

CSA Questionnaire TCFD Disclosure Section

Question Layout

Does your organization apply the TCFD (Task Force on Climate-Related Financial Disclosures) framework in the management of climate-related risks and opportunities? Please indicate where this information is available in your public reporting.

- Yes, we integrate the TCFD, or are in the process of integrating it, and publicly address the following requirements:

Governance

- a) Describe the board's oversight of climate-related risks and opportunities.
- b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

- a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
- c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C-or-lower scenario.

Risk Management

- a) Describe the organization's processes for identifying and assessing climate-related risks.
- b) Describe the organization's processes for managing climate-related risks.
- c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Metrics & Targets

- a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Report aligned with the Dow Jones Sustainability Index (DJSI) TCFD section

1. Introduction

Context

LATAM Airlines Group S.A. (LATAM) is a multinational airline based in Santiago, Chile which, together with its subsidiaries, in 2022 connected 144 destinations in 22 countries, and 154 destinations with its cargo operations.

The operations of LATAM subsidiaries in Brazil, Colombia, Ecuador, and Peru reached figures equal to and higher than those recorded in 2019 prior to the pandemic in terms of capacity, while LATAM Chile's recovery has been a little slower. In the calendar year 2022, around 25.3 million passengers were transported within Chile, representing an increase of 44.4% over 2021. Demand increased by 41.8% in Spanish-speaking countries, while the average occupancy was 81% with an increase of 6.2% over 2021. On the other hand, in Brazil, a total of 28.6 million passengers were transported. In the international market, which considers regional flights and long-haul flights to three continents, LATAM served 46 destinations in 22 countries, and in 2022 re-opened 14 routes that were suspended due to the health crisis. Average service supply increased by 142.3% compared to 2021 and average demand increased by 204.7% to 8.6 million passengers carried by the LATAM group, with a load factor of 83%.

Understanding that there is an increasing investor interest in the identification and management of climate-related risks and opportunities, in 2023 LATAM is identifying and assessing its climate-related risks and opportunities using scenario analysis. With this project, LATAM seeks to align its disclosure with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and to identify whether key risks and opportunities should be included in its current enterprise risk management (ERM) processes.

2. Alignment with the TCFD recommendations

Governance

- **Describe the board's oversight of climate-related risks and opportunities.**

LATAM is presided over by two governance bodies, the Board of Directors and the Directors' Committee. Regarding climate-related issues, the Board of Directors has appointed a Sustainability & Strategy Committee to analyse results and make strategic decisions related to

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sustainability issues. This committee is the highest authority addressing climate-related issues and progressing goals and commitments. It reports to the Board of Directors on a quarterly basis.

The Strategy and Sustainability Committee is responsible for developing, implementing, and reporting progress against the sustainability strategy, which is centered on the following three strategic pillars:

- Shared Value ('*Valor compartido*')
- Climate Change ('*Cambio Climático*')
- Circular Economy ('*Economía Circular*')

Each of the pillars includes specific goals and objectives as well as key performance indicators (KPIs) that involve internal and external stakeholders for their achievement. Similarly, in developing the goals and objectives of each pillar, the United Nations Sustainable Development Goals (SDGs) were taken into account.

• Describe management's role in assessing and managing climate-related risks and opportunities.

The sustainability strategy guides LATAM's efforts in assessing and managing sustainability and climate-related issues. In order to track progress against sustainability and climate goals, a set of KPIs has been developed and is monitored by the Sustainability, Security, and Fuel management areas. The executives leading the initiatives related to the three strategic pillars are presented in Table 1. In conjunction with the management areas, the executives report annually to the Board of Directors on progress of the sustainability strategy and key climate-related issues.

Table 1. Executives leading the initiatives regarding LATAM's strategic pillars

Strategic pillar	Internal team	Position
Climate Change	Corporate Sustainability Team Leader	Sustainability Chief
	LATAM Executive Committee	LATAM Financial VP
Shared Value	Corporate Sustainability Team	Sustainability Chief
	LATAM Executive Committee	Planification Senior Manager
Circular Economy	Corporate Sustainability Team	Sustainability Chief
	LATAM Executive Committee	LATAM Clients VP
Transversal through all pillars	Corporate Sustainability Team	Sustainability Manager
	Corporate Sustainability Team	Sustainability Director

At the management level, the Corporate Affairs and Sustainability Team is responsible for identifying environmental and social risks, which are consolidated and reported to the Executive Committee and the LATAM Risk Management Unit, who are responsible for their integration into the organization's risk management matrix and subsequent management.

The results of the risk analysis guide the decision-making process on how to manage the identified risks, led by the Sustainability and Strategy Committee of the Board of Directors, and supported by the Audit Committee and key members within the Sustainability & Strategy, Leadership, Finance and Clients business functions.

Strategy

- Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

LATAM's environmental performance is described in the Commitment to the Future (*Compromiso con el futuro*) section of the integrated report, which shows environmental performance indicators and targets relating to the company's carbon footprint and broader resource and waste management. These indicators and metrics are presented in Table 4. Furthermore, in 2022 LATAM began a process to align with the TCFD recommendations in its annual reporting, continuing in 2023 with a climate-related risk and opportunity assessment and scenario analysis.

Based on the risk identification assessment currently in progress, Table 2 presents some of the key risks and opportunities identified for the air travel sector for the short, medium, and long term that will potentially be assessed in the scenario analysis.

Table 2. Key risks and opportunities identified for the air travel sector

Type of risk	Risk	Time horizon
Physical	Storms and heavy winds (including tropical and extratropical cyclones) can affect aircraft take-off / landing, cause delays and cancellations, or even cause total interruption of ground operations	Medium and long term
	Riverine and coastal flooding can cause disruption of air traffic and related economic losses, as well as interruption in airport operations and prevention of passengers accessing the airport	Medium and long term
	Increased clear-air turbulence could lead to damages to aircrafts, re-routings, and injuries to passengers and crew	Medium and long term
Transition	New trends and behaviors in customers regarding sustainability and the impact of air travel may impact the demand for flights as they shift towards less carbon-intensive transportation method	Short and medium term
	Changes in the availability, demand, and price of biofuels may impact the operating costs as fuel prices rise	Medium and long term
	The expansion or creation of a new carbon pricing mechanism may increase operating costs for flights and the procurement of fuel as costs are passed through the value chain	Short, medium, and long term

Type of risk	Risk	Time horizon
Opportunity	New low-carbon or net-zero technologies that could reduce emissions from in-flight operations	Short and medium term

- **Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.**

As the aviation sector is highly exposed to physical and transition climate-related risks and opportunities, direct and indirect impacts could adversely impact LATAM’s business and operations.

Changes in the climate patterns around the routes can impact and limit operations, affecting critical infrastructure (airports), destinations, and communities in key geographies, and reducing the revenue of the group and subsidiaries. Likewise, from the transition risk perspective, LATAM’s operations are affected by local, national, and international regulations, which may require, among other things, action to be taken in relation to the carbon footprint of the company and enhanced resource and waste management. Mismanagement in all these aspects would have a detrimental effect on the group’s business and could require LATAM to implement mitigation measures in its operations, fleet, routes, and destinations.

Environmental and social risks are identified and consolidated by the Corporate Affairs and Sustainability Team and subsequently reported to the Risk Management Unit so that they can be included in the group’s general risk matrix. Climate-related risks have been identified through this process and included in the corporate risk management process. No other social and environmental risks relevant to the operation were identified.

The sustainability team has a Business Plan, which includes the financial projections associated with the development of the sustainability strategy.

- **Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios including a 2°C-or-lower scenario.**

The findings of the scenario analysis with respect to both physical and transition risks and opportunities will be integrated into the business strategy by 2024, enabling the development of future mitigation and/or adaptation actions that increase business resilience.

Likewise, in the long term, LATAM intends to update our sustainability strategy in order to reflect material climate-related risks and opportunities that have been identified through the TCFD-aligned scenario analysis. This includes updates in relation to risk assessment, management, governance, metrics and targets specific to material climate change risks and opportunities, and associated efficiency and conservation and restoration initiatives.

Risk management

- Describe the organization's processes for identifying and assessing climate-related risks.

The Integrated Safety Management System, which incorporates the Safety, Security, Health, Safety and Environment (HSE) and the Emergency Response Plan, includes a process to periodically review and identify new/emerging risks. As well, LATAM implements a monitoring system, based on the International Air Transport Association Environmental Assessment (IEnvA) certification, for climate variables within its risk identification processes. This maps the possible environmental impacts of the company's activities. Additionally, in 2023 LATAM is conducting its first climate risk and opportunity analysis to identify, prioritize, and assess how climate-related risks and opportunities could impact the company's business in the short, medium, and long term.

To determine the main physical and transitional risks and opportunities to which LATAM could be exposed, a review of the most relevant issues for the air travel sector is in the process of being carried out, along with a scenario analysis.

The scenario analysis is performed in two stages. In the first stage, the main goal is to identify 'hotspots' of climate change risks and opportunities which are then explored in more detail using scenario analysis (stage 2). These are identified by scoping all of the possible climate-related transition and physical risks and opportunities that LATAM may be exposed to in the future, and assessing (at a high level) LATAM's vulnerability to these. To support this assessment, several sources of information are reviewed, which include scientific literature, sectoral reports, competitors' disclosures, and LATAM's own operations to map a comprehensive list of potential risks and opportunities.

More than 20 physical risks and 30 transition risks and opportunities are assessed, and the most relevant and material ones are highlighted and rated according to their expected level of change compared to a baseline.

More than 30 transition risks and opportunities are assessed, and the most relevant and material ones are highlighted and rated according to their expected level of change compared to a baseline.

The key risks and opportunities identified will be presented in workshops held in a prioritization session with five key departments, who will be able to provide a comprehensive perspective on the potential impacts of the identified risks on LATAM's business strategy. Following this, through a survey, the identified risks will be evaluated in terms of their level of criticality, likelihood, and potential for mitigation/exploitation. As a result of the workshops with the relevant areas of LATAM, a list of twelve priority risks and opportunities for LATAM will be selected for a scenario analysis.

In the second stage, the time horizons considered for physical climate risks are 2030 (medium term) and 2050 (long term), as changes for physical climate changes are expected to materialize more strongly during the next decades, especially from the middle to the end of the century. Similarly, the time horizons assessed for the transition risk assessment are 2030 (medium term) and 2050 (long term), with a greater focus on the near-to-medium term, as the evolution of both the business and operations, and climate and energy related policies, are uncertain beyond 2030. The scenario analysis allows a risk rating from very low to very high is applied to the 12 physical and transition risks in focus, based on the degree of change of this risk/opportunity in the future climate scenario and timeframe compared to the reference period.

Transition risks and opportunities

The analysis of the transition risks and opportunities considers projected climate-related changes across four main areas: policy and legal, technology, market, and reputation. The geographical areas considered in the scope of this analysis are South America, North America, Europe, and global.

Physical risks and opportunities

The analysis of the physical risks and opportunities considers projected climate-related changes divided into two categories: acute and chronic. Acute physical risks refer to changes that are event driven, for example extreme weather such as cyclones, floods, and landslides. Whereas chronic physical risks refer to changes that reflect longer-term shifts in climate patterns, for example an increase in frequency and intensity of droughts. The geographical locations considered for this analysis are the key sites, routes, and hubs for LATAM's operations and key suppliers.

The climate scenarios that will be considered are presented in Table 3.

Table 3. Types of scenarios assessed during the climate risk assessment

Type of scenario	Scenario	Temperature by 2100	Description	Selection of scenarios
Physical risks	SSP5-8.5	+4°C (3.3-5.7°C)	This represents a 'worst-case' warming scenario of global mean temperature increases of >4°C by the end of the century compared to preindustrial levels and the greatest physical impacts	The IPCC's SSP5-8.5 scenario was considered in the analysis, as it aligns with TCFD's recommendations by representing an extreme future in the spectrum of potential futures
Transition risks	Below 2°C	< 2°C	This represents a 'best-case' climate change scenario where stringent climate policies and carbon pricing limit global temperature increases to ~1.5 to 1.7°C by end-century. The International Energy Agency's Net Zero Emissions by 2050 (NZE) is used as the main scenario, with information from regional scenarios used where NZE scenario information is not available	This scenario is based on the IEA scenarios, which are in line with the TCFD recommendations, as well as being well known and widely used

Based on the scenario projections, risks and opportunities were rated as very high, high, moderate, low, very low, or uncertain depending on how significantly the risk or opportunity is projected to change in the future compared to the current situation.

- **Describe the organization's processes for managing climate-related risks.**

From 2024 onwards LATAM intends to carry out an annual process to identify, assess, prioritize, and integrate climate-related risks into their Integrated Safety Management System. The general process for risk management is outlined in the recommendation above.

As of 2022, LATAM has undertaken several initiatives regarding sustainability and the environmental performance of the group, of which the following are highlighted: the monitoring of environmental measures concerning the GHG footprint, the use and implementation of sustainable aviation fuels (SAFs), and improving circularity in the use of resources.

- **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.**

LATAM is currently in the process of identifying climate-related risks and opportunities, specifically linked to the air transport industry; however, non-climate related risks are already integrated into the company's general risk management after being consolidated by the Corporate Affairs and Sustainability Team. After the climate risk assessment is carried out, the Risk Management Unit will review and include (as required) the results and findings of the identified climate-related risks and opportunities into LATAM's general risk management system.

Metrics & targets

- **Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**

Within the sections 'Commitment with the future' and the sub-sections 'climate change and environmental management', and 'eco-efficiency' in our integrated report, LATAM discloses climate-related metrics and targets in order to measure and monitor material risks, and it has initiated corporate programs to improve the use of resources and reduce its carbon footprint. The climate-related metrics currently being tracked are presented in Table 4.

Table 4. Overview of LATAM's key climate-related metrics

Metric	Overview	Location
Scope 1 GHG emissions	Tracked since 2013, and the data for last four years are presented (2019-2022) Measured in tonnes of CO ₂ e	Data related to this metric can be found in the 'Metrics & targets' section of this document
Scope 2 GHG emissions	Measured according to the GHG Protocol Market-based approach Measured in tonnes of CO ₂ e Tracked since 2013, and the data for last four years are presented (2019-2022)	Data related to this metric can be found in the 'Metrics & targets' section of this document
Scope 3 GHG emissions	For Scope 3, category 1 (Purchased Goods & Services) and category 3 (Fuel- and Energy-Related Activities Not Included in Scope 1) are the most relevant Measured in tonnes of CO ₂ e Tracked since 2013	Data related to this metric can be found in the 'Metrics & targets' section of this document
Emissions intensity	Emissions intensity in the total operation Measured in kg CO ₂ e/100 RTK (Revenue tonne kilometre) Tracked since 2013	Data related to this metric can be found in page 185 of the Integrated Annual Report 2022
Energy intensity	Energy intensity from ground and air operations Measured in MWh/RTK Tracked since 2013	Data related to this metric can be found in page 79 of the Integrated Annual Report 2022
Atmospheric (non-CO ₂) GHG emissions	Produced emissions of NO _x and SO _x Measured in tonnes Tracked since 2013	Data related to this metric can be found in page 186 of the Integrated Annual Report 2022
Internal energy consumption (non-renewable)	Fuels and electricity from several sources (not specified) Measured in Terajoules (TJ) Tracked since 2013	Data related to this metric can be found in page 78 of the Integrated Annual Report 2022
Internal energy consumption (renewable)	Ethanol and renewable electricity from several sources Measured in TJ Tracked since 2016	Data related to this metric can be found in page 78 of the Integrated Annual Report 2022

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Metric	Overview	Location
Water withdrawn	Water withdrawn from municipal networks Measured in m ³ Tracked since 2013	Data related to this metric can be found in page 78 of the Integrated Annual Report 2022
Waste management	Waste considering dangerous and non-dangerous waste Measured in tonnes Tracked since 2013	Data related to this metric can be found in page 75 of the Integrated Annual Report 2022

- **Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**

Measuring the carbon footprint of LATAM Airlines Group S.A.'s operations is a key part of the group's sustainability strategy, and since 2012 the group has been counting emissions in accordance with the ISO 14064 standard and the Greenhouse Gas Protocol framework, only reporting the emissions from the last three years. They are disclosed by scope in Table 6.

Table 5. Description of each GHG emissions scope

Scope	Description
Scope 1	Emissions directly generated from sources owned or controlled by LATAM
Scope 2	Emissions generated by the generation of purchased electricity
Scope 3	Emissions indirectly generated as a result of the activities of the company from sources that the company does not own or control

Table 6. LATAM's GHG emissions for 2019–2022 divided by scope, in tonnes of CO₂ equivalent

Scope	2019	2020	2021	2022
Scope 1	12,149,725	5,614,368	6,497,576	9,780,288
Scope 2	18,423	16,355	14,549	7,150
Scope 3 (total)	218,174	24,827	2,446	3,198,317
Category 1 (Purchased goods and services)	N/A	N/A	N/A	1,100,644
Category 2 (Capital goods)	N/A	N/A	N/A	0

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Scope	2019	2020	2021	2022
Category 3 (Fuel & energy related activities) (passengers)	N/A	N/A	N/A	1,836,131
Category 3 (Fuel- and energy-related activities) (cargo)	N/A	N/A	N/A	194,578
Category 4 (Upstream transportation and distribution)	N/A	N/A	N/A	37,637
Category 5 (Waste generated in operations)	N/A	N/A	N/A	2,091
Category 6 (Business travel)	N/A	N/A	N/A	14,582
Category 7 (Employee commuting)	N/A	N/A	N/A	12,364
Category 9 (Downstream transportation and distribution)	N/A	N/A	N/A	289
Total	12,392,21	5,655,551	6,514,570	12,985,755

According to the group's GHG inventory, the company has seen a 20% decrease in Scope 1 emissions compared to the base year of 2019, reaching 9,780,288 tonnes of CO₂ equivalent in 2022, in addition to reporting an amount of offset emissions of around 572,784 thousand tonnes of CO₂ equivalent, through carbon credits. Likewise, by 2022 the emissions inventory reported a total of 12,985,755 uncompensated emissions, of which Scope 1 accounts for 75.3%, Scope 2 for 0.1%, and Scope 3 for 24.6% of the total.

Post-pandemic (2022), an increase in Scope 1 net emissions was observed due to the recovery of operations in all countries. However, emissions intensity in air operations was reduced by 4.8% compared to 2021, demonstrating LATAM's actions. For example, in terms of operational efficiencies under the framework of Fuel Efficiency, LATAM's Fuel Efficiency program, initiatives

implemented included optimization of routes and flight plans, implementation of Descent Profile Optimization (DPO), and rationalization of the use of the auxiliary engine.

For the year 2022, as part of the process of continuous improvement in the calculation of the GHG footprint, the depth of Scope 3 was increased, incorporating five new categories in all countries, throughout the value chain. There are a total of seven categories included in the Scope 3 footprint: indirect emissions from land transportation related to operations (employees, suppliers, and waste), air travel (in other companies) of employees in work activities, purchase of goods and services, capital goods, emissions related to fuel and energy (cargo and passengers), waste generated in the operation, and emissions generated by indirect transportation (performed by an external supplier). In previous years (2019 to 2021), only indirect emissions from ground transportation related to operations (employees, suppliers, and waste) and air travel (in other companies) of employees in work activities, respectively, were considered for this scope. Scope 3 categories 8 to 12 are excluded as they are not applicable to LATAM, except for operations in Brazil where category 9 (downstream transport and distribution) applies. However, categories 13 to 15, as part of the company's continuous improvement process, are expected to be reviewed for their eventual applicability.

- **Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.**

The company's climate objectives are related to reducing the carbon footprint, energy efficiency, and waste reduction in all LATAM operations. LATAM has therefore established the following climate-related targets:

- Achieve carbon neutrality in air and land operations by 2050
- Achieve a zero waste objective by 2027
- Reduce and compensate at least 50% of domestic GHG emissions generated in 2030
- Reduce by 95% the use of single-use plastics across all LATAM operations by 2023

LATAM began implementation of initiatives associated with water consumption, such as a communication campaign for the saving and efficient use of resources (including corporate buildings and maintenance).