MESSAGE FROM OUR ENVIRONMENTAL MANAGERS

OUR INDUSTRY

LATAM AIRLINES GROUP

ENVIRONMENTAL GOVERNANCE

ENVIRONMENTAL STRATEGY: CLIMATE CHANGE [DJSI 2.4.4]

ENVIRONMENTAL PERFORMANCE

CERTIFICATION LETTER
MESSAGE FROM OUR ENVIRONMENTAL MANAGERS

Our second Environmental Support Document strives to comprehensively and directly communicate LATAM Airlines Group’s environmental management practices. This document, evidence of our commitment to transparency, is a testament to the arduous work involved in planning, developing, and monitoring an environmental management strategy by our entire Group.

In 2014, LATAM Airlines Group made significant strides in consolidating how we incorporate environmental measures into all dimensions of our operations. I would also like to take this opportunity to highlight that the Dow Jones Sustainability Index World (DJSI) evaluated us as the best airline in the area of Eco efficiency and recognized us for having the best strategy to confront the challenges posed by Climate Change. We are the first company in Chile to be ranked among this select group of companies who make environmental best practices a priority. We were also recognized by the Carbon Disclosure Project (CDP), the largest database of greenhouse gas emissions worldwide, as one of the best airlines for our reporting and performance of low carbon dioxide emissions.

As a company, we are conscious that including and developing environmental issues is a fundamental part of our business strategy. Contemplating these issues will allow us to reach our goal of becoming one of the top three airlines in the world. We are confident that we are moving forward along the right path.

We invite you to learn more about the environmental management practices and measures our company is taking to confront the challenges ahead.

Best regards,

Enrique Guzmán
Vice-president of Environmental Management

José Miguel Nuñez
Environmental Senior Management
OUR INDUSTRY
Air transportation is a key driver for global development and the world economy, enabling more efficient transportation of people and goods around the globe. The economic impact of the industry is remarkable, given that it creates more than 8 million direct jobs around the world and over 50 million jobs indirectly. Moreover, the industry’s services are closely related to other industries, moving 52% of tourism and 35% of the world trade by value.

Figure 1: Air Industry Data for 2014

<table>
<thead>
<tr>
<th>Carrier by airlines</th>
<th>Flown over the world</th>
<th>Commercial Flights worldwide</th>
<th>Routes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.97 Billion</td>
<td>5.4 Trillion</td>
<td>37.4 Million</td>
<td>49,871</td>
</tr>
</tbody>
</table>

In spite of being an energy-intensive sector, according to the International Panel on Climate Change (IPCC), only 2% of manmade greenhouse gas (GHG) emissions in the world are generated by the air transportation sector. This contribution has not increased in the last twenty years and it is not expected to rise further than 3% by 2050. Despite this relatively low contribution, the sector is among the most committed to the environment, and certainly is the one that has reached most global agreements to reduce its environmental impacts.

About an 80% of aviation carbon emissions are generated by flights that cover over 1,500 kilometers in distance, for which there is no more efficient alternative. Most of this impact comes from fuel consumption to power our aircrafts’ engines. On the other hand, the industry has achieved great progress in this regard improving fuel efficiency by 70% over the past sixty years. Moreover, the aviation industry is the mean of transportation with the highest occupancy rate (see Figure 2).

Finally, technological improvements have contributed to the design of cleaner and more efficient aircrafts, such as the Airbus A380 or Boeing 787, which use less than three liters of jet fuel per 100 RPK. This efficiency rate matches that of most modern compact cars.

LATAM AIRLINES GROUP
LATAM Airlines Group was born in 2012, from the merger between LAN and TAM. We are the leading airline in South America and the 11th largest at the global level, both in passenger and cargo transportation. After the merger, our company’s fleet size grew to 327 aircraft, moving 67 million passengers during 2014 to 135 destinations in 22 countries. Our cargo fleet transports 1.1 million tons a year and accounts for 15% of our total revenue.

Having profitable operations while being environmentally responsible is vital to us and is a core part of our business model. Our environmental targets, strategies and investments are aimed at improving our environmental efficiency. Currently, flying with LATAM Airlines Group consumes an average of 14% less fuel (measured in liters per 100 RTK) than the International Air Transportation Association (IATA) average, cutting as much GHG emissions as possible. This makes us regional and world leaders in environmental performance.

We strive to continue to work in this regard and become a model in the global context in this matter. During 2014, we made great progress in building a common vision on the course sustainability should take in our company. These efforts, reflected in the environmental performance of our company, were internationally recognized in 2014 when we became World Leaders in the Dow Jones Sustainability Index for Eco-efficiency and Climate Change. Also, we improved our Carbon Disclosure Project score and have received wide recognition in the countries where we operate (for a full list go to Box 8).
I. Environmental Governance
I. Environmental Governance

A. ORGANIZATION [DJSI 2.4.2]

For LATAM Airlines Group, sustainability in our operations is a core business value that is respected and reflected at all levels of our operations. Decisions regarding our environmental performance, including compliance with national regulations, risk management, direction and monitoring of sectorial agreements and commitments are some of the topics that we are addressing strategically. For this reason, the Board of Directors, the highest level of our management structure, takes an active role in steering these issues.

The Board reviews key indicators related to environmental performance and is in charge of approving the company’s internal environmental guidelines. Furthermore, they assess the compliance of environmental commitments and controls with the effectiveness of internal control and the risks related to environmental decisions.

The departments in charge of environmental, climate change and sustainability performance work in coordination with the different relevant areas and units. Hand in hand these teams work with all subsidiaries, supplier companies and industry organizations, so as to ensure compliance with environmental regulations and emissions standards, observance of internal environmental guidelines and the application of the best practices.

To ensure the achievement of our environmental goals and to establish a sustainable corporate culture, LATAM Airlines Group governance has a number of incentives for the management units in charge of reaching the targets set. Furthermore, we have set non-monetary incentives to promote environmentally friendly and healthy choices in our staff, which include preferential parking spots for those employees using a shared car or facilitating access through shuttle transportation. Moreover, LATAM Airlines Group subsidiaries have worked to raise awareness in subjects related to sustainability at different levels (see Box 1 for examples from our Peru subsidiary).

Box 1. LAN Peru sustainability Initiatives

Our Peru Subsidiary has a number of programs being implemented to raise awareness of issues related to sustainability and to help local institutions:

- Certification by AENOR of greenhouse gas emissions and neutralization of ground operations emissions through a REDD project (Bosques Amazónicos, BAM). LAN Peru has been doing this since 2012 and in 2014 offset up to 5,303 Tons of CO2.
- Donations of used paper to Foundation Ciudad de Papel, which used these donations to cover education, food, and health for underprivileged children they benefit.
- Undertaking awareness and promotion campaigns of sustainable tourism in protected areas of natural value through the “Cuido mi destino” Program (Caring for My Destination).
- Organizing capacity-building activities for employees of our waste-management supplier so as to improve their knowledge of the origin, separation and treatment of waste.
- Promoting inner awareness and sustainable choices at the company by campaigns that seek to incentivize employees to care for office and work materials to increase their longevity, along with recycling and caring for the efficient use of electricity and water usage.
- In 2012, LAN Peru launched the first flight on the continent using RNP navigation throughout the entire duration of the route from Lima to Cuzco. The use of this navigation system allowed for the reduction of 644 kilograms of CO2 emissions to the atmosphere.
I. Environmental Governance

B. ENVIRONMENTAL POLICY [DJSI 2.2.1]

The institutional tools that guide the environmental decisions and performance of LATAM Airlines Group are under continual revision and improvement. Their evolution took on greater precedence since the merger in 2012. Today LAN has a Safety, Quality and Environment Policy, which strives to secure legal compliance and safety in all of our operations and to promote the continuous improvement of our procedures (see Box 2). The values reflected in this policy inspired how our LATAM Airlines Group Corporate Code of Conduct addresses the subjects related to the environment, safety and health (available in Box 3). The full Code of Conduct is also available online at LATAM Airlines Group Corporate site: http://www.latamairlinesgroup.net/

Box 2. LAN Safety, Quality and Environment Policy

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

- Declaring Safety an Uncompromising Value of our company, fostering in our people a culture of self-care, developing prevention-oriented processes, identifying hazards, and assessing and mitigating the risks associated with the various operating and administrative activities that are inherent to the company’s operations.

- Complying with all applicable laws and regulations while also observing the internal procedures established by the company and the voluntary commitments to which it is a signatory.

- Giving due importance to the reports of unsafe actions and conditions, ensuring no sanctions are imposed on those who file such reports, given the understanding that errors are inherent to the human condition, while not condoning attitudes involving operational negligence or deliberate violations of the company’s operating standards or processes.

- Developing a Safety, Quality and Environmental Management System that enables the periodic review of targets, goals and allocated resources, while implementing best environmental practices that enable us to prevent any form of contamination and to efficiently manage our carbon footprint.

In our company, we adopt the principles of ethics, excellence and continuous improvement in all management processes with the aim of advancing towards our goal of being the best airline in Latin America and one of the best in the world, while reinforcing our commitment to create value for our clients, shareholders, suppliers, authorities, employees and local communities.

Ignacio Cueto
CEO LAN
Box 3. Environment, Health and Safety Guidelines in LATAM Airlines Group Code of Conduct

5.2. Environment, Health and Safety

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

Therefore, in practice, we must:

a. Meet the environmental laws and regulations.
b. Create and maintain a safe work environment and prevent occupational accidents and diseases.
c. Reduce waste, emissions and use of toxic material, according to the procedures defined internally. Never improvise the disposal of industrial residues and wastes.
d. Respect the rights and environmental interests of neighboring countries and communities.
e. Make efficient use of the natural resources available in the workplace, always recycle whenever possible and promote innovative practices that allow obtaining of greater economic efficiency through ecological efficiency.
f. Act in a socially responsible way, respecting the customs and traditions of the people with which one relates and also contribute as far as possible toward sustainable development of the communities where the company operates, especially in tourist activities.
g. Propose improvements that guarantee that one’s place of work is always safe and healthy, notifying the immediate superior in case of irregularities or noncompliance with laws and adjusting one’s own irregular conducts quickly.
h. Always act according to the rules stipulated, there is no case of exception where a safety practice may be ignored or not respected.

Moreover, in 2014 we made great progress in making our company more sustainable; the Executive committee approved the Sustainability Strategy to 2018 (Figure 5: Sustainability Plan of Action milestones), which is based on an active engagement of relevant stakeholder and the transparent communication of our performance. This strategy is built on three pillars: (1) governance of sustainability, (2) climate change and (3) corporate citizenship. These pillars are aimed at making the company the world leader in the aviation industry on issues related to climate change management, which will contribute to the efficiency and competitiveness of the company. The climate change branch of this strategy directly addresses everything related to environmental management.
I. Environmental Governance

As a part of our EMS, we have incorporated environmental clauses in a number of corporate requirements ranging from supplier selection to development of new projects. In this regard, all of our new projects are evaluated and developed according to the LEAN methodology. We have had some clearly environmentally friendly initiatives such as the e-tickets and the LAN Cargo project to reduce paper-use in their processes (e-freight and mobile pass). Also, relating to our product distribution and logistics, LAN Cargo has a mixed process of air and ground transport where emissions are minimized.

We have shaped our operations guidelines in order to incorporate a long list of procedures aimed at reducing our environmental impact, such as our fuel-efficiency initiatives. The maintenance of our aircrafts is also done following the LEAN methodology, which allows for a better planning and management, translating into energy and resources savings. In addition, during the maintenance service, the engines are washed, allowing for more efficient fuel consumption and less greenhouse gas emissions.

We aim at having sustainably built corporate offices, which is why energy and environmental efficiency is included in the design of our offices and buildings. Moreover, in all our buildings (both offices and hubs), our dangerous and non-dangerous waste are properly treated and disposed.

Lastly, our selection of suppliers, which is closely related to our due-diligence, mergers and acquisitions, is very strict in this regard. Our procurement policy states that providers with good sustainability practices such as: complying with ethical standards on intellectual property, confidentiality and fair competence; having high labor standards, such as paying extra hours and not exceeding legal working hours; managing environmental impacts, such as measuring and managing carbon footprint efficiency in energy consumption; recycling and minimizing the use of toxic and dangerous materials should be preferred. Moreover, the environmental performance of our contractors, especially those who provide critical supplies, is monitored. Their use of environmental standards and their Environmental Management System are audited regularly so as to ensure the standards of our supply chain.
I. Environmental Governance

MATERIALITY [DJSI 2.1.1]

Our company undertakes a materiality workshop periodically. For this activity, relevant actors are mapped and contacted in order to identify the most relevant topics for our business and their views on their management, effects and risks. In the last exercise, customers, shareholders and staff actively participated through surveys or interviews, which resulted in the identification of nine material issues. This exercise also included reviewing internal documents, sectorial studies and carrying out comparative analysis.

In our last materiality workshop, these topics were found to be the most relevant ones:

1. Eco-efficiency
2. Climate change mitigation
3. Noise reduction
4. Connectivity and relations with clients
5. Safety and health
6. Talent retention and rotation control
7. Government relations and regulations
8. Sustainable economic management
9. Sustainable tourism promotion

Remarkably, four out of nine material issues were strictly environmental. Eco-efficiency, climate change, noise reduction appeared as the top three material issues, while sustainable tourism was also included among the nine. Government relations and regulations also have an impact in environmental matters. The business case for each of these issues is discussed in Box 4.

Box 4: Business Case for Environmental Material Issues

- **Eco-efficiency**: Air transport is a carbon-intensive industry, where fuel consumption accounts for most of our daily operation expenses. Therefore, its management is important both for reducing our greenhouse gas emissions and our to lower costs. Our strategy and Environmental Management System in this regard have allowed us to operate with a fuel intensity 14% under the IATA average positioning us a World Leaders in Eco-efficiency in the Jones Sustainability Index. However, this is still our first material issue, which is why we will continue to improve in this regard and closely monitor our performance.

- **Climate Change**: Despite its low contribution to the overall GHG emissions (only 2%), aviation is the sector that has reached most agreements regarding its joint positions towards mitigation and adaptation to climate change. At LATAM Airlines Group we have actively participated in most of the forums where these discussions have taken place. We have pledged to the Global IATA objectives of being Carbon Neutral in 2020 and halve our 2005 carbon footprint by 2050. Moreover, our eco-efficient performance and Climate Change Strategy have made us World Leaders in Climate Change in the Dow Jones Sustainability Index.

- **Noise reduction and management**: This is a critical issue because most countries have legal requirements concerning noise reduction, which we aim to meet. Moreover, 40% of our employees and 60% of our clients cited the issue of noise and air quality as a relevant subject for LATAM Airlines Group. Today, our entire fleet meets the ICAO Chapter IV Standard, which is the highest standard for noise reduction in aviation, but we still aim at reducing our noise production by investing in modern and silent aircrafts engines.

- **Sustainable Tourism Promotion**: Every year, South America receives approximately 15% of international tourism. As part of the tourism industry, we understand our responsibility to ensure the sustainability of both industries as well as promote respect towards the places we visit. We advocate the idea that sustainable tourism is defined as that promoting socioeconomic development whilst protecting intangible heritage and local natural resources. Moreover, we believe there is a business opportunity in finding ways of driving and supporting sustainable tourism in our region and we are in the process of looking for the best ways to seize it.

- **Government relations and regulations**: Regulations deeply affect our environmental management because we operate in many countries, each operating with different environmental standards. To this end, we have set an Identification and Assessment of Legal Requirements Procedure, which also scans for other national commitments. In this procedure, Environmental Management plays a crucial role in addressing legal requirements.
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LATAM ENVIRONMENTAL SUPPORT DOCUMENT MARCH 2015

I. Environmental Governance

PUBLIC COMMITMENTS [DJSI 2.1.4; 2.4.9]

Taking into account our material issues and in order to comply with a strategy that addresses our risks and opportunities, LATAM Airlines Group has made public commitments regarding our environmental performance.

The most relevant and challenging of these is the adherence to the International Air Transportation Association (IATA) Targets, which aim to reduce the industry’s overall GHG emissions.

IATA Target Nº1: Improving Fuel efficiency a 1.5% per year until 2020.

IATA Target Nº2: Carbon Neutral Growth (CNG) by 2020.

IATA Target Nº3: Halving our net 2005 CO2 emissions by 2050

Other than this, we also have some ambitious environmental targets of our own.

- Improving the energy efficiency of our Infrastructure 10% by 2020.
- Savings in Energy Consumption.
- 10% less waste by 2020.
- Implementing our Environmental Management System (EMS) by 2016.

Since their introduction, these commitments have helped us monitor the progress made in our performance: Table 1 summarizes the advances in each of them during 2014 to achieve the target.

Table 1: Achievements in public environmental commitments

<table>
<thead>
<tr>
<th>COMMITMENT</th>
<th>BASELINE YEAR</th>
<th>TARGET</th>
<th>2014 ACHIEVEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>IATA Target Nº1: Improving Fuel efficiency at 1.5% per year until 2020.</td>
<td>2009/2012</td>
<td>1.5% annually until 2020</td>
<td>In 2014 our fuel intensity indicator stood at 30.14 / 100RTK which is almost a 13% reduction of fuel intensity compared to that of 2012 (baseline year)</td>
</tr>
<tr>
<td>IATA Target Nº2: Carbon Neutral Growth (CNG) by 2020</td>
<td>2009</td>
<td>Carbon Stabilized Growth by 2020</td>
<td>In 2014 we approved a corporate strategy to sustainability that set as a milestone to have a strategy to this end by the end of 2015.</td>
</tr>
<tr>
<td>IATA Target Nº3: Halving our net 2005 CO2 emissions by 2050</td>
<td>2009</td>
<td>Reducing our stabilized emissions to the level of 2005</td>
<td>Advances in the design of our strategy to meet this target</td>
</tr>
<tr>
<td>Carbon Neutral Ground Operations by 2020</td>
<td>2011</td>
<td>Carbon 0 in our ground operations</td>
<td>We have achieved significant reductions in our ground operations emissions. Moreover, two of our subsidiaries have started compensating their ground emissions. During 2014 Colombia and Peru bought Carbon Credits that offset 6640 Tons of CO2.</td>
</tr>
<tr>
<td>Improving our energetic efficiency in Infrastructure a 10% by 2020</td>
<td>2012</td>
<td>10% less energy intensity in our buildings (MWV / FTE)</td>
<td>This year our energy intensity stood at a 2% higher than that of 2012. This is explained by the fact that we reduced our global energy consumption but had a staff restructuring that led us to have a lower number of full time employees, thus reducing the denominator.</td>
</tr>
<tr>
<td>Savings in Energy Consumption</td>
<td>2013</td>
<td>Saving 200,000 USD</td>
<td>Due to price changes in electricity costs we have not been able to accomplish this target, and in the bases were data is comparable, our expenditure in electricity went up a 3% in 2014 regarding the of 2013.</td>
</tr>
<tr>
<td>10% less waste by 2020</td>
<td>2012</td>
<td>Reduction of a 10% of waste production</td>
<td>During 2014 we produced a 7% less waste than during 2013, which contributes to the achievement of a overall 10% reduction by 2020.</td>
</tr>
<tr>
<td>Having our Environmental Management System (EMS) implemented by 2016</td>
<td>2012</td>
<td>100% implementation</td>
<td>During 2014 we achieved a 76% implementation of our Environmental Management System.</td>
</tr>
</tbody>
</table>
I. Environmental Governance

ENGAGEMENT [DJSI 1.10.4]

As part of our environmental strategy, LATAM Airlines Group has been an active participant in most discussion platforms in the sector of international air transportation. Our position in these forums is to support and strengthen our sector's commitments and to encourage innovation to reduce our impact on climate change and the environment. We also have a vision of a multi-sectorial approach for delicate matters such as sustainable energy sources, which we aim to transmit to our business colleagues.

This kind of engagement allows us to understand the capacities of the industry regarding environmental management and it allows us to reach important agreements. Also, it allows us to develop a sectorial benchmark in this regard. We are proud to be leaders of the discussion on climate change in the sector. The following describes each of our alliances.

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

ICAO (International Civil Aviation Organization): we have contributed in discussions regarding the environment, adaptation to climate change and market-based measures to mitigate it (Box 7). Among the ICAO Objectives for 2014-16 is Environmental Protection, which seeks to minimize the adverse environmental effects of civil aviation activities.

ALTA (Latin American and Caribbean Air Transport Association): we have been leading the regional discussions on climate change and greenhouse gas emission reduction, especially through the Climate Change Group.

Carbon Disclosure Project (CDP): Besides our reporting duties for this initiative, CDP has had a relevant role globally as a forum for discussing climate change-related issues. In this regard, LATAM Airlines Group has been an active participant, and our Environmental Director has been a speaker at these forums several times.

The Sustainable Aviation Fuel Users Group (SAFUG): TAM participates in this group, which was formed in September 2008 with support and advice from the world’s leading environmental organizations, such as the Natural Resources Defense Council and the Roundtable on Sustainable Biomaterials (RSB). The group is focused on accelerating the development and commercialization of sustainable aviation biofuels.

Aliança Brasileira para Biocombustíveis de Aviação (ABRABA): TAM also belongs to this organization, which provides a forum for Brazilian aviation companies to discuss and agree upon the production and usage of biofuels in the industry.

Empresas pelo Clima: TAM belongs to this alliance of Brazilian companies that seek to mobilize and articulate business leaderships for the reduction and management of greenhouse gas emissions along with management of climate-associated risks and public policies.

Chile Bio Renewable Fuels: This project aims at setting the required environment to introduce a national bio-energy policy in Chile. With this as a global objective, the work focuses on linking the right actors together to establish a roadmap. These actors include the government, productive sector and consumer.

Reforest Patagonia: Reforest Patagonia is a non-profit public-private alliance that seeks to recover the ecosystem of one of the most important environmental regions on Earth, the Chilean Patagonia. Over the past 100 years, this region has suffered the impact of fires and commercial exploitation, which has devastated more than 3 million hectares in this zone. Through LAN, LATAM Airlines Group is one of the founding companies of this initiative.

BAM: LAN Peru has been offsetting the emissions of ground operations since 2012 through a REDD project managed by Bosques Amazónicos. In three years of operation this alliance has offset 20,000 Tons of CO2 emissions.
II. Environmental Strategy: Climate Change [DJSI 2.4.4]
II. Environmental Strategy: Climate Change [DJSI 2.4.4]

Under the framework of the company’s Sustainability Strategy, the strictly environmental issues of sustainability are addressed through a perspective of climate change mitigation and adaptation. We have defined a set of actions in this regard to shape our environmental performance so as to achieve and maintain our role as a world leader on the issues of climate change, impact management and risk adaptation. These actions can be divided into those that boost impact and profitability and those that drive engagement and recognition.

LATAM Airlines Group designed a pioneer Environmental Management System that seeks to cover all of our operations, including maintenance, ground and air. For this, we implemented two procedures in all of our operations: the identification of environmental matters, impacts and legal requirements; and unifying the auditing procedures, documentation control and communications. Furthermore, we have succeeded in the implementation of our environmental policy by completing the following: creating an inventory of regulations in all of the countries where we operate (all destination countries included); identifying environmentally relevant or sensitive processes; and designing procedures to ensure our compliance with regulations and minimizing any existing impact.

Flight Operations
We have been one of the most committed companies in the development and implementation of the IATA Environmental Assessment (IEnvA) (see Box 5). We are one of the airlines that collaborated most in the creating the requirements for the program. We are one of the three airlines in the world that have been certified in both stages of IEnvA. However, our commitment does not end with this certification as we are also working on implementing the recommended best practices for the industry, which were also developed under the IEnvA frame.

Figure 7: LATAM Airlines Group Environmental Sustainability Strategy

A. IMPACT AND PROFITABILITY
This branch of our work addresses the various dimensions related to how we manage the environmental footprint created by our daily operations. This is based on four actions: strengthening our Environmental Management System; monitoring and managing the environmental and climate change risks; developing an ecologically efficient operation model; and supporting alternative sustainable energies.

IEnvA is a voluntary system designed to evaluate and improve the environmental management system of an airline. The program is based in the development of environmental requirements that are common to the adhering companies and aims at sharing the best environmental practices; and is compatible with the ISO 14.001 standard but specially designed by and for airlines. It is designed to be implemented in two stages:

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

Only Flight Operations and Corporate Activities are considered as CORE activities, but this initial scope of is widening and new modules covering Ground Handling Operations and Maintenance, Repair and Operations are under development, and considered as CORE+ activities.

Some of the benefits of IEnvA include the reduction of risks of legal compliance; financial savings for less use of resources; demonstration of good environmental governance; environmentally consciously personnel; transparency of environmental information to stakeholders; amongst others.

This program is independently verified by an external third party.

Box 5: IEnvA Program

5 Stage 2 of IEnvA was certified in May, 2015.
II. Environmental Strategy: Climate Change

LATAM Airlines Group has two maintenance units, one in Santiago, Chile and one in San Carlos, Brazil. These bases have undertaken a number of actions for the implementation of our Environmental Management System, including the identification of legal requirements, actions leading to ensure legal compliance and the identification and control of the principal environmental issues and impacts.

Ground Operations

We have designed an Environmental Management System (EMS) for our ground operations, which, like IEnvA, is also based on ISO 14.001 Standard. In response to petitions and requirements from our clients, we are working on certifying this EMS in the bases relevant to our Cargo business.

In order to keep track of the relevant points of our cross-cutting environmental management, we have identified 21 Key Performance Indicators across five different areas: technology, operations, infrastructure, economic, and legal and others. Table 2 breaks down these environmental indicators along with the units in which they are measured and the goals we are aiming to achieve. These are not public commitments, but rather a statement of what we would like our performance to be. The compliance of these indicators is reviewed internally.

Table 2: Our 21 Key Performance Indicators

<table>
<thead>
<tr>
<th>AREA</th>
<th>INDICATOR</th>
<th>UNIT</th>
<th>GOAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>1. Fleet Modernization</td>
<td>Years</td>
<td>Same as first in benchmark</td>
</tr>
<tr>
<td></td>
<td>2. Engine Noise</td>
<td>% Chapter III / % Chapter IV</td>
<td>100% Chapter IV</td>
</tr>
<tr>
<td></td>
<td>3. Support to Sustainable fuel development</td>
<td>Number of biofuel flights</td>
<td>Having regular flights with biofuels</td>
</tr>
<tr>
<td></td>
<td>4. Research and Development</td>
<td>% (Investment R + D)/(revenues)</td>
<td>Control and measurement of R + D investment impact</td>
</tr>
<tr>
<td>Operations</td>
<td>5. Greenhouse Gas emissions control</td>
<td>Kg CO2/100RTK</td>
<td>Same as first in benchmark</td>
</tr>
<tr>
<td></td>
<td>6. Control of the emission of other pollutant gases</td>
<td>Gr gas/100RTK</td>
<td>Total same as first and second od benchmark</td>
</tr>
<tr>
<td></td>
<td>7. In-flight fuel jettison</td>
<td>Number of events</td>
<td>Same as first in benchmark</td>
</tr>
<tr>
<td></td>
<td>8. Hazardous waste reduction and treatment</td>
<td>Ton</td>
<td>Total hazardous waste known and treated</td>
</tr>
<tr>
<td></td>
<td>9. Non-hazardous waste reduction</td>
<td>Ton</td>
<td>Total non-hazardous waste known and not treated</td>
</tr>
<tr>
<td></td>
<td>10. Water consumption reduction</td>
<td>Cubic meters / Employee</td>
<td>Same as first in benchmark</td>
</tr>
<tr>
<td></td>
<td>11. Suppliers</td>
<td></td>
<td>Existing environmental guidance</td>
</tr>
<tr>
<td></td>
<td>12. Green-building</td>
<td># Projects</td>
<td>Due Diligence</td>
</tr>
<tr>
<td></td>
<td>13. Energy</td>
<td>MWh / Employee</td>
<td>Compliance</td>
</tr>
<tr>
<td></td>
<td>14. Implementation of RNP</td>
<td>Implemented Airport / Total expected airports</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>15. Environmental expenditure</td>
<td>Yes / No</td>
<td>New project certified by LEED</td>
</tr>
<tr>
<td></td>
<td>16. Emission of Carbon Bonuses</td>
<td>Million Euros</td>
<td>Same as first in benchmark</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>75% - 100%</td>
</tr>
<tr>
<td>Economic</td>
<td>17. Legal compliance</td>
<td>% Legal regulation data of operation countries</td>
<td>Existence of Environmental expense control</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Application in projects</td>
</tr>
<tr>
<td></td>
<td>18. Environmental Management system</td>
<td>Yes / No</td>
<td>All legal data and no fines or sanctions</td>
</tr>
<tr>
<td>Legal and</td>
<td>19. Carbon Offsets</td>
<td>Yes / No</td>
<td>Compliance</td>
</tr>
<tr>
<td>others</td>
<td></td>
<td></td>
<td>100% implementation</td>
</tr>
<tr>
<td></td>
<td>21. Signed Voluntary Agreement</td>
<td>Yes / No</td>
<td>Implemented program</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Reporting of all GRI indicators</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100% score in environmental section of Dow Jones sustainability Index</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>‘A’ Score in CDP</td>
</tr>
</tbody>
</table>
LATAM Airlines Group monitors the risks associated with the environment, climate change and their related regulations regularly and independently. During 2014, we undertook a risk assessment exercise, where we identified special risks regarding the environment with severe financial implications: carbon emissions, nitrogen oxides emissions and noise levels. The probability of that these risks can bear include being taxes on carbon emission in some scenarios, while nitrogen oxides and noise emissions taxes have a lower probability rate of affecting our company. As part of the methodology, preventive controls and mitigation actions are established in order to control these risks.

From a more general perspective, the management of environmental risks in LATAM Airlines Group are aimed at the following:

• Ensuring legal compliance of all LATAM Airlines Group operations
• Implementing and monitoring mitigation actions
• Preparing the company to implement and comply with the IATA Carbon Neutral Growth 2020 target.

Last year, LATAM Airlines Group was the world’s transportation leading company in the areas of eco-efficiency and climate change according to the Dow Jones Sustainability Index. This is easily explained by our environmental and sustainability strategy and our EMS, which aim to reduce the intensity of emissions of our industry. We aim to strengthen our climate change performance to make more progress and remain as pioneers in our sector.

Having a high fuel-efficiency standard is critically important for our business. For example, 25% of our cargo revenues, up to 428.345 million USD, come from clients who choose their service providers taking into account better environmental performance. This is why we operate under high standards of operational efficiency, which includes keeping a young fleet, fuel efficiency programs, and infrastructure improvements by investing in energy efficient buildings.

II. Environmental Strategy:

2. Risk Management [DJSI 2.4.7]
LATAM Airlines Group monitors the risks associated with the environment, climate change and their related regulations regularly and independently. During 2014, we undertook a risk assessment exercise, where we identified special risks regarding the environment with severe financial implications: carbon emissions, nitrogen oxides emissions and noise levels. The probability of that these risks can bear include being taxes on carbon emission in some scenarios, while nitrogen oxides and noise emissions taxes have a lower probability rate of affecting our company. As part of the methodology, preventive controls and mitigation actions are established in order to control these risks.

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• Ensuring legal compliance of all LATAM Airlines Group operations
• Implementing and monitoring mitigation actions
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3. Eco-efficiency [DJSI 1.10.1; 1.10.2; 2.4.5]
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Young fleet
Our business model strongly relies on a modern and efficient fleet, which is why we are continually investing in keeping our fleet young. Aircraft engines are continually improving their consumption rates; therefore, new aircrafts are more efficient.

In 2014, the average age of our fleet was seven years old. This means that a total of 65% of our aircraft were seven or less years old. This is our key strategy for fuel efficiency, which also allows us to reduce our carbon footprint, which this year stood at 80.14 Kg of CO2 per 100 RTK, lower than the average in the industry.

Some of the environmental advantages of new generation aircraft, like Boeing 787, are:

• Generating up to 20% less CO2 emissions than similar planes.
• Reducing noise production by up to 40% during take-off, compared with similar planes. Take-off is the loudest stage of flight.
• Reducing the production of non-recyclable waste in the manufacturing stage, due to its structural composition

Fuel efficiency
Our fuel efficiency program includes technological improvements such as the use of RNP or winglets and other operational practices, such as optimizing the weight factor by mixing cargo and passengers and ensuring proper engine maintenance. In 2014 these measures reduced our total use of fuel by up to 118,326,981 liters, which is the same as 93 million USD of fuel expenditure or 298,184 tons of CO2 emissions to the atmosphere.

To this end, we designed a set of procedures that apply across all operation levels with the goal of improving fuel efficiency. These procedures are referred to as LEAN Fuel for LAN subsidiaries and Smart Fuel for TAM initiatives. The specific procedures that these initiatives entail are further discussed in Box 6.
Box 6 LEAN / Smart Fuel Initiative

Optimization of Weight: The amount and distribution of weight is a direct variable of fuel consumption, which is why we strive to reduce structural weight and place it in the appropriate parts of the aircraft.

- Improvement of freight factor: combination of passenger and cargo services.
- Weight reduction on-board. This has been achieved by:
  - Ultra-light and state of the art service carts and luggage
  - Kevlar Unit Load Devices
  - Reduction of unnecessary onboard water
  - Optimizing the fuel load according to destination to avoid carrying unnecessary fuel
  - Improving to distribution of weight to have an optimal center of gravity.

Route planning, cruising speed and landing: Direct and accurate planning of the route that avoids heavy weather conditions and turbulent air fluctuations can boost fuel efficiency.

- Direct routes and continuous descents in landings
- Use of OSA, which as navigation program that calculates the best route according to winds, consumption for time of flight and the costs of taxes for air space
- Use of RNP, which is a satellite navigation system that guides the plane in an automatic manner, according to its GPS. This allows more efficient and safer approaches. This system has been fully implemented in Ecuador and Chile, and is in its final stages in Peru.
- Cost Index: Optimizing cruising speed so as to boost efficiency without delaying flights.
- We standardized the operation procedures (SOP) of land approach and landing in order to improve efficiency. These measures include:
  - Idle reverse
  - Partial flaps in landing
  - Take flaps
  - Optimizing the use of engines on the ground:
  - Taxiing operations (which are the operations of moving the aircraft in the airport) with one engine
  - Minimization of the use of Auxiliary Power Unit: this has been achieved with improved airport infrastructures.

Maintenance panel: we have designed a program to correct small flaws that affect efficiency.

- Corrective tasks to improve efficiency
- Engine wash: this allows a better combustion of fuels and reduces the emission of PM10 in airport areas.
- When preparing the plane for passenger flights:
  - Pack-off: Using only one unit for cabin acclimatization and pressurization instead of two (LAN) or doing it on ground (TAM) in order to save fuel.
  - Pre-takeoff video, to save fuel (TAM).
II. Environmental Strategy: Climate Change

[DJSI 2.4.4]

Table 3: Impact of LEAN / Smart Fuel Initiatives

<table>
<thead>
<tr>
<th>FEET MODERNIZATION</th>
<th>NOISE REDUCTION</th>
<th>AIR QUALITY AT AIRPORTS</th>
<th>PASSENGER COMFORT (PUNCTUALITY, LESS CANCELLATIONS, AVOIDING TURBULENCES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>ELECTRIC VEHICLES</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

LEAN/SMART FUEL INITIATIVES:

1. Optimization of Weight
   a. Improvement of freight factor
   b. Weight reduction on-board
   c. Improving distribution of weight

2. Route planning, cruising speed and landing
   a. Direct routes and continuous descents in landings
   b. Use of OSA
   c. Use of RNP
   d. Optimizing cruising speed
   e. Standardized operation procedures (SOP)

3. Optimizing the use of engines when on the ground
   a. One engine taxiing
   b. Minimization of APUs

4. Maintenance panel
   a. Corrective tasks to improve efficiency
   b. Engine wash

5. Preparing the plane for flights
   a. Pack-off
   b. Pre-takeoff video

Infrastructure improvement and green building

Ground operations are a small part of our business’ carbon footprint; however, we believe that it is also important to reduce the consumption that are associated to this item and therefore its emissions.

To this end, we are active participants in the Investments Committee, where we are able to assess the environmental performance or suitability of the projects presented. In addition, our infrastructure unit has a Greenbuilding Guideline, which is used in the search, selection of existing buildings or construction of new offices, bases or buildings that posits that those who comply with a number of environmental criteria should be preferred.

4. Alternative Sustainable Energies [DJSI 1.10.3]

The air transportation industry is strongly committed to use sustainable alternative fuels in order to reduce its carbon footprint. So far, this has translated into a firm support for the use of biofuels, which reduce both our CO2 footprint and our exposure to market risks associated with the volatility of oil prices. The current market only provides second and third generation biofuels, which do not interfere with crop production for human consumption. This advantage of second generation biofuels makes them sustainable from an economic, social and environmental perspective. However, in LATAM Airlines Group, we believe it is important to research comprehensively and consider the possibility of other sustainable fuel alternatives.

Regarding biofuels, our research and analysis has been done with the only existing certified technology, Biomass to Liquid (BTL). However, we are actively studying the results of new emerging technologies such as Hydro Carbon to Direct Sugar (HCDS) and Alcohol to Jets (ATJ). We believe the potential for mass production that these technologies show are a promising market opportunity.

These past years, our studies of BTL have been focused on the recycling of used cooking oil (UCO). This research, done in collaboration with local oil distributors, has been undertaken in order to promote the use of biofuels. This led to a significant achievement in 2012 when LATAM Airlines Group conducted the first commercial flight using biofuel in South America, which took place in Chile. In 2013, we continued working towards our sustainability initiative and launched the first commercial flight using biofuel in Colombia.

Even in consideration of the strides that have been made in research and trials of biofuels and their implementation, we believe that feasibility will depend on a multi-sector forum that includes fuel producers, engine and aircraft manufacturers, and policy-makers, as opposed to the sole leadership of airlines, which cannot continue in this road alone because of the amount of fuel needed by our industry and the high prices created by the scarcity of production.
We firmly believe that the practicality of alternative sustainable fuels should be reconsidered if airlines continue to be the only interested party in creating demand and no interest to meet demand is shown by the relevant actors. However, the rise of new technology may be able to alter the course of this situation.

In spite of this position, our strategy will continue to support initiatives of R+D and reaffirms our engagement in multi-stakeholder discussions, as well as encouraging all interested actors to do the same. Finally, we are active participants in many of these forums, including IATA, ICAO, SAFUG, ABRABA and Chile Bio Renovable.

II. Environmental Strategy: Climate Change [DJSI 2.4.4]

B. ENGAGEMENT AND RECOGNITION

This branch of our work addresses the dissemination of our environmental actions and the strengthening of the environmental performance throughout our supply chain. In this regard, we have divided our work in five issues: capacity-building and knowledge; transparency; supply chain; emission offset; and recognition and communication projects.

1. Internal capacity-building

LATAM Airlines Group is in the process of strengthening the training its staff in the area of sustainability. Our mid-term objective is that sustainability and environmental matters are incorporated into the company’s organizational culture. For this, instances such as forums and workshops are being created to brainstorm how to improve environmental development and to encourage environmentally friendly choices among our personnel. We have also created an environmental newsletter to keep our staff informed of the environmental actions taken by the company.

In 2014, we approved a Corporate Code of Conduct for the entire LATAM Airlines Group, which includes Health, Security and Environmental Guidelines. We are in the process of training our staff on the requirements of these guidelines. So far we have been able to train 63% of our staff on these matters.

Furthermore, our Corporate CEO launched an environmental newsletter, which is sent monthly and aims at making the environmental performance, initiatives and challenges of the company known to all our staff and, therefore, is a source of training for all our staff.

2. Transparency [DJSI 2.1]

Transparency is a corporate value that helps us communicate with our clients, suppliers, authorities and stakeholders in general. We consider this value as crucial for the functionality and sustainability of the company, which is why we make the effort to participate in different reporting opportunities. We find that these reports focus directly on the most relevant environmental and sustainability topics and indicators for our company. They have helped us focus and communicate the advances of our environmental performance, material issues, and sustainability strategy to different interested parties.

- Sustainability Report following the Global Reporting Initiative (GRI) Guidelines: Every year we publish the most relevant indicators of our environmental performance according to the GRI guidelines, which include carbon emissions, energy consumption, waste generation, and legal compliance.

- Dow Jones Sustainability Index (DJSI): Our company has reported to the DJSI since 2012. In this time, we have made great improvements, which were recognized in 2014 when we were included in the World Index. This accomplishment placed us among the ranks of world leaders in addressing climate change and achieving ecological efficiency in our industry.

- Carbon Disclosure Project (CDP): Our company has reported to the CDP since 2011 and has improved its score every year, reaching A-90 in 2014.

- Global Compact: LATAM Airlines Group is a member of this United Nations initiative and we published indicators relevant to the GC in our Sustainability Report.

- Environmental Support Document: Since 2013, LATAM Airlines Group publishes this document, which proves us a platform to publish our evidence for the DJSI and addresses those issues that could not be addressed in the Sustainability Report.

We have also undertaken efforts to certify as much of these reports as possible by auditing the information they contain thereby assuring the validity their contents. For example, this year the information published in this report and our CSR report is audited by Deloitte and our 2014 Annual Report is audited by PwC.
II. Environmental Strategy: Climate Change [DJSI 2.4.4]

3. Supply Chain [DJSI 2.2.1; 2.4.10]
One of our biggest challenges is to develop and manage a sustainable supply chain that allows us to reduce risks and to ensure environmental compliance. For this, the first step is to clearly understand the specific social and environmental issues within our value chain. The second step is a process of dialogue to build a platform for mutual benefit with our suppliers.

In this regard, TAM created the Supplier Management Handbook, born from the need for a systemic and comprehensive management of suppliers. It incorporates the specificities of each echelon within the value chain. This manual provides the strategic framework and clarifies expectations with suppliers in our value chain.

Moreover, in LATAM Airlines Group, we choose our suppliers by taking their environmental performance into account. Our procurement policy states that providers that measure and manage their carbon footprint, are efficient in energy consumption, recycle and minimize their waste (especially when dangerous) should be preferred. Also, our contracts with suppliers have an environmental clause that makes it mandatory for them to comply with environmental requirements (see Box 7).

The compliance to this clause is closely monitored, especially for our critical suppliers, whose EMS and environmental performance are audited by LATAM Airlines Group.

Box 7: Environmental clause in our supplier contract
Once selected, the supplier must sign a contract, which contains an environmental clause. By this clause (xxiii), 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 any actions that may damage it, taking any preventive measures needed. The clause applies to all types of providers, especially those related to the management of hydrocarbons, fuels, discharges of unwanted liquid effluents, atmospheric pollutants and wastes, especially when dangerous.

Also, by this clause the supplier agrees to:

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

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

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

d. Provide all the requested information to the Client in order to audit and inspect the compliance of the guidelines given by the Client and all the regulations regarding the environment.

Suppliers failure to comply with this clause may justify the termination of the contract.

4. Emission offset
Offsetting Carbon Emissions is very important, both to make the footprint of our services known to our customers and to offer them the possibility to compensate their carbon footprint. Moreover, carbon offsetting is a key component for the achievement of our corporate target of having neutral ground operations by 2020.

During 2014, we worked on implementing ‘Neutravel,’ a program that allows companies to know the carbon footprint of their corporate travels and offset their emissions with initiatives that not only neutralize CO2 emissions, but also generate co-benefits to communities and the environment.

Moreover, in 2014, we compensated 100% of the emissions generated by the extra flights to the 12 cities hosting Soccer World Cup. In total, 100,000 tons of greenhouse gases from over 4,500 flights were offset.

In addition, we worked at a corporate level on a compensation plan for our ground operations emissions. Our Peru subsidiary has been verifying and offsetting its carbon footprint since 2011, in alliance with Amazonian Forests (BAM). During 2014 the subsidiary in Colombia offset its ground operations emissions for the first time by purchasing carbon credits from Choco-Darien, an ecological conservation project.

Finally, LATAM Airlines Group is involved with the Reforestemos Patagonia Project, which aims to restore the natural heritage of the Andean Patagonian forest, thus preserving one of the main sources of oxygen on the continent.
II. Environmental Strategy: Climate Change [DJSI 2.4.4]

Thus far the LATAM Airlines Group work in this area has earned us awards and recognition for our environmental and sustainability performance. Box 8 lists this year awards and recognitions.

<table>
<thead>
<tr>
<th>Box 8: Awards and Recognitions 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DOW JONES SUSTAINABILITY – SEPTEMBER 2014</strong></td>
</tr>
<tr>
<td>Dow Jones Sustainability Index (DJSI) belongs to the indexes created in the New York Stock Exchange in 1999 and ranks the most efficient brands based on sustainability.</td>
</tr>
<tr>
<td><strong>Recognition:</strong></td>
</tr>
<tr>
<td>In September 2014, LATAM Airlines Group was recognized by DJSI by entering the world-leading group in sustainability, becoming the only Chilean-based enterprise to enter this index. Additionally, we came out as the leading company in two out of the four environmental factors that were assessed.</td>
</tr>
</tbody>
</table>

| **PREMIO SUSTAINIA – OCTOBER 2014** |
| The Sustainia Award 2014 was awarded on October 30th to recognize the best innovative technologies and projects that have the potential to build a more sustainable future. |
| **Recognition:** |
| Second-generation Biofuel for commercial flights. LATAM Airlines Group was recognized for biofuel powered commercial flight on an Airbus 320 from Bogotá to Cali, Colombia. |

| **ALAS 20, DIARIO FINANCIERO – OCTOBER 2014** |
| Alas 20 is a program carried out by the Diario Financiero in Chile that seeks to boost sustainable development projects related to business management in Latin America. The ceremony was held on October 22nd in Santiago de Chile. |
| **Recognition:** |
| · Business Winner Alas20 “LATAM AIRLINES GROUP”  
· Leading Company in Sustainability  
· Leading Company in Corporate Governance  
· Leading Company in Investor Relations  
· Recognition of Enrique Cueto, as Leading CEO in Sustainability |

| **CARBON DISCLOSURE PROJECT (CDP) – NOVEMBER 2014** |
| The CDP is a non-profit independent organization with the biggest world database of corporate information of climate change, allowing for the identification of new business opportunities. |
| **Recognition:** |
| In November 2014, LATAM Airlines Group was listed as one of the companies that best manage climate change in South America and the world. |

| **SUSTAINABILITY INDEX (ISC), THE NOTE MAGAZINE – NOVEMBER 2014** |
| “The Note magazine,” a digital publication, publishes the ISC to assess the scores and rankings of the best sustainable companies, considering environmental management, community and stakeholder relations, and innovation. |
| **Recognition:** |
| LAN is the number one in Corporate Sustainability Index, highlighting the systematical reduction of emissions, the renewal of the fleet and the operational efficiency measures that have shaped the regional standard. |

| **ROBECOSAM – DECEMBER 2014** |
| RobecoSAM is an organization specialized in corporate sustainability. The RebecoSAM indexes were the first financial consulting firm focused in the sustainable investment. It is based in Switzerland and Rotterdam and offer multiple investment solutions such as thematic actions, private equity, etc. Every year, three thousand companies are invited to participate in the sustainability yearbook, which is an assessment held by RebecoSAM aiming at scoring the leading sustainability companies. |
| **Recognition:** |
| In December 2014, LATAM Airlines Group was awarded in the category of “Industry Movers” for its Environmental Management. |
III. Environmental Performance
A. RESULTS [DJSI 2.3]

The tables below reflect the most relevant indicators of our environmental performance expressed in the format and methodology requested by the Global Reporting Initiative and the Dow Jones Sustainability Index. These indicators are coherent with those reported in our CSR report. The coverage of the information reported is also available in the table below.

### III. Environmental Performance

#### EMISSIONS

<table>
<thead>
<tr>
<th>Emission</th>
<th>Unit</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ Scope 1</td>
<td>Ton CO₂e</td>
<td>11,844,687</td>
<td>11,716,772</td>
</tr>
<tr>
<td>CO₂ Scope 2</td>
<td>Ton CO₂e</td>
<td>18,597</td>
<td>18,003</td>
</tr>
<tr>
<td>CO₂ Scope 3</td>
<td>Ton CO₂e</td>
<td>4,283</td>
<td>7,092</td>
</tr>
<tr>
<td>GHG emission intensity in flight operations</td>
<td>Kg CO₂e/100RTK</td>
<td>81.09</td>
<td>80.14</td>
</tr>
<tr>
<td>Ozone Depleting emissions</td>
<td>Kg CFC-11e</td>
<td>2,985</td>
<td>2,218</td>
</tr>
<tr>
<td>Total Nitrogen Oxides</td>
<td>Ton NOx</td>
<td>40,752</td>
<td>40,022</td>
</tr>
<tr>
<td>NOx emission intensity in operations</td>
<td>gNOx/RTK</td>
<td>2.68</td>
<td>2.64</td>
</tr>
<tr>
<td>Total Sulfur Oxides</td>
<td>Ton SOx</td>
<td>1,850</td>
<td>2,860</td>
</tr>
<tr>
<td>SOx emission intensity in operations</td>
<td>gSOx/RTK</td>
<td>12.69</td>
<td>19.27</td>
</tr>
</tbody>
</table>

#### FUEL USAGE

<table>
<thead>
<tr>
<th>Fuel type</th>
<th>Unit</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Operations Fuel</td>
<td>GJ</td>
<td>232,551,916</td>
<td>183,361,882</td>
</tr>
<tr>
<td>Fuel Intensity in Passenger business</td>
<td>L/100RPK</td>
<td>3.48</td>
<td>3.28</td>
</tr>
<tr>
<td>Fuel Intensity in Cargo business</td>
<td>L/100RTK</td>
<td>0.18</td>
<td>0.23</td>
</tr>
<tr>
<td>Gasoline</td>
<td>GJ</td>
<td>11,350</td>
<td>11,130</td>
</tr>
<tr>
<td>Diesel en Fix Sources</td>
<td>GJ</td>
<td>274,731</td>
<td>334,580</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>GJ</td>
<td>40</td>
<td>58</td>
</tr>
<tr>
<td>GLP</td>
<td>GJ</td>
<td>35,625</td>
<td>47,537</td>
</tr>
<tr>
<td>Hydrated Ethanol</td>
<td>GJ</td>
<td>465</td>
<td>265</td>
</tr>
</tbody>
</table>

#### WATER & ELECTRICITY CONSUMPTION

<table>
<thead>
<tr>
<th>Resource</th>
<th>Unit</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>MWh</td>
<td>60,565,784</td>
<td>61,453,332</td>
</tr>
<tr>
<td>Water</td>
<td>m³</td>
<td>229,099</td>
<td>335,961</td>
</tr>
</tbody>
</table>

#### WASTED

<table>
<thead>
<tr>
<th>Type of Waste</th>
<th>Disposal</th>
<th>Ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous</td>
<td>Industrial Plant</td>
<td>379.91</td>
</tr>
<tr>
<td></td>
<td>Recycle</td>
<td>122.91</td>
</tr>
<tr>
<td></td>
<td>Not specified</td>
<td>320.36</td>
</tr>
<tr>
<td>Non-Hazardous</td>
<td>Dumping site</td>
<td>748.43</td>
</tr>
<tr>
<td></td>
<td>Industrial plant</td>
<td>20.42</td>
</tr>
<tr>
<td></td>
<td>Recycle</td>
<td>1,120.55</td>
</tr>
<tr>
<td></td>
<td>Not specified</td>
<td>1.38</td>
</tr>
<tr>
<td>Effluents</td>
<td>Treated</td>
<td>155.85</td>
</tr>
<tr>
<td></td>
<td>Total general</td>
<td>2,874.41</td>
</tr>
</tbody>
</table>

#### DATA COVERAGE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel in Fixed Sources</td>
<td>Diesel</td>
<td>5.3%</td>
<td>93%</td>
<td>82%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Natural Gas</td>
<td>40%</td>
<td>93%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gasoline</td>
<td>5.3%</td>
<td>93%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GLP</td>
<td>48%</td>
<td>98%</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>Fuel in Mobile Sources</td>
<td>Diesel</td>
<td>5.3%</td>
<td>93%</td>
<td>82%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gasoline</td>
<td>51%</td>
<td>96%</td>
<td>92%</td>
<td></td>
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<tr>
<td></td>
<td>GLP</td>
<td>5.3%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Refrigerating Gases</td>
<td>Various</td>
<td>5.3%</td>
<td>93%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>CO₂US in Other Airlines</td>
<td>Jet Fuel</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>Electricity</td>
<td>64%</td>
<td>83%</td>
<td>84%</td>
<td></td>
</tr>
<tr>
<td>Water Consumption</td>
<td>Water Consumption</td>
<td>27%</td>
<td>69%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>Waste</td>
<td>Non-Hazardous Waste</td>
<td>37%</td>
<td>7%</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hazardous Waste</td>
<td>57%</td>
<td>100%</td>
<td>86%</td>
<td></td>
</tr>
</tbody>
</table>
B. METHODOLOGY

The LATAM Airlines Group is focused on improving systemizing and unifying environmental data. On the other hand, we find that in terms of greenhouse gas emissions, our main environmental impact and fuel consumption we have through monitoring practices and are quite advanced in reporting our advances and data.

Regarding our greenhouse gas (GHG) emissions and fuel consumption inventory, we employed internal records, information systems, data collected by various areas of the company and, in some cases, our consumption bills or receipts to recover important information. Each subsidiary has an area responsible for supporting their data with evidence and crosschecking the information with other parts of the company. In most cases, this data is managed by maintenance, administration, infrastructure or finances departments.

For the sake of data unification, we generally consider the year of the merger, 2012, as our baselines year for GHG inventory, which is also the year we started using the standard ISO 14.064 as a measurement tool. However, it is important to highlight that we started calculating our carbon footprint in 2010. These are the GHG emissions considered in calculating our carbon footprint:

Scope 1
- Fuel consumption in air operations
- Fuel consumption of fixed sources and vehicles which belong to LATAM Airlines Group
- Emissions produced by leaks of refrigerating gas

Scope 2
- Emissions produced in the process of generating electricity for our offices, hangars, maintenance garages and airport installations used by LATAM Airlines

Scope 3
- Ground transportation of our employees, supplies and wastes
- Air transportation of our employees for work-related events in other airlines.

EMISSION FACTORS

<table>
<thead>
<tr>
<th>FUEL / MATERIAL / ENERGY</th>
<th>EMISSION FACTOR</th>
<th>UNIT</th>
<th>GOAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>63300</td>
<td>kgCO2/TJ</td>
<td>IPCC 2006</td>
</tr>
<tr>
<td>Diesel Gas oil</td>
<td>7400</td>
<td>kgCO2/TJ</td>
<td>IPCC 2006</td>
</tr>
<tr>
<td>Natural gas</td>
<td>56100</td>
<td>kgCO2/TJ</td>
<td>IPCC 2006</td>
</tr>
<tr>
<td>GLP</td>
<td>63100</td>
<td>kgCO2/TJ</td>
<td>IPCC 2006</td>
</tr>
<tr>
<td>Electricity (Chile)</td>
<td>326.26</td>
<td>gCO2/kWh</td>
<td><a href="http://www.esa.org/co2highlights/">http://www.esa.org/co2highlights/</a></td>
</tr>
<tr>
<td>Electricity (Peru)</td>
<td>547</td>
<td>gCO2/kWh</td>
<td><a href="http://www.fonamperu.org/general/mtd/servident.php">http://www.fonamperu.org/general/mtd/servident.php</a></td>
</tr>
<tr>
<td>Electricity (Ecuador)</td>
<td>731.1</td>
<td>gCO2/kWh</td>
<td><a href="http://web.ambiente.gob.ec/dsc/amb/televisores/ciudadanos/%D1%89%D0%B5%D0%BD%D0%B8%D0%B5/getProperty.do?id=52587417/">http://web.ambiente.gob.ec/dsc/amb/televisores/ciudadanos/щение/getProperty.do?id=52587417/</a></td>
</tr>
</tbody>
</table>
Certification Letter

Deloitte

IndepenDent RedOtion report of LaTam EnVironmenTal SuPporT DoCument LaTam Airlines Group

Mr. Enrique Gómez
Environmental Vicepresident

In this report you will find the outcome of the revision of LATAM’s Environmental Support Document according to the following aspects:

Scope
The accuracy and reliability of the information provided by LATAM in the Environmental Support Document have been assessed by Deloitte, in accordance with the requirements established in the Engagement Letter.

Standards and Assurance Process
The report was prepared by Deloitte in accordance with the International Standards on Assurance Engagements (ISAE 3000). Deloitte is acting as an independent entity and has no economic or professional connection with LATAM.

Key assurance procedures
The report was based on the examination of the Environmental Support Document and its annexes, which were prepared by LATAM and reviewed by Deloitte.

Conclusion
LATAM Airlines Group’s Environmental Support Document is presented in accordance with the requirements established in the Engagement Letter. Deloitte supports these findings.

Eduardo Gonzalez
Partner

May 11, 2015