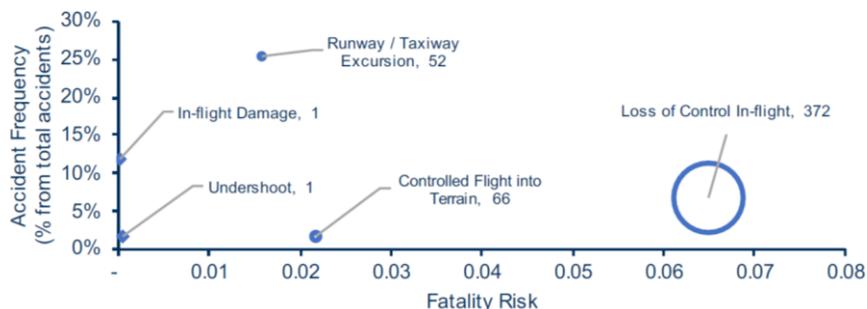


Safety Management System (SMS) and mitigation actions

LATAM Airlines strives to assure the highest levels of safety in its operations. We constantly analyze events of the industry and reflect on the causes and best market practices in order to avoid accidents. In doing so, we are able to review and improve our procedures, structure safety activities and set priorities. On an annual basis, LATAM recalls key risk areas and reevaluates safety management system objectives.

The following graph shows the relationship between accident frequency and fatality risk, measured in the number of full-loss equivalents per 1 million flights. The size of the bubble represents an indication of the number of fatalities for each category (value displayed). Note: This graph does not display accidents without fatalities. (IATA, 2018)



Accident Category frequency and fatality risk 2018 (Worldwide) (IATA, 2018)

The main accidents resulting in fatalities during 2018 (worldwide) were (IATA, 2018):

1. Loss of Control- In-flight (3) with 372 fatalities
2. Controlled Flight into Terrain (1) with 66 fatalities
3. Runway Excursion (2) with 52 fatalities
4. In-flight Damage (1) with one fatality
5. Undershoot (1) with one fatality

According to LATAM's procedure, safety objectives for the following year are reviewed annually. The Safety objectives that are raised must always be monitored and measured in the form of an indicator associated with an operational area responsible. In addition, safety goals must be defined in order to set a standard for these objectives.

The performance of the Safety for LATAM Group is defined in terms of achieving or complying with the Safety goals associated with its Safety Performance Indicators, or SPI. Each of these indicators is reviewed periodically at a corporate level in the Safety Review Board (SRB), Safety Action Group (SAG) and in the Executive Committee.

In 2018, the safety objectives were based on the analysis of the industry, revision of the LATAM's indicators of previous years, as well as investigating relevant safety events that occurred in the company. The main focus was the prevention of: Loss of control in flight (LOC-I), Runway Safety (RS) (including Runway Excursion, Hard Landing and Undershoot), as well as Controlled flight into terrain (CFIT).

LATAM also included safety events involving cabin, such as: accidental deployment of evacuation slides (an operational safety problem most typically caused by human error), cabin injuries (generally turbulence is regarded as the leading cause of injuries onboard aircraft in nonfatal accidents), unruly passenger reports, and portable electronics devices incidents.

COUNTERMEASURES

LATAM Airlines Group has defined a series of Safety Performance Indicators (SPI), in accordance with the objectives of our SMS, which serve as an effective method to determine if these objectives and goals reflect the safety standards set put by the company. The definition and monitoring of these SPIs allows us to focus our attention towards the performance of the organization's safety in terms of operational risk management, in addition to ensuring compliance of regulatory requirements.

Each of these indicators has a compliance objective, or TLS (Target Level of Safety). These are reviewed periodically in the SRB, SAG and executive committees with the operational area, both at a corporate level, and internally within each subsidiary of LATAM's group.

TLS is based on the performance of SPI LATAM, which is measured as an average of the best 12 months within a period encompassing the previous 24 months.

Alert level configuration:

The use of the standard deviation indices of target levels of safety provide a basic objective method to configure the criteria of alerts. This method derives the standard deviation (SD) value based, on the points of historical past data of a given safety indicator. It identifies levels of corresponding alerts for each indicator (SPI) in terms of safety operation, which quantifies the threshold of abnormal performance during a specific period of control.

The alert level of a new control period (current year) is based on the performance of the control level, objective (TLS) and standard deviation. The three alert lines are: TLS + 1 SD (Level 1), TLS + 2 SD (Level 2) and TLS + 3 SD (Level 3).

When an alert is activated (possible risk situation or out of control values), a thorough analysis of the respective operational issue is performed, in order to determine the root cause and adopt any necessary countermeasure to address the abnormal trend.

LATAM also has a FOQA (Flight Operations Quality Assurance) program that allows us to compare actual flight parameters vs Standard Operating Procedures. This critical safety program is crucial for identifying where safety may have been compromised and gives us the opportunity to implement subsequent corrective actions. As such, it forms a key element of your Safety Management System (SMS).

LOMP (Line Operational Monitoring Program) is regarded as an important method to help develop countermeasures to operational errors. It involves a structured observation of line operation activities, based on specific non-technical skills check list concept. It aims at identifying threats and errors to operational safety, minimize associated risks, and implement measures to counteract the human error detected

Training: Advanced Qualification Program (AQP) provides an enhanced curriculum development and a data-driven approach to quality assurance, along with the flexibility to target critical tasks during aircrew training. The AQP methodology directly supports the operational area goals for safety enhancement. The primary goal of AQP is to achieve the highest possible standard of individual and crew performance. In order to achieve this goal, AQP seeks to reduce the probability of crew-related errors by aligning training and evaluation requirements more closely with the known causes of human error and has a direct relationship with all other SMS process previously mentioned.

Safety culture survey: LATAM adopted I-ASC (IATA Aviation Safety Culture Survey): the survey consists of 60 questions, which are in alignment with the four pillars of ICAO's SMS framework and relevant IOSA Standards and Recommended Practices (ISARPs).

The survey measures five key elements of the "James Reason" Safety Culture model: Informed culture, Reporting culture, Learning culture, Just culture and Flexible culture. The main benefits are: Improve employee safety awareness, Increase employee engagement and adherence to safety procedures, perform analysis and measure safety culture using comparable KPIs, identify safety culture gaps and address them proactive, Benchmark against past performance to demonstrate safety culture improvement and others.

SMS report and audit control: Aviation Quality Database (AQD) is a comprehensive and integrated tool to support Safety Reporting and Quality Assurance. It gathers Incident, Accident and Occurrence Reports together with internal and external quality/safety audits for joint analysis. In addition, it aids in tracking corrective and preventive actions, integrating external audit requirements and analyzing and reporting trends in quality indicators.