



**Sustainability of LATAM
Airlines Group**
Policy

Sustainability Policy of LATAM Airlines Group

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1. Objective

To establish the main guidelines and principles that must be followed by Executives when devising and implementing strategies, actions and initiatives for the sustainable development of LATAM Airlines Group, its associates and subsidiaries (hereinafter referred to as LATAM Airlines Group), adopted and executed in recent years.

As such, the purpose is to increase the accountability of LATAM Airlines Group vis-à-vis its stakeholders, thereby increasing transparency in the management of such issues and foreseeing the risks associated with the organization, applying the corresponding internationally recognized principles.

Furthermore, the guidelines set forth in the Policy were prepared in the best interests and for the benefit of shareholders, investors and stakeholders of LATAM Airlines Group.

2. Scope

This document applies to all Employees and Supervised Workers of LATAM Airlines Group.

3. References

Chilean Securities Market Law No. 18,045, which requires publicly held corporations to disclose specific information to the Securities and Exchange Commission of Chile and the public in general at the required frequency and through the media determined by the Securities and Exchange Commission as a general rule.

General Rule No. 30 of the Chilean Securities and Exchange Commission, which determines that Annual Reports must provide information regarding social responsibility and sustainable development, especially with regard to diversity and wage gaps.

General Rule No. 385 of the Chilean Securities and Exchange Commission dated June 8, 2015, which establishes rules for the disclosure of information regarding the corporate governance practices adopted by publicly held corporations, including aspects related to sustainability, as well as risk strategy and management.

Furthermore, the following guidelines are structured as the fundamental pillars of this policy, which shall be interpreted and analyzed in accordance with the following aspects:

- LATAM Airlines Group's sustainability strategy currently under implementation will be considered as an integral part of this policy.
- Two important groups of stakeholders of LATAM Airlines Group can be identified, using as criteria whether they have direct or indirect interaction with the Group, are positively and/or negatively impacted, and the level of interest and influence they have with the Group.
- It includes guidelines established for the development of strategies and lines of action that benefit the stakeholders identified as important for the Group.
- The risk management process is described, as well as the documents through which it is explained in detail.
- It envisions continuous improvement of LATAM Airlines Group's practices, considering the best standards and indicators at the national and international levels.
- Targets are established and the progress of sustainability indicators directly related to stakeholders is presented.

4. Responsibilities

4.1. Board of Directors of LATAM Airlines Group

- To establish, approve and update this Policy.
- To establish the desired compliance targets for LATAM Airlines Group regarding sustainable development in the medium and long term, according to stakeholder groups.
- To determine the departments and units of LATAM Airlines Group responsible for ensuring achievement of the targets established through strategies and action plans that implement the Policy.
- To approve the strategies and actions conceived by the Group departments defined as sponsors.
- To review and monitor compliance with the commitments and action plans approved, as well as their respective indicators and targets, through quarterly meetings with the sponsoring department.
- Before a new director joins the Board, to carry out induction training covering all of LATAM Airlines Group's sustainability issues, including its policies, sustainability strategy, plans and programs, as well as the stakeholders defined by the Group and the relationship plans adopted with them.
- To establish formal mechanisms for appropriate training and continuous update of knowledge on sustainability, recognizing the best practices and experiences at the national and international levels.

For this purpose, the Board of Directors shall meet the LATAM Airlines Group Unit that is responsible for social responsibility and sustainable development at least once a year, preferably during the fourth quarter of each calendar year.

4.2. LATAM Corporate Affairs VP

To devise global sustainability strategies and actions and submit them to LATAM Airlines Group's Board of Directors for approval and oversight.

5. Details

5.1. International commitments

To advance in the realm of sustainability, LATAM Airlines Group undertakes to build, day after day, a transparent and responsible airline group with regard to economic, social and environmental aspects, as well as in relation to all stakeholders.

That is why LATAM Airlines Group establishes international rules and standards for sustainability issues, complying with the ISO 26000 Principles, the principles of Global Compact, the 17 Sustainable Development Goals and the Guiding Principles on Business and Human Rights of the United Nations, as well as the Tripartite Declaration of Principles Concerning Multinational Enterprises, the ILO social policy of the OECD Guidelines for Multinational Enterprises.

5.2. Identification of stakeholder groups.

LATAM Airlines Group has decided to improve its processes, manage risks efficiently and identify opportunities to create value for stakeholders. For this purpose, it has defined the following stakeholder groups, which must be considered when implementing policies and taking decisions regarding such policies.

Employees.

LATAM Airlines Group is committed to developing and fostering a corporate culture that considers the multicultural nature and expectations of its employees. In this regard, it strives to establish a healthy working environment, with performance management that includes periodical evaluations and integrated career plans, in addition to prioritizing local hiring.

Another important aspect involves training and development. LATAM Airlines Group undertakes to keep working on training plans with growth and succession criteria for its Employees and Supervised Workers, focusing on human rights, diversity, health and safety issues, among others, in addition to providing several benefits to improve their quality of life and that of their families.

Clients.

LATAM Airlines Group concentrates its corporate strategies in customer service through a management model that is focused on providing a safe, efficient and high-quality travel experience. In addition, it has continuously sought to improve its capacity and satisfaction levels by developing and implementing diverse products, services and loyalty programs that allow the Group to meet the specific needs of its clients.

The Group strives to strengthen and simplify its communication with clients, providing timely and quality information, in addition to knowing their opinions and needs, and taking all this into account to continuously improve its service. As such, its commitment to clients is reflected in the Code of Conduct of LATAM Airlines Group and is in accordance with local laws of the markets where LATAM Airlines Group companies operate. These guidelines help in the management of issues related to passenger rights and duties, as well as in handling and protecting information about them.

Suppliers.

LATAM Airlines Group recognizes the importance of business partners in its value chain, which is why it decided to strengthen relations that enable it to build opportunities to work together.

As a result, the Group implemented a management plan that considers the specificities of our suppliers and their corresponding criticality. On the one hand we have direct suppliers who provide essential inputs for the services offered by LATAM Airlines Group (aircraft, materials and fuel), and on the other we have indirect suppliers who support the operation (in-flight services, goods and services in general). The goal is to have a positive impact on local economies by creating jobs and income in places where LATAM Airlines Group companies operate, and the Group also took on the challenge of controlling and managing potential long-term risks for the supply chain.

For this purpose, the Group has laid down the guidelines for our business practices through the LATAM Airlines Group Procurement & Supply Chain Policy, focused on regulating the Group's relations with suppliers in terms of ethics, conduct and human rights. Besides ensuring the selection of suppliers while promoting best practices and avoiding any negative social impact associated with working conditions, the Group also has practices related to anti-corruption, and social and environmental responsibility.

Investors and shareholders.

LATAM Airlines Group's operations are strategically focused on investors and shareholders, leading to an active management model capable of tackling the challenges posed by the complex nature of this sector.

As a result, the Investor Relations Department was created to anticipate and respond to critical issues regarding risks and sustainable value creation in the activities of LATAM Airlines Group. It is also constantly communicating with investors, implementing guided actions to guarantee the delivery of more and better information to a global and multicultural market.

In addition, LATAM Airlines Group bases its management actions on international standards, such as the Dow Jones World Sustainability Index (DJSI) to consolidate a management model that focuses on the long term, delivering healthy present and future results for current shareholders and potential investors.

Society.

LATAM Airlines Group has constantly worked to increase value creation in the regions and locations where it operates. As such, it considers society a stakeholder group, understanding that the concept includes surrounding communities, civil society organizations and other groups that may be impacted, including environmental impacts that may arise due to the nature of the business.

This is why LATAM Airlines Group strives to build relations based on active dialogue with stakeholders, contributing to local development and the protection of economic, social and environmental heritage through its operations and, in some cases, specific programs, to mitigate the negative impact that may arise from its operations.

Authorities.

LATAM Airlines Group recognizes its ongoing commitment to fully complying with the rules and laws applicable in the countries where it operates. As a result, LATAM Airlines Group carries out its operations in accordance with the highest ethical standards and in compliance with the laws and regulations applicable to each country, with special attention to anti-corruption regulations.

Similarly, LATAM Airlines Group is aware of its role as the main commercial airline group in Latin America and seeks to build relations based on transparency and dialogue with authorities, which will enable it to advance in the pursuit of common solutions for public discussions on the aviation sector. For this purpose, the Group has teams responsible for monitoring and participating in debates in an active and meaningful manner, as well as for maintaining active relations with the main regulatory bodies and entities with which LATAM Airlines Group interacts, in order to drive business growth in accordance with local laws and government plans, as well as improve the standards that can have a positive impact on passenger safety, environmental practices and other relevant aspects that are part of the critical issues facing the aviation sector.

Industry.

LATAM Airlines Group has implemented actions to demonstrate its responsibility and become an active player in the aviation service sector. This commitment is undertaken based on an understanding that this environment requires incessant efforts to find opportunities for continuous improvement and also represent the possibility of improving the standards inherent to the business.

Therefore it is important for the Group to join industry associations to be constantly involved in global discussions on new technologies, operational safety, as well as the current and future challenges in the aviation sector. Accordingly, LATAM Airlines Group is a member of the International Air Transport Association (IATA) and, at the regional level, the Latin American and Caribbean Air Transport Association (ALTA), besides complying with the guidelines of the International Civil Aviation Organization (ICAO). It is also a member in other associations that address issues of interest for the development of its business, such as the World Tourism Organization (WTO), the Carbon Disclosure Project (CDP) and the Sustainable Aviation Fuel Users Group (SAFUG), among others.

5.3. Basic guidelines for devising strategies

The development of strategies and lines of action for the Group aimed at establishing relations with its stakeholders will be coherently and systematically based on the following pillars:

- **Sustainability governance:** it emphasizes the strengthening of accountability and transparency, undertaking clear commitments and establishing compliance and risk management policies involving the entire value chain and the clients.
- **Climate change:** it determines the implementation of an environmental management system and the adoption of measures to reduce the impact on the environment, especially regarding the management of its carbon footprint.
- **Governance and management of topics related to the environmental performance of LATAM Airlines Group** are under the responsibility of Senior Management and focus on reducing risks and integrating the topic with the Group's objectives.
- **Corporate Citizenship:** it aims to strengthen the Group's relations with clients, employees, supervised workers, communities, public authorities and suppliers, building healthy relations that can contribute to LATAM Airlines Group, the society and the destinations where we operate. **Relations with stakeholders and communication:** it includes finding channels for periodical communication between LATAM Airlines Group and its stakeholders, establishing practices that enable two-way dialogue. Therefore, we strive to provide pertinent and timely information, in addition to gathering any suggestions that may contribute to the continuous improvement of LATAM Airlines Group's actions.

To follow up on the strategy and issues mentioned above, we will assess the evolution of proposed sustainability targets through quarterly meetings between the Executive Board and the Sustainability department of LATAM Airlines Group. We will analyze the impact of the policies and action plans implemented under this scope and also review the effectiveness of sustainability reports that provide information about the organization's economic, social and environmental performance to its stakeholders. At the same time, and also on this level, we will focus on reviewing actions aimed at increasing diversity and inclusion within the organization, informing the Executive Board of LATAM Airlines Group about the actions taken in this regard and associated challenges.

5.4. Risk identification

For LATAM Airlines Group, identifying and managing economic, social and environmental risks in a timely manner is key to ensure business sustainability. For this reason, LATAM Airlines Group has implemented a Risk Management System, managed by the Executive Board of LATAM Airlines Group and its Chief Risk Officer (CRO), as determined by the Board of Directors of LATAM Airlines Group, which delegated it to the Executive Board. This was a result of the Integrated Risk Management Policy of LATAM Airlines Group, approved by the Board of Directors.

This management is focused on leveraging LATAM Airlines Group's resilience to risk and hence all risk events arising from any uncertainty must be managed, which can be non-recurring (low occurrence), have the potential for significant impacts and, therefore, affect sustainability and the achievement of the organization's strategic objectives, with special consideration for the effects on clients, people and the environment.

It is important to take into account that operating risks are managed on a day-to-day basis by all areas of the organization.

5.5. Indicators measuring sustainability.

LATAM Airlines Group will evaluate the effects of the guidelines established in this Policy and all actions taken towards the well-being of stakeholders in three dimensions (economic, social and environmental), through indicators, as a measurement of improvement in oversight. The measurement standard established for this purpose is one of the world's most recognized - the Dow Jones Sustainability Index (DJSI) - in addition to voluntary reporting to the Carbon Disclosure Project.

DJSI is a globally renowned sustainability benchmark in which the Group has been featured since 2014, and previously since 2012 in the Emerging Markets category, with the following overall characteristics:

- ✓ Annual renewal of membership based on a selection of the best-in-class of the most sustainable companies. Continuous monitoring of the companies.
- ✓ Companies undergo a Company Sustainability Assessment conducted by RobecoSAM every year, in which each company has to complete a form providing its sustainability information.
- ✓ RobecoSAM performs an integrated evaluation of economic, social and environmental criteria with the focus on long-term creation.
- ✓ Evaluation schemes are supported by good practices identified by RobecoSAM.

RobecoSAM is a specialized investment firm focused exclusively on sustainable investments which, together with S&P Dow Jones Indices, publishes the world-renowned DJSI.

Furthermore, the Group decided to strengthen the management and monitoring of its stakeholders through the development of a process of mapping them and prioritizing them, aligning the current management model with activities related to stakeholders, and establishing commitments or targets for each of them to meet in the medium term.

5.6. Target achievement and evolution

For LATAM Airlines Group, the importance of Sustainability is expressed through its concern for systemizing and quantifying the efforts put into sustainability. In this regard, the Group's sustainability strategy is supported by the DJSI indicators, to be consistent with the challenge of becoming one of the world's leading companies in sustainability.

At the same time, the Group strives to demonstrate, in a transparent manner, its evolution in terms of economic, social and environmental performance through its Sustainability Report, an integrated document reflecting all practices employed in those dimensions. As such, it undertakes to maintain this report for the period established by the Global Reporting Initiative (GRI), an independent international organization, which determines reporting and disclosure standards for sustainability information, allowing us to make comparative analyses of sustainability indicators in order to take concrete action to strengthen our operations regarding the sustainability topics that make up this policy.

We are also establishing the following targets for the entire LATAM Airlines Group, which will be revised annually to evaluate compliance:

- IATA Objective #1: improve fuel use efficiency.
- IATA Objective #2: Carbon Neutral growth in 2020.
- IATA Objective #3: by 2050, reduce net CO2 emissions by 50% from the 2005 level.
- Carbon Neutral Ground Operations in 2020.
- 10% improvement in energy efficiency in the company's infrastructure by 2020.
- Savings of USD\$200,000 in energy consumption by the facilities in 2020.
- 10% decrease in volume of waste in 2020.
- Complete implementation of the Environmental Management System in all main operations in 2017.

5.7. Compliance with Legal or Regulatory Information Duties.

1. To provide the annual information required to complete the section on Social Responsibility and Sustainable Development of the Annual Report, in accordance General Rule No. 30 of the Chilean Securities and Exchange Commission.
2. To support the preparation of responses related to responsibility and sustainable development for the purposes of the annual evaluation of LATAM Airlines Group's corporate governance practices in accordance with General Rule No. 385 of the Chilean Securities and Exchange Commission.
3. To prepare, provide and coordinate delivery of LATAM Airlines Group's information during its inclusion in the DJSI.

6. Consequence management

Employees and Supervised Workers of LATAM Airlines Group who fail to comply with this Policy will be subject to disciplinary measures in accordance with the local rules in force.

7. Definitions

Accountability: The term "accountability" refers to a process of a company rendering its accounts to stakeholders as a means of informing them of important activities in the value chain.

Climate change: Climate change is a phenomenon of progressive changes in climate with respect to its traditional behavior in a specific geographic region.

Corporate Citizenship: The term refers to how LATAM Airlines Group relates to its stakeholders in all of its operations, as well as the impact of these relations on the Group and its stakeholders. It aims to improve the social impact on stakeholders and create value for them. It enables us to obtain the Social Operating Permit, a vote of confidence from our stakeholders. Corporate Citizenship includes charity, but expands the vision to include actions that mitigate the social impact.

Clients. In our understanding, a client is any person acting as end user or recipient of the experience included in LATAM Airlines Group's services.

Compliance: A corporate commitment to observe and comply with ethical principles, laws (both local and international), policies and rules in general (internal or external), across the entire business chain of LATAM Airlines Group and for all of its stakeholders.

An employee of LATAM Airlines Group is any employee, a worker with an employment agreement with LATAM Airlines Group companies.

A Supervised Worker of LATAM Airlines Group is any intern, temporary worker or apprentice, in accordance with the applicable law.

Risk Management: The process of identifying and monitoring risks enables LATAM Airlines Group to establish preventive controls and mitigation actions, as well as risk management reports whenever a predetermined level of probability or intensity is exceeded.

Sustainability governance: It involves actions focused on emphasizing stronger accountability and transparency within the scope of corporate governance, undertaking clear commitments, compliance policies, risk management and social responsibility to achieve full, sustainable growth.

Suppliers. Individuals or corporations engaged for supplying products, chattels or materials to the company in accordance with the purchase orders and/or other consensual agreements between the parties.

Social Responsibility (based on ISO 26000 standard): The responsibility of an organization for the impacts of its decisions and activities on society and the environment, through an ethical and transparent behavior that: Contributes to sustainable development, including the health and well-being of society;

- Takes into account the expectations of stakeholders,
- Complies with applicable law and is consistent with international regulations, and
- Is integrated with the entire Organization and implemented in its relations.

Environmental Management System: An integrated process to determine, monitor and assess environmental performance indicators, covering both the Group's air and land operations, to mitigate and prevent risks associated with the performance of its activities.

Society. This concept is applied from the viewpoint of stakeholders, including surrounding communities, civil society organizations and other groups that may be impacted, including environmental impacts that may arise due to the nature of the business.

Sustainability. It is a way of doing business that places sustainable development at the core of the business strategy. Sustainability management allows us to respond to new expectations regarding the company's role in society and guarantee the return of investments over time.

Sustainability is understood as the goal to create economic, social and environmental value for people and institutions with which the Group interacts. For this purpose, the Group promotes the protection of cultural and natural heritage at the destinations it serves to benefit current and future generations. As such, an operation of excellence is guaranteed, as well as a corporate culture that is prepared to tackle the sustainability challenges faced by the industry.

Stakeholders: For LATAM Airlines Group companies, stakeholders are those who maintain relations with LATAM Airlines Group, such as clients, shareholders, employees, suppliers, business partners, society and the environment.

8. History

Not applicable.

9. Records

Not applicable.

10. Appendices

Appendix 1: Procedures for the approval and continuous improvement of the Social Responsibility Policy and its disclosure to the public.

11. Duration

This document is valid for two (02) years from its approval at a Meeting of LATAM Airlines Group's Board of Directors, which reserves the right to amend it at any time.