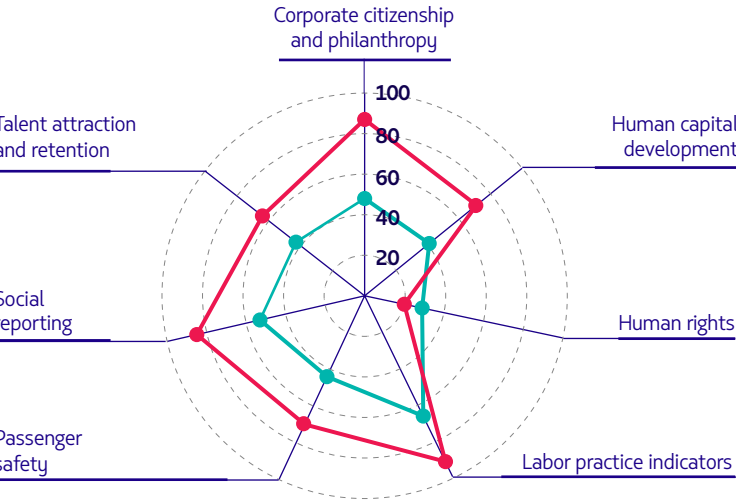
ECONOMIC DIMENSION



ENVIRONMENTAL DIMENSION



SOCIAL DIMENSION



UP THERE WITH THE BEST

In 2017, for the fourth time running, LATAM was included in the World index. This comprises 319 companies, of which only three were airlines. A total of 3,484 organizations with the best financial performance participated in the process during the year – from 60 sectors and 47 countries – according to the S&P Global Broad Market. LATAM achieved the top ratings in the items efficiency, reliability and climate strategy. In the 2012 and 2013 editions, the group was in the Emerging Markets category of the index.

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

THE SELECTION PROCESS
FOR THE DJSI LISTING
IS CONDUCTED BY
ROBECOSAM, AN INVESTMENT
CONSULTANCY SPECIALIZED IN
SUSTAINABILITY.



Focus and resolve

To determine the most relevant topics in managing for sustainability, LATAM takes into account the operation’s actual and potential impacts on its different stakeholder groups, their perceptions and expectations, global trends, industry and sustainability directives, the commitments assumed by the Group and its vision of the future.

As part of this dynamic ecosystem, LATAM believes it is important to review this process periodically. The most recent review was conducted from November 2017 to January 2018 with the participation of senior management and consultation of external stakeholders (see [PAGE 77](#)).

LATAM MATERIAL TOPICS



Health and safety in the air and on the ground
Preventing and managing the risk of incidents, accidents and injuries; managing emergencies in air and ground operations;



Ethics and anti-corruption
Combating unethical or illegal practices;



On-time performance
Ensuring operations run to the highest standards of punctuality;



Economic and financial sustainability
Maximizing efficiency and ensuring long-term profitability;



Developing employees
Strategies for attracting, retaining, training and developing employees;



Mitigating climate change
Efficient use of fossil fuels, support for the development of biofuels and the reduction/offsetting of greenhouse gas emissions;



Customer focus
Efforts to attract and retain customers;



Developing the destination network to offer greater connectivity
To be the best connectivity option in the region;



Relations with authorities
Contact with authorities and regulatory bodies in the sector, compliance with laws and regulations;



Sustainable tourism
Promote a balance between tourist activities and the preservation of the culture and environment at the destinations.

ON THE FOLLOWING PAGES,
THE MAIN INFORMATION
ON THE MATERIAL TOPICS
WILL BE IDENTIFIED BY
THESE ICONS.

Policy and management

The corporate Sustainability Policy approved by the Board of Directors in 2016 helped drive sustainability further into LATAM business strategy during the year. The document helps to shape shared value generation initiatives aimed at shareholders, employees, clients, suppliers, the airline sector and society as a whole.

With the Sustainability Policy in place, in 2017, the Group focused its efforts on raising the awareness and engaging leaders and teams in implementing the economic, social and environmental dimensions of the concept in work routines and decision making processes. Presentations were made to the Se-

nior Management Committee and to specific areas, such as Legal, Human Resources, Marketing and Safety, among others.

The sustainability goals and targets are monitored by the Board of Directors. In 2017, the board started to assess how it could enhance the current governance structure, including the incorporation of diversity-related questions. It should be noted that all new directors undergo training on sustainability.

ALL-EMBRACING COMMITMENT

The Group's performance in sustainability directly influences variable remuneration for senior management and employees. The bonus program is organized in three tiers.

The first, which is the main trigger determining the payment or not of the bonus, is the non-occurrence of an airplane accident during the year.

The second tier takes into account performance against corporate targets, in which the diverse areas are co-responsible, contributing their expertise and specific approaches to the achievement of common targets for the business as a whole. Safety-related questions are part of the targets for all executives, broken down into distinct commitments for each area. Items such as on-time performance, customer satisfaction, organizational climate and engagement, financial performance, cost efficiency and productivity are addressed in a more transversal manner, with responsibility attributed to more than one area.

The third tier in the calculation measures performance in terms of specific indicators and targets according to each area of activity and individual performance targets.

External references and standards

LATAM is supported by a series of external standards, procedures and commitments in incorporating management for sustainability into operational routines. These references were also considered in drafting the Group’s Sustainability Policy. The following standards incorporated by the Group are worthy of note:

- **ISO 26000 standard:** the international Corporate Social Responsibility standard.
- **Global Compact:** a United Nations Organization initiative to encourage the adoption of corporate responsibility practices in the areas of human rights, human rights in labor relations, the environment and anti-corruption. LATAM is a signatory to the Compact and monitors its progress in relation to the goals (further information on [PAGE 84](#)).
- **Sustainable Development Goals:** a global development agenda promoted by the UN, which defines 17 goals related to the eradication of poverty, food security, health, education, gender equality, reduction of inequality, energy, water, climate change, sustainable cities and inclusive economic growth, among others. These goals are broken down into 169 targets (further information on [PAGE 24](#)).



- **Guiding Principles on Business and Human Rights:** a guide prepared by the special representative of the United Nations General Secretariat, John Ruggie, which sets forth parameters and guidelines to protect, respect and remedy human rights in the business world.
- **Tripartite Declaration of Principles concerning Multinational Companies and Social Policy:** this was drafted by the International Labor Organization (ILO) aimed at promoting the active participation of multinational companies in driving economic and social progress, while simultaneously minimizing the negative effects of their activities.
- **The Organization for Economic Cooperation and Development’s (OECD) Guidelines for Multinational Companies:** this provides a series of recommendations for companies and governments with principles and voluntary standards to ensure business conduct adherent to the law and best international practices.
- **Global Reporting Initiative (GRI):** an international multistakeholder organization that seeks to drive standardization and ongoing improvement in managing and communicating sustainability in companies and organizations of different sizes and in different sectors. This gave rise to the GRI methodology, a global reference for reporting on sustainability.



RESPECT FOR HUMAN RIGHTS

LATAM has direct operations in six South American countries and a presence in other regions around the world. Consequently, respect for human rights, diversity and multiple cultures are important components of the organization’s sustainability strategy and of the business itself. These aspects are key in managing the workforce comprising 64 different nationalities, and also influence relations with clients, suppliers and local communities.

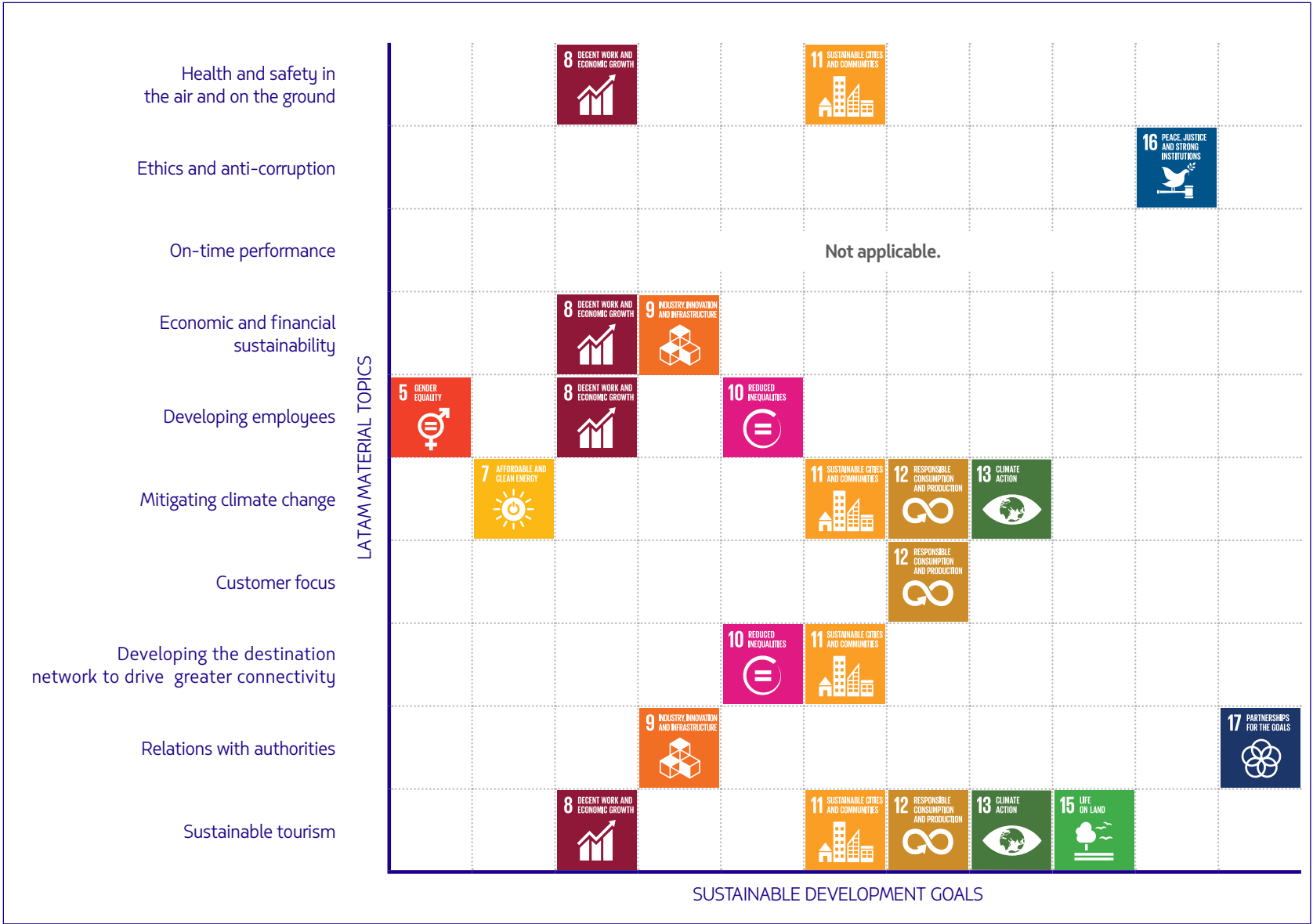
To continue to advance in these questions based on a more proactive strategy and measures that drive a greater impact, LATAM created a working group comprising staff from the Sustainability, Human Resources and Risk areas. Planning of the actions was initiated at the end of 2017, with execution scheduled for 2018. Consulting external sources and best practice benchmarks, this team will conduct a preliminary diagnosis of risks and opportunities associated with diversity and human rights in the context of the Group and its relations within the value chain. The work will include the mapping of vulnerable groups. Based on the initial data, a pilot program should be developed in Peru.

Alignment with the SDGs

LATAM is committed to the Sustainable Development Goals established by the United Nations Organization (UN). In 2017, the Group analyzed the main connections between its material topics and the SDGs, identifying opportunities to contribute to the achievement of the UN targets.

The clearest example is the topic climate change, which encompasses managing the operation's emissions impacts and its eco-efficiency measures, which are directly linked with SDG 13, climate action, with SDG 7 (clean and accessible energy), as well as SDG 11 and 12 (sustainable cities and communities and responsible consumption and production respectively). The full correlation is shown ahead.

The global agenda has also been the object of discussion at industry level. Recently, the Air Transport Action Group (ATAG) published a study which maps the SDGs to which the airline sector may make a more effective contribution and which served as a reference for the internal study produced by LATAM.



Stakeholders

[102-40, 102-42 and 102-43]

LATAM Airlines Group and its affiliates are part of a broad network, in which different players interact to generate shared value. The relations with these groups are based on the directives of dialogue, transparency and the principles set forth in its Sustainability Policy.



**EMPLOYEES**




- INTERNAL COMMUNICATION AND LATAM NEWS
- PERIODIC MEETINGS
- PERFORMANCE REVIEW
- SURVEYS




- GENERATION OF 43,095 JOBS IN 23 COUNTRIES**
- PROFESSIONAL GROWTH OPPORTUNITIES**
5,800 INTERNAL JOB POSTINGS IN 2017
- ORGANIZATIONAL HEALTH INDEX (OHI) 62**
(positioned in the highest quartile of the index)
- OCCUPATIONAL HEALTH AND SAFETY**
injury rate of **1.03**, better than the airline sector average




- INTELLECTUAL CAPITAL**
LATAM CULTURE
- ALIGNMENT AND COMMITMENT TO GROUP STRATEGY AND RESULTS**


**CUSTOMERS/ PASSENGERS**



- NEWSLETTER
- WEBSITE, APPLICATION AND SOCIAL NETWORKS
- COMMERCIAL OFFICES AND CONTACT CENTERS
- SATISFACTION SURVEYS



- NETWORK**
own routes to **137** destinations in **24** countries, as well as partnerships and hubs
- 81% ON-TIME PERFORMANCE**
(waits of up to 15 minutes)
- Cargo transportation portfolio tailored to the needs of the different customers
- SAFETY ADVANTAGES IN LOYALTY PROGRAM**



- REVENUE GENERATION AND BUSINESS SUSTAINABILITY IN THE SHORT, MEDIUM AND LONG TERMS**



PUBLIC AND REGULATORY AUTHORITIES



WEBSITE

PUBLICATIONS

Annual Report, Sustainability Report and Securities and Exchange Commission (SEC) filings
([GOO.GL/R5NZET](#))

MEETINGS
AND WORKING
GROUPS

COMPLIANCE
PROGRAM



PARTICIPATION IN INDUSTRY
ASSOCIATIONS/ORGANIZATIONS
AND IN SUSTAINABILITY INITIATIVES

COMPLIANCE WITH RELEVANT
LEGISLATION



BUSINESS GROWTH BASED ON
SHARING EXPERIENCES AND BEST
PRACTICES AND COMPLIANCE WITH
RELEVANT LEGISLATIONS



SUPPLIERS



SATISFACTION SURVEYS
AND DEVELOPMENT
GROUPS

TENDER PROCESSES
REPORTING CHANNELS



WEALTH
GENERATION

US\$8.5 billion
(total spending in 2017)

INDIRECT JOB
GENERATION

31,550
suppliers in LATAM
supplier base

SHARING GOOD
PRACTICES

10,651
sustainability risk
analyses



PRODUCT AND SERVICE QUALITY AND SAFETY
GUARANTEES FOR OPERATION AND BUSINESS CONTINUITY



INVESTORS



WEBSITE

PUBLICATIONS

Annual Report, Sustainability Report and Securities and Exchange Commission (SEC) filings
([GOO.GL/R5NZET](#))

FORM 20F

QUARTERLY RESULTS
DISCLOSURE



FINANCIAL RESPONSIBILITY
AND RETURN ON INVESTMENT

US\$20.7 million in
dividends in 2017 with net
margin of **1.5%**

STRATEGY BASED ON
LONGTERM VISION

CONDUCT BASED ON
ETHICS AND INTEGRITY



MAINTENANCE OF INVESTMENTS
TO ENSURE BUSINESS CONTINUITY



Main relationship
channels



LATAM's
deliveries



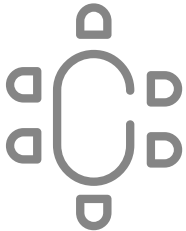
Deliveries
for LATAM

Determining future paths for the industry



For LATAM, relations with public authorities and industry associations represent an opportunity to develop paths that benefit both aviation and society as a whole. All its partnerships are based on the principles of ethics and transparency.

LATAM engages in the key topics for the industry and the business, such as those concerning air safety, taxation and other charges. One subject which is becoming increasingly relevant on the continent is the potential expansion of the air travel market and the consequent need for governments to invest more in improving airport infrastructure (further information on [PAGE 33](#)).



Dialogue and exchange of information are fundamental tools for the sector's development.



Environmental agenda [\[102-12 and 102-13\]](#)

The Group plays an active role in debates and initiatives to mitigate environmental impacts through participation in working groups and multisector forums. There follows a list of some of the main forums and initiatives in 2017:

- **IATA (International Air Transport Association):** a member of the association, LATAM focuses specifically on discussions involving climate change, noise and environmental management. IATA was one of the bodies that worked actively on approving CORSIA (Carbon Offsetting Reduction Scheme for International Aviation), an industry agreement approved in 2016 aimed at reducing and mitigating emissions from air transportation by 2035.
- **ALTA (Latin American and Caribbean Air Transport Association):** in this association, LATAM leads regional discussions on emissions and climate change.
- **Reforestemos Patagonia (Reforestation Patagonia):** LATAM Airlines Chile was a founding member and maintains an active participation in this initiative to reclaim the ecosystem in Chilean Patagonia.
- **BAM (Bosques Amazónicos):** the organization manages this REDD (Reducing Emissions from Deforestation and Forest Degradation) project, whereby LATAM Airlines Peru offsets emissions from its ground operations.

— **South Pole:** the organization has managed the environmental protection projects that enable LATAM Airlines Colombia to neutralize the GHG emissions from its ground operations since 2013. Since 2017, this program has also encompassed air emissions from the domestic operation.

— **CEBDS (Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável or Brazilian Sustainable Development Business Council):** LATAM belongs to this body which promotes sustainable development in association with governments and various civil society actors.

— **WWF – Brasil Business Network:** LATAM Brasil is part of this group of companies committed to promoting the conservation of biodiversity and the rational use of natural resources.

[\[+\] ATTACHMENT](#)

Economic dimension

HIGHLIGHTS

ALWAYS EVOLVING

To drive sustainability and short, medium and long-term value generation, LATAM drafted a wide-reaching plan to transform the way in which it does business.

2,000

employees are engaged in more than 1,500 initiatives aimed at:

- consolidating a simpler, more efficient organizational structure;
- enhancing the client experience;
- boosting revenue and economic results; and
- reducing costs.

NEW TRAVEL MODEL

In the domestic market, the Group operates a differentiated, flexible model, making air travel more affordable for different client profiles.



Basic fares on average 25% lower

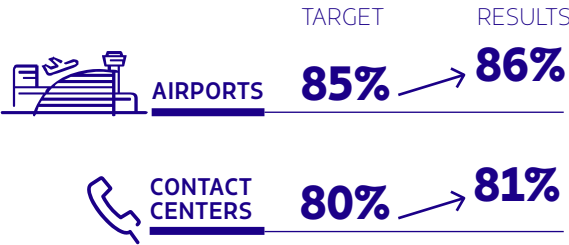


Freedom to choose different services, such as seat selection, baggage dispatch, upgrade bidding and same day flight change



Mercado LATAM: varied, high quality menu

NEW SERVICE CULTURE



CLIENT CARE AND PROXIMITY



LATAM app for checking in, issuing boarding pass and consulting flight status, among other functionalities



In-flight entertainment system with films, music, books and news



In-flight Wi-Fi from 2018 in Brazil



Satisfactions surveys conducted immediately after interaction with LATAM

SUPPLIERS



31,550

suppliers

Total spending
US\$8.5 billion

GOOD PRACTICES

10,651

prior assessments based on sustainability criteria



Updating of the Procurement Policy



Social and environmental clauses in all purchase contracts and orders

HIGHLIGHTS

MANAGEMENT AND RESULTS



Contained cost increase despite the 21.1% increase in fuel price

Strict investment discipline as part of the deleveraging strategy

Network expansion and optimization

WIDE-RANGING ANALYSIS

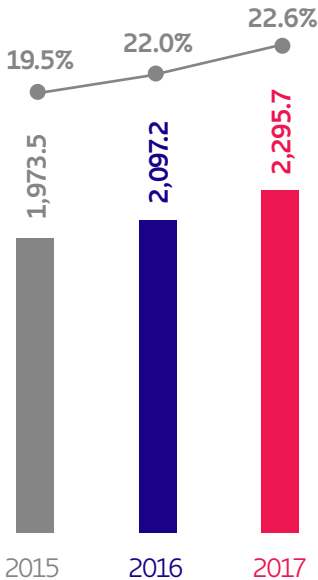
The LATAM risk matrix includes more than 50 topics, including safety, environment, regulations and compliance, supply chain and human resources, among others.



"Our focus was to prepare the Group for a different competitive landscape, adapting to an evolving airline industry. We have advanced on the rightsizing and we are seeing the results of our efforts in improving operating margin."

RAMIRO ALFONSÍN
SENIOR VICE PRESIDENT, FINANCE

EBITDAR (US\$million)

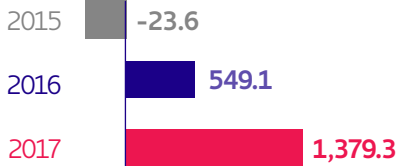


● EBITDAR margin

EBITDAR: Earnings before interest, taxes, amortization, depreciation and aircraft rentals.

EBITDAR is a measure of a company's operating performance. It is a way of evaluating performance without having to factor in financing and accounting decisions or tax environments.

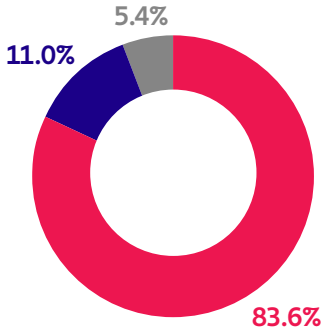
FREE CASH GENERATION (US\$million)



Free cash generation is calculated based on the cash from operating activities minus the cash flow used for investments.

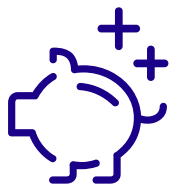
LATAM continued to improve its capital structure, as deleveraging is still one of LATAM's main priorities. The Group reduced its leverage ratio – measured as adjusted net debt/EBITDAR – to 4.5x compared to 5.3x in 2016.

2017 REVENUES



TOTAL
US\$10.2 billion

● Passengers
● Cargo
● Others



US\$715 million

in operating income
This is the highest amount in the history of LATAM Group.

Our business

Our business •



Shaping evolution.

In recent years, the process of consolidating the Group and the rapid changes in the airline market and in society have led LATAM to rethink the manner in which it runs the business. It has been necessary to evolve to ensure a new value proposition for customers, as well as to drive business sustainability and generate shared value for stakeholders.

To shape this evolution, in 2016 the Group launched its Change to One transformation plan. Aligned with the organization's strategic macro-pillars (destination network; leading brand and customer experience; costs; organizational strength; and risk management), Change to One is aimed at speeding up the changes and driving results in the short, medium and long terms.

2017

marks the year of LATAM's transformation.

This movement involves more than 1,500 initiatives organized in five main areas:



Commercial:
increase revenue;



Operations and fleet:
reduce costs;



Customers:
evolve the customer experience;



Finance:
enhance business results;



Simplicity:
build a simpler organization.



A new domestic operational model, launched gradually from 2016 in the countries in South America in which the Group's affiliates operate – with the exception of Argentina (further information in CUSTOMERS);



New in-flight meal service – LATAM market (further information in CUSTOMERS);



The organizational structure, which simplified and streamlined decision making by replacing the format based on business units with a more transversal structure (see PAGE 13).

LATAM IN
TRANSFORMATION

More than
2,000
employees involved

1,518
initiatives


16
working groups



“This movement has proven to us that transformation should be a permanent goal in all LATAM areas and for all Group employees. This is not a specific project with a final implementation deadline, but a new way of managing the business that will drive our reinvention as a company whenever necessary in order to address emerging challenges.”

ROBERTO ALVO
SENIOR COMMERCIAL VICE PRESIDENT



MODERN FLEET

The LATAM Group operates one of the most modern fleets in South America and worldwide. At the end of 2017, the operating fleet comprised 307 aircraft, with an average age of almost 8 years. The process of renewal and adjusting to the demands in the markets in which the Group operates advanced during the course of the year with the phasing out of older models and the incorporation of four new aircraft notable for their efficiency, including lower fuel consumption and noise levels and reduced greenhouse gas emissions. To meet projected demand, LATAM should receive two new Airbus A321-200 aircraft in 2018.

Expanded access to air transportation



LATAM maintains its commitment to boost access to air transportation services in the region. In addition to directly impacting Group revenue generation and, therefore, the capacity to build up the business over time, this commitment has a positive influence on the countries in which LATAM operates. The expansion of the sector has the potential to drive distinct economic sectors (commerce and services), with positive effects on employment and income levels, as well as development.

Although the sector has grown in recent years, the opportunities for further expansion of the air travel market in Latin America are still significant. According to IATA (International Air Transport Association) statistics, in 2017 the region accounted for only 5.2% of domestic flights worldwide, measured in RPK (Revenue Passenger Kilometers). In Chile, which has one of the highest average number of flights per person on the continent, the rate of domestic flights was 0.55 trips per inhabitant in 2016. In the United States and the United Kingdom, the rate is four times higher.

The Group has been focusing efforts on leveraging this growth potential in the sector in a sustainable manner. In parallel with the adjustments in the business itself, LATAM has been closely monitoring the work being done by different government areas on investing in and updating airport infrastructure in the region.

Expansion works are being undertaken at Santiago airport (Chile), and are scheduled to be completed in 2020. In 2017, ongoing construction work in the baggage handling and document checking areas in the immigration sector affected passengers flying with LATAM and other airlines.

Investments are scheduled for Lima airport in Peru, the two main airports in Buenos Aires (Argentina) and Guarulhos international airport in Brazil. Through the associations representing the sector, LATAM is monitoring the projects and maintaining dialogue with the government areas and the concessionaires that manage the airports to guarantee efficient operations in the short-term, until completion of the expansion works. Internally, LATAM has been analyzing the need for investments to expand the capacity of its hangars located in the areas around these airports.

Another point requiring attention is the need to adjust airport charges, which still represent a significant percentage of the total cost of travel in some countries, such as Chile. Furthermore, there is a need for investment to improve public transportation systems between cities and airports to facilitate connectivity for passengers.

Risk management

R

isk management at LATAM is guided by corporate policy, which determines the areas to be monitored, mitigation instruments and responsibilities.

Strategic risks are inserted in a matrix that considers the probability of occurrence and the potential impact of each. The tool includes intersecting and emerging risks. Internal Audit supports this work systematically and, whenever necessary, incorporates topics mapped as relevant in its monitoring processes.

Although it has a dedicated area, LATAM engages all leaders in controlling risks. The Risk Desk, created in 2016, is one of the forums engaged in internal dissemination. Representatives from multiple areas participate in the meetings promoted by the corporate team.

Worthy of note in 2017 was the reinforcement of compliance-related risks and a training program for directors. The system for managing strategic cross-cutting risks, which standardizes identification, monitoring and reporting tools, was also extended to the local operations. In the larger scale operations, such as Brazil, Chile and Argentina, the Finance area oversees this system, with support from the country CEO and the corporate team.

Matrix

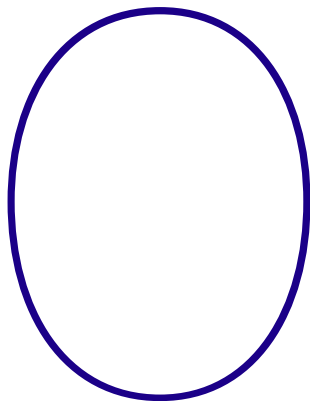
In 2017, the LATAM risk matrix comprised more than 50 topics, broken down into 11 categories that cover the environment, safety, regulatory environment, supply chain and employee management, among others.

Emerging risks include those linked with external events, such as the propagation of infectious diseases, natural disasters, as well as wars and acts of terrorism. In more extreme cases, these episodes could decrease or even paralyze the demand for air transportation services for a determined period of time, be it due to decisions by authorities to prohibit travel to and from the affected countries/regions, or to customers themselves deciding to postpone their trips. The mitigation measures LATAM takes include the adoption of rigorous safety standards and procedures to prevent the spread of contagious diseases, permanent contact with the competent authorities and the organization of preventive communication campaigns, in addition to the emergency response plan, which is activated in the event of air crashes and other catastrophes.

THE RISK DESK,
A FORUM THAT
BRINGS TOGETHER
PROFESSIONALS
FROM VARIOUS
AREAS TO DISCUSS
BUSINESS RISKS, WAS
CONSOLIDATED IN 2017.

Another emerging risk is the possible adoption of more restrictive laws and regulations on climate change and greenhouse gas emissions in the countries in which LATAM operates. These could have a negative influence on the Group's operational costs and earnings in the medium term. To mitigate this risk, LATAM invests constantly in fleet modernization, in fuel efficiency and in emissions reduction. Also worthy of note is the Group's adhesion – by means of the International Air Transport Association (IATA) – to the Carbon Neutral Growth (CNG2020) commitment to offset emissions. [201-2]

Financial and operating results



Operating revenues reached US\$10,163.8 million, an increase of 6.7% compared to the same period of 2016. This represents the first annual revenue expansion since the combination of LAN and TAM.

Operating expenses increased by 5.5%, driven by a 12.7% rise in fuel costs during the year, which totaled US\$2,318.8 million. Excluding fuel costs, operating costs increased by 3.3%.

Operating income was the highest in the Group's recent years: US\$714.5 million, up 25.8% compared with 2016. Operating margin was 7.0%, in line with the Group's guidance, and 1 p.p. higher than the previous year's 6.0%. Net profit was US\$155.3 million, compared with US\$69.2 million in 2016, LATAM's best result ever.



THE STRATEGIC PLANNING
UNDERWAY HAS ALREADY
IMPACTED LATAM'S
PERFORMANCE POSITIVELY.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (THOUSANDS OF US\$) – 2017 [201-11]

Revenues	10,163,796
Goods acquired from third-parties	(6,422,323)
Gross economic value	3,741,473
Retentions	(1,001,625)
Net economic value	2,739,848
Economic value received in transference	78,695
Economic value generated	2,818,543
Economic value distributed	2,709,829
Distribution of economic value	
Employee salaries and benefits	74.68%
Taxes and contributions	6.40%
Interest and rent	15.46%
Interest on capital and dividends	1.72%
Minority interest	1.68%
Community investments	0.06%
Retained economic value	108,714



NEW DOMESTIC BUSINESS MODEL

The personalized model being adopted by the affiliate airlines in the domestic flights, permitting passengers to acquire only the services they want, helped generate additional revenues. There was a 28% increase in the average spend per passenger compared with 2016, mainly from baggage dispatch services, the sale of preferential seats and flexibility in rescheduling flights.



LATAM CARGO

Cargo segment revenue recovered in the second half of the year. The unit revenue, measured in revenue per available tonne kilometer (ATK), grew 8.5% in 2017.



LATAM AIRLINES BRAZIL DOMESTIC MARKET

In the Brazilian domestic market, the Group continued to adjust its capacity during the year, which together with the improvement in the macroeconomic context, boosted unit revenue (measured in revenue per ASK – available seat kilometers).

FLEET PLAN

- During 2017 LATAM continued to adjust its fleet plan, reaching US\$326 million, the lowest amount in recent history. This reduction in investment needs reinforced the Group’s capital structure. LATAM ended the year with an operating fleet of 307 aircraft, a reduction of 22 aircraft compared to 2016.
- Fleet commitments for 2018 and 2019 total US\$714 million and US\$1,213 million, respectively, and the number of aircraft should reach 316 in 2018 and 322 in 2019.

FINANCIAL LEVERAGE AND LIQUIDITY

Leverage (adjusted net debt/EBITDAR) decreased from 5.3x in 2016 to 4.5x in 2017. Liquidity increased from US\$1.8 billion in 2016 to US\$2.1 billion, which includes US\$450 million of an undrawn revolving credit facility (RCF) line¹. The liquidity position totaled 20.3% of net revenue in the year ended on December 31, 2017.

EXTERNAL ENVIRONMENT

Allied with the discipline exercised by LATAM and its affiliates, the improved macroeconomic environment, with economic growth and stable currencies, contributed towards boosting operating revenues in all the Group’s business units.

¹ Subject to borrowing base availability.

Snapshot

MAIN INDICATORS	2015	2016	2017	Δ 2017/2016
Financial (thousands of US\$)				
Operating revenue	10,125,826	9,527,088	10,163,796	6.7%
Operating expenses	(9,611,907)	(8,959,185)	(9,449,262)	5.5%
Operating result	513,919	567,903	714,534	25.8%
Net income	(219,274)	69,220	155,304	124.4%
Net margin	(2.2%)	0.7%	1.5%	0.8 p.p.
EBITDAR	1,973,459	2,097,210	2,295,710	9.5%
EBITDAR margin	19.5%	22.0%	22.6%	0.6 p.p.
Cash and cash equivalents/last twelve months revenues	13.4%	15.6%	15.9%	0.3 p.p.
Financial leverage ¹	5.8x	5.3x	4.5x	-
Operating				
Passengers (ASK) – million	134,167	134,968	136,398	1.1%
Passengers (RPK) – million	111,510	113,627	115,693	1.8%
Load factor (based on ASK)	83.1%	84.2%	84.8%	0.6 p.p.
Revenue per ASK (US\$cents)	6.3	5.8	6.2	6.7%
Cargo (ATK) – million	7,083	6,704	6,230	-7.1%
Cargo (RTK) – million	3,797	3,466	3,421	-1.3%
Load factor (based on ATK)	53.6%	51.7%	54.9%	3.2 p.p.
Revenue per ATK (US\$cents)	18.8	16.6	18.0	8.5%

¹ Financial leverage: adjusted net debt/EBITDAR (last twelve months).
ASK (available seat kilometers): measurement of passenger transportation capacity.
ATK (available tonne-kilometers): measurement of cargo capacity.
EBITDAR: Earnings before interest, taxes, amortization, depreciation and aircraft rentals.
P.p.: percentage point.
RPK (revenue passenger kilometers): revenue generated in number of passengers per kilometer.
RTK (revenue tonne-kilometers): revenue generated in tonnes per kilometer.



Suppliers

Suppliers • _____

STRAIGHT TO THE POINT © Supply chain management

Context and positioning



LATAM has 31,550 suppliers. Relations with partners are focused on business competitiveness, product and service excellence, joint growth and stimulating good sustainability practices. The Procurement area is responsible for the ongoing management of the contracts undertaken with these partners, seeking to balance costs and conformance with the criteria required by LATAM, especially with respect to quality, safety, social, environmental and financial matters, as well as legal compliance.

Management approach

POLICY

Corporate Procurement Policy sets forth the financial, social and environmental requirements to be followed by business partners, in line with the directives in the Group's Code of Conduct and Anti-Corruption Policy and the specific regulations of the countries in which LATAM operates. The document was revised in 2017. The objective was to prioritize strategic matters related to managing the supply chain; questions concerning routine relations with partners were incorporated into internal procedures.

COMPLYING WITH THE CODE OF CONDUCT

To become a LATAM supplier, a company must confirm its compliance with the document, which contains guidelines on ethics, anti-corruption and compliance with occupational health and safety, social and environmental responsibility and human rights (guarantee of decent working conditions and non-use of child and slave labor) standards.

The code is available at the address: GOO.GL/HPIM77.

THIRD-PARTY INTERMEDIARIES (TPI)

Whenever suppliers act as agents representing the airline group in dealings with local or overseas civil servants, for all intended purposes they will be considered to be third-party intermediaries (TPI).

Suppliers qualified as TPIs follow specific procedures and are required to present additional information. They must also guarantee compliance with the LATAM Group Code of Conduct and Anti-Corruption Policy. Their contracts include specific anti-bribery & corruption clauses. All TPIs are subject to an in-depth due diligence review.

RISK MATRIX

The risk matrix monitors the more significant risks and impacts in each supplier category, be it products or services. In alignment with the policy, the risks monitored include ones that may impact LATAM's financial health and ethical conduct, as well as compliance with labor, tax, industry and sanitary standards, human rights, as well as good environmental and social practices.

For partners considered to be critical (suppliers of components that are essential for the operation or difficult to replace, who have annual contracts in excess of US\$1 million or who relate to government authorities on behalf of LATAM), there are also periodic audits. Technical partners in particular are subject to monthly performance assessments (read more on [PAGE 40](#)).



SELECTION CRITERIA
Companies that have a proven track record in managing CO₂ emissions, energy and water consumption and waste disposal are prioritized in LATAM tender processes.

Advances in 2017



RISK ANALYSIS

Every month, LATAM analyzes information on suppliers with active contracts using the Lexis Nexis system. This system utilizes an extensive international data base encompassing involvement in corruption, anti-competitive conduct, financing terrorism and drug trafficking, exploitation of child and slave labor and environmental non-compliance.

Cases identified as risks are analyzed on a one to one basis by the Compliance area to check whether the alert is justified or not. If it is considered to be grounded, the area either indicates the corrective measures to be taken or recommends the termination of the contract.

In 2017, 10,600 assessments were undertaken; 767 of these resulted in alerts which are currently under analysis. No irregularities had been confirmed by the end of the year.

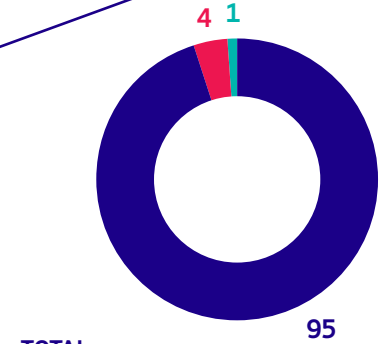
ENVIRONMENTAL AND SOCIAL REQUIREMENTS

All contracts include an environmental clause whereby partners must comply with the pertinent legal requirements, take responsibility for any resulting sanctions and communicate any environmental damage to LATAM. In 2017, this clause was also incorporated into

purchase orders, which substitute contracts in short-term commercial relationships. The additional conditions refer specifically to the observation of anti-corruption practices and the implementation of environmental protection measures on the part of suppliers. [\[+\] ATTACHMENT](#)

Joint development

GEOGRAPHICAL DISTRIBUTION¹ (%)

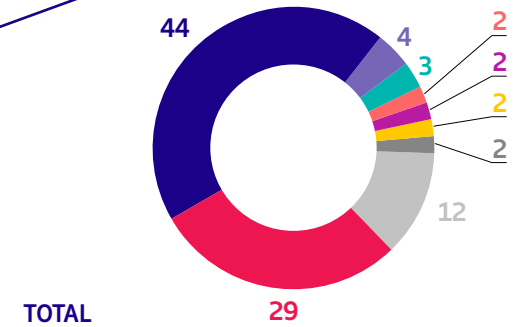


TOTAL
31,550 suppliers

- America
- Europe
- Asia and Oceania

¹ Based on location of company's headquarters.

PURCHASES (%)



TOTAL
US\$8.5 billion

- Engines, fleet, financiers and LATAM Travel
- Infrastructure
- Technology
- APV & catering
- Administration
- Handling (support services provided for aircraft, passengers and cargo on the ground)
- Non-technical purchases
- Technical purchases
- Fuel

The supplier base is organized in 21 categories of technical (suppliers of products and services directly related to the operation) and non-technical (suppliers of items and services not directly related to the operation) purchases.

LATAM technical partners include companies supplying fuels; engineering services; spare parts; PMA (Part Manufacturer Approval); wheels, brakes, tires and avionics; in-flight entertainment; seats, materials and trim; sales; larger components, such

as landing gear; pool (repair, exchange and rental of certain components made available via a pool system) and non-pool purchases (tools and other types of components).

Of the total, 2% were in the critical supplier category (fuel, aircraft parts, backup and passenger tracking systems, among others), which corresponded to 80% of LATAM's total purchase volume, of more than US\$8.5 billion. [102-9]

LATAM SEEKS TO STRENGTHEN RELATIONS WITH ITS SUPPLY CHAIN, DRIVING BEST PRACTICES AND ENHANCING MONITORING PROCESSES AMONG THIS STAKEHOLDER GROUP.

Monitoring

LATAM conducts periodic assessments of suppliers based on specific checklists for each category or product. The approval and rejection criteria are also different. In the event of non-compliance, the supplier prepares improvement plans which are followed up by LATAM.

In the course of 2017, the Group conducted 119 audits focused on the quality and safety of products and services from suppliers in the catering, handling and fuels area.



Qualification of the team

In the project known as Bootcamp, Procurement area staff from all LATAM Airlines Group and its affiliates operations undergo an immersion course aimed at re-inforcing internal procedures and compliance standards governing supplier contracts, relations and management. The encounter takes place at least once a year, providing attendees with practical examples.

Sustainability-related topics will be incorporated into the 2018 edition, further qualifying employees to conduct negotiations with LATAM commercial partners based on a organization-wide view of the operation.



SUPPLIERS ARE
MONITORED
REGARDING QUESTIONS
OF COMPLIANCE AND
PROPER SOCIAL,
ENVIRONMENTAL AND
FINANCIAL PRACTICES.

Snapshot

SUPPLY CHAIN	2016	2017
LATAM supplier base (21 categories)	30,628	31,550
Critical suppliers¹		
Percentage of supplier base	2% ²	2%
Share in LATAM purchase volume	72%	80%
Identification of potential risks		
% of categories subjected to sustainability risk analysis	100%	100%
% of suppliers assessed in accordance with sustainability criteria	100%	100%
Monitoring and management		
Preventive analyses conducted (international data base system)	14,204	10,651
In-depth analyses (based on system alerts)	614	767
Contracts terminated for non-conformance	0	0

¹ Includes companies with contracts in excess of US\$1 million, that have relations with government authorities on LATAM's behalf or that supply the operation with items that are essential or difficult to replace.
² The figure is different from the one published in the 2016 Sustainability Report because the calculation was altered to take into account the full LATAM supplier base.

Cus tomers

Customers • _____

STRAIGHT TO THE POINT © Passion for flying

Context and positioning

Connectivity, on-time performance (OTP) and reliability are fundamental elements of LATAM's business strategy, driving a series of projects and investments. With a customer-centered culture, LATAM strives to anticipate industry trends and stay abreast of the evolution of passenger expectations and requirements. The Group aims to boost connectivity in Latin America and capture the growth opportunities generated by increased demand for air travel. In 2016, the average number of domestic flights per inhabitant was 0.22 in Argentina, 0.47 in Brazil and 0.48 in Colombia. In Chile, where demand has steadily outstripped economic growth in recent years, the rate is 0.55, approximately a quarter of the figure for Europe.



Management approach

IN 2017, THE GROUP PRIORITIZED TWO WORK FRONTS:



- Consolidation of the new service culture, focused on the pillars of efficiency, safety and care, with the aim of enhancing the passenger experience before, during and after each LATAM flight, through improvements in the service levels provided by the different teams.
- New value proposition for domestic flights, which stimulates access to airline services and drives the Group's entry into new market niches.

Advances in 2017

CUSTOMER FOCUS

Since 2015, LATAM has been consolidating a new customer-centered service culture aimed at generating proximity and reinforcing identification with the brand. The measures are concentrated in the Twist project. This has involved the reformulation of management practices and the implementation of new work routines, such as daily and pre-flight dialogues between leaders and teams, a platform for receiving suggestions for improvements from

employees and a program to recognize outstanding performance. The project has translated into greater alignment with customer needs, increased autonomy for employees and heightened efficiency and satisfaction.

This new service culture has already impacted more than 20,000 employees at 140 sites. In 2018, the new model should be extended to the LATAM customer support areas.



In 2017, the number of passengers traveling with LATAM Group grew by 1.4%.

New service culture - Results Airports



NEW VALUE PROPOSITION FOR DOMESTIC FLIGHTS

To add value to the customer experience and foment the use of air travel in the region, LATAM has designed a new way of traveling based on the premise that there are a number of different customer profiles with different needs who will now be offered differentiated services. Basic fares have been reduced by 25% on average, with passengers able to choose packages that incorporate additional services, such as:

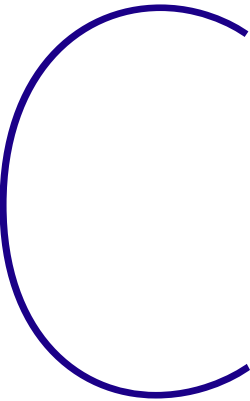
- baggage dispatch;
- choice of seat;
- flexibility to alter date of travel;
- car rental at destination.

Additionally, there is the buy-on-board meal service (Mercado LATAM), which has a new menu with more than 30 options of foods and beverages.

The model has already been adopted in all the countries in which the Group operates, with the exception of Argentina. In Brazil, the in-flight meal service is being implemented gradually, in accordance with determinations from the competent local authorities.

The plan for 2018 is to take this new travel model for domestic markets and to apply it for regional flights between countries in Latin America.

Managing satisfaction



Customer satisfaction is monitored at different touch points, including: after check-in at the service counter and by means of a simple survey – Quick Feedback – about the flight experience, conducted by email or SMS up to a day after the journey.

The Group also carries out a systematic annual survey based on the Net Promoter Score (NPS) methodology, where the score may range from -100 to + 100. In 2017, this survey was incorporated 330,000 responses, representing 0.5% of the Group’s clients. The satisfaction level was 29 points, 12 points below the level in 2016, which is attributable to adaptation to the new sales model and OTP in key principal markets.

Over the course of 2017, passengers were adapting to the new travel model for affiliate carrier domestic flights in Brazil, Chile, Colombia, Ecuador and Peru. As anticipated, satisfaction levels dropped following the introduction of the new service, but in the following months customers began to recognize the value of attributes such as flexibility when purchasing tickets and quality cuisine at an affordable price.

Despite having the best on-time performance in the majority of the countries where it operates, LATAM Airlines Group and its affiliates did not meet its OTP target for 2017 (86%), scoring 81% across its net-

work. This was due to problems with air traffic control, meteorological conditions and operational and maintenance issues with LATAM aircraft.

Given that OTP is one of the most highly valued determinants of overall customer satisfaction, LATAM has developed a series of wide-ranging measures to improve performance in this area. The Group is also increasing the frequency and quality of information provided to passengers and guaranteeing the quality of hotels, transfer services and meals in the event of delays and cancellations.



COUNTRY	POSITION IN OTP RANKING	OTP (waits of less than 15 minutes)	OTP (waits of less than 60 minutes)
Argentina	2 nd	67%	90.7%
Brazil	2 nd	82% ¹	97.3%
Chile	1 st	85%	97.3%
Colombia	1 st	82%	95.4%
Ecuador	1 st	91%	97.5%
Peru	1 st	77%	95.8%

¹ Takes into account the airlines with destination networks comparable to that of LATAM Airlines Group and its affiliates.

OTP: On-time performance.

Source: Flight Stats, largest global provider of real time information on the on-time performance in flight departures.



MORE ATTRACTIVE MENU

LATAM also decided to revolutionize the meal service on long-haul flights lasting over seven hours. The small portions (starters, hot dishes and desserts) were replaced with a main dish – there are always three options on the menu –, on average 40% larger than the meal served previously, prepared with even greater care and quality. The objective is to ensure the passenger has an experience similar to that offered by a restaurant.

Customer acceptance of the model was tested and measured in real time on 14

flights. Based on the results of the test phase, LATAM launched the new menu officially in Chile in October. The initiative, which also reduces the volume of plastic waste on aircraft on every flight, is already in place on all international routes to/from Brazil, Peru, Argentina and Ecuador. It has been subjected to small adjustments based on the experience and learning derived from managing the new model. It is expected that passenger satisfaction with in-flight meals will increase by up to 15%.

LATAM ALREADY HAS PLATINUM CATEGORY FAST TRAVEL CERTIFICATION, GRANTED BY IATA TO COMPANIES THAT OFFER SELF-SERVICE OPTIONS FOR EVERY STAGE OF TRAVEL.

Technology as an ally

LATAM also progressed in its digital strategies to make life easier for customers. The total number of active users of the LATAM application increased from four million in 2016 to 4.9 million in 2017. The app enables users to buy tickets, reserve their seat, check in, issue a virtual boarding card and consult flight status. These services are also available on the LATAM corporate site.

To give customers even greater autonomy, the Group increased the number of self-service kiosks at the airports. In addition to checking in, these allow passengers to print their baggage labels. A total of 713 (three out of each four) kiosks already offer these services at 66 airports in 11 countries.

In 2018, the Group will begin to offer in-flight WiFi on domestic and regional flights in Brazil. In the following years, the service will gradually be extended to the Group's other operations.

The Wi-Fi will be integrated with LATAM Entertainment, the onboard entertainment system which enables passengers to access a varied menu of films, television series, music, books and news via smart phone, tablet or laptop. The application will be available on short-haul flights on which the aircraft do not normally have individual screens.

A differentiated portfolio at LATAM Cargo

LATAM Cargo is fully customer-focused, identifying distinct demands and providing specific solutions. In 2017, the portfolio for the international market was enhanced. It offers three types of shipping service: standard; express, which ensures delivery within a specific timeframe; and flex, a more economical solution for non-critical shipments. When opting for the flex service, the client has a guaranteed delivery date but the route and the type of aircraft (passenger or freighter) are decided by LATAM, enabling operational cost optimization and, consequently, more competitive prices.

The types of service are combined with the so-called care options, enabling customized treatment in accordance with nature of the cargo being shipped. There are exclusive options for transporting live animals, oversize cargos, hazardous materials, valuable goods and pharmaceutical products, among others.

The differentiated procedures to ensure compliance with all safety and quality requirements in the

LATAM CARGO WAS THE FIRST AIRLINE COMPANY IN THE AMERICAS TO BE CERTIFIED IN THE CEIV PHARMA PROGRAM.

pharmaceutical sector, which are now available in 14 countries in which LATAM operates, have been recognized by the International Air Transport Association (IATA). LATAM Cargo was the first airline company in the Americas to be certified in the CEIV (Center of Excellence of Independent Validators) Pharma program, conferring even greater value on the service provided. Handling operations in the Miami (United States) terminal also received this IATA certification.



Snapshot

	2015	2016	2017
LATAM app users	2,535,214	4,021,213	4,964,991
Self Check-in (compared with total no. of check-ins)	57.7%	59.0%	70.0%
Online check-in (app or website)	44.9%	50.1%	59.0%
Check-in via self-service totems	12.8%	8.9%	11.0%
Members of LATAM Pass ¹ (millions)	11.3	13.1	14.8
Members of LATAM Fidelidade ² (millions)	11.5	13	14.7

¹ Loyalty program in place in the Spanish speaking countries.
² Loyalty program in place in Brazil.

Environmental dimension

HIGHLIGHTS ☀

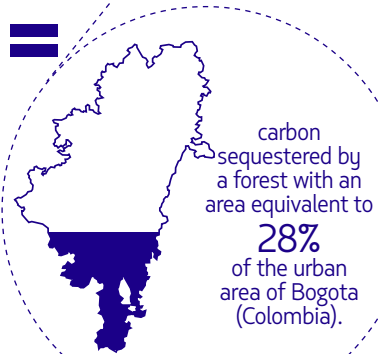
☀ CLIMATE CHANGE

CARBON FOOTPRINT

2.46% ↓

decrease in total carbon footprint.

OFFSETTING EMISSIONS

327,786
t CO₂e
offset

SOURCE: Fundación CO2less (goo.gl/7nEmMf).
Information accessed on April 16, 2018.

FUEL EFFICIENCY

Total savings of 50 million gallons

of fuel (enough for 1,000 return flights between Santiago and New York).



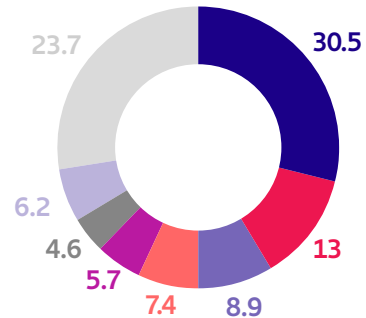
Expenditures avoided

US\$100 million.**10.6%**

more efficient in fuel use than sector average.

Measures that drove this performance.

FUEL EFFICIENCY 2017 (%)



- Rationalization of use of auxiliary power unit (APU)
- Approach, landing and taxiing procedures
- Reduction of weight on board
- Flight speed adjustments
- Corrective measures for deviations in standard consumption
- Optimization of onboard pressurization and air conditioning equipment
- Route reviews
- Other measures: includes washing of engines with a focus on aerodynamic performance, satellite-guided approach procedures

☀ ECO-EFFICIENCY

**100%**

compliance with International Civil Aviation Organization (ICAO) noise emission standard



IMPROVEMENT IN MONITORING SYSTEMS AND DATA COVERAGE SCOPE

**3.77%**

decrease in greenhouse gas emission intensity in air operations (emissions/total transported)

**35%**

decrease in water consumption



☀ SYSTEMS AND POLICIES



of the main hubs have environmental management systems.

LATAM Airlines Group was a pioneer in obtaining IEnvA certification, a voluntary International Air Transport Association (IATA) program. The Chilean operation was the first to be certified in Latin America and the third worldwide.

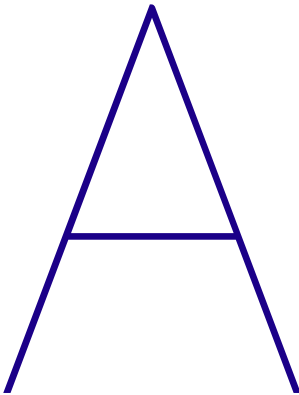
Commitment to good practices
The ISO 14001 (environmental management) and ISO 50001 (energy management) standards and the IATA Environmental Best Practice Manual are key references guiding improvements in internal conduct.



Environ ment

Environment •

Policies and systems



All aspects of environmental management at LATAM are conducted in accordance with the organization's Safety, Quality and Environment Policy (see [PAGE 88](#)). The document, approved by senior management, sets forth the parameters for continuous performance improvement in this area. International standards and norms were used as a reference in the elaboration of the policy and also as a guide for the Group's environmental management systems (EMS). These enable LATAM to measure the gains achieved against the investments involved in a more accurate manner. It is also possible to track the costs avoided in function of the improvements implemented. In 2017, these totaled US\$100.3 million.

In an ongoing process, 96% of the operations had an environmental management system in place in De-

cember 2017, compared with 91% the previous year. In total, 27% of the operations (measured in RTK - revenue tonne-kilometres) have a certified system in accordance with international standards. This is the case with the Miami operation (United States), which has been recertified in the ISO 14001 (environmental management) standard. The next step will be to adapt the system to the most recent version of the standard (ISO 14001/2015).

IEnvA – management program focused on the sector

LATAM remains committed to the directives set forth in the IATA (International Air Transport Association) voluntary Environmental Assessment (IEnvA) initiative. In 2017, the international air operations from Chile were recertified under the program. In addition to LATAM Airlines Group another 12 airlines have received either stage 1 or stage 2 certification. The Group is focusing its efforts on obtaining this certification for domestic operations in Chile, as well as for its operations in other countries.

ENVIRONMENTAL MANAGEMENT (US\$)	2014	2015	2016	2017
Investments (Capex)	2,522,000	911,691	148,297	521,100
Operating expenses (Opex)	983,110	1,925,418	2,174,587	6,324,645
Total	3,505,110	2,837,108	2,322,884	6,845,745
Costs avoided¹	93,786,247	79,155,500	76,176,514	100,365,212

¹Takes into account savings based on efficiency, costs avoided due to non-conformance and others in 100% of the operation.



LATAM Airlines Group was the first airline in Latin America and third in the world to receive certification under the IEnvA voluntary program.



In 2017, the international operation in Chile was recertified for the second time. The Group also adopts the program's Best Environmental Management Practices Manual as a reference to ensure more consistent management in the water, effluent and waste areas.



Focused on airline operations and thus taking into account sector specificities, the program is aligned with the ISO 14001 environmental management standard.



To drive continuous improvement and to ensure other airline companies are compliant with the best practices set forth in the program, the IEnvA is currently being adapted to the new version of the standard (ISO 14001/2015) and also to ISO 50001, a specific standard for energy management.

STRAIGHT TO THE POINT

Climate change

MT

Context and positioning

According to Intergovernmental Panel on Climate Change (IPCC), greenhouse gas (GHG) emissions from airline operations correspond to approximately 2% of total emissions generated by human activities. Although this percentage is low compared with other industries, the emissions represent the sector's main environmental impact.

80%
of the sector's GHG emissions come from flights of over 1,500 kilometers, in which air travel is the most efficient means of transporting people and cargo.

Source: Air Transport Action Group (ATAG), 2014. Aviation – Benefits beyond borders, p.7.

Management approach

Different initiatives are coordinated in a structured management process that involves:



- Objective measurement of impacts;
- Establishment of goals and targets;
- Reducing emissions, mainly through efficient fuel use;
- Offsetting emissions (investment in certified projects);
- Active participation in sector joint efforts: part of Carbon Neutral Growth (CNG2020), a voluntary sector initiative establishing emissions offsetting targets and deadlines; through IATA (International Air Transport Association), the Group is keeping close track of the developments of the CORSIA agreement (see PAGE 53) and is preparing to implement it in the countries in which it operates;
- Support for discussions aimed at creating and reinforcing a biofuel production chain for wide-spread use in the aviation industry (see PAGE 54).



- LATAM TARGETS**
LATAM is committed to IATA targets:
- An annual increase of 1.5% in fuel use efficiency;
 - Limit growth in emissions from 2020;
 - Halve the Group's carbon footprint by 2050, with 2005 as base year.

Advances in 2017

[305-5]	
A decrease of 2.46% in total carbon footprint.	10.6% more efficient fuel use than the sector average ¹ .
478,652 t CO ₂ e of emissions avoided by means of eco-efficiency measures.	
Emissions of 327,786 t CO ₂ e offset in Colombia.	Savings of 50 million gallons of fuel (equivalent to US\$100 million).

¹ Based on average sector consumption in 2016, according to IATA data. The calculation is based on 260 airline companies which account for 80% of international air traffic.

FUEL EFFICIENCY

During the course of the year, 25 projects were conducted under the Fuel Efficiency Program, which involves areas such as Services, Airports, Maintenance and Operations. The consumption of 50 million gallons of fuel was avoided (6,050 TJ), equivalent to US\$100 million. Since 2012, the expenses avoided with the Fuel Efficiency Program have totaled US\$506 million. [302-4]

Worthy of note was the identification of opportunities for improvement based on the automated analysis of information from all flight stages and the study of different routes and aircraft. An example is the Bogota-Santiago-Bogota route: the analysis enabled the reduction of the outward bound flight time by 20 minutes and the return flight time by 40 minutes. The assessments also generated economies in calculations of fuel reserves for taxiing procedures based the specificities of each airport and the takeoff and landing times.

Commitments and results

LATAM's firm commitment to environmental management is reflected in year on year efficiency gains and impact reductions.

COMMITMENT	BASE YEAR ¹	TARGET	2017 RESULTS
Improve efficiency in fuel consumption by 1.5% per year up to 2020 (IATA Target n° 1)	2012	1.5% per year until 2020	16.67% reduction of fuel use per 100 RTK since 2012, when LATAM initiated consolidating monitoring. 3.3% annual average reduction.
Carbon Neutral Growth (CNG) in 2020 (IATA Target n° 2)	2012	Carbon growth stabilized by 2020	13.21% reduction in carbon footprint since 2012.
Halve net CO ₂ e emissions by 2050, against base year 2005 (IATA Target n° 3)	2012	Emissions reduction stabilized at 2005 level	13.21% reduction in carbon footprint since 2012.
Ground operations Carbon Neutral by 2020	2012	Zero carbon ground operations	36.06% reduction in emissions in the ground operation compared with 2012. Furthermore, 21,348t CO ₂ e were neutralized from 2012 to 2017 (projects in Colombia and Peru).
10% improvement in infrastructure energy efficiency by 2020	2015	10% energy intensity reduction target in buildings (MWh/FTE)	39.9% increase, resulting from the expanded coverage scope of the indicator and the reduction in head count.
10% less waste by 2020	2015	10% reduction in waste generation	Stabilization of the identification and generation of reduction opportunities in the maintenance area. The reduction was 9.38% compared with 2015. The 2017 total generation indicator does not reflect this positive result because it is affected by the increase in the coverage scope and improvements in the monitoring systems.
Implement an environmental management system (EMS)	2012	100% implementation	96% of the Group's main hubs have an EMS.

¹ Base line used to establish the evolution of the Group's consolidated performance. In some cases, in addition to the base year defined at corporate level for LATAM – 2012 or 2015, depending on the commitment –, monitoring also makes a comparison with performance prior to the LAN/TAM combination.

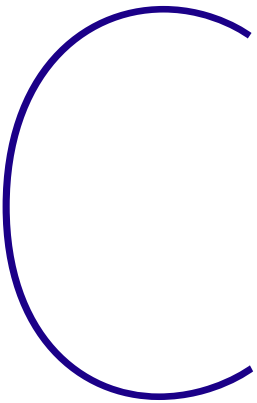
FTE: Full-time employee.

IATA: International Air Transport Association.

RTK: Revenue tonne-kilometres. Total weight multiplied by distance traveled.

Operating eco-efficiency!

THE PURSUIT OF ECO-EFFICIENCY INVOLVES DIFFERENT FRONTS, WITH A FOCUS ON ATMOSPHERIC EMISSIONS, WATER CONSUMPTION AND WASTE GENERATION.



Climate change is particularly important for LATAM's sustainability management. The Group is fully committed to climate action, with a structured strategy to drive ongoing performance improvement through reduction and offsetting measures. The Group's progress is monitored by means of its greenhouse gas (GHG) emissions inventory, conducted annually based on the ISO 14.064 standard. The calculation uses international reference data and is based on information gathered from the management systems in diverse areas.

The data demonstrates a steady improvement in performance both in terms of total emissions (abso-

lute value) and intensity (relative value). From 2016 to 2017, LATAM managed to reduce total greenhouse gas emissions by over 280,000 metric tons. This is equivalent to 650 return flights between Santiago (Chile) and Auckland (New Zealand), that is, two years of operations on this route.

It should be noted that this reduction in impacts is occurring in parallel with an expansion in LATAM's activities. Efficiency measures enabled the Group to transport more while generating fewer emissions.



TOTAL CARBON FOOTPRINT

11,087,051 t CO₂e

(280,083 t CO₂e reduction since 2016)

EMISSION INTENSITY IN AIR OPERATIONS

79.45 kg CO₂e/100 RTK

(3.77% reduction since 2016)

Offsetting measures



LATAM Airlines Colombia advanced in its compensation strategy in 2017, with the formal offsetting of all GHG emissions from the domestic flights and ground operations, such as employee travel and other indirect emissions. Emissions from ground operations had been neutralized since 2014. The neutralization certificate ensured exemption for LATAM Colombia from a tax introduced by the Colombian government at the end of 2016 which charges US\$5 for each metric ton of carbon emitted from burning fossil fuels.

In the course of the year, LATAM Airlines Colombia acquired carbon credits from reclamation projects managed by the environmental consultancy South Pole. The initiatives include two REDD projects – the first enabling the protection of 13,500 hectares and more than 40 species threatened with extinction in the Darien region, while the second is aimed at forestry reclamation and the preservation of 16 indigenous territories in the Mataven jungle. There is also an action involving the reclamation of the Chinchina river basin. During the year almost 328,000 metric tons of GHG emissions were fully offset, equivalent to 92% of the total emissions generated by domestic, international and ground operations in the country.

Since 2012, LATAM operations in Peru, Colombia and Brazil have been offsetting emissions from ground operations. The volume offset totals 461,834 t CO₂e.

EMISSIONS OFFSET (t CO ₂ e)	2012	2013	2014	2015	2016	2017
LATAM Airlines Peru	6,500	5,330	6,246	6,092	6,010	-
LATAM Airlines Colombia	-	-	1,100	1,335	1,465	327,786
LATAM Airlines Brazil	-	-	100,000	-	-	-
Total	6,500	5,300	107,346	7,427	7,475	327,786

SECTOR COMMITMENT

At the end of 2016, the sector was the first to assume a public commitment to put a cap on its GHG emissions. The agreement became known by the acronym, CORSIA, which stands for Carbon Offsetting and Reduction Scheme for International Aviation. Voted by the 191 member states of the International Civil Aviation Organization (ICAO), during a conference in Montreal (Canada), the commitment establishes the gradual reduction of GHG emissions for international flights by airlines from the signatory countries until carbon neutral growth is achieved in 2035.

In 2017, an ICAO working group developed the Standards and Recommended Practices (SARP), delivered to the governments of the signatories of the agreement in December. The document will provide the basis for defining means of Measuring, Reporting and Verifying (MRV) emissions.

Based on the parameters established, the airline operators will define emissions monitoring plans, that should be approved by the regulatory authorities in each country. Publication of the reports will start in 2019, and these will be considered in the reduction/offsetting targets to be applied when the countries join the agreement.

The agreement will be implemented in stages, with a voluntary phase scheduled to last until 2026, after which a mandatory stage will be in place from 2027 to 2035.



Fleet management

At the end of 2017, the LATAM Airlines Group fleet comprised 307 aircraft, with an average age of nearly 8 years. In the year, four new aircraft were incorporated into the fleet by the Group. Fleet modernization influences fuel consumption and reduces CO₂e and NO_x (nitrogen oxide) emissions, as well as generating lower noise levels. This is another impact monitored by the Group, which especially affects people living close to certain airports, an ongoing consequence of urban expansion.

The environmental differentials of the new aircraft compared to the previous generation aircraft should be noted:



- **two Boeing 787-9**, a model that uses approximately 20% less fuel and generates 20% less GHG emissions;
- **two Airbus A320Neo**, with an estimated 15% reduction in fuel consumption and 50% reduction in noise levels.

Sustainable aviation fuels

LATAM supports initiatives aimed at enabling the use of sustainable aviation fuels provoking a lower environmental impact in the airline sector and has led a number of different actions in this area in recent years. So far, however, the materials with potential for use in aviation present major limitations that restrict their application on a large scale. Examples of these are the imbalance between production volume and demand, high prices and complexity in distribution. For the Group, overcoming these obstacles depends on an integrated and a multisector approach involving producers, aircraft engine manufacturers, distributors, government authorities, airlines and regulatory bodies.

In spite of the current difficulties, the Group recognizes the importance of this effort in ensuring the sustainable development of the airline sector and remains committed to seeking new energy sources. In the diverse countries in which it operates, LATAM plays an active role in discussion forums on this issue, promoting debate and development. This participation is particularly intense in Brazil. The Group believes that the country is well positioned to drive biofuel development: it has broad experience and technology in alcohol production for the automotive industry, in addition to large areas of available arable land.

In 2017, LATAM took part in the debates promoted by the Brazilian government prior to the introduction of its national biofuels policy (RenovaBio). This initiative is aimed at promoting the employment of different materials, including biokerosene, based on the establishment of targets and tax incentives.

IN PRACTICE

LATAM's commitment to the pursuit of alternatives to aviation fuel has led to concrete achievements. The most worthy of note being:



In 2010, the Group pioneered a test-flight with biofuel in Brazil. This was done before the creation of the standard by the American Society for Testing and Materials (ASTM), currently responsible for certifying production of this type of material.



In 2012 and 2013, it was the first airline to use biofuels in commercial flights in Chile and in Colombia. The two flights were on the routes Santiago – Concepcion and Bogota – Cali.



The Group invests in generating knowledge about the efficiency of biofuels by means of studies and research.



LATAM tracks technological advances in the production and use of biofuels closely.

Energy

Aviation fuel is the component with the largest impact on LATAM's total energy consumption, but the Group's pursuit of energy efficiency also involves other activities. From the second half of 2018, the administrative building and maintenance facilities in Chile will be powered by wind and solar energy. This was made possible by a recent alteration in the country's legislation, enabling LATAM to acquire energy directly from the generation companies on the open market at a price approximately 15% below current costs.

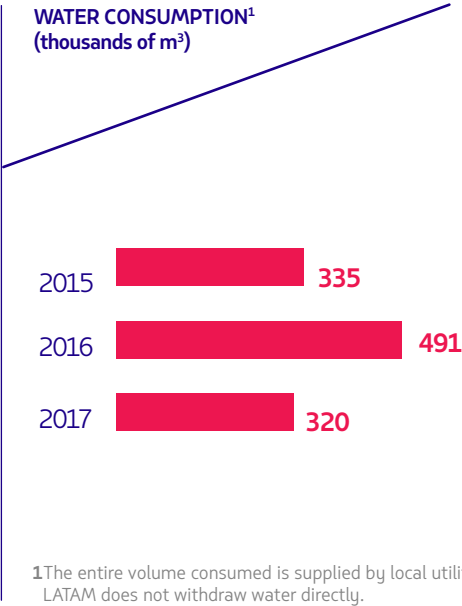
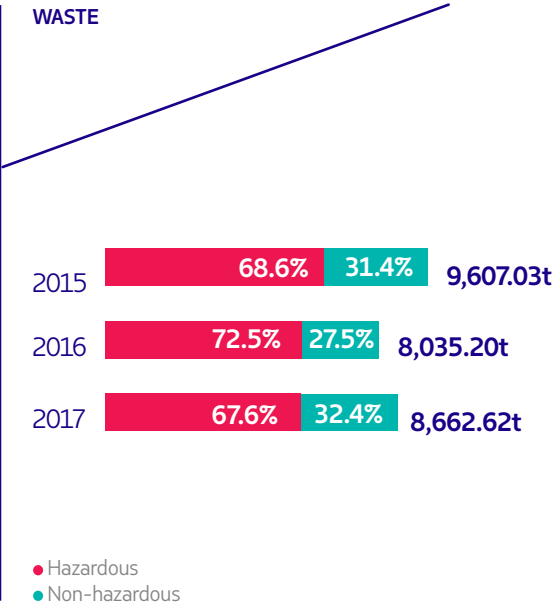
[302-1] INTERNAL ENERGY CONSUMPTION (TJ)				
	2014	2015	2016	2017
Aviation fuel	159,801.37	158,889.43	155,310.60	151,502.79
Gasoline	5.43	10.07	24.48	7.81
Diesel	79.65	351.70	161.33	271.81
Liquefied petroleum gas (LPG)	8.57	7.23	6.88	7.10
Natural gas	0.04	1.28	0.01	0.59
Ethanol	-	0.26	-	0.09
Electricity	228.36	214.92	165.39	271.12
Total	160,123.42	159,474.89	155,668.69	152,061.31

Other environmental impacts

In parallel with the question of energy efficiency, there is an internal Group effort to consolidate integrated management of other environmental aspects, such as monitoring water consumption in all operations, as well as encouraging the rational use of this resource.

On another front, work is focused on prioritizing the volume of waste generated and ensuring its proper disposal. In this context, especially in Chile, LATAM has been maintaining talks with the relevant government authorities to understand the scope of solid waste recovery legislation

recently introduced in the country. After approval of the law, the government has been gradually implementing specifications for different sectors. It has already regulated some sectors in the LATAM supply chain, such as electrical equipment, packaging, lubricant oils and tires. In the case of lubricant oils, it is understood that by acquiring this input without the intermediation of a distributor, LATAM becomes responsible for its recovery. The dilemma is that, although 100% of the lubricants are purchased by LATAM Chile, part is sent to other countries in South America in which the Group operates.



Snapshot

ENVIRONMENTAL PERFORMANCE	2014	2015	2016	2017
Policy and systems				
Units with EMS implemented	83%	87%	91%	96%
Units with EMS certified	0	2	2	2 ¹
Climate change				
Emissions intensity in air operations (kg CO ₂ e/100 RTK)	82.89	83.31	82.56	79.45
Total emissions (t CO ₂ e)	11,741,868	11,635,252	11,367,134	11,087,051
Rational fuel use (reduction compared with IATA average)	7.42%	7.44%	7.14% ²	10.63% ³
Other aspects of eco-efficiency				
Average age of fleet (years)	7	7	7	8
Energy consumption (TJ) ⁴	160,123.42	159,474.89	155,668.69	152,061.31
Energy intensity (MWh/100 RTK)	0.32	0.32	0.32	0.30
Water consumption (m ³)	335,961	335,079	490,761	320,456
Waste disposal (t)	2,874	9,607	8,035	8,663
Managing noise				
Noise (% conformance with ICAO chapter 4)	100	100	100	100

¹ Equivalent to 27% of the operations.
² The 2016 figure was updated. The figure published in the 2016 Sustainability Report (8.3%) compared LATAM's average consumption with the IATA average for 2015, the most recent figure available at the time of publication.
³ Based on average sector consumption in 2016, according to IATA data. The calculation is based on 260 airline companies which account for 80% of international air traffic.
⁴ Takes air and ground operations into account.
EMS: Environmental Management System.
IATA: International Air Transport Association.
ICAO: International Civil Aviation Organization.

See information about the scope of the data on PAGE 90.

Social dimension

HIGHLIGHTS

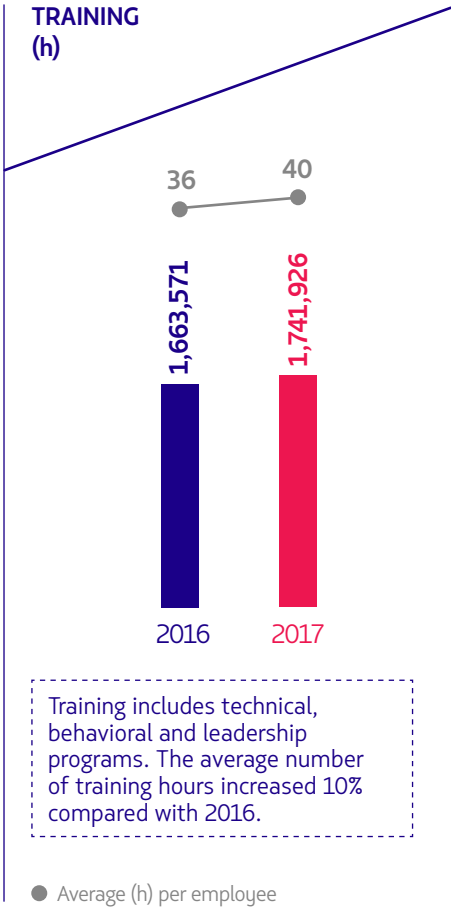
EMPLOYEES ON FOCUS

The LATAM Group human resources model incorporates talent attraction and retention, performance monitoring, training and development and succession planning practices.



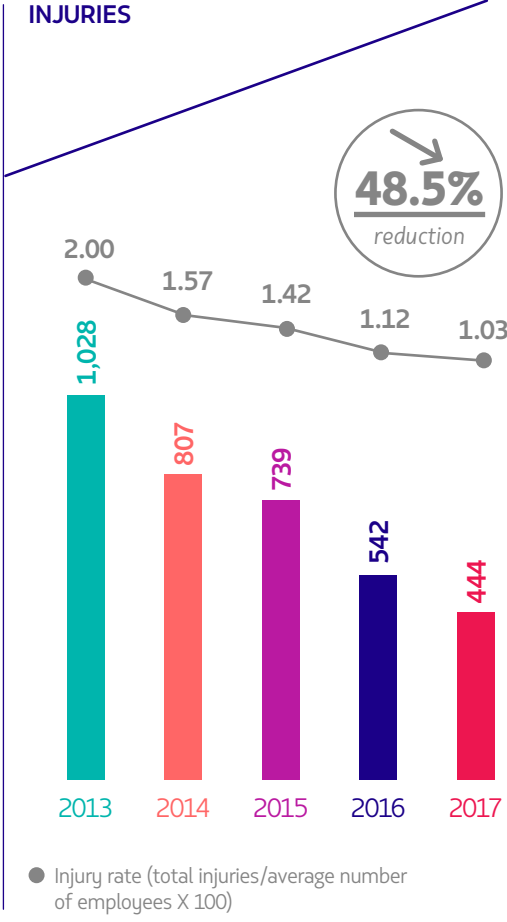
SUCCESSION PLAN

Successors have been mapped for



SAFETY IS A PRIORITY

Health in the air and on the ground is a fundamental topic for the Group. Effective management ensures positive results year on year.



GROUND OPERATIONS



fewer non-conformances/incidents than sector average.

SAFETY 2.0

Strengthening the culture

- Communication and engagement
- Training
- Commitment and targets



FLIGHT SAFETY

An automated system enables analysis of virtually all LATAM's flights. Some 1,200 parameters are monitored per second, enabling the preventive identification of:

- potential technical failures in equipment;
- maintenance requirements; and
- any fatigue in teams.

HIGHLIGHTS ☀

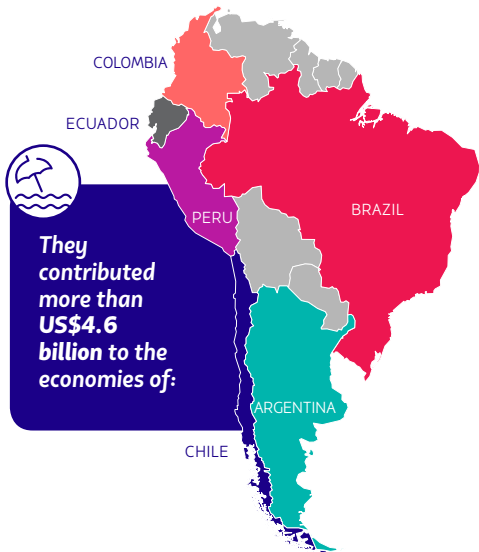
☀ REGIONAL DEVELOPMENT – A COMMITMENT TO LATIN AMERICA

-  Network
-  Economic development

DIFFERENT STRATEGIES ARE COMBINED TO MAKE LATAM’S OPERATION A CATALYST FOR SHARED VALUE CREATION.

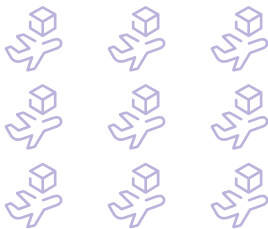
ECONOMIC IMPACT OF TOURISM

In 2017, LATAM Airlines Group and its affiliates transported **5 million passengers** on international flights to destinations in South America.



☀ SOCIAL LOGISTICS

HUMANITARIAN AID



438 tons
Equivalent to nearly 9 cargo aircraft.



Emergency aid provided:

- ☒ fires in Southern Chile;
- ☒ floods in Peru and Brazil; and
- ☒ hurricane in Puerto Rico.

6,125
hours of volunteer work.

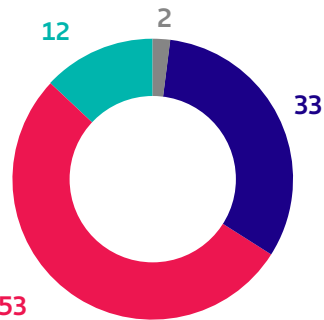
8 cities
benefited from sustainable tourism measures in the Cuido mi Destino program.

7,439
air tickets donated.

MORE THAN
1.1
million people benefited LATAM’s social actions in 2017¹.

¹ Including: donations of air tickets, financial support for organizations, humanitarian aid and the Cuido mi Destino program.

PHILANTHROPY AND CORPORATE CITIZENSHIP (%)



TOTAL
US\$4,302,018

- Cash (financial contributions to social organizations)
- In-kind giving (donation of air tickets¹ and free or discounted cargo transportation)
- Management overhead (management and infrastructure for LATAM social programs)
- Time (employee volunteering during paid working hours)

¹ The airline ticket donations are calculated based on the cost of the services. Consequently, the estimates are lower than the benefit they represent in terms of savings for the beneficiaries.

Emp loyees

Employees .



STRAIGHT TO THE POINT ☉ Managing employees

Context and positioning

On the one hand, there is the entry into the labor market of young people with different aspirations and motivations compared with previous generations. On the other, the development of the so-called 4.0 industry, which exploits the potential of technological innovation to drive efficiency and productivity. Together, these factors are transforming the work place in the most diverse industries.

At LATAM and its affiliates, the challenges and opportunities are even greater when the size and diversity of the workforce is taken into account – 43,095 employees of 64 nationalities in the 23 countries in which the Group operates – and the effort involved in consolidating a single culture and standardizing processes. [102-8]



Management approach

In 2017, LATAM and its affiliates emphasized two major activity fronts:



Efficiency and simplicity: synergies that enable the optimization of work, rapid decision making and execution, gains in productivity and competitiveness.



Attractiveness: attracting and retaining talent, including internal promotion, recognition practices, support for development and greater balance between personal and professional life.

Advances in 2017

EFFICIENCY AND SIMPLICITY

In senior management, the decision making process was reviewed, resulting in the formation of four major areas, directly related to business strategy and now responsible for activities in all the countries, and the support areas, which also span across borders.

The reorganization eliminated the duplication of work and responsibilities. As a result, the organizational structure is lighter and more horizontal.

The staff turnover rate in the year was 15.5%, similar to the 2016 and 2015 rates, which were 14.8% and 15.5% respectively. [401-1]

[+] ATTACHMENT

COMPLETE VISION

Up until 2016, each country in South America in which LATAM and its affiliates operate had an operational control center. With the simplification, only two centers were maintained, in Brazil and in Chile which provide services to the rest of the Group. Thanks to an automated system, it's possible to have complete vision of the operation. For example, when there are flight delays in one country, the control center team is able to rapidly dispatch a LATAM reserve aircraft located in another country, managing the contingency and avoiding disruptions for passengers.

ATTRACTIVENESS

As a result of LATAM Group transformation, in 2017 internal staff appointments grew significantly, driven by the employee performance review process. The number of movements and career progressions totaled 5,800, representing 13% of the workforce. Posts were filled internally at all levels: leadership positions (30%), middle management positions (28%) and other functions (12%).

Another measure to drive Group attractiveness was the inclusion of non-monetary benefits subject to local laws in the package provided for employees:



Short Friday : the possibility of leaving work at 1 p.m. on Fridays throughout the year. The hours are compensated between Monday and Thursday;



Home Office: permitted once a week, conditional upon the agreement of the employee's immediate manager;

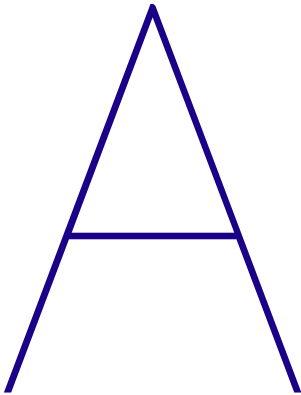


Jeans Day: permitted every day of the week, enabling greater convenience and comfort for employees; and



Discounts of between 50% and 70% on airfares confirmed in advance, as well as free tickets when there are seats available on flights.

Proximity and engagement!



Attracting and retaining talent, professional development and ensuring employee health and safety are management priorities for LATAM and its affiliates. In 2017, the Group continued to deploy tools to drive proximity and dialogue between leaders and their teams.



On a weekly basis, leaders meet with their teams to keep them up to date with the main news in the period, including financial and operating results, in addition to clarifying any doubts. The Group also published a good practice guide to provide all leaders with orientation on managing and interacting with their teams, with the objective of further consolidating the LATAM culture and driving alignment.

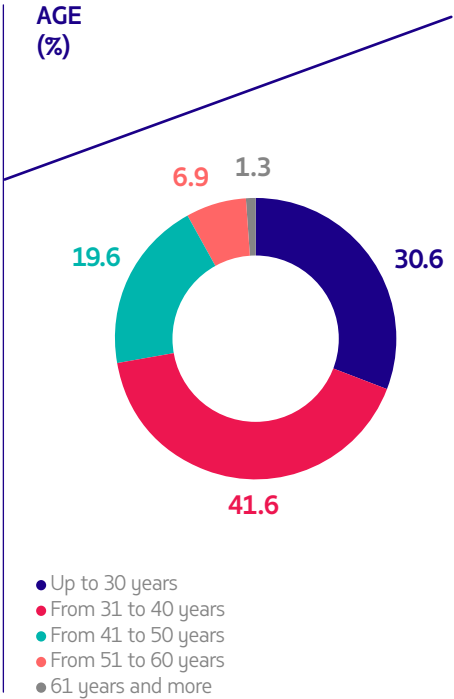
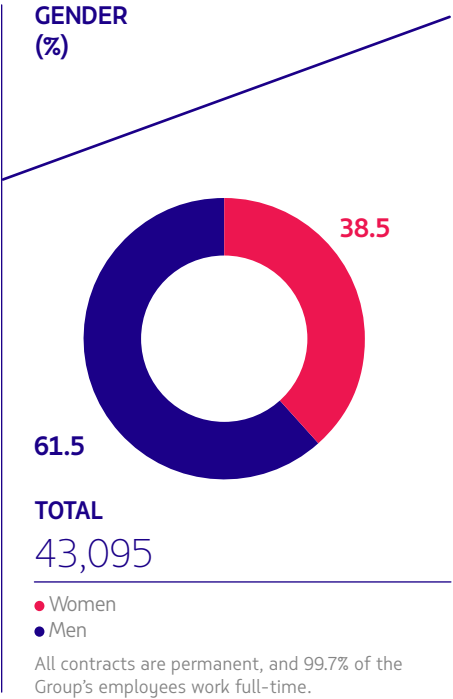
Every four months, employees evaluate their immediate managers by means of the Barometer survey. The resulting perceptions are discussed collectively and shape action plans. This streamlined process has a positive effect on organizational climate and employee engagement.



LATAM and its affiliates use Organizational Health Index (OHI) methodology, which measures levels of alignment with business strategy, renovation capacity and performance quality. In 2017, the consolidated result was one point below the score for the two previous years, but the Group remained stable in comparison with other companies using the methodology. The OHI results are organized in three quartiles. LATAM and its affiliates are in the third quartile, where the best-performing companies are concentrated. In 2017, the index was based on consultation of a universe of more than 800 companies and 2 million employees.

LATAM AND ITS AFFILIATES PROMOTE CLOSE, TRANSPARENT RELATIONS BETWEEN LEADERS AND THEIR TEAMS.

THE PEOPLE BEHIND LATAM AIRLINES GROUP AND ITS AFFILIATES [102-8]



"People are determinant for the success of any organization, particularly those in the service sector, such as LATAM. We are investing in ensuring increasingly effective management of our human capital. We are certain that satisfied employees work better, participate more and can contribute more effectively to the achievement of our business targets."

EMILIO DEL REAL
VICE PRESIDENT, PEOPLE



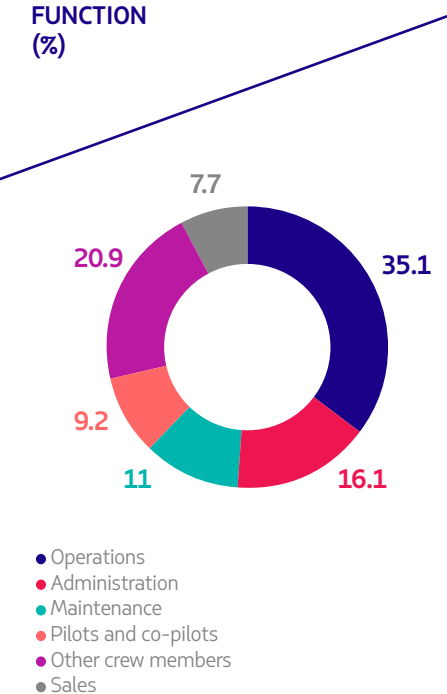
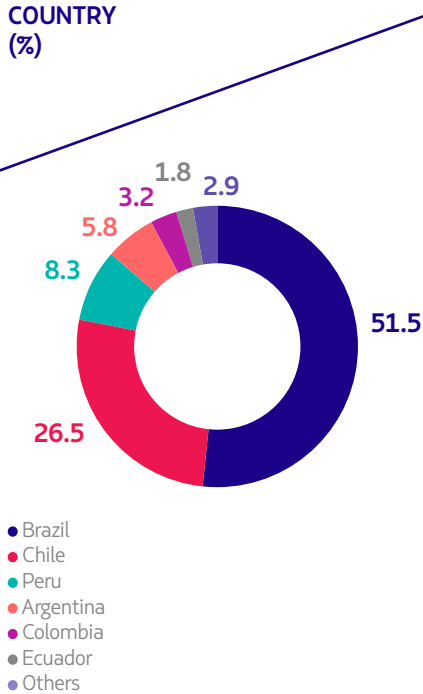
DEVELOPING THE TEAM [404-1]

In 2017, LATAM and its affiliates invested more than US\$26.5 million in professional training. The total number of hours training was 1.74 million. This represents an average of 39.8 hours per employee, an increase of 10% over 2016.

[+] ATTACHMENT

FUTURE LEADERS

In 2017, 89% of the Group's critical positions had potential successors mapped, close to the target of 90%. From this total, 47% were already apt to assume their new function, while 53% were still under development.



Remuneration and benefits

In addition to the basic salary subject to local regulations, the Group's remuneration policy includes variable remuneration, calculated based on financial performance during the year and the achievement of corporate targets, those of the employee's area, as well as individual performance. Top senior management is entitled to a bonus linked with LATAM share prices. The bonus is cumulative and may be redeemed progressively, with the full amount available two years after concession. Benefits include life insurance, insurance for business travel, health plan and meal vouchers, which are aimed at ensuring LATAM Group's attractiveness in the labor market.

Stronger communication in LATAM offices

Following a trend adopted by different organizations in various parts of the world, the LATAM Group's offices are also undergoing a transformation. The objective is to provide an environment that stimulates interaction and create synergies between employees. The space reorganization plan allows for more meeting rooms and collaborative environments, in addition to eliminating fixed work posts. Employees are aware that at the end of each work shift they should put their work and personal belongings away in the lockers provided, ensuring that the space they used on that day is tidy and organized, ready for its next occupant. The office at LATAM Airlines Brazil has already been adapted. The changes are underway in Chile, and future modifications will be planned for the other countries.



From January to December 2017, there were 53,000 posts on the platform.

From launch in May 2016, 11,163 employees were recognized two times or more.

LATAM RECOGNITION PLATFORM

The Group focuses efforts on driving employee recognition, understanding that this is also an effective way of disseminating the LATAM Airlines Group and its affiliates culture.

In 2016, the Recognition Platform was created. This is open to any employee wishing to recognize a colleague's conduct in caring for people, safety and efficiency. Today, in addition to recognition between employees in the same area and between managers and subordinates, a growing number of people access the online platform to recognize the conduct of professionals working in other LATAM areas.



NEW HR PLATFORM

Another novelty in 2017 was the launch of the HR Connect online platform, that enables all employees at any location to rapidly and easily access a series of human resources information, such as data on remuneration, leave, health plan and holidays.

Snapshot

HUMAN RESOURCES	2015	2016	2017
Employees ¹	50,413	45,916	43,095
Turnover	15.5%	14.8%	15.5%
Average number of hours training per employee	41	36	40
Critical positions with successors mapped	78%	81%	89%
Organizational Health Index (OHI)			
Score	63	63	62
Quartile ²	3	3	3

1 The numbers reflect the adjustments made by the Group in pursuit of greater efficiency and competitiveness.
2 In OHI methodology, the 3rd quartile represents the companies with the best scores.

STRAIGHT TO THE POINT © Occupational health and safety

Context and positioning

Employee safety is a priority for LATAM and its affiliates, which translates into ongoing efforts to identify, mitigate and prevent risks in the work place and in activities, in an approach that goes beyond mere legal compliance. The critical risks mapped by LATAM are:

- Exposure to noise
- Work at height
- Handling aircraft engines
- Operation of mobile equipment
- Handling hydraulic systems
- Work in confined space

GOLDEN RULES

For each one of the six critical risks mapped by LATAM and its affiliates, there is a corresponding Golden Rule, which systematizes the behavior to be adopted by employees when executing this activity. The Golden Rules are complemented by another four principles applicable to the entire Group, which establish:

Respect for everyone in safety procedures;

Safety is everyone's responsibility;

Everyone should immediately report unsafe conditions or actions;

The use of personal protective equipment (PPE) is mandatory.

Management approach



In occupational health and safety, LATAM and its affiliates prioritize:

- Improving performance in key indicators such as injury, days lost, critical risk, high impact incident and fatality indicators. The Group also employs an Action Plan Index (API) to monitor execution.
- Full commitment to safety (employees and leaders).

Advances in 2017

PREVENTIVE APPROACH

In 2017, LATAM and its affiliates extended monitoring of the action plan index (API), which entails an innovative, proactive approach to risk management, to all its units. From the universe of potential risks identified, the monitoring indicates how many are being managed based on mitigation plans. Calculation of the index also takes into account the level of seriousness of the risks mitigated. For example: putting into practice a plan to manage a risk with a high potential for damage has a greater weight in the final index than managing a risk with a low damage potential.

PERFORMANCE

There was an improvement in all the general safety indicators, but the result is still below target. The lost days rate was 15.5 in 2017, 54% lower than in 2016 and 33% lower than the 2015 rate. The injury rate (1.03) was higher than the target established for the period and some accidents occurred. All the maintenance teams receive alerts related to incidents and training refreshers in the use of the correct procedures.

IMPROVEMENT TARGETS

Similar to operational security, occupational health is guided by a continuous improvement system that sets increasingly ambitious targets based on historical performance. For 2018, LATAM and its affiliates enhanced their methodology for establishing injury rate performance targets. There was an increase in the weight attributed to critical risk related incidents with the potential to cause permanent injuries or fatalities; high impact incidents (accidents resulting in more than 100 days lost); and fatalities of company employees or third-parties.

The injury rate dropped 48.5% between 2013 and 2017; for 2018 the Group projects a further 18% decrease.



COMMITMENT AND ATTITUDE

- Go & See: leaders participate in specific meetings on safety and environmental performance in the subsidiaries, demonstrating that everyone must show commitment.
- Adaptation of the online system to mobile format, enabling any employee to make a post about a safety incident or deviation (*further information on PAGE 66*).
- Engagement of employees from different areas to assist the Health and Safety team in the identification of new risks for inclusion in the API on field visits.

Snapshot

OCCUPATIONAL HEALTH AND SAFETY [403-2]	2013	2014	2015	2016	2017
Injuries	1,028	807	739	542	444
Injury rate ¹	2.00	1.57	1.42	1.12	1.03
Lost days	18,046	12,764	12,072	16,324	6,680
Lost days rate ²	35.12	24.78	23.16	33.65	15.46

¹ Total injuries/average number of employees X 100. All work-related accidentees that cause at least one day lost are included.

² Days lost/average number of employees X 100. Includes days lost by work-related injuries, diseases and fatalities.



Safety

Safety . _____

STRAIGHT TO THE POINT ◎ Operational safety

Context and positioning

Safety is a non-negotiable value for LATAM Airlines Group and its affiliates and managing it effectively is essential for business continuity. The Group is compliant with the most rigorous international norms and aligned with standards of excellence in this area.

After concluding the integration of safety risk management in 2016, the Group continues to enhance its practices and systems in a standardized manner. The major focus is on safety and security, where the processes are aimed at preventing accidents and protecting clients and employees.

Management approach



4 PILLARS

- The definition of **policies and responsibilities**, which establish the roles of each person, in particular, those in leadership functions.
- **Risk management** to identify, analyze and mitigate operational risks by means of proactive, reactive and predictive tools.
- Monitoring safety standards and indicators.
- Promoting a **safety culture** (*read more on PAGE 67*).

The Safety, Quality and Environment Policy makes LATAM and its affiliates commitment to the highest standards of management and performance explicit.

Advances in 2017

MANAGING RISKS

- **Expert scrutiny:** In 2017, a program to proactively identify potential risks during flights was initiated. This involves temporarily transferring experienced pilots from their regular duties to act as observers on flights. Their recommendations generate improvement plans for training and operating routines. The first round of the program was focused on the ability of crews to actively monitor the flight. In all, 200 observations were undertaken.
- **Attention all:** Another new feature during the year was the updating of the online platform open to all employees enabling them to report safety incidents and deviations. In 2017, there were more than 17,400 reports. At the end of the year a version for tablets and smartphones was released, facilitating and streamlining the process. With the mobile version, the employee can prepare the report offline. It is then stored and sent as soon as the device is connected to the internet.

CONSTANT IMPROVEMENT

LATAM and its affiliates also have a monitoring panel, which includes data on flight safety (such as risk of terrain collision, unstable approach and loss of control), security, workers and ground operations.

Operational safety employs a continuous improvement process based on targets and alert settings. The target level of safety (TLS) is established in accordance with the average of the best 12 monthly performances over the previous 24 months, and the alert settings are based on standard deviations, aimed at quantifying the unacceptable performance threshold during a specified monitoring period.

When an alert is triggered, appropriate follow-up action is taken, such as further analysis to determine the source and root cause of the abnormal event rate and any necessary actions to address the unacceptable trend.

ON THE GROUND

Ground activities are critical both in terms of equipment and structures and work. During fueling and the loading/unloading of baggage and cargo, for example, an average of 12 vehicles work in confined spaces close to the aircraft. This question merited the creation of a new discussion and improvement forum in 2017, in which serious incidents or one's with high damage potential are analyzed.

INTEGRATED SYSTEM

Since 2016, LATAM has been using a system that monitors on average 95% of the flight information from all different flight phases. As soon as the aircraft lands, the data – around 1,200 parameters are generated per second – are processed automatically and analyzed by specialists. This system permits prior identification of technical problems, standard operating procedures deviations and maintenance needs.

LATAM PERFORMANCE

70%

fewer deviations/ incidents in ground operations than the airline industry average, according to International Air Transport Association (IATA) data.

Safety culture



“Safety is a watchword for LATAM and covers care for our employees, passengers and the community as a whole. We are aware that safety demands monitoring and a commitment to continuous improvement in preventive practices. The Safety 2.0 movement reflects this positioning and is aimed at ensuring that our safety standards evolve in line with our business growth strategy.”

ENRIQUE ROSENDE
VICE PRESIDENT, SAFETY

LATAM Airlines Group and its affiliates initiated a new cycle focused on strengthening the organization’s safety culture in 2017. The measures comprise the Safety 2.0 program, which incorporates communication, engagement and training strategies aimed above all at ensuring all areas are committed to monitoring specific indicators and achieving the organization’s goals and targets in this area. In the operational sectors, for example, the indicators monitor the level of excellence in managing incidents, while in the Human Resources area targets are related to reducing occupational injuries. With this change, LATAM is evolving to a model in which all leaders share responsibility for disseminating and consolidating the safety culture.

Safety 2.0 also included the enhancement of the audit system with the mapping of critical processes, which serves as a basis for more in-depth and effective analyses.

Rigorous monitoring

LATAM monitors two groups of indicators, with on-target performance for both.

The safety performance index **FLT** aims to measure flight safety indicators in an integrated manner, incorporating weights for each event as well as different accelerators based on operational risk.

The safety performance index **MNT** measures flight and ground consequences caused by maintenance issues, such as engine failure (the weight of which is doubled due to its seriousness), air turnback, diversion and rejected landing.



In 2017, LATAM and its affiliates worked on reinforcing its safety culture, emphasizing leaders’ responsibility for disseminating this commitment among the entire workforce.

SHARING EXPERIENCE

LATAM greatly values dialogue, sharing experiences and learning with other airline companies within the applicable legal framework. This is why it participates in specific working groups and forums such as those organized by the International Air Transport Association (IATA) and the Latin American and Caribbean Air Transport Association (ALTA).

In 2017, in conjunction with other Latin American airlines, LATAM organized a working group to discuss international security, including terrorist attacks and other threats while boarding passengers and during flights. To enrich the debate, representatives from a North American and a European airline were invited.

Other management fronts

Safety management also encompasses the occupational and infrastructure areas. The former is related to employees (see PAGE 64) while the latter is aimed at stopping illicit actions that could impact security. To prevent security breaches, the Group has a series of procedures such as controlling the entry and exit of employees and visitors to LATAM and its affiliates premises and safeguarding aircraft remaining on the tarmac and in hangars overnight, as well as cargo shipments. At the airports, LATAM and its affiliates are compliant with applicable legislation related to boarding passengers without the proper documentation (out-of-date or counterfeit) or inadmissible passengers, (barred at the destination). In 2017, more rigorous security rules were announced for all international flights arriving in the United States, and LATAM adapted its procedures accordingly.



4.5 minutes
The time it takes
LATAM's emergency
response plan to
mobilize participants.

Emergency response

The corporate emergency response plan is part of the LATAM safety structure. Overseen by the Emergency Committee, it is underpinned by four major principles:

- providing care for passengers and family members, including psychological support;
- supporting the authorities in investigation processes;
- communicating pertinent information to the press;
- ensuring the maintenance of LATAM's activities.

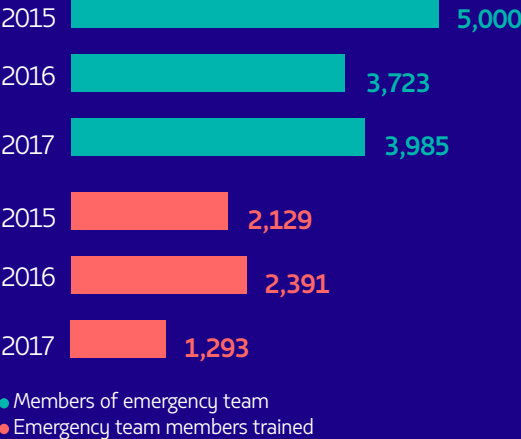
When activated, the plan mobilizes 3,985 employees in 11 local committees – there is a committee in each of the Group's subsidiaries: Chile, Brazil, Argentina, Peru, Colombia, Ecuador, United States, Paraguay, Spain, Mexico and LATAM Cargo Brasil.

Since 2016, the Group has organized Emergency Weeks in its 11 subsidiaries, with the purpose of raising awareness among leaders and employees. These events involve training, drills and simulations. In 2017, almost 1,300 people in the teams directly involved in the emergency plans underwent training. Including the airport teams, 7,600 staff members were trained.

Currently LATAM is focused on developing its online training system. Other work focuses include improvements to the programming of the Emergency Weeks and the development of a future incentives policy for volunteer participants.



EMERGENCY RESPONSE



So

ciety

Society •



STRAIGHT TO THE POINT Driving regional development

Context and positioning

In addition to its direct and indirect economic impacts, measured by the number of jobs generated, employee remuneration, taxes paid and business done with suppliers, the aviation sector also has a positive impact on the development of other associated value chains, such as tourism, leisure and business.

The connections generated by the airline industry drive and can modify the profile of economic activity in different regions. According to an estimate by Oxford Economics¹, the airline sector corresponds on average to 3.5% of the wealth generated per year. In Brazil alone, the economic impact generated by air travel is approximately R\$312 billion a year, equivalent to 3.1% of all the wealth produced in the country.

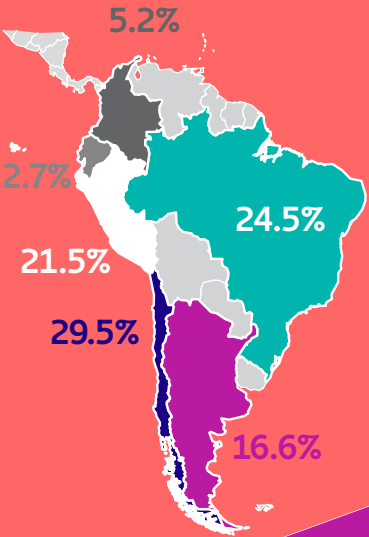
¹ Study conducted by the Brazilian airline association Abear (Associação Brasileira das Empresas Aéreas) and released in the publication *Voar por Mais Brasil*. The calculation takes into account the aviation sector's multiplier effect on the country in 2015 and the Gross Domestic Product (GDP) in the same year.
² Amount and percentages estimated based on the average spend per tourist informed by different local tourism and statistics bureaus.

LATAM PASSENGERS [203-2] Income generated by tourism in 2017²

Total:
US\$4.6 billion

- Argentina
- Brazil
- Chile
- Colombia
- Ecuador
- Peru

5 million passengers
transported by LATAM on international flights to destinations within South America.



MULTIPLIER EFFECT
Each US\$1 invested in aviation in Brazil generates US\$8 throughout the production chain, and each direct job created in the sector generates another ten jobs along the chain.¹



US\$1
invested in aviation
US\$8
of wealth generated in the production chain

Management approach



LATAM works on ensuring that a growing number of people have the opportunity to fly and invests in new operating models to adapt to the evolution of the consumer profile. By means of a broad network of destinations and strategic hubs, the Group helps to drive mobility in Latin America, promoting tourism throughout the region and economic activity in the six countries in which it operates.

In addition to its indirect economic impacts, the Group actively promotes sustainable tourism and preservation of the environment and the historical and cultural heritage of the region, as well as providing logistics support for social actions and humanitarian aid.

Advances in 2017

Strategic vision: LATAM is reviewing its corporate citizenship directives to ensure strategic alignment with the countries in which it operates and to drive even greater relevance and effectiveness in its social investments. The elements considered in this review include: diagnosis of existing programs; mapping of positive and negative operational impacts; and benchmarking.

Sustainable tourism: eight cities benefited by the Cuido mi Destino program (see PAGE 71).

Social logistics: through humanitarian aid initiatives, transportation of recyclable materials to ensure protection of fragile habitats and the donation of air tickets to charities and non-governmental organizations, LATAM places the business's connectivity at the service of society, benefiting thousands of people (see PAGE 73).



"Reviewing our corporate citizenship directives will enable us to optimize and better focus our social investment, with a view to ensuring that our programs, support for charities and humanitarian aid have a measurable impact on society."

GISELA ESCOBAR
VICE PRESIDENT, CORPORATE AFFAIRS

Sustainable tourism

[203-1 and 203-2]



more than
US\$2 million

invested in Cuido
mi Destino from
2009 to 2017.

S

ince 2009, the Cuido mi Destino program has mobilized LATAM Airlines Group and its affiliates employees, young students, representatives of public authorities and civil society to act as volunteers in projects that use tourism as a tool to preserve cultural and environmental heritage and to promote social development.

The projects involve the training of residents, the repair or reconstruction of tourist spots, the restoration of green areas and foment for typical regional activities. These initiatives are aimed at reviving the regions' potential for tourism and promoting local commerce and services.

In 2017, LATAM invested US\$227,294 in the program and benefited eight locations in Argentina, Brazil, Chile, Colombia and Peru. Total investment since 2009 has exceeded US\$2 million.



Environmental awareness

The project was implemented in Raposa, in the state of Maranhao, and reinforced the tourism potential of the municipality, as well as promoting community environmental awareness. There were workshops for students and events open to the local population. These included the planting of tree seedlings, garbage collection, the painting of 220 meters of walls in public areas, the manufacture of garbage containers made from recycled materials and signs for tourist and cultural attractions in Raposa.

The actions involved 230 students and 15 teachers from public schools in the municipality, eight volunteer employees and nine community members, who were responsible for the workshops. An average of 150 people participated in each of the four open events.



REVITALIZING A BELVEDERE

In 2017, LATAM Airlines Argentina inaugurated a new route between Santiago and Neuquén, in Argentinean Patagonia, and this destination was included in the program. The initiative involved 25 students from the city and from San Pedro de Colalao, in the province of Tucumán, who had already participated in a previous edition of the program.

They worked on revitalizing a belvedere – Mirador Del Este –, with the development of recreation areas, the provision of new benches for visitors, new trash cans and even a solar energy-powered station for recharging cellular telephones and other electronic devices. In addition to the students, the program involved six LATAM volunteers, five teachers from two schools and a total of ten representatives from the Neuquén tourist board, a partnering university and a civil society association.



ISOLATED ENVIRONMENT

In Colombia, work continued on the project focused on conservation and environmental care on the island of San Andrés, an important tourist destination in the country. Around 90 students and 75 LATAM employee volunteers participate in the project. In 2017, the participants were organized in groups to clear garbage from a two-kilometer stretch of beach and to paint eight murals that decorate the coastal area.



Long-term vision

In Chile, the program's focus continues to be the Huilo Huilo nature reserve, in the province of Valdivia. The objective here is to consolidate tourism as a tool to drive social development for the community and to conserve native flora and fauna, in particular measures to prevent the extinction of the symbolic Chilean mammal the *huemul*, in Spanish, also known as the South Andean deer. Undertaken in partnership with the Fundación Huilo Huilo, the project has been in place for three years. In 2017, it included training in entrepreneurship and digital inclusion for artisans and tourist guides, talks with students and residents about environmental awareness, institutional support for the launch of the Fundación Huilo Huilo's book *El Huemul*, and the construction of three houses which constituted the Artisan's Settlement, in Kümün Park.

SUSTAINABLE TOURISM
INITIATIVES SUPPORTED BY
LATAM STRENGTHEN LOCAL
ECONOMIES.



Launching careers

At the end of 2017, LATAM Airlines Peru launched its new program to foment sustainable tourism in the country. This is the Cocineros que Vuelan (Flying Cooks, in the English translation) program, to be undertaken in partnership with the Fundación Pachacútec, different public authorities and with support from renowned chefs, who will act as sponsors of the participants.

In the program, LATAM will provide full study scholarships for youngsters who want to study gastronomy. The two and a half year course comprises theoretical and practical components, with the scholarship covering expenses with meals, accommodation and transportation. All the foundation students may also compete for an internship program in international benchmark restaurants, that includes return tickets and a living allowance.

The program will capture talents from 12 locations in which LATAM operates. The idea is precisely to help these future chefs to disseminate Peruvian gastronomic culture and to drive the economic development of their communities. The Group will also invest in promoting health-care and tourism in the participating cities and regions, with measures that should benefit approximately 38,000 people by 2021. While the course is underway, five and six-year old children studying in the schools participating in the program will receive medical accompaniment focused on eradicating anemia and malnutrition within the communities. Teachers and parents will also benefit from seminars addressing questions such as sustainable, healthy eating habits and promoting local tourism.

[203-1 and 203-2]

Social logistics

LATAM also takes advantage of its structure and network as as a group to develop another sphere of corporate social responsibility. This involves enabling the transportation of people, animals and cargos either free of charge or at subsidized prices in emergencies or cases of vulnerability in order to generate social and environmental value. This action front ranges from the donation of air tickets – via partnering institutions – to people needing medical treatment, the transportation of organs and tissue to be used in transplants, the transportation of recyclable materials collected in fragile and isolated habitats, animal rescue and support for humanitarian aid.

An example is the Avión Solidario (Humanitarian Airplane), which went into action in three emergency situations in 2017 based on requests from embassies and humanitarian aid organizations. LATAM was active in combating the fires that affected Southern Chile in January. The Group also provided support in Peru, where more than 133,000 people were made homeless by the floods caused by the El Niño phenomenon in March. LATAM Peru organized 27 charter flights to transport 174 metric tons of donations and 2,300 people, including victims made homeless and volunteers. In partnership with the Another Joy Foundation, the program helped victims of hurricane Maria, which hit Puerto Rico in September.

The hurricane was one of the meteorological phenomena that affected different countries in Central America, the Caribbean and North America in the second half of the year. This was the first time LATAM released a cargo aircraft exclusively to deal with an emergency – normally the Group provides space in its aircraft for the transportation of diverse items (food, medication, personal hygiene products and others), as well as volunteers. Since Puerto Rico is not part of the LATAM destination network, it was necessary to form a task force to speedily organize the flight to the country's capital, San Juan, in order to get permission from the authorities responsible for controlling air space, among other things. In all, six LATAM teams were mobilized to ensure the transportation of 44 metric tons of emergency supplies.

Humanitarian aid

FOR 2018, THE GROUP IS PREPARING A NEW ACTION PROTOCOL FOR NATURAL CATASTROPHES AND OTHER EMERGENCIES.

In support of a campaign led by the Brazilian airport authority Infraero (Empresa Brasileira de Infraestrutura Aeroportuária), LATAM Airlines Brazil also transported 212.6 metric tons of goods for communities impacted by floods in diverse regions of the country. Through these actions, a total of 438 metric tons of humanitarian cargos were transported during the year.



Transporting organs and tissue

In December 2017, the term of commitment between LATAM and the Brazilian Ministry of Health for the transportation of organs and tissue used in transplants was renewed. Since the partnership began in 2013, some 6,700 organs have been transported.



Transportation of animals

LATAM transported 129 animals under threat, including wild birds, penguins and monk seals. The service provides support for animal rescue efforts undertaken by environmental organizations in diverse countries and enables the return of these animals to their natural habitats. In Brazil alone, 102 animals were transported, including toucans and macaws.



Transportation of recyclable materials

In partnership with the local government on Easter Island in the Pacific Ocean, a flight of approximately six hours from the Chilean capital, Santiago, LATAM transported 171 metric tons of recyclable materials, such as cardboard, aluminum, plastic and electronics, in 2017. The partnership has been in place for four years, and the income generated by the commercialization of the materials is invested in environmental preservation projects on the island. LATAM is the only airline that operates on Easter Island.

A similar agreement was made with the government of the island of San Andrés in Colombia, declared a Biosphere Reserve (Seaflower) by the United Nations Educational, Scientific and Cultural Organization (UNESCO). To date, LATAM has transported 13 metric tons of used tires to the country's capital, Bogotá, where a supplier reprocesses the material for use as a source of energy in other processes. By avoiding the accumulation of this type of material, the initiative contributes towards preserving the ecosystem and improving sanitary conditions on the archipelago, as well as decreasing the incidence of disease-carrying mosquitoes.

Charity campaigns

In all the countries in which the Group operates, employee volunteers participate in donation campaigns that benefit charities and social organizations. Colombia invested in the donation of 1,200 new uniforms for children and youths supported by the Fundación Vida y Esperanza. In Argentina, 50 boxes of clothes and non-perishable foods were collected and distributed to families affected by heavy rains in the city Comodoro Rivadavia, in the province of Chubut. In Brazil, the traditional Winter Clothing Campaign raised 750 kg of clothes, blankets and other articles.

LATAM Airlines Ecuador also donated 7,000 energy bars to a food bank in the city of Guayaquil. These items had been offered during flights to the island of Baltra, in the Galapagos, before the implementation of the LATAM Market.

A campaign was initiated to encourage employees to donate their old uniforms. In Brazil, the clothes were collected by the NGO Amigos do Bem, which takes them apart and distributes the material in underprivileged communities. A total of 9,400 employees participated in the initiative.

In Chile, 2.5 metric tons of old uniforms were sold to a clothes recycling company. The proceeds were donated to the Fundación DeBuenaFe, which promotes entrepreneurship among underprivileged women.

In Peru, the old uniforms of 1,200 employees were sent to the Asociación de Artesanas de Pachacamac, a re-

gion close to the country’s capital, Lima. The women in the association transformed the donated clothes into new products, which were then sold by the association.

The dream of flying

LATAM Airlines Peru made the dream of flying come true for 150 underprivileged children during 2017. The project was supported by 106 employee volunteers. In Argentina, 133 children from public schools in the Buenos Aires, Cordoba and Iguazu regions benefited from the program.

DONATIONS POLICY

Approved at the end of 2016, the LATAM Donations Policy was implemented in 2017 with the objective of organizing the Group's cash donations, provision of services for charities and humanitarian aid. The document sets forth the criteria, the validation stages and the levels of authority required for the concession of courtesy tickets, the free transportation of cargo and cash donations to non-governmental organizations, foundations and other civil society entities. The policy, overseen by the Legal and Compliance areas, enables the Group to ensure conformance. Beneficiaries are submitted to a prior assessment, which encompasses legal compliance, and all contracts include an anti-corruption clause.

Non-financial contributions are defined locally by the Corporate Affairs area. Cash donations require the joint approval of different executives.

AMOUNT	APPROVAL REQUIRED			
	LATAM CEO	Vice president, Corporate Affairs	Senior Management Committee	Board of Directors
< US\$5,000	✓	✓		
US\$5,000 – US\$10,000	✓	✓	✓	
> US\$10,000	✓	✓	✓	✓

In Chile, every week 19 volunteers receive students from schools in diverse regions of the country. The students get free flights to visit the LATAM operational base in Santiago. This is the heart of the Group’s operations, staffed by more than 2,500 people.

In Ecuador, the project organized a special initiative on International Girl’s Day on October 11. A mother, her daughter and a niece had the opportunity to fly for the first time ever.


ECONOMIC DIMENSION

ENVIRONMENTAL DIMENSION

SOCIAL DIMENSION

[\Presentation](#) [\Who we are](#) [\Sustainability](#) [\Our business](#) [\Suppliers](#) [\Customers](#)

[\Environment](#) [\Employees](#) [\Safety](#) [\Society](#) [\About the report](#) [\Attachments](#) [\Credits](#)

 **Snapshot** [203-1]

SOCIETY	2015	2016	2017
Fomenting sustainable tourism: Cuido mi Destino			
Places benefiting	9	7	8
Students involved	516	358	668
Total investment (in US\$)	228,913	181,612	227,294
Social logistics			
Air tickets donated	4,558	4,059	7,439
Cargo transported as humanitarian aid (metric tons)	139	678	438
Recyclable material transported (metric tons)	303	143	184



About the report

About the report .

Report and materiality

[102-40, 102-42, 102-43, 102-46, 102-50 and 102-56]

ATAM is publishing the 2017 edition of its Sustainability Report, which presents the main advances and challenges in managing for sustainability during the year. The information covers all the companies of the LATAM Airlines Group for the period from January 1st to December 31st. The report was submitted to external assurance (see [PAGE 85](#)). The principles adopted in the preparation of the document – context, balance – completeness, materiality and stakeholder inclusiveness – were established in accordance with the GRI (Global Reporting Initiative) guidelines, the main sustainability communication benchmark in the world.

As a basis for selecting the topics to be addressed in the publication, the Group conducted a materiality definition process which involved diverse consultations with its stakeholder groups and an analysis of the organization’s principal significant economic, environmental and social impacts.



The commitment to managing sustainability and to maintaining open dialogue was reaffirmed in 2017, when LATAM reviewed the list of most relevant topics for the business and stakeholders. The work shaped the preparation of this edition of the report.

STAKEHOLDER GROUP ¹	CONSULTATION METHODOLOGY
Employees	Online survey
Customers	Online survey
Suppliers	Online survey
Investors and shareholders	Research into the sustainability topics incorporated into the investment policies of the Group’s seven main investors and shareholders ²
Society (civil society organizations and the press)	Research into the sustainability topics in the publications of 14 organizations ³ with whom LATAM maintains relations and sustainability topics involving LATAM published in the press in the course of 2017
Authorities	Research into the sustainability topics raised in the publications of ten regulatory authorities ⁴
Aviation industry	Research into the sustainability topics raised in the publications of six competitors ⁵ , ten industry associations ⁶ and three specialists ⁷

1 The selection of the stakeholders consulted was conducted in accordance with LATAM Sustainability Policy. The groups with which LATAM interacts directly or indirectly and that are impacted positively or negatively by its activities were taken into consideration.

2 Banco de Chile (Citi in USA); JP Morgan; Deutsche Bank; Santander; Larrain Vial; Raymond James; and BTG Pactual.

3 América Solidaria; TECHO; Chilenter; Fundacion la Nacion; Fundación Sí; Cimientos; SAFUG (Sustainable Aviation Fuel Users Group); Junior Achievement; Amigos do Bem; Make a wish; Instituto Rodrigo Mendes; Operación Sonrisa Colombia; Operación Sonrisa Peru; and Fundación Pachacútec.

4 JAC Chile (Junta de Aeronáutica Civil); Nuevo Pudahuel – Chile; Municipalidad Isla de Pascua – Chile; Anac Argentina (Administración Nacional de Aviación Civil); Anac Brasil (Agência Nacional de Aviação Civil); SAC Brasil (Secretaria Nacional de Aviação Civil); Infraero Brasil; Aerocivil Colombia (Aeronautica Civil – Unidad Administrativa Especial); Cnac Ecuador (Consejo Nacional de Aviación Civil); and DGAC Peru (La Dirección General de Aeronáutica Civil).

5 China Airlines; Gol; Lufthansa; ANA (All Nippon Airways); Delta Airlines; and Airfrance/KLM.

6 IATA (International Air Transport Association); ALTA (Latin American and Caribbean Air Transport Association); Amcham Chile (American Chamber of Commerce); Idea (Instituto para el Desarrollo Empresarial de la Argentina); Jurca (Cámara de las Compañías Aéreas em Argentina); Abear (Associação Brasileira das Empresas Aéreas); Abraba (Aliança Brasileira Para Biocombustíveis de Aviação); Atac (Asociación del Transporte Aéreo en Colombia); Arlae (Asociación de Representantes de Líneas Aéreas en el Ecuador); and Aetai Peru (Asociación de Empresas de Transporte Aéreo Internacional).

7 SASB (Sustainability Accounting Standards Board) – Airlines Materiality Map; GRI (Global Reporting Initiative) – Sustainability Topics for Sectors: What do stakeholders want to know? – Air Transportation – Airlines; and DJSI (Dow Jones Sustainability Indexes) – DJSI Company Benchmark Report.

Defining priorities

After the consultations and analysis of the data, the topics were prioritized based on a comparison of the level of relevance (stakeholders' view) and the level of impact (view of LATAM senior management and material topics identified by the SASB). The matrix, comprising ten topics, was validated by the LATAM CEO.

As a result, the 2017 Sustainability Report covers the way in which LATAM works to manage each material topic, as well as the performance it achieved in 2017, measured by GRI and SASB indicators and other monitoring systems used by the Group.

It should be noted that while the new list of relevant topics does not include eco-efficient management; reductions in noise and other emissions; and value chain, which were on the previous list, the Group retains its focus on these issues. They are incorporated into the approach adopted for other relevant aspects. For example, the topic mitigation of climate change includes the efficient use of fuels, and the topics financial sustainability, destination network and sustainable tourism also take into account aspects related to the value chain. [102-49]

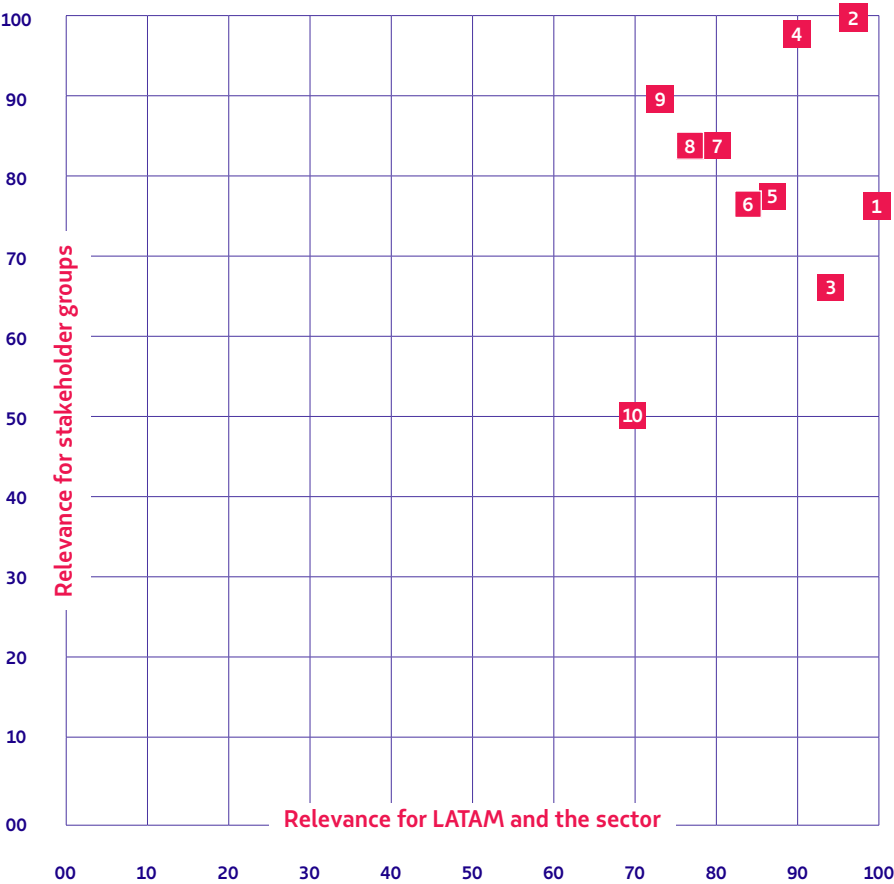


ONLINE SURVEY

1,285
employees

1,044
customers

68
suppliers



- 1 Health and safety in the air and on the ground

2 Ethics and anti-corruption

3 On-time performance

4 Economic and financial sustainability

5 Employee development
- 6 Mitigating climate change

7 Customer focus

8 Destination network and connectivity

9 Relations with authorities

10 Sustainable tourism

Summary of GRI content

[GRI 102-55]

Topic	Disclosure	Omissions	Page/response
	101 FOUNDATION 2016		
	102 GENERAL DISCLOSURES 2016		
Profile	102-1 Name of the organization		8
	102-2 Activities, brands, products and services		The main services offered are the transportation of passengers and cargoes; there are no cases of banned services in any of the markets operated. A complete description is provided on page 8.
	102-3 Location of headquarters		Chile
	102-4 Location of operations		8
	102-5 Ownership and legal form		13
	102-6 Markets served		8
	102-7 Scale of the organization		8
	102-8 Information on employees and other workers		60 and 62
	102-9 Supply chain		39
	102-10 Significant changes in the organization and its supply chain		There were changes in the ownership structure (page 14). Other information about operational and administrative changes may be found in the LATAM Annual Report (goo.gl/39PqLC).
	102-11 Precautionary principle or approach		LATAM does not formally adopt the precautionary principle but does incorporate potential operational impacts and risks to consumers and society into its planning. All the Group's services – routes, itineraries, maintenance activities and loyalty programs – are compliant with the applicable legislation.
	102-12 External initiatives		27
	102-13 Membership of associations		27 and 87

Topic	Disclosure	Omissions	Page/response
Strategy	102-14 Statement from senior decision maker		5
Ethics and integrity	102-16 Values, principles, standards and norms of behaviour		16
	102-17 Mechanisms for advice and concerns about ehtics		16
Governance	102-18 Governance structure		14
Stakeholder engagement	102-40 List of stakeholder groups		25 and 77
	102-41 Collective bargaining agreements		From the total workforce, 83.9% are covered by collective bargaining agreements and 42.6% are unionized.
	102-42 Identifying and selecting stakeholders		25 and 77
	102-43 Approach to stakeholders engajement		25 In addition to the approach described in Report and Materiality, management of LATAM's routine relations with stakeholders is presented in the chapters Suppliers, Customers, Employees and Society.
	102-44 Key topics and concerns raised		92
Reporting practices	102-45 Entities included in the consolidated financial reports		All the subsidiaries were covered by the report.
	102-46 Defining report content and topic boundaries		77 and 92
	102-47 List of material topics		92
	102-48 Restatements of information		The days lost and injury rate data for 2016 were corrected and are different from those published in the 2016 Sustainability Report.
	102-49 Changes in reporting		78
	102-50 Reporting period		77
	102-51 Date of most recent report		2017
	102-52 Reporting Cycle		Annual
	102-53 Contact point for questions regarding the report		4
	102-54 Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards, Core option.
	102-55 GRI content index		79
	102-56 External assurance		85

Topic	Disclosure	Omissions	Page/response
	103 MANAGEMENT APPROACH 2016 (for all occurrences)		
	TOPIC-SPECIFIC STANDARDS 2016 (for all occurrences)		
Economic performance	103-1	Explanation of the material topic and its boundaries	34 and 92
	103-2	The management approach and its components	13, 16 and 35
	103-3	Evaluation of the management approach	13
	201-1	Direct economic value generated and distributed	35
	201-2	Financial implications and other risks and opportunities due to climate change	34
Indirect economic impacts	103-1	Explanation of the material topic and its boundaries	70 and 92
	103-2	The management approach and its components	13, 16 and 70
	103-3	Evaluation of the management approach	13
	203-1	Infrastructure investments and services supported	71 and 73
	203-2	Significant indirect economic impacts	71 and 73
Anti-corruption	103-1	Explanation of the material topic and its boundaries	15 and 92
	103-2	The management approach and its components	13, 15 and 16
	103-3	Evaluation of the management approach	13 and 16
	205-2	Communication and training in anti-corruption policies and procedures	15
	205-3	Confirmed incidents of corruption and actions taken	16
Anti-competitive behavior	103-1	Explanation of the material topic and its boundaries	15 and 92
	103-2	The management approach and its components	13, 15 and 16
	103-3	Evaluation of the management approach	13 and 16
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None

Topic	Disclosure	Omissions	Page/response
Energy	103-1 Explanation of the material topic and its boundaries		54
	103-2 The management approach and its components		13, 16 and 54
	103-3 Evaluation of the management approach		13
	302-1 Energy consumption within the organization		54
	302-4 Reduction of energy consumption		50
Emissions	103-1 Explanation of the material topic and its boundaries		50 and 92
	103-2 The management approach and its components		13, 16 and 50
	103-3 Evaluation of the management approach		13
	305-1 Direct (Scope 1) GHG emissions		89
	305-2 Energy indirect (Scope 2) GHG emissions		89
	305-3 Other indirect (Scope 3) GHG emissions		89
	305-4 GHG emissions intensity		89
	305-5 Reduction of GHG emissions		50
	305-6 Emissions of ozone-depleting substances (ODS)		90
Effluents and waste	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		90
	103-1 Explanation of the material topic and its boundaries		50 and 92
	103-2 The management approach and its components		13, 16 and 50
	103-3 Evaluation of the management approach		13
	306-2 Waste by type and disposal method		90
Environmental compliance	103-1 Explanation of the material topic and its boundaries		13 and 16
	103-2 The management approach and its components		15
	103-3 Evaluation of the management approach		13
	307-1 Non-compliance with environmental laws and regulations		None

Topic	Disclosure	Omissions	Page/response
Employment	103-1	Explanation of the material topic and its boundaries	60 and 92
	103-2	The management approach and its components	13, 16 and 60
	103-3	Evaluation of the management approach	13
	401-1	New employees hires and employee turnover	60 and 91
Occupational health and safety	103-1	Explanation of the material topic and its boundaries	64 and 92
	103-2	The management approach and its components	13, 16 and 64
	103-3	Evaluation of the management approach	13
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	64 The days lost are computed in accordance with the local legislation in each country. Argentina, Colombia and the United States start the count from day after the accident; the other countries count from the day the accident occurred. The indicators do not cover commuting accidents.
Training and education	103-1	Explanation of the material topic and its boundaries	60 and 92
	103-2	The management approach and its components	13, 16 and 60
	103-3	Evaluation of the management approach	13
	404-1	Average hours of training per year per employee	62 and 91
Public policy	103-1	Explanation of the material topic and its boundaries	16
	103-2	The management approach and its components	13 and 16
	103-3	Evaluation of the management approach	13
	415-1	Political contributions	16
Marketing and labeling	103-1	Explanation of the material topic and its boundaries	15 and 92
	103-2	The management approach and its components	13 and 16
	103-3	Evaluation of the management approach	13
	417-3	Incidents of non-compliance concerning marketing communications	None
Socioeconomic compliance	103-1	Explanation of the material topic and its boundaries	15 and 92
	103-2	The management approach and its components	13 and 16
	103-3	Evaluation of the management approach	13
	419-1	Non-compliance with laws and regulations in the social and economic area	None

Global Compact!

LATAM is a signatory to the Global Compact, a United Nations Organization initiative aimed at mobilizing the international business community to adopt a series of fundamental and internationally accepted values in the areas of human rights, labor relations, the environment and anti-corruption in business practices.

The following table indicates the location in the report of the main actions undertaken.

HUMAN RIGHTS

- 1** Support and respect the protection of internationally proclaimed human rights.
PAGES 23 AND 38
- 2** Ensure non-complicity in human rights abuses
PAGE 38

LABOR

- 3** Uphold the freedom of association and the effective recognition of the right to collective bargaining
PAGE 80
- 4** Support the elimination of all forms of forced and compulsory labor
PAGE 38
- 5** Support the effective abolition of child labor
PAGE 38
- 6** Eliminate discrimination in respect of employment and occupation
PAGE 16

ENVIRONMENT

- 7** Support a precautionary approach to environmental challenges
PAGES 49 AND 88
- 8** Undertake initiatives to promote greater environmental responsibility
PAGE 38
- 9** Encourage the development and diffusion of environmentally friendly technologies
PAGE 54

ANTI-CORRUPTION

- 10** Work against corruption in all its forms, including extortion and bribery
PAGES 15 AND 16



INDEPENDENT REVISION REPORT OF LATAM SUSTAINABILITY REPORT 2017

Ms.
Gisela Escobar
VP of Corporate Affair
Present

Dear Ms. Escobar,
Hereby, you can find the outcomes of the revision of LATAM Sustainability Report 2017 according to the following aspects:

Scope
Limited security revision of the contents and indicators’ adaptation of the 2017 Sustainability Report according to the GRI Standards, related to the organizational profile and material indicators arisen from the materiality process developed by the Company following the GRI Standards related to economic, social and environmental dimensions.

Standards and Assurance Process
We have carried out our task according the guidelines of the International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

Our review has consisted in an enquiring process to different units and management areas of LATAM, which have been involved in the developing process of the report, as well as in the application of analytic procedures and checking tests, which are described in the following items:

- Meeting with Ms. Alejandra Cueto, Sustainability Analyst.
- Analysis of the adaptation of the 2017 Sustainability Report’s contents to the GRI Standards: Core option, and the review of the indicators included in the report in order to verify that they are aligned with the established protocols in the standard. We also check whether the character of not applicable or not material indicators is justified.
- Verification, through checking tests of quantitative and qualitative information according to the GRI Standards indicators included in the 2017 report, and its adequate gathering from the data provided by LATAM information sources.

Conclusions
— The assurance process was based in the indicators established in the materiality process carried out by LATAM. Once those indicators were identified, prioritized and validated they were included in the report. The reported and verified indicators appear in the following table:

102-1	102-2	102-3	102-4	102-5	102-6	102-7
102-8	102-9	102-10	102-11	102-12	102-13	102-14
102-16	102-17	102-18	102-40	102-41	102-42	102-43
102-44	102-45	102-46	102-47	102-48	102-49	102-50
102-51	102-52	102-53	102-54	102-55	102-56	103-1
201-1	201-2	203-1	203-2	205-2	205-3	206-1
302-1	302-4	305-1	305-2	305-3	305-4	305-5
305-6	305-7	306-2	307-1	308-2	401-1	403-2
404-1	414-2	415-1	417-3	419-1		

- Regarding the verified indicators, we can say that has not revealed any attention that causes us to believe that the Sustainability Report 2017 LATAM has not been prepared in accordance with the GRI Standards in those areas identified in the scope.

Improving Opportunities Report
Additional to this letter, Deloitte is presenting to LATAM a special report including improvement opportunities in order to reinforce management aspects, and the ability of the Company in the elaboration of future sustainability reports.

LATAM Direction and Deloitte Responsibilities
— The preparation of the 2017 Sustainability Report as well as its content is under LATAM responsibility, which is in charge of the definition, adaptation and

- maintenance of the management and internal control systems from which the information is obtained.
- Our responsibility is to emit an independent report based on the applied procedures in our review.
 - This report has been prepared exclusively by LATAM interest, in accordance with the terms established in the Engagement Letter.
 - We have developed our work according to the Independence norms established in the Code of Ethics of the IFAC.
 - The conclusions of the verification made by Deloitte go for the last version of the 2017 LATAM Sustainability Report received on April 20, 2018.
 - The scope of a limited security revision is essentially inferior to a reasonable audit or security revision, thus, we do not give any audit opinion about the 2017 LATAM Sustainability Report.

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Fernando Graziano
Partner



April 23, 2018



Attachments

Attachments . _____

Sustainability | STAKEHOLDERS

MEMBERSHIP OF ASSOCIATIONS [102-13]



ARGENTINA

- Cámara de Comercio Argentino 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)
- Ecomania
- Instituto para el Desarrollo Empresarial de la Argentina (IDEA)
- United Nations Global Compact
- Red de Acción Política (RAP)



FINANCIAL CONTRIBUTIONS

To support sector development and discussions, LATAM makes financial contributions to representative bodies. In 2017, the Group spent approximately US\$1.5 million on trade associations. The five major beneficiaries were: Associação Brasileira das Empresas Aéreas (ABEAR), Latin American and Caribbean Air Transport Association (ALTA), International Air Transport Association (IATA), Asociación de Transporte Aéreo de Colombia (ATAC) and Sociedad de Fomento Fabril de Chile (SOFOPA).



BRAZIL

- Associação Brasileira de Agências de Viagens (Abav)
- Associação Brasileira de Anunciantes (ABA)
- Associação Brasileira de Comunicação Empresarial (Aberje)
- Associação Brasileira dos Consolidadores de Passagens Aéreas e Serviços de Viagens (AirTKT)
- Associação Brasileira das Empresas Aéreas (Abear)
- Associação Brasileira de Franchising (ABF)
- Associação Brasileira de Logística (Abralog)
- Associação Brasileira das Operadoras de Turismo (Braztoa)
- Associação Brasileira de Relações Empresa-Cliente (Abrarec)
- Associação Latino-Americana de Gestão de Eventos e Viagens Corporativas (Alagev)
- American Chamber of Commerce (Amcham Brasil)
- Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (CEBDS)
- Rede Empresarial WWF
- Conselho Nacional de Auto-regulamentação Publicitária (Conar)
- Flight Safety Foundation (FSF)
- Grupo de Estudos Tributários Aplicados (Getap)
- International Air Transport Association (Iata)
- Instituto Brasileiro de Executivos de Finanças (Ibef)
- Instituto Brasileiro de Hospitalidade Empresarial (IBHE)
- Interactive Advertising Bureau (IAB Brasil)
- Junta de Representantes das Companhias Aéreas Internacionais do Brasil (Jurcaib)
- São Paulo Convention Bureau – Fundação 25 de Janeiro
- Sindicato Nacional das Empresas Aéreas (SNEA)



CHILE

- Asociación Chilena de Aerolíneas (ACHILA)
- Cámara Chileno-Brasileña de Comercio (CBC)
- Cámara Chileno Norteamericana de Comercio (Amcham – Chile)
- Cámara de Comercio Chileno-Argentina
- Cámara Chileno-Colombiana de Comercio
- Cámara de Comercio Chileno-Peruana
- Cámara de Comercio de Santiago
- Cámara Oficial Española de Comercio de Chile
- Federación de las Empresas de Turismo de Chile (Fedetur)
- Instituto Chileno de Administración Racional de Empresas (ICARE)
- United Nations Global Compact
- Sociedad de Fomento Fabril



COLOMBIA

- Asociación de transporte Aéreo de Colombia (ATAC)
- Cámara Colombo Chilena



ECUADOR

- Asociación de Representantes de Líneas Aéreas del Ecuador (ARLAE)
- Cámara de Industrias de Guayaquil
- Cámara de Comercio de Guayaquil
- Cámara de Industrias y Producción de Quito
- Cámara de Turismo del Guayas
- Cámara de Turismo de Galápagos



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)
- Empresa Municipal de Festejos del Cusco (EMUFEC)
- Peru 2021
- United Nations Development Program (UNDP)- Empresas que inspiran - Voluntariado Corporativo
- Sociedad de Comercio Exterior del Perú (COMEXPERU)
- Sociedad Nacional de Industrias

Suppliers | SUPPLY CHAIN PROFILE

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.

Environment | POLICIES AND SYSTEM

LATAM’s Safety, Quality and Environment Policy

LATAM Airlines Group is committed in achieving the highest standards of Safety, Quality and Environment in all its operational and administrative activities, facilities and locations where it operates, providing the necessary resources for this purpose.

For that, we are committed to:

Declare Safety as a non-negotiable value of our Company, by encouraging a culture of self-care between our employees, developing prevention-oriented processes, identifying hazards, assessing and mitigating the risks associated with the various operational and administrative activities, inherent to the Company’s operations and ensuring that the operational staff is psychophysically and medically suitable for the performance of their functions.

Comply 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.

Promote the development of a Safety Management System for all the employees involved in operational activities.

Appraise the action and unsafe condition reports by ensuring that no penalties will be applied to those who make them, considering that the error is inherent to the human condition, but without accepting intentional and deliberate deviations to the Company’s operational standards or processes, in this way we are ensuring the correct compliance with the LATAM Airlines Group’s Code of Conduct.

Develop a Safety, Quality and Environmental Management System to regularly review the performance of goals, objectives and resources provided, by implementing the best environmental practices, prevent any type of pollution and efficiently manage our carbon footprint.

At LATAM Airlines Group we apply the principles of ethics, excellence and continuous improvement in our Operator and/or Repair Station management processes, in order to move towards our goal of positioning LATAM Airlines Group as the best airline in Latin America and one of the best in the world, by reinforcing our commitment to provide a good value for our customers, shareholders, suppliers, authorities, employees and places where we develop our operational activities.

Environment | OPERATING ECO-EFFICIENCY

[305-1, 305-2, 305-3 and 305-4]

GREENHOUSE GASES (t CO ₂ e)	2014	2015	2016	2017	Δ 2017/2016
Direct emissions ¹	11,716,772	11,610,378	11,343,650	11,051,171	-2.58%
Indirect emissions ²	18,003	20,660	15,767	24,498	55.38%
Other indirect emissions ³	7,092	4,214	7,718	11,382	47.48%
Total	11,741,866	11,635,252	11,367,134	11,087,051	-2.46%
Emissions intensity total operation (kg CO₂e/100 RTK⁴)	83.36	83.82	83.02	79.89	-3.77%
Emissions intensity in air operations (kg CO₂e/100 RTK)	82.89	83.31	82.56	79.45	-3.77%

¹ Direct emissions (Scope 1): fuel consumption in air operations, fixed sources and LATAM fleet vehicles, as well as fugitive refrigerant gas emissions.
² Indirect emissions (Scope 2): purchase of electricity. The emissions calculation is based on the different energy matrices in the countries in which LATAM operates.
³ Other indirect emissions (Scope 3): ground transportation related to operations (employees, suppliers and waste) and employee business air travel (on other airlines).
⁴ Emissions intensity, specific indicator for air operations.
RTK: Revenue tonne-kilometres. Total weight multiplied by distance traveled.

SOURCE	EMISSION FACTOR
Jet fuel	3.15 kg CO₂/kg fuel (European Union Regulation N° 601/2012)
Gasoline	69,300 kg CO₂/TJ (IPCC 2006)
Diesel	74,100 kg CO₂/TJ (IPCC 2006)
Natural gas	56,100 kg CO₂/TJ (IPCC 2006)
Liquefied Petroleum Gas (LPG)	63,100 kg CO₂/TJ (IPCC 2006)
Electricity	
Argentina ¹	535.00 g CO₂/kWh (http://www.energia.gob.ar/contenidos/verpagina.php?idpagina=2311)
Brazil ²	92.7 g CO₂/kWh (http://www.mctic.gov.br/mctic/opencms/ciencia/SEPED/clima/textogeral/emissao_corporativos.html)
Chile ¹	397.10 g CO₂/kWh (http://energiaabierta.cl/visualizaciones/factor-de-emision-sic-sing/)
Colombia ¹	210.00 g CO₂/kWh (http://www1.upme.gov.co/ServicioCiudadano/Documents/Documento%20de%20calculo%20del%20FE%20del%20SIN%202016%20FORMULADO.docx)
Ecuador ¹	694.50 g CO₂/kWh (http://www.revistapolitecnica.epn.edu.ec/images/revista/volumen37/tomo1/Factor_Anual_de_Emission.pdf)
Peru ²	547.00 g CO₂/kWh (http://www.fonamperu.org/general/mdl/bienvenida.php)
United States ²	555.96 g CO₂/kWh (http://www.iea.org/co2highlights/)

¹ Information accessed on February 19, 2018.
² Information accessed on March 7, 2018.
IPCC: Intergovernmental Panel on Climate Change.

Environment

OPERATING ECO-EFFICIENCY

SIGNIFICANT ATMOSPHERIC EMISSIONS [305-6 and 305-7]	2014	2015	2016	2017	Δ 2017/2016 (%)
Nitrogen oxides (NOx) – (t)	40,022	39,722	38,828	37,876	-2.45
Intensity in passenger operation (g/RPK)	0.26	0.26	0.27	0.25	-4.50
Intensity in cargo operation (g/RTK)	2.02	2.13	1.85	1.82	-1.41
Sulfur oxides (SOx) – (t)	1,776	1,759	1,720	1,678	-2.45
Intensity in passenger operation (g/RPK)	0.01	0.01	0.01	0.01	-4.50
Intensity in cargo operation (g/RTK)	0.09	0.09	0.08	0.08	-1.41
Gases that deplete the ozone layer ¹ (CFC11-equivalents)	2.18	4.96	6.44	23.84	270.18

¹ These include: HCFC-22; PFC-218; HCFC-141b; HCFC-142b; HFC-134a; R507A; R410A; R422D; R438A; Halon-1211 and Halon 1301.
Note: in the emissions intensity indicators, the year on year variation is not visible in this table because the data are only presented up to two decimal places.
RPK (Revenue Passenger Kilometers): number of paying passengers transported multiplied by the distance flown.
RTK (Revenue tonne-kilometers): total weight multiplied by distance traveled.

WASTE DISPOSAL (t) 2017 [306-2]	
Hazardous waste	5,853.54
Landfill	54.87
Recycling	245.23
Incineration	68.95
Co-processing	211.22
Controlled deposit	195.88
Effluent treatment	5,039.10
Others	38.29
Non-hazardous waste	2,809.08
Landfill	1,458.82
Recycling	1,265.26
Incineration	0
Co-processing	13.00
Controlled deposit	0
Effluent treatment	72.00
Others	0
Total	8,662.62

DATA COVERAGE (%) ¹	2014	2015	2016	2017
Fuel in air operations (jet fuel)	54%	100	100	100
Fuel for fixed sources				
Diesel	41	95	96	96
Natural gas	54	100	100	100
Gasoline	54	95	100	100
LPG (liquefied petroleum gas)	68	100	94	100
Fuel in mobile sources				
Diesel	46	86	79	96
Gasoline	46	82	93	96
LPG (liquefied petroleum gas)	54	100	100	100
Refrigerating gases (various)	54	100	100	100
Electricity	54	96	93	100
Air travel - other airlines (jet fuel)	84	100	96	100
Water consumption	42	90	89	100
Waste				
Non-hazardous waste	65	94	87	100
Hazardous waste	100	95	99	100

¹ The calculation takes into account the information coverage scope in each country in which LATAM operates and its percentage share in total transportation measured by RPK (Revenue Passenger Kilometers: number of paying passengers transported multiplied by distance flown).

Employees | MANAGING EMPLOYEES

[401-1]

TURNOVER RATE (%)			
By gender	2015	2016	2017
Men	15.8	13.5	17.8
Women	15.0	17.0	14.1
By age group			
Up to 30 years	19.9	18.2	18.1
From 31 to 40 years	14.3	13.5	15.9
From 41 to 50 years	10.4	11.7	11.4
From 51 to 60 years	9.8	12.7	11.9
From 61 years	24.6	28.5	21.1
By country			
Argentina	5.8	7.6	11.7
Brazil	16.8	11.9	14.5
Chile	14.4	23.6	14.8
Colombia	19.5	16.2	19.6
Ecuador	16.3	14.3	18.2
Peru	15.9	12.9	19.4
Others (including the United States)	12.5	19.2	30.4
Total	15.5	14.8	15.5

PROXIMITY AND ENGAGEMENT

[404-1]

TRAINING (Nº OF HOURS) PER EMPLOYEE		
By professional category	2016	2017
Administration	14.6	15.6
Maintenance	47.0	29.2
Operations	39.5	35.8
Crew	45.8	32.2
Other crew members	42.7	75.8
Sales	26.3	47.5
By gender		
Men	37.7	34.8
Women	33.9	47.2
Total	36.2	39.8



On a daily basis, LATAM Airlines Group's success is built by a team of more than 43,000 people. Committed to the Group's vision for the future, they work in 23 countries.

About the report | REPORT AND MATERIALITY

[102-44, 102-46, 102-47 and 103-1]

MATERIAL TOPIC ¹	STAKEHOLDER GROUP INDICATING RELEVANCE OF TOPIC	GRI TOPIC	BOUNDARIES		GRI DISCLOSURE	CHAPTER ²
			WHERE DOES THE IMPACT OCCUR?	ORGANIZATION'S INVOLVEMENT		
Health and safety in the air and on the ground	Government, customers, employees and suppliers	Occupational health and safety	The impact is inside the organization, affecting mainly the aircraft, airports and other operational installations.	LATAM determines different levels of management according to the type of event. There is a dedicated team that prepares the organization to manage emergencies on a continuous basis.	403-2	Safety Employees
Ethics and anti-corruption	Press, customers, employees, suppliers and investors	General indicators	The impact is inside the organization, affecting all employees and third parties, as well as society as a whole.	LATAM implemented a wide-ranging compliance program to manage impacts and minimize risks.	102-17	Who we are
		Anti-competitive behavior			206-1	
On-time performance	Customers, employees and suppliers	No related GRI topic	The impact is on LATAM's main activity, that is the flights it operates, affecting passenger perceptions and the business as a whole.	LATAM can manage a significant portion of the impacts, such as delays due to maintenance, managing air crews and others. Some impacts are external to the organization, such as weather conditions, air traffic limitations and congestion at airports.	–	Clients
Economic and financial sustainability	Press, customers, employees, suppliers and investors	Economic performance	The impact is inside LATAM, affecting the brand, the loyalty program, the implementation of business strategy, commercial relations and others.	LATAM can adjust or restructure its strategy. Even though the majority of the factors are not under its control, the Group has a policy for managing and mitigating risks by means of financial derivatives.	201-1	Our business
		Indirect economic impacts			203-1 and 203-2	
		Socioeconomic compliance	The impact is outside LATAM, driving changes in factors such as the regulatory environment, new competitors, natural disasters, variations in fuel and other prices, affecting the sector as a whole.		419-1	
Employee development	Customers, employees and suppliers	Employment	The impact is throughout LATAM's operations. Human resources management is directly linked with corporate performance.	LATAM manages employee talent and drives commitment to corporate strategy.	401-1	Employees
		Training and education			404-1	

¹ The GRI disclosure through which LATAM monitors performance in each material topic. In addition to these priority topics, other GRI topics that are relevant to managing the Group are disclosed in the report.

² Chapter in which the topic is addressed in this report.

Note: other pertinent monitoring indicators were chosen for the topics not covered directly by the GRI topic-specific disclosures.

About the report | REPORT AND MATERIALITY

[102-44, 102-46, 102-47 and 103-1]

MATERIAL TOPIC ¹	STAKEHOLDER GROUP INDICATING RELEVANCE OF TOPIC	GRI TOPIC	BOUNDARIES		GRI DISCLOSURE	CHAPTER ²
			WHERE DOES THE IMPACT OCCUR?	ORGANIZATION'S INVOLVEMENT		
Mitigating climate change	Customers, employees and suppliers	Emissions	The impact is on the environment and on the diverse related Group areas. The main impact is from burning fuel, which contributes to overall greenhouse gas emissions and, to a lesser extent, to the worsening of local air quality.	The impact is the result of the Group's operations, for which reason LATAM has a strategy for monitoring and managing climate change. Moreover, the Group is attentive to opportunities to incorporate new technologies and best practices that influence this question.	305-1, 305-2, 305-3, 305-4, 305-5, 305-6 and 305-7	Environment
Customer focus	Press, customers, employees and suppliers	Marketing and labeling	The impact occurs inside LATAM and with its customers, affecting market share and customer spending on the Group.	LATAM plays a key role in managing this impact, mainly with respect to its capacity to anticipate existing risks.	102-43 417-3	Clients
Destination network and connectivity	Press, customers, employees and suppliers	None	The development and growth of the destination network benefits the cities served, generating economic development through the reduced cost of doing business and transporting cargo, as well as increasing tourism.	LATAM plays a key role in managing and monitoring the factors that may influence this question.	–	Who we are Our business
Relations with authorities	Civil society organizations, industry associations, customers, employees, suppliers and investors	Anti-corruption	The impact from a change in the regulatory environment is inside the organization, affecting all the operations, and outside the organization, affecting the sector as a whole.	LATAM has the role of identifying and monitoring how decisions by public authority may affect the Group's development and the airline industry, as well as connectivity in a country or region and consumers.	205-2 and 205-3	Our business
Sustainable tourism	Customers and employees	Indirect economic impacts	The impact is on the destinations served by LATAM.	The capacity to manage this question varies in accordance with LATAM's share in the total passenger traffic to a determined location. The Group strives to play an active role in promoting a balance between tourism and the conservation of the local culture and environment.	203-1 and 203-2	Society

¹ The GRI disclosure through which LATAM monitors performance in each material topic. In addition to these priority topics, other GRI topics that are relevant to managing the Group are disclosed in the report.

² Chapter in which the topic is addressed in this report.

Note: other pertinent monitoring indicators were chosen for the topics not covered directly by the GRI topic-specific disclosures.

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