



2013

Corporate
Governance
Report



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Corporate Governance
Report

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Approval of the Corporate
Governance Report

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APPROVAL OF THE CORPORATE GOVERNANCE REPORT



Corporate
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Report



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I. MISSION, OBJECTIVES AND POLICIES

1. MISSION, VISION AND VALUES GUIDING THE COMPANY

Mission

TAP's mission focuses on the Air Transport service and similar activities, always aspiring to be the best choice for those who use its services and among the best companies to work with, acting coherently with its commitment to society and the environment.

Vision

TAP's constant objective is to provide returns for its investors and promote the satisfaction of its Customers' expectations, being a leader in the market niche in which it acts and maintaining a positive attitude of contribution towards economic and social development, at a global and local level:

- // Being recognised as the airline company that, through the geographic positioning of its operational hub, Lisbon, which represents a privileged access platform, currently links Europe to Africa and to North, Central and South America;
- // Pursuing, in the development of its network, a segmentation strategy, connecting Europe to a growing number of destinations located in Africa and in the South Atlantic, where it is distinguished as the leading European carrier to Brazil;
- // Seeking continuously to provide Customers with a quality product, through the best and easiest solutions for their journeys and increasingly adding more value to the product offered to them;
- // Being perceived by the shareholder as a company generating value, achieving results in a sustained manner;
- // Being identified with principles of transparency and commitment to society and the environment;
- // Providing professional development, remuneration levels and work conditions compatible with labour expectations and market requirements.

2. POLICIES AND LINES OF ACTION UNDER THE DEFINED STRATEGY

Aimed at identifying the means necessary for the consolidation of the financial and operational performance and value creation in the Group's various businesses, the Strategic Plan of the Company for the period 2012-2016 is based on the following six strategic factors, continued in a growth programme, which will also contribute towards TAP's reinforcement as the reference company between Europe and the South Atlantic.

Continuation of the growth of the Network and exploitation of expansion opportunities

Seeking to explore all potential business opportunities, TAP pursued its strategy of growth of the Network and consolidation of current markets, in particular the connections between Europe and the South Atlantic and Africa. Hence, since there were no changes in the fleet of the TAP Group in 2013, a policy of adjustment of the operation to demand, accompanied by flight schedule improvements, permitted the launch of two new destinations –Tangiers in Morocco and Boa Vista in Cape Verde –, in an effort driven by growth and improvement of the Lisbon hub.

Renewal of capacity aimed at maintaining unit cost gains

Once again, 2014 will be a year of growth, with the foreseen opening of various new medium and long-haul routes. In order to ensure this increased operation, plans have been laid for the addition of a further six to TAP's fleet. These six aircraft represent significant growth, of approximately 10%, which will enable meeting the growth of passengers recorded in 2013, and also enable the expansion of the network of operations planned for 2014. The reinforcement of the operation should take place through the operationalization, close to June 2014, of two long-haul A330-223 aircraft and four medium-haul aircraft (two A319-111 and two A320-214), all under medium/long term operating leases. In turn, concerning the fleet operated by PGA-Portugália Airlines, we highlight an important change relative to the replacement of two Beechcraft 1900-D aircraft by two ATR 42-600 modern aircraft, enabling an increase of capacity from 19 to 46 passengers, which should also take place during 2014. It should be noted that the impact of this operation includes the improved in-flight service, low noise level, reduction of aircraft grounding, as well as the improved cost-efficacy ratio, lower consumption of fuel/passenger-Km and lower CO₂ emission. Regarding the continued renewal of capacity, Airbus officially announced a delay of approximately 2 years in the delivery of the new A350-900 XWB to TAP, with the first delivery having been moved from early 2015 to early 2017. The delivery of the 12 aircraft should take place over 3 years, with the working party for the specification of these aircraft starting-up during 2014, as scheduled by Airbus.

Strategic Plan of TAP 2012-2016

Strategic factors
Continuation of the growth of the Network and exploitation of expansion opportunities
Renewal of capacity aimed at maintaining unit cost gains
Commercial performance orientation to improve unit revenue
Guarantee a consistent focus on unit cost, through continued growth of awareness
Refocusing the maintenance business at TAP-Maintenance and Engineering Portugal on third party customers
Achieve the complete turnaround of TAP-Maintenance and Engineering Brazil

Commercial performance orientation to improve unit revenue

The implementation of the new Revenue Management system PROS O&D II was completed and consolidated during 2013, enabling the management of space aimed at optimisation of the Network's revenue, with differentiation of the availability of seats on sale in-flight, by origin/destination and point of sale (POS). TAP thus positioned itself at a more evolved level in terms of flight revenue management, having begun to provide the selection of booking acceptance using a more diversified range of choice criteria. These criteria, enabling the dynamic fine-tuning in real time of the provision of price, enable, at any given time, a selection of bookings that are more adjusted to the nature of demand and its evolution.

With these developments, TAP thus armed itself to compete in a more balanced form and at the same level of competition, progressively aggressive, that it faces in practically all the markets in which it operates. The results are already visible in the better and more efficient use of sales space, with increased load factor, associated to a higher number of passengers, and increased ticket revenue.

Guarantee a consistent focus on unit cost, through continued growth of awareness

The effort to reduce costs was continued during 2013, in order to assure greater efficiency in the use of the existing resources. At TAP, S.A. the total value of Costs, excluding Human Resources and Fuel, as a percentage of Revenue, continued on its downward trend, having reached 40.02%, compared with the figure of 40.62% for the previous year.

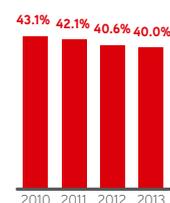
Refocusing the maintenance business at TAP-Maintenance and Engineering Portugal on third party customers

Although the long term outlook on evolution remain unchanged, in 2013, the aeronautical maintenance market still showed signs of some weakness in growth, with strong pressure on prices continuing simultaneously with higher labour costs. Customers intend their suppliers to undertake greater risks at lower prices, hence it is necessary to acquire flexibility and efficiency in order to assure margins in this activity. On the other hand, the possibility of creating repair capacity in new technologies continues to be very threatened by the manufacturers which, in managing to control the product chain from cradle-to-grave, not only protect their know-how, but also become new strong competitors to traditional maintenance and repair organisations (MRO). Hence, concerning work for third party customers, it was not possible to achieve the objectives defined at the beginning of the year. The continuity of the very adverse economic situation, at a worldwide scale, has significantly affected the capacity of some customers to honour their financial commitments, where this situation has led to the need to conduct a progressively more rigorous appraisal of potential customers, greatly limiting their number. On the other hand, there has been an increasingly more frequent association between large maintenance groups and financial entities, whose power of financial leverage gives the former strong competitive advantages. In view of this new reality, the accomplishment of new contracts has proved difficult in the area of engines, especially those arising from major international tenders due to the impossibility of supporting customers with replacement engines. Notwithstanding the retraction observed in engine maintenance activity, the margin of contribution of the Maintenance and Engineering Business Unit to TAP's net income showed an amount close to double that expected in the budget.

Achieve the complete turnaround of TAP-Maintenance and Engineering Brazil

TAP-Maintenance and Engineering Brazil gave yet another significant step towards the achievement of operational balance. The company's activity grew again, for the 3rd consecutive year and Net Operating Income, while still negative, improved its representativeness in total Services Rendered by approximately 14.8 p.p. in local currency and by 15.6 p.p. in euros. This is particularly remarkable in an industry where, for reasons of consistency of production quality and capacity of the resources, sustained growth requires enormous resilience and priority management. The fact that the prospects for 2014 are very positive is also notable. This is largely the result of the positive feedback from customers and the important work that has been done in the elimination of contingencies that has weighed heavily on the company and constrained its activity. Furthermore, the company has managed to eliminate a value of close to 400 million reais of contingencies and initiated a number of court proceedings in favour of TAP.

Costs, excluding Human Resources and Fuel, as a percentage of Revenue



II. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE

Under the terms of article 4 of the Statutes of TAP, SGPS, its share capital, of the value of 15,000,000.00 euros is represented by one million and five hundred thousand shares, of the nominal value of ten euros each, and is 100% owned by Parpública-Participações Públicas, SGPS, S.A..

Under the terms of article 4 of the Statutes of TAP, S.A., its share capital, of the value of 41,500,000.00 euros is represented by eight million and three hundred thousand shares, of the nominal value of five euros each, and is 100% owned by TAP-Transportes Aéreos Portugueses, SGPS, S.A..

2. LIMITATIONS TO THE HOLDING AND/OR TRANSFER OF SHARES

The Company's by-law do not establish any restrictions or limitations to the holding and/or transfer of shares.

3. SHAREHOLDERS' AGREEMENTS

Pursuant to article 7 of the Statutes of TAP, SGPS, shareholders' agreements concerning the company should be fully disclosed, within thirty days after their conclusion, to the Executive Board of Directors and the General and Supervisory Board, by the shareholders who have underwritten them.

III. SHARES AND BONDS HELD

1. SHAREHOLDERS

Company	Shareholders	% share capital held		% Voting rights
		2013	2012	
TAP-Transportes Aéreos Portugueses, SGPS, S.A.	Lisbon Parpública	100.00%	100.00%	100.00%
Transportes Aéreos Portugueses, S.A.	Lisbon TAP SGPS	100.00%	100.00%	100.00%
TAPGER-Sociedade de Gestão e Serviços, S.A. ("TAPGER")	Lisbon TAP SGPS	100.00%	100.00%	100.00%
Portugália-Companhia Portuguesa de Transportes Aéreos, S.A. ("Portugália")	Lisbon TAP SGPS	100.00%	100.00%	100.00%
Cateringpor-Catering de Portugal, S.A. ("Cateringpor")	Lisbon TAPGER	51.00%	51.00%	51.00%
L.F.P.-Lojas Francas de Portugal, S.A. ("LFP")	Lisbon TAPGER	51.00%	51.00%	51.00%
Megasis-Sociedade de Serviços e Engenharia Informática, S.A. ("Megasis")	Lisbon TAPGER	100.00%	100.00%	100.00%
U.C.S.-Cuidados Integrados de Saúde, S.A. ("UCS")	Lisbon TAPGER	100.00%	100.00%	100.00%
Aeropar, Participações, S.A. ("Aeropar")	Brazil TAP SGPS	99.00%	99.00%	99.00%
	Portugália	1.00%	1.00%	1.00%
TAP-Manutenção e Engenharia Brasil, S.A. (ex-DEM) ("TAP M&E Brazil")	Brazil Aeropar	47.64%	47.64%	47.64%
	TAP SGPS	51.00%	51.00%	51.00%
SPdH-Serviços Portugueses de Handling, S.A. ("SPdH")	Lisbon TAP SGPS	43.90%	43.90%	43.90%
	Portugália	6.00%	6.00%	6.00%

2. ACQUISITION AND DIVESTMENT OF SHARES

In 2013 there were no acquisitions or divestment of shares.

3. PROVISION OF FINANCIAL GUARANTEES OR ASSUMPTION OF DEBT OR LIABILITIES OF OTHER ENTITIES

The following guarantees had been provided by the Group:

thousand euro	2013	2012
Bank guarantees provided by TAP, S.A.		
Portuguese State - Operation of the Azores routes	1,654	4,234
Natwest - Acquiring relative to credit cards	2,519	2,573
Labour Court	2,243	3,633
Aircraft	25,848	21,166
Fuel	2,956	2,994
BIC credit line	14,502	-
Other	9,933	7,970
Bank guarantees provided by LFP		
Operating license concession contracts for the Duty Free Shops	6,500	6,336
Bank guarantees provided by other TAP Group Companies	663	534
Securities provided to insurers	87	162
	66,905	49,602

4. PREVENTION OF THE EXISTENCE OF CONFLICTS OF INTEREST

The members of the Governing Bodies are committed to the principles defined in the Statutes (articles 9 and 10) of TAP, SGPS, in the Code of Ethics and in Procurement and Sales Manual of the TAP Group, thus pursuing values of independence, equitable treatment and transparency. The instruments referred to above assure the values established in the Public Manager Statute, namely in articles 36 and 37 of Decree-Law 71/2007 of 27 March, as drawn up by Decree-Law 8/2012 of 18 January. The existence of a dual corporate governance model, where the members of the General and Supervisory Board are independent members, under the terms of article 9 of the company's Statutes, also contributes to preventing the existence of conflicts of interest. This Body is also entrusted (stipulated in article 23 of the Statutes) with competence regarding the duties of surveillance, monitoring and supervision, in compliance with the law and memorandum of association.

IV. GOVERNING BODIES AND COMMISSIONS

A. BOARD OF THE GENERAL MEETING

Composition of the board of the general meeting

Mandate (Start - End)	Position	Name	Annual Remuneration	
			Fixed ⁽¹⁾	Gross Paid ⁽²⁾
2009-2011 ^(*)	Chairman	Paulo Manuel Marques Fernandes	Attendance fee - € 640.00	1,280.00 € ⁽³⁾
	Vice-Chairman	António Lorena de Sêves	Attendance fee - € 400.00	800.00 € ⁽³⁾
	Secretary	Orlanda do Céu Silva Sampaio Pimenta d'Aguair	Attendance fee - € 330.00	660.00 € ⁽³⁾

Caption: (1) Established value of the attendance voucher; (2) Before remunerative reductions; (3) Value corresponds to a General Meeting at TAP, SGPS and a General Meeting at TAP, S.A.; (*) See number 4 of article 391 of the Companies Code

B. ADMINISTRATION AND SUPERVISION

1. GOVERNANCE MODEL

In 2006, TAP adopted the dual model with an Executive Board of Directors composed of six members (an Executive Chairman and five Executive Directors), who are responsible for managing the company's activities, and a General and Supervisory Board, composed of seven members, who are essentially responsible for supervising the Company's activities in various areas, namely, accounting policies, issuing opinions on the Company's accounting documents and on strategic issues for the Group, in accordance with the law and Company's Statutes.

There are also two Specialised Commissions, appointed by the General and Supervisory Board: the Specialised Audit Commission and the Specialised Sustainability and Corporate Governance Commission, composed of three and seven members, respectively. The objective of the Specialised Audit Commission is, among other aspects, to support the Executive Board of Directors and the General and Supervisory Board with respect to the quality and integrity of the financial information and the quality, integrity and effectiveness of the internal control system. It also provides advice and assistance to the General and Supervisory Board and the Executive Board of Directors, under its assigned duties, identifying potential financial and operating risks, among others. The objective of the Specialised Sustainability and Corporate Governance Commission is, among other aspects, to assure that the necessary conditions are created for the sustained growth of the Company in economic, environmental and social areas (triple bottom line), through implementation of the Company's code of ethics and good conduct, among other appropriate instruments.

The Company's Auditing Body is the Certified Accountant, who was also elected at the General Meeting.

2. STATUTORY RULES ON THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND THE GENERAL AND SUPERVISORY BOARD

// Pursuant to number 2. b) of article 11 of the Statutes of TAP, SGPS, the General Meeting is competent to "elect and dismiss the members of the board of the general meeting, the executive board of directors and the general and supervisory board, as well as the respective chairmen and deputy chairmen, if applicable, and the certified accountant or audit firm, in this case under proposal of the General and Supervisory Board".

// Pursuant to number 3 of article 16 of the Statutes of TAP, SGPS, regarding the composition of the Executive Board of Directors, "the general meeting may elect a deputy chairman to replace the chairman of the executive board of directors when absent or prevented from attending to his duties".

// Number 4 of the same article 16 establishes that "should any director be definitively unable to attend to his duties, the general and supervisory board shall provide for his replacement, under the terms of subparagraph f) of number 1 of article 23".

// And, number 5 of the same article 16 stipulates that "the replacement under the terms referred to in the preceding number should be submitted to ratification at the first general meeting following his replacement, with the term of office of the new director terminating at the end of the term of office for which all the directors were elected".

// Pursuant to number 1. f) of article 23 of the Statutes, the General and Supervisory Board is competent to "provide for, under the terms of the law and under proposal of the executive board of directors, the replacement of members of the executive board of directors, when absent or prevented from attending to their duties, definitively or temporarily, until the general meeting proceeds with new election".

3. COMPOSITION OF THE EXECUTIVE BOARD OF DIRECTORS AND THE GENERAL AND SUPERVISORY BOARD

TAP, SGPS

Mandate (Start - End)	Position	Name	Appointment		Mandates held in the company ^(**)	
			Doc.	Date	Number	Date of 1st appointment
Executive Board of Directors						
2009-2011 (*)	Executive Chairman	Fernando Pinto	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Michael Conolly	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Manoel Torres	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Luiz Mór	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Jorge Sobral ⁽¹⁾	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Luís Rodrigues	General Meeting	02.Jun.09	1	02.Jun.09
General and Supervisory Board (GSB)						
2009-2011 (*)	Chairman	Manuel Pinto Barbosa	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	João Borges de Assunção	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Carlos Veiga Anjos	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Luís Patrão	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Maria do Rosário Vítor	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Rui Azevedo Silva	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Vítor Cabrita Neto	General Meeting	02.Jun.09	2	05.Dec.06

(*) See number 4 of article 391 of the Companies Code

(**) Under the current statutory framework

(1) Requested termination due to retirement, taking effect on 30 September 2013

Note: Under the terms of number 1 of article 16 of the Statutes of TAP, SGPS, the Executive Board of Directors is composed of a minimum of 5 (five) and a maximum of 7 (seven) members.

The Executive Board of Directors appointed at the General Meeting, for the term of office 2009-2011 which continues in force (see number 4 of article 391 of the Companies Code) is composed, as at 31 December 2013, of 5 members.

Under the terms of number 1 of article 21 of the Statutes of TAP, SGPS, the General and Supervisory Board is composed of a minimum of 7 (seven) members.

The General and Supervisory Board appointed at the General Meeting, for the term of office 2009-2011 which continues in force (see number 4 of article 391 of the Companies Code) is composed of 7 members.

TAP, S.A.

Mandate (Start - End)	Position	Name	Appointment		Mandates held in the company ^(**)	
			Doc.	Date	Number	Date of 1st appointment
Executive Board of Directors						
2009-2011 ⁽¹⁾	Executive Chairman	Fernando Pinto	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Michael Conolly	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Manoel Torres	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Luiz Mór	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Jorge Sobral ⁽¹⁾	General Meeting	02.Jun.09	2	05.Dec.06
	Executive Director	Luís Rodrigues	General Meeting	02.Jun.09	1	02.Jun.09
General and Supervisory Board (GSB)						
2009-2011 ⁽¹⁾	Chairman	Manuel Pinto Barbosa	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	João Borges de Assunção	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Carlos Veiga Anjos	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Luís Patrão	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Maria do Rosário Vítor	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Rui Azevedo Silva	General Meeting	02.Jun.09	2	05.Dec.06
	Member of the GSB	Vítor Cabrita Neto	General Meeting	02.Jun.09	2	05.Dec.06

(*) See number 4 of article 391 of the Companies Code

(**) Under the current statutory framework

(1) Requested termination due to retirement, taking effect on 30 September 2013

Note: Under the terms of number 1 of article 11 of the Statutes of TAP, S.A., the Executive Board of Directors is composed of 6 (six) members.

The Executive Board of Directors appointed at the General Meeting, for the term of office 2009-2011 which continues in force (see number 4 of article 391 of the Companies Code) is composed, as at 31 December 2013, of 5 members.

Under the terms of number 1 of article 17 of the Statutes of TAP, S.A., the General and Supervisory Board is composed of 7 (seven) members.

The General and Supervisory Board appointed at the General Meeting, for the term of office 2009-2011 which continues in force (see number 4 of article 391 of the Companies Code) is composed of 7 members.

4. EXECUTIVE MEMBERS AND MEMBERS CONSIDERED INDEPENDENT

Name	Executive and Non-Executive Members of the Executive Board of Directors and independent members of the General and Supervisory Board as at 31 Dec 2013
Executive Board of Directors	
Fernando Pinto	Executive
Michael Conolly	Executive
Manoel Torres	Executive
Luiz Mór	Executive
Jorge Sobral ⁽¹⁾	Executive
Luís Rodrigues	Executive
General and Supervisory Board	
Manuel Pinto Barbosa	Independent
João Borges de Assunção	Independent
Carlos Veiga Anjos	Independent
Luís Patrão	Independent
Maria do Rosário Vítor	Independent
Rui Azevedo Silva	Independent
Vítor Cabrita Neto	Independent

(1) Requested termination due to retirement, taking effect on 30 September 2013

5. RELEVANT CURRICULAR ELEMENTS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS

Main curricular elements and professional activities undertaken by the Members of the General and Supervisory Board

Manuel Pinto Barbosa

Nationality: Portuguese | Date of birth: May 1944

Appointed Chairman of the Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (2004-06) and Chairman of the General and Supervisory Board of TAP, SGPS, S.A. and TAP, S.A., Chairman of the Specialised Auditing and Sustainability and Corporate Governance Commissions (2006).

Professional Activity: Chairman of the Board of Directors, Nova Forum (2005-) | Non-executive Director, PTII (2002-06) | Member of the Advisors Committee, Barclays Bank (1996-99) | Non-executive Director, Portucel Industrial (1995-98) | Member, Executive Council of the Luso-American Foundation (1994-2006) | Vice-Chairman, Economic and Social Board (1992-93) | Member, Expert Commission of the ACE programme (EEC) (1990) | Member, Expert Commission of the Tinker Foundation (1989) | Member, Expert Commission of the SPES programme (EEC) (1989) | Member, Commission in charge of the negotiation of the Portugal-USA Defence Agreement (1981-84) | Founding shareholder, Association for the Study of International Relations (1978-83) | Consultant, Portuguese Industrial Association (1970-72) | Officer of the Naval Reserve, Portuguese Armada (1967-69).

University Positions: Member of the Installing Commission, Faculdade de Economia of the Universidade Nova de Lisboa (FEUNL) | Acting-Director, FEUNL | Full Professor, FEUNL | Deputy Head, Universidade Nova de Lisboa (UNL) | Chancellor, UNL | Vice-Chairman, UNICA, network of universities from European capitals | Member, Installing Commission of the Faculty of Law of the UNL | Provost of International Issues, Universidade Gama Filho (Brazil).

Other Activities: Teaching and scientific research – Director of graduation and post-graduation courses

and seminars (in the areas of Macroeconomics, Monetary Theory and Policy, Commerce and International Finance) at UNL and other universities | Coordinator of applied research projects, in the areas of External Relations of Portugal, Asset Market and Financial Systems, Macroeconomic Stabilisation.

| Holds a degree, Universidade Técnica de Lisboa | Masters, Yale University | PhD, Yale University | Recognition, UNL.

Carlos Alberto Veiga Anjos

Nationality: Portuguese | Date of birth: September 1942

Appointed Member of the General and Supervisory Board of TAP, SGPS, S.A. and TAP, S.A., Member of the Specialised Sustainability and Corporate Governance Commission (since December 2006), Member of the Specialised Auditing Commission of TAP, SGPS, S.A. (December 2006-June 09).

Professional Activity: Chairman of the Board of Directors, Hidroelétrica de Cahora Bassa, S.A. (1999-2003) | Chairman of the Board of Directors and Director, Siderurgia Nacional, SGPS and Group Companies (1994-99) | Due to being inherent to the functions, representative of Portugal in the Consulting Committee of the ECSC-European Coal and Steel Community and at the IISI-International Iron and Steel Institute | Chief Executive Officer, SOPONATA-Sociedade Portuguesa de Navios Tanques, S.A.; Director, CIVE-Companhia Industrial de Vidros de Embalagem, S.A., in representation of IPE (1992-93) | Chief Executive Officer, Companhia de Celulose do Caima, S.A. | Due to being inherent to the functions, Chairman, ACEL-Associação Portuguesa dos Produtores de Celulose; representative of Portugal on the board of CEPI-Confederation of European Paper Industry (1988-91) | Director, EDM-Empresa de Desenvolvimento Mineiro, S.A. (1985-88) | Director, Ferrominas, E.P. (1977-85) | Director, Financial Director and Head of Services, Lusalite-Sociedade Produtora de Fibrocimento, S.A. (1968-77).

| Holds a degree in Finance from ISCEF, Universidade Técnica de Lisboa.

João Borges de Assunção

Nationality: Portuguese | Data of birth: July 1962

Appointed Member of the Board of Directors of TAP, SGPS, S.A and TAP, S.A. (between September 2004 and December 2006) and Member of the General and Supervisory Board of TAP, S.A. and TAP, SGPS, S.A., Member of the Specialised Auditing and of the Sustainability and Corporate Governance Commissions (since December 2006).

Professional Activity: Professor, CLSBE, UCP (since 1993) | Economic Consultant of the President of the Republic, Staff Office of the President of the Republic (since 2006) | Economic Adviser of the Prime Minister of Portugal, Office of the Prime Minister of Portugal (2002-04) | CEO, Telecel Vodafone Foundation (2001-02) | Director, CLSBE (at the time FCEE, 1996-2001) | Assistant Professor, Columbia University (1990-94) | Chairman, Supervisory Board of Eurocash Sp. z.o.o., Poland (since October 2004) | Coordinator, Portuguese Economic Research Centre, CLSBE of UCP (since 2005).

Other Activities: Member, Strategic Steering Board of the CLSBE, UCP (since 2005) | Member, Board of Governors of the UCP (1996-2001) | Member, Scientific Council of the Bank Training Institute (1993-2004) | Advisor, Group on Societal Policy Analysis (GSPA), BEPA, Presidency of the European Commission (2005-09) | Research Assistant and doctoral student, UCLA (1986-90) | Member, Economic and Social Council (2003-04) | *Jornal de Negócios* Columnist (since 2005) | Research, lecturing and professional interests – Strategy, Marketing, Forecasting Models, Pricing, Promotions, Segmentation, Internationalisation, Dynamic Optimisation Models, Individual Decision-Taking, Game Theory, Political Economy, Development and Economic Growth.

| Holds a degree in Business Administration and Management from the CLSBE, Universidade Católica Portuguesa | MBA in Management from UNL | Ph.D. in Management from the Anderson Graduate School of Management, UCLA.

Vítor José Cabrita Neto

Nationality: Portuguese | Data of birth: July 1943

Appointed Member of the General and Supervisory Board of TAP, SGPS, S.A. and TAP, S.A., Member of the Specialised Sustainability and Corporate Governance Commission (since December 2006).

Professional Activity: Chairman, Board of Directors of the Group TEÓFILO FONTAINHAS NETO (Algarve) – agro-industrial, distribution, real estate and tourism sectors | Chairman, Corporate Association of the Algarve (NERA) | Vice-Chairman, Portuguese Industrial Association | Member, of the Direction of CIP-CEP (Confederação Empresarial de Portugal) | Held the position of State Secretary for Tourism in the XIII and XIV constitutional governments (1997 and 2002) | Deputy to the Assembly of the Republic.

Other Activities: Chairman, Organising Commission of the International Fair of Tourism of Lisbon (BTL) | Columnist and lecturer in the Tourism area.

| Holds academic background in Management.

Luís Manuel dos Santos Silva Patrão

Nationality: Portuguese | Data of birth: December 1954

Appointed Member of the General and Supervisory Board of TAP, SGPS, S.A. and TAP, S.A., Member of the Specialised Sustainability and Corporate Governance Commission (since December 2006).

Professional Activity: Lawyer Consumer Directorate-General (since 2011) | Chairman, Executive Council of Turismo Portugal, I.P. (2006-11) | Chairman, Board of Directors of Turismo Fundos, SGFII (2009-11) | Member, Board of Directors of ENATUR – Empresa Nacional de Turismo, S.A. (2006-11) | Chief of the Office of the Prime-Minister of the XVII Government (2005-06) | Main Advisor, Head of Division, Director of Services, Coordinator of the POSI/IC Project Team and Manager of the *Telematic Network of Information to the Consumer and Consumers' Portal Projects*, Institute of the Consumer (1986/89 – 2001/04) | Chairman and Non-executive Director, Board of Directors of SÍTIOS, Serviços de Informação Turística (2001-04) | State Secretary for the Interior of the XIV Government (1999-2000) | Chief of the Office of the Prime-Minister of the XIII Government (1995-99) | Vice-Chairman and Chairman of the Executive Commission of DECO–Portuguese Consumer Rights Association (1989-95) | Chairman of the Executive Commission of Youth Hostels (1984-87) | Director of Services of the Support Fund for Youth Organisations (1978/80 – 1983/86).

Other Activities: Invited Trainer of the Universidade Católica (Braga and Lisbon) on Tourism themes (2012-13) | Arbitration Judge, Arbitration Centre of the Automotive Sector (2004) | Chief of the Office and Advisor, Parliamentary Group of the Socialist Party (1989/95 – 2004/05) | Deputy to the Assembly of the Republic by the Voting District of Faro (1999-2001) and Lisbon (1981-83) | Member, Parliamentary Commissions of National Defence, of Education and Science, of Youth and Labour.

| Holds a degree in Law from the University of Coimbra.

Rui Manuel Azevedo Pereira da Silva

Nationality: Portuguese | Data of birth: June 1956

Appointed Member of the General and Supervisory Board of TAP, SGPS, S.A. and TAP, S.A., Member of the Specialised Sustainability and Corporate Governance Commission (since December 2006), Member of the Specialised Auditing Commission (since June 2009).

Professional Activity: Coordinator, Oceano XXI, Cluster of Knowledge and Economics of the SEA | Member, Board of Directors of Quaternaire Portugal, S.A. (non-executive functions) (2010-14) | Consultant, Conference on the Maritime Peripheral Regions of Europe (2007-14) | Consultant, Coordination Commission of the North Region (2007-12) | Coordinator, State Secretariat and of Local Administration (2001-08) | Director, Prospective Cell of the Conference on the Maritime Peripheral Regions of Europe (1999-2007) | Founding shareholder (1990), General Director (1991-93); Chief Executive Officer (1994-95); Chairman of the Board of Directors (1996-99), Quaternaire Portugal, S.A. | Vice-Chairman, Commission of Coordination and Development of the North Region (1989-91) | Advance Technician, Commission of Coordination and Development of the North Region (1981-89).

Other Activities: Academic experience – Invited Auxiliary Professor at the Faculty of Engineering of the University of Porto (since 1996) | Member, General Council of the University Lusófona of Porto (since 2013) | Member, General Council of the Instituto Politécnico de Viana do Castelo (since 2013).

| Holds a degree in Economics from the Faculty of Economics of the University of Porto | Course of Technician in Cooperative Development of the United Nations Programme for the Development of the Instituto António Sérgio do Sector Cooperativo | General Management Course from the Instituto Superior de Estudos Empresariais of the University of Porto (completion) | Languages: English, French and Spanish.

Maria do Rosário Mattos

Nationality: Portuguese | Data of birth: October 1960

Appointed Member of the General and Supervisory Board of TAP, SGPS, S.A. and TAP, S.A., Member of the Specialised Sustainability and Corporate Governance Commission (since December 2006),

Professional Activity: Law practice (1985-2014) | Member, Boards of Directors of several companies, namely from the tourism sector (2002-14) | Directress, RTP–Radiotelevisão Portuguesa, S.A.; Chairman, Board of Directors, EBS 2004; Member, Executive Council of the Emmy Awards; Member, Executive Council of OTI–Organización de las Televisiónes Ibero-Americanas, RTP–Radiotelevisão Portuguesa, S.A. (1998-2002) | Vice–Chairman, General Meeting Committee of Auto-Leasing (1994-99) | Directress, SMP–Semicondutores de Portugal, S.A.; Directress, Tronitec–Componentes Eléctricos, S.A., Companhia Portuguesa Rádio Marconi (1992-95) | Chief Executive Officer and, subsequently, Chairman of the Board of Directors, IRENA, Investimentos e Participações em Recursos Naturais, SGPS, S.A.; Directress, Argitécnica, S.A.; Manageress, Empresa Águas de S. Lourenço, Lda.; Manageress, Empresa Fonte das Avencas, Lda.; Manageress, Ortes–Ornamental Resources, Lda., Amorim Group (1991-97) | Legal Consultant of a large company in the civil construction and public works sector, in the areas of Commercial and Corporate Law (1991-94) | Legal Advisor to the Governor of Macau; Member, Audit Board, CAM–Companhia do Aeroporto Internacional de Macau, S.A.R.L.; Legal Consultant, TDM–Televisão de Macau, E.P., Macau (1987-91) | Member, Board of Directors of several companies, namely, Expandindústria, S.A., Comismar Norte, Lda. and Ecassos, Lda. (1985-87) | Law internship, focusing essentially on Commercial Law, Labour Law, Civil Law and Administrative Law.

| Holds a degree in Law from the Universidade Católica Portuguesa (UCP) | Post-Graduation in Management from the UCP | Post-Graduation in Turnaround Management and Bankruptcy, from the UCP | Post-Graduation in Commercial Law from the UCP | Attending degree in philosophy from the UCP | Course on Law Making | Course on Competencies Delegation | Languages: English, French and Spanish.

Main curricular elements and professional activities undertaken by the Members of the Management Body Executive Board of Directors

Fernando Abs da Cruz Souza Pinto

Nationality: Portuguese and Brazilian | Data of birth: June 1949

Appointed Executive Chairman/CEO, at TAP (October 2000–December 2006); President of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (December 2006). Also performs duties as the Chairman of the Board of Directors of the following Companies of the TAP Group: Portugália–Companhia Portuguesa de Transportes Aéreos, S.A. and TAPGER–Sociedade de Gestão e Serviços, S.A..

Professional Activity: Chairman of the Council of IATA (June 2007–June 2008) | Chairman of AEA–Association of European Airlines (2005) | President of VARIG, S.A. (Viação Aérea Rio-Grandense) (1996-2000) | President (1992-96) and Technical Manager (1988-92) of RIO-SUL, Serviços Aéreos Regionais | Head of the Workshops and Maintenance Sub-department (1982-88); In-house engineer at Airbus Industries (Toulouse-France) (1981-82); Head of Motors Division (1976-81); Coordinating engineer of the Motors Test-Bench, responsible for coordinating the various phases of the project and the construction of a turbine test system in the industrial area of the International Airport of Rio de Janeiro (1973-76); Engineering trainee (Wheels and Brakes Workshop) (1972-73) at VARIG S.A. (Viação Aérea Rio-Grandense).

Other Activities: Private Pilot | Glider Pilot | Sports Pilot of Ultra-light Aircraft.

| Holds a degree in Mechanical Engineering from the Universidade Federal do Rio de Janeiro. As his final year graduation project he presented a prototype of the first hovercraft manufactured in Brazil, with technology introduced from England, following several internships in British manufacturing plants (Isle of Wight) | Machines and Motors Technical Course (Escola Técnica Federal do Rio de Janeiro) | Post-graduation Course in Management (Fundação Getúlio Vargas – Rio de Janeiro) | Several Technical Courses in the Aeronautics area | Languages: English and French.

Fernando Jorge Alves Sobral

Nationality: Portuguese | Data of birth: April 1949

Appointed Member of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (December 2006 to September 2013). Also held the position, up to 15 September 2013, of Non-Executive Director of the TAP Group Society, Portugália–Companhia Portuguesa de Transportes Aéreos, S.A..

Management Duties in the following areas: TAP–Maintenance and Engineering Business Unit.

Professional Activity: Chairman of the Board of Directors of VEM (VARIG Engenharia e Manutenção) (2006) | Member of the Board of Directors, together with the functions of Vice-Executive Chairman of Maintenance and Engineering at TAP–Air Portugal at TAP, S.A. (2003) | Vice-Executive Chairman of Maintenance and Engineering at TAP–Air Portugal (2001) | General Director of Maintenance and Engineering (1996-2001); Assistant General Director of Maintenance and Engineering (1996); Head of the *Maintenance-Processes* team, having taken part in a project involving the global restructuring of the Company – TAP 2000 (1995-96); Head of the

Components Service of the General Maintenance and Engineering Department (1990-96); Head of the Production Engineering Division of the Instruments, Electricity and Radio Service, of the General Maintenance and Engineering Department (1987-90); Electrical Engineer holding functions at the Engineering Service of the General Maintenance and Engineering Department (1979-87) at TAP | Electrical Engineer in the General Civil Aeronautics Department (Direcção Geral de Aeronáutica Civil) (1973-79).

Other Activities: Chairman of the European Aircraft Engineering & Maintenance Conference (2005) | Chairman of the 4th Managing Aircraft Maintenance Costs Conference (2003) | Vice-Chairman of the Airlines International Electronics Meeting (1995) | Technical representative of TAP for Airbus, in Toulouse, for the reception of TAP's A340 fleet (1995) | TAP representative at the Airline International Electronics Meetings and at the Avionics Maintenance Conferences (1987-95) | Academic experience: Auxiliary Professor at the Instituto Superior de Engenharia de Lisboa (1989-97) | Assistant Professor at the Instituto Superior de Engenharia de Lisboa (1976-89) | Assistant Professor at the Instituto Superior Técnico (1972-75) | Monitor at the Instituto Superior Técnico (1970-72).

| Holds a degree in Electrical Engineering (1972), Electronics and Telecommunications Branch from the Instituto Superior Técnico.

Luís Manuel da Silva Rodrigues

Nationality: Portuguese | Data of birth: January 1965

Appointed Member of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (June 2009). Also performs duties in the following Companies of the TAP Group: TAP–Maintenance and Engineering Brazil, S.A. as the Chairman of the Board of Directors, and at the company SPdH–Serviços Portugueses de Handling, S.A. as Non-Executive Director.

Management Duties in the following areas: Air Transport Business Unit: Customer Service, Abroad Stop-overs, *Talk to Us*, Restructuring and Costs Reduction.

Professional Activity: Chairman, Fischer Portugal (July 2008-May 2009) | Consultant, Confronto d'Ideias, Sociedade Unipessoal (January 2008-May 2009) | Fixed Network Marketing Director (2006-07); Director of Marketing, Corporate Business (2003-07), PT Comunicações | Executive Director of Marketing, Sales and Contents, Media Capital Multimédia; Executive Director, Unidivisa, Sociedade Gestora de Cartões de Crédito, Grupo Media Capital (2000-03) | Coordinating Director of Marketing, Public Relations, New Technologies, TVI, Televisão Independente, Grupo Media Capital (1999-2000) | European Marketing Manager New Initiatives, Procter & Gamble Europe (1996-97) | Marketing Manager (1994-96); Brand Manager (1993-94), Procter & Gamble Austria; Assistant Brand Manager (1990-93), Procter & Gamble Portugal.

Other Activities: Permanent member of the Committee for the Analysis and Research of Means of the Portuguese Advertisers Association (1999-2000) | Elected member of the Board of the Portuguese Association of Advertising Agencies | Elected Marketing Personality of the Year for 2007 by the Portuguese Association of Marketing Professionals | Secretary-General of Harvard Business School (AMP 164) | Total Quality Trainer (1995-96) Procter & Gamble Portugal.

| Holds a degree in Economics from UNL | MBA from UNL | Advanced Management Program (AMP 164, 2003) from Harvard Business School, USA | Air Transport Management Seminar (2011) by Cranfield University, England.

Luiz da Gama Mór

Nationality: Portuguese and Brazilian | Data of birth: April 1952

Appointed Vice-Executive Chairman of Air Transport of TAP Portugal, of TAP, S.A. (October 2000–December 2006); Member of the Executive Board of Directors of TAP, SGPS, S.A and TAP, S.A. (December 2006). Also performs duties as the Chairman of the Board of Directors in the following Companies of the TAP Group: CATERINGPOR–Catering de Portugal, S.A. and L.F.P.–Lojas Francas de Portugal, S.A..

Management Duties in the following areas: TAP Air Transport Business Unit: Marketing, Communications and Public Relations, Sales, Cargo and Mail.

Professional Activity: Chairman of the Board of Directors of Cateringpor (aviation catering company) | Chairman of the Board of Directors of LFP (airport and onboard duty free company) | Member of the Board of Directors of Groundforce (passenger and cargo ground handling company) | Vice-Chairman of Sales and Marketing; Commercial Director; Operational Logistics Director; Commercial Manager of RGS; Manager of EVAER–Escola VARIG de Aeronáutica de VARIG, S.A. (March 1990-June 2000) | Marketing Director; Administrative and Commercial Manager; Maintenance Manager of AEROMOT, S.A. (September 1977-February 1990).

Other Activities: Professor of *O Piloto e o Mercado* at the Faculty of Aeronautical Sciences of PUC/RS (1995) | Professor of *Estudo dos Problemas do Turismo no Brasil* at the Faculty of Tourism of PUC/RS (1994) | Marketing Professor at the Management School of ULBRA/RS (1989) | Organization and Methods Professor at the Management School of ULBRA/RS (1984) | Member of the Commission that developed the Aeronautical Sciences Course of PUC/RS | Director (Adviser) of Pluna Linhas Aéreas Uruguaias S.A. | Member of the Executive Council of the Amadeus Brazil Company.

| Holds a degree in Mechanical Engineering from the UFRGS | Post-graduation in Management (PPGA/UFGRS) | Completion of the following specialisation courses, among others: Airline Business (London Business School); Advanced Management Programme (INSEAD–France).

Qualifications: Executive with 30 years of experience in Operations, Sales, Marketing and Top Management of medium-sized and large aviation and associated companies | Market diagnostic capability, construction of a vision of the future and elaboration of competition strategies in highly competitive environments | Experience in turnaround of companies operating in high pressure environments, including state-owned | Experience in managing large teams in international operations. Skilled in coordinating cultural changes, in motivational and recognition programmes seeking strategy alignment | Experience in rebranding, product development and building client loyalty | Coordination of corporate projects with consultancy companies with the aim of increasing efficiency, reducing costs and increasing revenues.

Manoel José Fontes Torres

Nationality: Portuguese and Brazilian | Data of birth: June 1947

Appointed Vice-Executive Chairman of Air Transport of TAP Portugal, of TAP, S.A. (October 2000-December 2006); Member of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (December 2006). Also performs duties as a Non-Executive Director at the Company of the TAP Group, Portugália-Companhia Portuguesa de Transportes Aéreos, S.A..

Management Duties in the following areas: TAP Air Transport Business Unit: Flight Operations, Fleet Planning, Network and Planning, Operational Control, International Relations and Alliances, Information Technologies, Emergency Planning.

Professional Activity: Chairman of the Board of Directors of White Airways, S.A. | Vice-Executive Chairman-Corporate Planning and Route Network of VARIG, S.A. (Viação Aérea Rio-Grandense) | Member of the Board of Directors of PLUNA, S.A. (Uruguay) | General Director of ITAP-Indústria Técnica de Artefactos Plásticos (solid packages) | Manager of the Manufacturing Division of TOGA-Indústria de Papéis | Consultant for PLANASA (in the Planning and Systems areas).

Other Activities: Member of the Management Board of STAR Alliance | Member of the Industry Affairs Committee of IATA.

| Holds a degree in Mechanical Engineering from the University of Sao Paulo | Post-graduation in Management (Escola de Administração de Empresas de Sao Paulo of the Fundação Getúlio Vargas) | Completion of the following specialisation courses, among others: Management (INSEAD-France); Aircraft Fleet Planning-Cranfield College of Aeronautics (England); Aircraft System and Performance (The Boeing Commercial Airplane Company - USA).

Michael Anthony Conolly

Nationality: Portuguese and Brazilian | Data of birth: December 1949

Appointed Vice-Executive Chairman of TAP, S.A. (October 2000-December 2006); Member of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (December 2006). Also performs duties in the following Companies of the TAP Group: Portugália-Companhia Portuguesa de Transportes Aéreos, S.A. and TAPGER-Sociedade de Gestão e Serviços, S.A. as Non-Executive Director, and in the Companies MEGASIS-Sociedade de Serviços e Engenharia Informática, S.A. and U.C.S.-Cuidados Integrados de Saúde, S.A. as Chairman of the Board of Directors.

Management Duties in the following areas: TAP Serviços Business Unit; Responsibilities in the TAP Group: Finance, Human Resources, Labour Relations, Logistics, Legal, Administration and Physical Resources Management, Planning/Business Portfolio and Performance, Information Technologies, Audit.

Professional Activity: Chief Financial Officer of VARIG, S.A. (Viação Aérea Rio-Grandense) | Worldwide Controller of Bunge Internacional (agroindustrial group with activities in South, Central and North America, Europe, Oceania and Asia) | President of

MCS Trading (Brazilian import and export company that also has retail operations in the following main markets: Brazil, United States of America, Europe and Asia) | Controller for Latin America of Alcoa (Aluminium Co. of America, largest manufacturer of aluminium in the world).

| Holds a degree in Management from the Escola de Administração de Empresas de Sao Paulo of the Fundação Getúlio Vargas | Accountancy (Escola Técnica de Comércio of the Fundação Getúlio Vargas) | Several specialisation courses in Brazil and overseas | Languages: Portuguese, English, Spanish and French.

Qualifications: 40 years of professional activity in the Finance, Strategic Planning and Production areas and Chairmanship in the Service, Industrial, Agro-Industrial, Trading and Commercial Aviation sectors.

6. FAMILY, PROFESSIONAL OR BUSINESS RELATIONS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS

Name	Family, professional or business relations with shareholders
Executive Board of Directors	
Fernando Pinto	No referenced relations
Michael Conolly	No referenced relations
Manoel Torres	No referenced relations
Luiz Mór	No referenced relations
Luís Rodrigues	No referenced relations
General and Supervisory Board	
Manuel Pinto Barbosa	No referenced relations
João Borges de Assunção	No referenced relations
Carlos Veiga Anjos	No referenced relations
Rui Azevedo Silva	No referenced relations
Vítor Cabrita Neto	No referenced relations
Luís Patrão	No referenced relations
Maria do Rosário Vítor	No referenced relations

7. ORGANISATIONAL CHARTS AND DUTIES OF THE DIFFERENT GOVERNING BODIES AND/OR DEPARTMENTS OF THE COMPANY

Under the terms of article 8 of the Statutes of the TAP Group, the Company's governing bodies are the General Meeting, the Executive Board of Directors, the General and Supervisory Board and the Certified Accountant or the audit firm. The Company also has an audit commission and a sustainability and corporate governance commission under the General and Supervisory Board, which may constitute other commissions, pursuant to the legal and statutory terms.

Competence of the General Meeting

The general meeting deliberates on all issues for which it is attributed competence by the law and statutes of the TAP Group, as well as on any others that are not included in the sphere of competence of other corporate bodies.

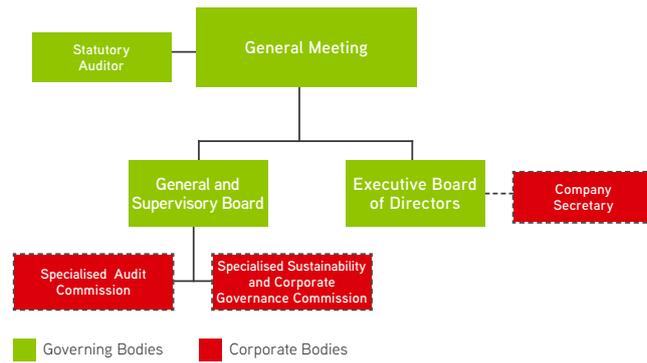
Under the terms of article 11 of the Statutes of TAP, SGPS, the General Meeting is responsible in particular for the following:

- // Appraising and deliberating on the management report of the Executive Board of Directors, discussion and voting on the accounts and opinion of the certified accountant and the opinions of the General and Supervisory Board and Audit Commission, and deliberation on the application of the net income for the year;
- // Electing and dismissing members of the Board of the General Meeting, the Executive Board of Directors and the General and Supervisory Board, as well as the respective chairmen and deputy chairmen, if applicable, and the certified accountant or audit firm, in this case under proposal of the General and Supervisory Board;
- // Deliberating on any amendment to the Statutes, including share capital increases;
- // Defining the remuneration policy for the members of the administration body, including the performance assessment criteria and parameters for calculation of the variable component of remuneration, in the case of directors with administrative duties;
- // Establishing the annual maximum issue ceiling for bonds or other securities;
- // Appraising the annual activity report issued by the General and Supervisory Board;
- // Deciding on proposals to acquire and divest securities, real estate properties and shares which are submitted by the Executive Board of Directors with the favourable opinion of the General and Supervisory Board, under the terms of the present Statutes;
- // Deliberating on any other issue on the agenda.

Competence of the General and Supervisory Board

Under the terms of article 23 of the Statutes of TAP, SGPS, the General and Supervisory Board is responsible in particular for the following:

- // Actively supervising compliance with the law and memorandum of association;
- // Calling a General Meeting, as deemed appropriate;



- // Representing the Company in relations with the members of the Executive Board of Directors except concerning matters entrusted to the General Meeting;
- // Supervising the activities of the Executive Board of Directors;
- // Monitoring the activity of the company's board of directors and participated companies and providing advice and assistance to the Executive Board of Directors, namely concerning strategy, sustainability, accomplishment of objectives and compliance with applicable rules and principles;
- // Providing, under the terms of the law and under proposal of the Executive Board of Directors, for the replacement of members of the Executive Board of Directors, when absent or prevented from attending to their duties, definitively or temporarily, until the General Meeting proceeds with new election;
- // Proposing, at the General Meeting, the appointment of the certified accountant or audit firm;
- // Supervising the independence of the certified accountant or audit firm, in particular with respect to the provision of additional services with companies in group or dependent relations and other relations with the Company;
- // Assuring the selection, confirmation and contracting of the external auditor and supervision of its activity, as well as assuring that any non-audit services rendered at TAP, SGPS or at participated companies do not place in question the independence of the auditor;
- // Supervising the review of accounts of the documents presenting the Company's accounts and ensuring follow-up of the activity of the certified accountant or external auditor;
- // Verifying that the accounting policies and measurement criteria adopted by the Company lead to a correct valuation of the assets, liabilities and earnings;
- // Supervising, monitoring and assessing internal procedures relative to accounting, financial and audit matters, as well as the effectiveness of the risk management system, the internal control system and the internal audit system, where applicable;
- // Verifying, when deemed necessary and in the manner deemed appropriate, the regularity of the book-keeping, accounting records and underlying documents, as well as the situation of any goods or values possessed by the company in any capacity;

- // Supervising the process of preparation and disclosure of financial information and issuing an opinion on the management report and accounts for the year;
- // Approving the company's strategic plan, the annual activity plan and the sustainability and corporate governance report(s);
- // Monitoring and appraising issues relative to corporate governance, sustainability, internal codes of risk assessment, ethics and conduct and respective compliance and systems of assessment and resolution of conflicts of interest, namely with respect to the company's relations with shareholders;
- // Issuing, upon its own initiative or when requested by the chairman of the executive board of directors, an opinion on the annual vote of confidence in the directors, as referred to in article 455 of the Companies Code;
- // Submitting to the annual general meeting a report on the application of the remuneration policy, including the assessment of management performance according to the criteria and parameters that have been approved by this body;
- // Submitting to the shareholder, whenever a redefinition of the remunerative policy is justified, a proposal substantiated on national and international benchmarking analysis, aimed at determining the appropriate levels of remuneration and structure of the remuneration package for the different governing bodies, as well as the selection of reference indicators and their correspondence with the performance of the executive directors;
- // Approving the respective internal regulation, which will include the rules of relations with all other governing bodies for everything not established in the present statutes;
- // Appointing the members of the specialised audit commission, the specialised sustainability and corporate governance commission and any others that it deliberates to create based on duly substantiated terms, pursuant to the present statutes;
- // Contracting the provision of expert services to assist one or more of its members in the performance of duties, where the contract and remuneration of the experts should take into account the importance of the affairs entrusted to them and the economic situation of the company;
- // Receiving communications of irregularities submitted by shareholders, company employees or others;
- // Performing of any other duties entrusted by the law or memorandum of association;
- // Annually preparing a report on its activity and submitting it at the general meeting;
- // The general and supervisory board is also responsible for issuing the opinions referred to it in the present Statutes or others which, under the legal terms, are requested or whose production is justified;
- // When the opinion of the general and supervisory board is negative on the issues presented in subparagraphs c) and d) of number 1 and number 4 of article 17 of the statutes, this board may, under the terms of the law, urgently submit the divergence of the deliberation of the general meeting, where this deliberation should be taken by a majority of two thirds of the votes cast in order to be approved.

The chairman of the general and supervisory board or, in his absence or impediment, a member delegated by this board for this purpose, may, whenever deemed appropriate and without the right to vote, attend the meetings of the company's executive board of directors and the meetings of the Group's controlled companies, under the terms of number 3 of article 22 of the Statutes of TAP, SGPS. The chairman of the general and supervisory board should participate in the meetings with the shareholders whenever they are of a formal nature and are intended to appraise strategic aspects of the company's life and future.

Competence of the Executive Board of Directors

The executive board of directors is composed of a minimum of 5 (five) and a maximum of 7 (seven) members, all elected by the general meeting which also appoints, among them, the respective chairman, who has the casting vote.

Under the terms of article 17 of the Statutes of TAP, SGPS, the Executive Board of Directors is responsible in particular for the following:

- // Managing corporate business and conducting all the acts relative to the corporate object which are not entrusted to other corporate bodies;
- // Representing the company in and out of court, actively and passively, being able to waive, transact and confess in any lawsuit, as well as conclude arbitration conventions;
- // Acquiring in any form and divesting or encumbering rights or assets, movable or immovable, whenever the respective unit value does not exceed one million euros or has received the favourable opinion of the General and Supervisory Board;
- // Incorporating companies and underwriting, acquiring, in an ordinary or derivative capacity, encumbering and divesting shares, after having obtained the favourable opinion of the General and Supervisory Board or decision of the General Meeting, provided that the respective value exceeds 2% of the share capital;
- // Deliberating on the issue of bonds or other securities, within the limits established annually for this purpose by the general meeting, under the terms of subparagraph e) of number 2 of article 8;
- // Establishing the company's technical and administrative organisation and internal operating standards concerning the staff and their remuneration, without prejudice to the provisions in article 23;
- // Constituting authorised agents empowered as deemed appropriate, including substitution;
- // Appointing the company's secretary and respective alternate;
- // Establishing the company's objectives and management policies;
- // Preparing the annual activity plans and budgets, including the operating, investment and financial components, as well as promoting the participation of the Company's services in the preparation of the sustainability report;
- // Preparing the company's Strategic Plan and its updates;
- // Performing any other duties entrusted by the law, memorandum of association or general meeting.

The executive board of directors may, within the legal limits, delegate some of its duties to one or more of its members, with or without the entitlement of sub-delegation, without prejudice to number 3 of article 16 of the Statutes of TAP, SGPS.

The executive board of directors should inform the general and supervisory board:

- // At least once a year, the Group's main challenges and management objectives, as well as the circumstantial and/or structural constraints underlying them;
 - // Quarterly, for review at the next meeting of the general and supervisory board, the company's situation and evolution of business, as well as the most important management aspects in economic, financial and operating spheres;
 - // At the time determined by the law, the full report of the management, overview and accounts relative to the previous year.
- The company's strategic plan, activity plan and annual budget and the accomplishment of the participated company or companies of TAP, SGPS of the operations indicated below will be subject, for opinion and approval, to prior knowledge of the General and Supervisory Board:
- // Acquisitions and divestment of assets, rights or shares and contracting of loans whose economic value is higher than one million euros, provided that they are not foreseen in the strategic plan, activity plan or annual budget;
 - // Opening or closure of establishments referred to in number 3 of article 2 of the Statutes, which implies important extensions or reductions of activity;

// Merger, demerger or transformation, and strategic partnership projects which alter the company's context of action;

// Amendment of the company's statutes, including change of head office and increased share capital, when of the initiative of the executive board of directors.

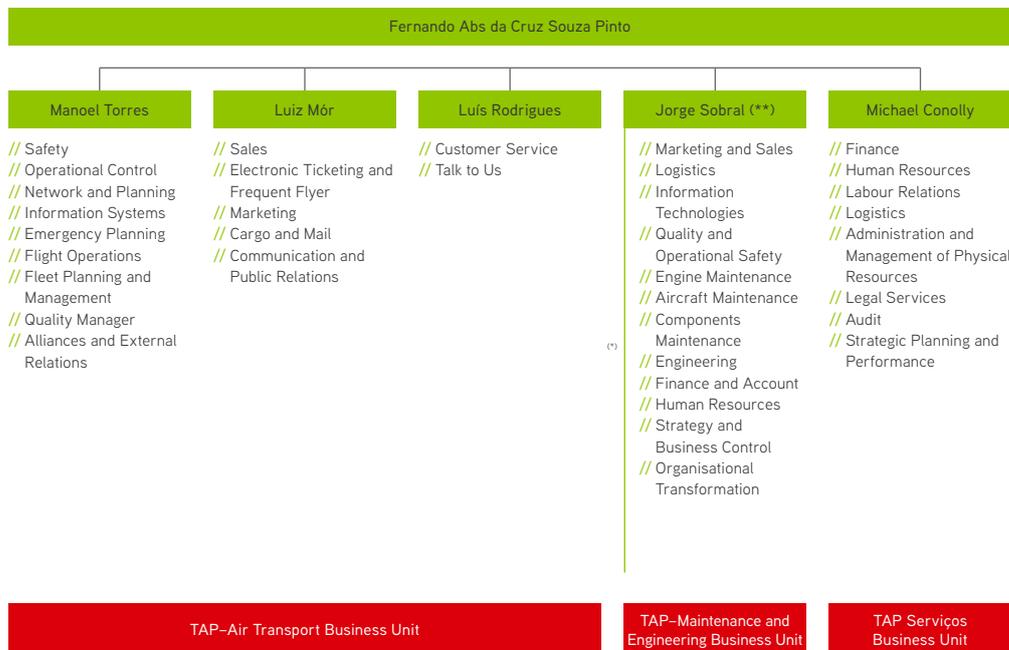
Under the terms of article 18 of the Statutes, the Chairman of the Executive Board of Directors is entrusted with the following duties:

- // Representing the executive board of directors;
- // Coordinating the activity of the board and calling and chairing the respective meetings;
- // Striving for the correct execution of the board's deliberations.

The chairman of the executive board of directors shall attend, without the right to vote, the meetings of the general and supervisory board, whenever invited or requested from the chairman of the general and supervisory board, and may, in the event of his impediment, indicate his representative, under the terms and for the effect of number 3 of article 18 of the Statutes.

Apart from positions held simultaneously in other companies within the TAP Group, as referred to in item IV.B.8. b), up to 31 December 2013, the Executive Board of Directors of TAP, S.A. was organised according to the following management areas.

Executive Board of Directors of TAP, S.A.



(*) As of 1 October 2013, these Areas were placed under the responsibility of Fernando Pinto

(**) Requested termination due to retirement, taking effect on 30 September 2013

The Executive Board of Directors is responsible for the definition of the organisational model and definition of the allocation of duties among the different Business Units. The mission of TAP Serviços is the development of activity in the provision of support and management services to the Executive Board of Directors and to all other Business Units and companies of the TAP Group, contributing to the improvement of overall profitability.

Competence of the divisions currently existing at TAP, S.A.

Business Unit TAP–Air Transport	Business Unit TAP–Maintenance and Engineering	Business Unit TAP Serviços
<p>// The main mission of the Safety Manager area is to provide specialised knowledge on Safety to all operating departments of TAP Portugal, contributing to achieve the operating safety objectives defined by the Executive Board and act as a centralising element for all matters in this regard.</p> <p>// The main mission of the Network and Planning area is to coordinate and define the Network of routes to be operated by TAP, the respective operating programmes and control their implementation, assuring the availability of the necessary means and their constant adjustment to the market in order to maximise results. Define the pricing policy and flight management in order to maximise the revenue of the routes. Participate in the preparation of the Air Transport Strategic Plan, coordinate business performance and produce management information.</p> <p>// The main mission of the Information Systems area is to define, implement, manage and administer the strategic information systems of the Business Unit, with the objective of simplifying business processes, making them more flexible, facilitating swift decision-making and improving quality, in this form contributing to higher productivity and lower operating costs.</p> <p>// The main mission of the Flight Operations area is to offer a flight service with a high standard of quality and safety, in accordance with the defined policies and guidelines, both national and international.</p> <p>// The main mission of the Planning and Fleet Management area is to define the Fleet Management policies and ensure their updating, including actions relative to the definition, acquisition and/or lease of aircraft according to the Company's commercial strategy and evolution of markets, assuring high standards of safety, reliability, quality and economy.</p> <p>// The main mission of the Quality Manager area is to assure the operational quality of the services rendered in accordance with EASA requirements and other operational rules applicable to Air Transport.</p> <p>// The main mission of the Alliance and External Relations area is to coordinate and control the activities of International Relations and Agreements, in particular with respect to relations with peer companies, negotiation of commercial agreements, partnerships and strategic alliances.</p> <p>// The main mission of the Sales area is to ensure the profitability of the passenger transport activity through the promotion and sale of TAP products and the implementation of promotion and sale policies adjusted to the realities of each market/segment, in order to maximise the quality of the service provided to the customer and market share in the different markets.</p> <p>// The main mission of the Marketing area is to lead the innovation, service quality and Customer-driven focus, creating and leveraging factors of differentiation and relations that are appropriate to each strategic customer segment so as to strengthen the TAP brand and ensure continuous improvement of results.</p> <p>// The main mission of the Cargo and Mail area is to provide a reliable service of collection, transport and delivery of goods and parcels on TAP and Partner aircraft in due time and suited to customer needs, at competitive prices.</p> <p>// The main mission of the Communications and Public Relations area is to define and coordinate the activities concerning communications and institutional relations of the TAP Group, defining and implementing internal and external communication plans, in accordance with the Group's strategic guidelines.</p>	<p>// The main mission of the Strategy and Business Control area is to provide technical support to the Management of TAP–Maintenance and Engineering in the definition and preparation of its Strategic Plan, provide relevant information for the management control process, assure the economic and financial evaluation of investment projects and the preparation of studies, reports and presentations on matters of strategic, economic and financial nature.</p> <p>// The mission of the Information Technologies area is to determine, manage, plan, coordinate and control the IT activities of TAP–Maintenance and Engineering, namely in the design, development, implementation and maintenance of information structures and systems to support the activity of the Business Unit (B.U.) and its competitive development.</p> <p>// The main mission of the Organisational Transformation area is to define, disclose and strive to ensure compliance with the Project policies of the B.U., assuring coordination between the Areas and making the link with the aeronautical authorities with regard to Project Certification, so as to assure flight safety and airworthiness, as well as the continuous improvement of the organisation through the streamlining of processes of the different Business Unit Areas, adjusting them to the strategic plan, optimising the services that are developed and assuring the intended standards of quality and efficiency.</p> <p>// The main mission of the Finance and Accounting area is to assure the financial management of TAP–Maintenance and Engineering, coordinate and control all the accounting activity, assure the preparation and implementation of budgets in accordance with the applicable accounting rules and principles as well as the internal rules and procedures, assuring compliance with fiscal and legal obligations and assuring fiscal optimisation, as well as the timely provision of reliable information to TAP Serviços/Finance on the net operating income of TAP– Maintenance and Engineering.</p> <p>// The mission of the Marketing and Sales area is to define the commercial strategic objectives of the B.U. (Portugal and Brazil), coordinating the sales activities of the aircraft maintenance and engineering, engine and component services, implementing the marketing and communication strategy, boosting the exploration of new business opportunities, the definition and negotiation of commercial proposals, follow-up of commercial relations and market research.</p> <p>// The mission of the Engineering area is to define the TAP and customer fleet maintenance policy through the design of the flight material maintenance programmes, assuring their process of continuous fleet airworthiness, and managing the inherent information and technical documentation, in accordance with the national and international standards and procedures.</p> <p>// The mission of the Quality and Operational Safety area is to manage the Quality, Operational Safety and Environment systems of the Business Unit, manage the continuous fleet airworthiness of the operator TAP Portugal, and manage the business of calibration, non-destructive testing and physical-chemical testing, through the definition of the plans, policies, objectives and goals, in coordination with the aeronautical authorities and accreditation organisations, complying with the applicable legal impositions and strategic guidelines.</p> <p>// The main mission of the Logistics area is to define, negotiate, plan, coordinate and control the acquisition, receipt, storage, distribution and provision of consumables, rotary components, products, equipment, tools and raw materials, required by the aeronautical maintenance activity (maintenance of engines, components and aircraft), in accordance with the maintenance plans and stock policy, assuring the implementation of any corrective actions deemed necessary to improve the reliability of operations, systems and components, in order to assure the provision of products at the lowest cost with the standards of quality and safety within the established periods, both for the TAP fleet and for customers, as well as the coordinating the planning and implementation of works at the facilities of the Business Unit.</p>	<p>// The main mission of the Finance area is to define a financial and accounting management model and adopt procedures that assure the integrity and availability of the information to the entire organisation, as well as compliance with the legal obligations.</p> <p>// The mission of the Human Resources area is to assure the effective management of the Group's Human Resources, fostering the development of the technical and social skills of all workers, and define common policies and instruments that enable controlling the implementation of the processes of human resources.</p> <p>// The main mission of the Labour Relations area is: to assure the TAP Group's institutional relations in the labour sphere, particularly with bodies of the Labour Administration, Syndicates and Workers Commissions; assure legal and labour advisory services to TAP Group companies; Assure the representation of TAP Group companies at Labour Courts and Collective Labour Agreements, as well as the preparatory inquiry, including legal counsel, in all judicial or administrative offense proceedings in which Group companies are involved; assure compliance with the legal and conventional rules on labour matters, preparing and disseminating regulations and guidelines on these issues and assure the preparatory inquiry of investigative and disciplinary procedures.</p> <p>// The main mission of the Logistics area is to conduct the procurement process, providing products and services to the entire TAP Group, with the best cost-quality ratio.</p> <p>// The main mission of the Administration and Management of Physical Resources area is to define and assure the provision of support services to the governing bodies, assure the effective management of the facilities and equipment, security and safety, environment, insurance, documentation and general support services, required for the Group's activity, assuring its profitability in conformity with the legal and business requirements.</p> <p>// The main mission of the Legal Services area is to assure the study, follow-up and legal counsel of legal issues, in line with the legal framework and guideline principles of the Organisation.</p> <p>// The main mission of the Audit area is to care for the Group's business through an approach of systematic and disciplined auditing, involving the planning, development and implementation of activities that assure the good operation of the internal control systems and promote the compliance of the Group's management and governance.</p> <p>// The main mission of the Strategic Planning and Performance area is: to provide support in the definition of the Group's business strategy and guidelines, participating in the preparation of the Strategic Plan; support TAP Serviços, managing its Customer relations, developing the Performance measurement system and Costing Model/System, Pricing and Invoicing, and collaborating in the functional analysis of projects to change processes and systems.</p>

Business Unit TAP–Air Transport	Business Unit TAP–Maintenance and Engineering	Business Unit TAP Serviços
<p>// The mission of the Customer Service area is to ensure the provision of ground handling services in all airports of the TAP network, with high commercial and operational quality standards, in order to ensure Customer satisfaction.</p> <p>// The mission of the Talk to Us area is to facilitate communication between Customers and TAP, making it closer, faster, more direct and effective concerning claims, suggestions and requests for clarification.</p>	<p>// The main mission of the Engine Maintenance area is to coordinate the provision of inspection, repair and overhaul services for engines of the fleet of the TAP Group and other customer airline companies, within the contractual calendar, upholding high quality standards and generating added value for the Business Unit.</p> <p>// The main mission of the Component Maintenance area is to coordinate the provision of aircraft Component Maintenance services for the fleet of the TAP Group and external customers, within the contractual calendar and under the most advantageous economic conditions, assuring the maintenance of the high quality and safety standards of the aeronautical industry, the safeguarding of conditions of safety for people and assets and environmental protection, generating added value and maximising the profitability of the Business Unit.</p> <p>// The main mission of the Aircraft Maintenance area is to coordinate the provision of aircraft maintenance and engineering services for the fleet of the TAP Group and customer, maintaining a high standard of quality, complying with the management objectives and budget, national and international legislation as applicable aimed at assuring the accomplishment of the production objectives, contributing to maintain the high safety levels of the aeronautical industry, safeguarding safety conditions for people and assets and for environmental protection, so as to maximise the profitability of the Business Unit.</p>	

8. OPERATION OF THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS

a) Meetings and attendance level of the members of the Corporate Governing Bodies

TAP, SGPS

Corporate Governing Bodies	No. of Meetings	Attendance (no.)									
		PF	LS	OS	FP	MC	MT	LM	JS ⁽¹⁾	LR	
Members^(*)											
General Meeting	1	1	1	1							
Members^(*)											
Executive Board of Directors	14	14	13	13	10	10	12				
Members^(*)											
General and Supervisory Board	10	10	10	9	10	5	8	9			
Members^(*)											
Specialised Sustainability and Corporate Governance Commission	7	7	7	7	7	4	6	6			
Members^(*)											
Specialised Audit Commission	8	8	8	8							

(1) Requested termination due to retirement, taking effect on 30 September 2013

TAP, S.A.

Corporate Governing Bodies	No. of Meetings	Attendance (no.)								
		PF	LS	OS	FP	MC	MT	LM	JS ⁽¹⁾	LR
Members^(*)										
General Meeting	1	1	1	1						
Members^(*)										
Executive Board of Directors	19	18	17	18	15	14	16			
Members^(*)										
General and Supervisory Board	10	10	10	9	10	5	8	9		
Members^(*)										
Specialised Sustainability and Corporate Governance Commission	4	4	3	4	4	2	4	3		
Members^(*)										
Specialised Audit Commission	8	8	8	8						

(1) Requested termination due to retirement, taking effect on 30 September 2013

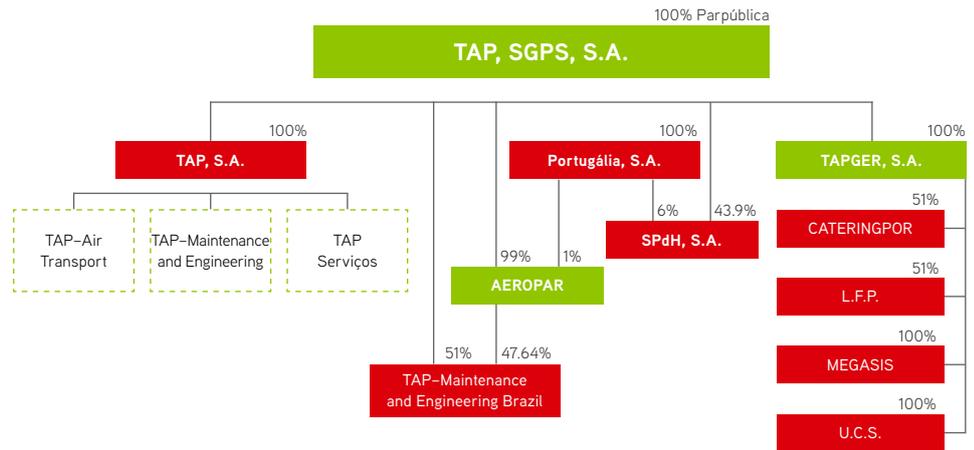
^(*) Caption

Members of the Board of the General Meeting	
PF	Chairman – Paulo Manuel Marques Fernandes
LS	Deputy-Chairman – António Lorena de Sêves
OS	Secretary – Orlanda do Céu S. Sampaio Pimenta d' Aguiar
Members of the Executive Board of Directors	
FP	Fernando Abs da Cruz Souza Pinto
MC	Michael Anthony Conolly
MT	Manoel José Fontes Torres
LM	Luiz da Gama Mór
JS	Fernando Jorge Alves Sobral
LR	Luís Manuel da Silva Rodrigues
Members of the General and Supervisory Board	
Members of the Specialised Audit Commission (only those marked with (**))	
Members of the Specialised Sustainability and Corporate Governance Commission	
PB	Manuel Soares Pinto Barbosa (**)
BA	João Luís Traça Borges de Assunção (**)
VA	Carlos Alberto Veiga Anjos
LP	Luís Manuel dos Santos Silva Patrão
RV	Maria do Rosário Miranda Andrade Ribeiro Vítor
RA	Rui Manuel Azevedo Pereira da Silva (**)
CN	Vítor José Cabrita Neto

b) Positions held by members of the Executive Board of Directors and by members of the General and Supervisory Board

Positions held by members of the Executive Board of Directors

The Group of companies that were part of the consolidation perimeter of the TAP holding at the end of 2013 was composed of TAP-Transportes Aéreos Portugueses, SGPS, S.A. and its subsidiaries, according to the organisation represented in the diagram, where the members of the Executive Board of Directors held the following positions.



	Fernando Abs da Cruz Souza Pinto	Fernando Jorge Alves Sobral	Luís Manuel da Silva Rodrigues	Luiz da Gama Mór	Manoel José Fontes Torres	Michael Anthony Conolly
TAP, S.A.	PCA	AE *	AE	AE	AE	AE
TAPGER-Sociedade de Gestão e Serviços, S.A.	PCA	-	-	-	-	ANE
Portugalía-Companhia Portuguesa de Transportes Aéreos, S.A. (PGA)	PCA	ANE **	-	-	ANE	ANE
SPdH-Serviços Portugueses de Handling, S.A.	-	-	ANE	-	-	-
TAP-Manutenção e Engenharia Brasil, S.A.	-	-	PCA	-	-	-
CATERINGPOR-Catering de Portugal, S.A.	-	-	-	PCA	-	-
L.F.P.-Lojas Francas de Portugal, S.A.	-	-	-	PCA	-	-
U.C.S.-Cuidados Integrados de Saúde, S.A.	-	-	-	-	-	PCA
MEGASIS-Sociedade de Serviços e Engenharia Informática, S.A.	-	-	-	-	-	PCA
Positions held in other companies outside the TAP Group						
LIDE, Portugal	-	-	-	MCGEST	-	-
Confederação do Turismo Português	-	-	-	MCD	-	-
Turismo de Lisboa	-	-	-	MD	-	-
Conselho Setorial do Turismo Português da CIP	-	-	-	VP	-	-
ELO - Associação Portuguesa para o Desenvolvimento Económico e a Cooperação	-	-	-	MCG	-	-

PCA - Chairman of the Executive Board of Directors; AE - Executive Director; ANE - Non-Executive Director

MCGEST - Member of the Management Committee; MCD - Member of the Governing Board; MD - Member of the Board; VPCS - Deputy Chairman of the Sectorial Board; MCG - Member of the General Board

(*) Terminated duties on 30 September 2013; (**) Terminated duties on 15 September 2013

Positions held by members of the General and Supervisory Board

	Manuel Pinto Barbosa	João Borges de Assunção	Carlos Veiga Anjos	Rui Azevedo Silva	Vítor Cabrita Neto	Luís Patrão	Maria do Rosário Vítor
Nova Fórum	PCA	-	-	-	-	-	-
Cimpor	PCFR	-	-	-	-	-	-
Millennium BCP	MCRP	-	-	-	-	-	-
Eurocash, S.A. (Poland)	-	MICCGS	-	-	-	-	-
Casa Civil da Presidência da República	-	C	-	-	-	-	-
Oceano XXI, Cluster do Conhecimento e da Economia do Mar	-	-	-	CO	-	-	-
Quatenaire Portugal S.A.	-	-	-	VNECA	-	-	-
Conferência das Regiões Periféricas Marítimas da Europa	-	-	-	C	-	-	-
Faculdade de Engenharia da Universidade do Porto	-	-	-	PAC	-	-	-
Universidade Lusófona do Porto	-	-	-	MCC	-	-	-
Instituto Politécnico de Viana do Castelo	-	-	-	MCG	-	-	-
Estabelecimentos Teófilo Fontainhas Neto, Comércio e Indústria S.A.	-	-	-	-	PCA	-	-
Direção Geral do Consumidor	-	-	-	-	-	TSJ	-
EMEL, S.A.	-	-	-	-	-	PAG	-

PCA - Chairman of the Board of Directors; PCFR - Chairman of the Remunerations Commission; MCRP - Member of the Remunerations and Welfare Board; MICCGS - Independent Member and Chairman of the General and Supervisory Board; C - Consultant; CO - Coordinator; VNECA - Non-Executive Member of the Board of Directors; PAC - Guest Assistant Professor; MCC - Member of the Governing Board; MCG - Member of the General Board; TSJ - Senior Technician/Lawyer; PAG - Chairman of the General Meeting

c) Corporate bodies competent to conduct the assessment of performance of executive directors

Under the terms of article 23 of the Statutes of TAP, SGPS, the General and Supervisory Board is responsible for submitting, to the Annual General Meeting, a report on the application of the remuneration policy, including the assessment of management performance according to the criteria and parameters that have been approved by this body.

Under the terms of article 11 of the Statutes of TAP, SGPS, the General Meeting is responsible for defining the remuneration policy for the members of the administration body, including the performance assessment criteria and parameters for calculation of the variable component of remuneration, in the case of directors with administrative duties.

d) Commissions within the supervisory body

Through deliberation of the General and Supervisory Board, at the meeting of 26 June 2009.

Specialised Audit Commission Specialised Sustainability and Corporate Governance Commission

9. COMPOSITION, COMPETENCE AND SUMMARY OF THE ACTIVITIES DEVELOPED BY THE EXISTING COMMISSIONS IN THE SUPERVISORY BODY

Through deliberation of the General and Supervisory Board, at the meeting of 26 June 2009.

Specialised Audit Commission

Manuel Soares Pinto Barbosa
João Luís Traça Borges de Assunção
Rui Manuel Azevedo Pereira da Silva

Competence

Under the terms of article 25 of the Statutes of TAP, SGPS, the Specialised Audit Commission is responsible in particular for the following.

- a) Providing support to the General and Supervisory Board and the Executive Board of Directors regarding:
 - aa) Quality and integrity of the financial information shown in the documents presenting the accounts;
 - bb) Qualification and independence of the external auditors, namely regarding their contracting and authorisation of other external services;
 - cc) Discussion with the external auditors on the disclosure of annual and quarterly, financial and market information and with analysts in general, including the policies on accounting and presentation of financial statements;
 - dd) Quality, integrity and effectiveness of the internal control system;
 - ee) Duties performed by the External Auditors and internal audit of the company, namely regarding their composition, responsibilities, budget, annual activity plan and appointment of the director responsible for internal audits;

ff) Compliance with the legal and regulatory provisions, recommendations and guidelines issued by the competent entities;

gg) Contracting of people to work with the external auditors.

- b) Preparing reports, providing support in the definition of policies and guidelines and in the implementation of procedures, producing recommendations and carrying out measures that, under their duties, are deemed necessary for their good operation;
- c) Meeting, whenever necessary, but at least once a quarter, with the certified accountant and external auditor, to appraise their activity and monitoring of the company's activity under their attributed duties;
- d) Providing the general and supervisory board and the executive board of directors, through regular communication, advice and/or assistance under their attributed duties, as well as performing any other duties or responsibilities that are entrusted to them;
- e) Identifying significant potential risks of financial, operational, safety and security related, legal and/or social nature that could produce relevant direct or indirect losses. Also being entrusted to define measures and mechanisms that might mitigate these losses, which should be disclosed to the General and Supervisory Board and, through this body, the Executive Board of Directors, for implementation;
- f) Issuing an opinion on the company's risk manual and respective updates, upon proposal of the executive board of directors which is responsible for its preparation.

Through deliberation of the General and Supervisory Board, at the meeting of 26 June 2009.

Specialised Sustainability and Corporate Governance Commission

Manuel Soares Pinto Barbosa
Carlos Alberto Veiga Anjos
João Luís Traça Borges de Assunção
Luís Manuel dos Santos Silva Patrão
Maria do Rosário Miranda Andrade Ribeiro Vítor
Rui Manuel Azevedo Pereira da Silva
Vítor José Cabrita Neto

Competence

Under the terms of article 26 of the Statutes of TAP, SGPS, the Specialised Sustainability and Corporate Governance Commission is responsible in particular for the following.

- a) Assuring that the executive board of directors creates the necessary conditions for the sustained growth of the Company, in the economic, environmental and social areas (triple bottom line);
- b) Supervising the strategy of sustained development and social responsibility as well as its correct implementation by the executive board of directors;
- c) Supervising the preparation and submitting the company's corporate governance and sustainability reports to the general and supervisory board;
- d) Assuring the application, at least annually, of national and international benchmarks on the company's corporate governance policy;

- e) Supervising the identification of the real needs of measures to be implemented, assuring the existence of a correct corporate governance model;
- f) Actively ensuring the correct implementation of the corporate governance model established by the executive body;
- g) Promoting the implementation of all the practices defined in the corporate governance model;
- h) Providing support to the supervisory body in the definition of conflicts of interests and business conduct policies;
- i) Assessing/controlling the existence of conflict of interests in conformity with the business conduct code and other relevant policies;
- j) Identifying and resolving situations of conflict of interests, as they arise;
- l) Assuring the implementation of the company's code of ethics and good conduct.

The summary of the activities developed by the Specialised Audit Commission and the Specialised Sustainability and Corporate Governance Commission is presented in the Report of the General and Supervisory Board of 2013 of TAP, SGPS, in points 4, 5 and 6, the content of which is transcribed below.

“.....”

- 4. During 2013, the General and Supervisory Board held ten meetings. The supervisory activity performed by this Board covered the group of companies in the TAP Group, in particular TAP, S.A., as well as the associate companies in which TAP has a significant stake. In this duty, the General and Supervisory Board was assisted in its work by the Specialised Audit (SAC) and Sustainability and Corporate Governance (SCGC) Commissions, as well as by the *ad-hoc* working party with competence on matters of remuneration policy and assessment of the performance of the management. These commissions and working party provided the Board with the necessary support in its duties, in particular with respect to verification of compliance with the statutes and applicable legal rules.
- 5. The SAC held eight ordinary meetings during the year. The SAC meetings also involved the active participation of the Director responsible for financial matters and regular collaboration of the Chartered Accountant, External Auditor and Internal Auditing unit. The SAC was primarily concerned with the financial supervision of TAP, having attentively monitored the treasury situation, the evolution of debt and especially the development of bank financing operations conducted with a view to assuring adequate liquidity levels. The SAC verified that treasury levels above those of 2012 were maintained throughout the year, which, while not having reached levels that could be considered as fully comfortable, were sufficient to assure TAP's normal operation and at the same time enable a reduction of EUR 219 million in the Group's net debt. In view of the scale of TAP's operation network, dispersed over a variety of geographical areas, the SAC closely monitored the evolution of the geopolitical situation in various problematic areas with potential impact on the valuation of the assets of TAP, S.A.. The Executive Board of

Directors also adopted precautionary measures in this context which proved suitable, aimed at mitigating the inherent risk to the operation and treasury management.

- 6. The SCGC held seven meetings during the year. These meeting involved the analysis of the development of the TAP's associate companies, from the perspective of their contribution to the Group's sustained development in the economic, environmental and social areas. Thus, in sessions dedicated to each of these companies, the SCGC examined and debated, with its directors, the evolution of business, the problems and challenges faced, the most relevant aspects of their respective business plans, as well as past, present and future initiatives concerning social responsibility. In the areas of corporate governance, the SCGC took note of the provisions in Decree-Law number 133/2013, which establish new rules for the State corporate sector, having analysed the consequences of this new legal framework for TAP's management practices and its operation, namely through their possible impact on the operationality of decision-making processes.

.....”

C. SUPERVISION

1. IDENTIFICATION OF THE SUPERVISORY BODY

See chapter IV.D. Under the terms of article 27 of the Statutes of TAP, SGPS, the company's auditing is entrusted to a certified accountant or audit firm, as deliberated at the general meeting under proposal of the general and supervisory board.

2. MEMBERS OF THE GENERAL AND SUPERVISORY BOARD WHO ARE CONSIDERED INDEPENDENT

The members of the General and Supervisory Board are independent, as defined under the terms of article 9 of the Statutes of TAP, SGPS.

D. CERTIFIED ACCOUNTANT (ROC)

1. ROC, SROC

On 2 June 2009, the General Meeting of TAP, SGPS appointed the firm Oliveira Reis & Associados, SROC as the Certified Accountant (ROC) for the three-year period 2009-2011, represented by José Vieira dos Reis in the capacity of ROC, with OROC registration number 359, with the alternate being Fernando Marques de Oliveira, with OROC registration number 207, also appointed at the General Meeting of TAP, SGPS of 2 June 2009.

On 2 June 2009, the General Meeting of TAP, S.A. appointed the firm Oliveira Reis & Associados, SROC as the Certified Accountant (ROC) for the three-year

period 2009-2011, represented by José Vieira dos Reis in the capacity of ROC, with OROC registration number 359. In compliance with the legal provisions, and considering that José Vieira dos Reis completed seven years of duties in this position on 5 December 2013, since his initial appointment on 5 December 2006, Oliveira Reis & Associados, SROC was henceforth represented as of 5 December 2013, by Joaquim Oliveira de Jesus, in the capacity of ROC, with OROC registration number 1056, pursuant to the letter of 5 December 2013, addressed by Oliveira, Reis & Associados, SROC to the Chairman of the Board of the General Meeting of TAP, S.A.. The alternate ROC is Fernando Marques de Oliveira, with OROC registration number 207, also appointed at the General Meeting of TAP, S.A. of 2 June 2009.

2. LEGAL LIMITATIONS

In compliance with the provisions in Decree-Law 487/99, of 16 November, as drawn up by Decree-Law 224/2008, of 20 November, and under the terms of number 2 of article 54 of the latter, for entities of public interest (pursuant to subparagraph l) of article 2 of Decree-Law 225/2008, of 20 November), the maximum period for performance of audit duties by the partner responsible for the direction or direct implementation of the legal review of accounts is seven years, counted as of his appointment, where he may be newly appointed after a minimum period of two years.

TAP, SGPS, S.A.

Mandate (*) (Start - End)	Position	Name	Legal Appointment of the Current Term of Office	Number of Mandates held in the Company	Comments
2009-2011 (*)	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis	General Meeting of 2 June 2009	2	

Mandate (Start - End)	Position	Name	Annual Remuneration	
			Fixed ⁽¹⁾	Gross Paid ^{(2) (**)}
2009-2011 (*)	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis	13,800.00 €	16,974.00 €

TAP, S.A.

Mandate (Start - End)	Position	Name	Legal Appointment of the Current Term of Office	Number of Mandates held in the Company	Comments
2009-2011 (*)	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis (until 4 Dec 2013) Oliveira, Reis & Associados, represented by Joaquim Oliveira de Jesus (as of 5 Dec 2013)	General Meeting of 2 June 2009	2	

Mandate (Start - End)	Position	Name	Annual Remuneration	
			Fixed ⁽¹⁾	Gross Paid ^{(2) (**)}
2009-2011 (*)	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis (until 4 Dec 2013) Oliveira, Reis & Associados, represented by Joaquim Oliveira de Jesus (as of 5 Dec 2013)	32,100.00 €	39,483.00 €

Caption: (1) Established Annual Gross Value; (2) Before remunerative reductions; (*) see number 4 of article 391 of the Companies Code; (**) Includes VAT at the legal rate in force

E. EXTERNAL AUDITOR

1. IDENTIFICATION OF THE EXTERNAL AUDITOR AND ITS REPRESENTATIVE ROC MEMBER

External auditor – PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., registered in the list of audit firms (SCROC) under number 183 and at the Portuguese Security Market Commission (CMVM) under number 9077, has performed duties for the TAP Group since 2008, represented by José Pereira Alves since 2010.

2. POLICY AND FREQUENCY OF ROTATION OF THE EXTERNAL AUDITOR AND RESPECTIVE ROC MEMBER

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., registered in the list of audit firms (SCROC) under number 183 and at the Portuguese Security Market Commission (CMVM) under number 9077, has performed duties for the TAP Group since 2008, having been represented by Ricardo Filipe de Frias Pinheiro, (ROC) until 2009, and by José Pereira Alves (ROC) since 2010.

The assessment of the performance of the external auditor is undertaken continuously by the General and Supervisory Board, which is entrusted with the contracting of these services, and by the Specialised Audit Commission.

3. ANNUAL REMUNERATION

Remuneration paid to the SROC (includes individual and consolidated accounts)		
Value of the Audit services	11,000 €	100.0%
Value of the tax advisory services	0 €	0.0%
Value of services other than review of accounts	0 €	0.0%
Total paid by the company to the External Auditor	11,000 €	100.0%
By entities of the Group (TAP, S.A.)		
Value of the Audit services	69,050 €	100.0%
Value of the tax advisory services	0 €	0.0%
Value of services other than review of accounts	0 €	0.0%
Total paid by the company to the External Auditor	69,050 €	100.0%

Note: Value of the fees involved received for the work and percentage of total fees invoiced by the Company to the External Auditor.

V. INTERNAL ORGANISATION

A. STATUTES AND COMMUNICATIONS

1. AMENDMENT OF THE COMPANY'S STATUTES

// The General Meeting is responsible for deliberating on any amendments to the Statutes, see respectively, subparagraph c) of number 2 of article 11 of the Statutes of TAP, SGPS and subparagraph c) of article 9 of the Statutes of TAP, S.A.;

// Under the terms of article 36 of Decree-Law 133/2013 of 3 October:

"Amendment of the statutes

The amendment of the statutes of public companies is carried out (...) under the terms of the Companies Code, according to whether this involves a (...) commercial company, the draft amendments should be duly substantiated and approved by the shareholder function."

2. COMMUNICATION OF IRREGULARITIES

Under the Safety Management System / Data Collation Tool, in 2013, the Company implemented a Self Reporting system, which enables the communication of irregularities, through completion of a form named Operational Security Report, available to all workers on the Company's intranet. Through this system, all employees are able to report any irregularities that they might be directly or indirectly aware of, and collaborate in the follow-up of the corrective measures. The implementation of this reporting channel, based on a non-punitive disciplinary policy which assures the plaintiff's confidentiality, creating the necessary confidence so that all the Organization's employees feel motivated to report issues that they consider might affect the Company's Safety and Security, enabling the spontaneous communication of errors and omissions committed involuntarily, and assuring the continuous assessment of occurrences and respective causes and determinant factors, with a view to reinforcing risk reduction levels and increased security levels.

The following additional means of communication of irregularities occurred in the company should be noted:

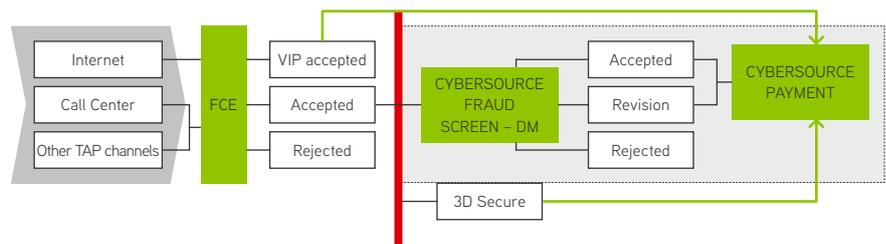
- // Senior Staff Direct Communication;
- // Communication of the Head of the Area;
- // Communication to Internal Audit;
- // Communication to the Executive Board of Directors and the Audit Commission (General and Supervisory Board), where this body is responsible (see subparagraph w) of number 1 of article 23 of the Statutes of TAP, SGPS) for receiving the communications of irregularities submitted by shareholders, company employees or others.

3. ANTI-FRAUD POLICIES

The TAP Group has progressively implemented and developed a risk management model focused on prevention and based on the following *Three Lines of Defence*: (1) management control and the operational manager; (2) the different supervision and control functions; (3) assessment and monitoring developed by the Internal Audit area. Each of these three lines plays a specific role within the greater structure of the organisation's management, as recommended by international best practices and the IIA (Institute of Internal Auditors).

The Code of Ethics, as a statement of the principles, ideals and charter of intentions, is embodied in a document where the Company establishes objectives concerning ethics and conduct in business with its stakeholders, i.e., with its suppliers, workers and/or customers, financial institutions, the local community and national economy, among others. The following should also be noted: the System of Incompatibilities of the TAP Group and the Maintenance and Engineering Regulations for the Sale of Scrap – *Normas Técnicas de Manutenção* (NTM 08-23 of 15 March 2012).

Concerning Action Plans to prevent external fraud, since 2007 TAP has a fraud prevention system (FCE – Fraud Control Engine), composed of a broad range of risk indicators which enable the Company to filter, in a sequential process, the information supplied by the acquiring passenger (see flowchart described in the figure) and rigorously validate the data provided by this passenger to the Company regarding the payment of airline tickets through the website www.flytap.com and Contact Centre via telephone. This system thus enables maintaining the integrity of the payment, with a view to safeguarding the interests of TAP and its customers.



B. INTERNAL CONTROL AND RISK MANAGEMENT

1. INTERNAL CONTROL SYSTEM (SCI)

At TAP, Risk Management is a process developed by the Administration, the Management and all the employees of the organisation, and is designed in order to identify potential events that might affect the Group, as well as to manage risk within the Company's risk profile level, aimed at assuring safety and compliance with the defined objectives.

Two risk management approaches: one predominantly operational, and the other focused on financial information, integrity of information (operational and financial), safeguarding assets and compliance with the legislation, regulations and contracts.

The operational risk aspect requires a specific focus per business – In this system, those directly responsible for managing risk are the business managers in charge of defining the most appropriate monitoring methodologies and respective management strategies. From the viewpoint of operational safety, the introduction of the SMS (Safety Management System) is noteworthy, where this initiative represents one of the most significant changes at a regulatory level in the last few years, contributing to raising the Safety levels in Aviation. Operational Safety is currently seen as a continuous risk management process, whose effectiveness is dependent on its application throughout the entire Company, covering all of the operating areas, and seeking the involvement of all employees (including the non-operating areas) whose activity may somehow influence Operational Safety. In this regard, in April 2012, TAP activated a new structure, the Safety Management Department, reporting directly to the Executive Board of Directors, with the mission of implementing and maintaining the Safety Management System (SMS). With the creation of this risk management and continuous improvement system, the number of Company areas monitored for safety increased from two – Flight Operations (*Flight*) and Cabin Operations (*Cabin*) – to seven, with the inclusion of the Flight Dispatch (*Dispatch*), Aircraft Maintenance Engineering (*Maintenance*), Ground Handling (*Ground Handling*), Cargo Operations (*Cargo*) and *Security* areas. Concurrently, TAP adjusted its Safety Policy having, among other aspects, clarified and further elaborated some concepts, such as the culture of fair reporting of occurrences, under the assumption that a healthy Reporting Culture actively contributes to the taking of appropriate risk mitigation actions. The encouragement of a Safety Culture reflects the senior management's commitment to a series of enduring values related to Operational Safety, shared by all with top-down organisational dynamics.

Regarding financial information, integrity of information, safeguarding assets and compliance with the legislation, regulations and contracts, a system of continuous auditing has been progressively implemented – With the objective of ensuring reliability in the preparation and disclosure

of financial information, both internal and related to the market, in conformity with the adopted regulations, procedures and policies, the Company has intensified its preventative auditing focused on risk, based on Continuous Auditing as the analytic instrument. This methodology consists of the collection of materially relevant indicators and evidence, by an internal or external auditor, from information technology systems, processes, transactions and controls on a frequent (with a predefined periodicity) or continuous basis, over a specific period of time, where the use of information technology is a crucial factor in its implementation. In order to leverage the Internal Audit resources, TAP has been following and placing in practice the developments deemed appropriate by the Institute of Internal Auditors, in which the continuous auditing is currently optimised.

2. RESPONSIBILITY FOR THE INTERNAL AUDIT AND INTERNAL CONTROL SYSTEM

The TAP Group has progressively implemented and developed a risk management model based on a philosophy of *Three Lines of Defence*, with each line playing a specific role, within a broader structure of the organisation's management, as recommended by international best practices and the IAA (Institute of Internal Auditors). In this context, management control arises as a first line of defence in risk manager and the operational manager is the risk owner. The different supervision and control functions arise in a 2nd line, and assessment and monitoring, developed by Internal Audit, arise as the 3rd line of defence, with the objective of ensuring the efficiency and effectiveness of processes, the trustworthiness and integrity of the financial and operational information as well as the safeguarding of assets.

The Company develops its activity using a series of internal rules and procedures and external regulations and legislation, in view of which it has to assure that the operation and business are developed in absolute observance of their compliance (compliance analysis).

As identified in the document Global Risks 2014, TAP is also actively involved in the areas considered in the risk assessment process.

3. MAIN MEASURES ADOPTED IN RISK POLICY

Under Auditing, the risk management process is used throughout the entire cycle, from the preparation of the Audit Plan to the analysis and classification of the findings of the respective recommendations, and preparation of the follow-up, where the highest risk situations are given greatest priority and monitored most closely. The Auditing follows up the concerns expressed in the Strategic Plan, where its actions are incident based on material relevance, impact on the Company's image and effectiveness of operations.



Areas preferably involved in risk assessment, and relative weight of their respective involvement in this assessment.

– Results of the survey covering 500 companies, in the context of the World Economic Forum, pursuant to the document Global Risks 2014.

4. RELATIONS OF HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCE

Model of Three Lines of Defence

1st Line of Defence: Operational Management

2nd Line of Defence: Risk Management and Compliance Functions

3rd Line of Defence: Internal Audit



Adaptation of Guidance on the 8th EU Company Law Directive of ECIIA/FERMA, article 41

5. OTHER FUNCTIONAL AREAS WITH COMPETENCE IN RISK CONTROL

The conceptual model used at the Company of *Three Lines of Defence*, assures successive controls and has capacity for direct interaction with the operation (1st line) and the management bodies (2nd and 3rd lines).

1 st Line of Defence	2 nd Line of Defence	3 rd Line of Defence
Head of Risk Management	Risk Control and Compliance	Risk Assessment
// operational management	// limited independence // reports primarily to the management	// internal auditing // reports to the management body and to the General and Supervisory Board // independence of action

Information technology risk

Systems used by organisations to identify weaknesses and threats.

Fire risk – prevention

Risk management system for fire, explosion and spillage of chemical products. The systems includes the internal security and safety plans, the continuous training of Employees, the manuals for protection against explosive atmospheres (ATEX Manuals), simulation drills based on risk scenarios, and an internal audit plan.

Maintenance and Engineering risk

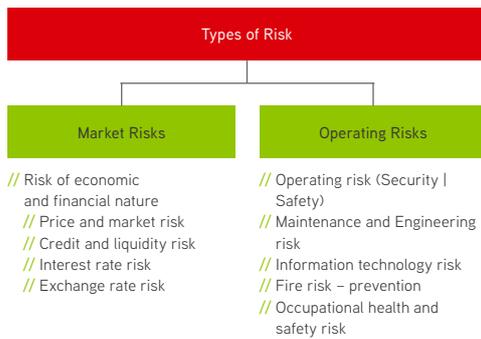
At TAP–Maintenance and Engineering, risk management is inherent and integrated in the responsibilities defined in the context of the aeronautical certifications and accreditations held⁽¹⁾ which are compulsory to guarantee the continuity of its activity.

(1) EASA Part 145 (Maintenance Organisations); EASA Part M (Continued Aeronavigability); NP EN ISO 9001:2008 (Quality Management Systems), among others.

Occupational health and safety risk

Risk management system linked to the professional activity, based on a systematic programme of identification, assessment, measurement and control of risks to occupational health and safety, aimed at prevention and promotion of health and the reduction of occupational accidents and work-related diseases, in order to assure and improve occupational health and safety at the Company.

6. PRINCIPAL TYPES OF RISKS



Risks of economic and financial nature

Systems and actions of monitoring and control of economic and financial risk, follow-up of economic and geopolitical development, particularly in countries showing high social and political instability, and internal audit of procedures, contracting and transactions.

Operational risk (Security | Safety)

Model of action whereby the possibility of damage to people and assets is minimised or eliminated, through a continuous process of identification of situations of potential danger and management of the respective associated risk.

7. PROCESS OF IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL, MANAGEMENT AND MITIGATION OF RISKS

Model used at the Company – Three Lines of Defence

1st Line of Defence: Operational Management –

Operational management is responsible in the Group for maintaining effective internal control operational and for conducting risk mitigation procedures and their efficient management. Operational management identifies, assesses, controls and mitigates risks, directing the development, implementation of internal policies and procedures and assuring that the activities are in accordance with the goals and objectives defined for the Company and respective organic units. Operational management serves as the first line of defence, since the controls, developed as systems and processes under its direct guidance, should assure compliance with the regulations and prevent inappropriate and unexpected events.

2nd Line of Defence: Risk Management and Compliance Functions – The management establishes various risk management and compliance functions, in order to develop and/or monitor the controls of the first line of defence. In the capacity of management functions, it is able to intervene directly, in order to modify and develop the internal control and risk management systems. The responsibilities of these functions vary regarding their specific nature, seeking, namely, to:

- // Support the management policies, define roles and responsibilities and establish goals for implementation;
- // Provide risk management structures;
- // Identify current and emerging issues;
- // Identify changes to the implicit risk of the organisation;
- // Assist the management to develop processes and controls to administer risks;
- // Provide guidelines and training on risk management processes;
- // Facilitate and monitor the implementation of effective risk management practices by the operational management;
- // Advise the operational management of emerging issues and changes in the regulatory and risk environment;
- // Monitor the adequacy and efficacy of the internal control, reporting accuracy and integrity, compliance with laws and regulations and the timely resolution of any failings.

3rd Line of Defence: Internal Audit – Internal Audit, in its dialectics of action with the management and supervisory bodies (General and Supervisory Board and Specialised Audit Commission), conveys the results arising from the monitoring of the installed controls and their effectiveness, risk management processes and internal control environment. The scope of this monitoring and follow-up is entirely transversal across the Company, covering all business units, associate companies, operation units and different functions. This analysis includes the different business processes such as sales, production, marketing, functions directed at the customer and operations, as well as support functions – accounting of revenue and expenses, human resources, procurement, payroll, budgets, management of infrastructure and assets, inventories and information technology, among others.

8. ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IMPLEMENTED IN THE COMPANY

The main elements of the Company's internal control system are at a first stage based on automatic procedures developed by the different areas, followed up, monitored and audited by the Internal Audit area, covering:

Management of audit actions

Planning

An audit action is defined as all the specific work associated to the planning, implementation and reporting of each audit activity to be developed. The planning of audit actions is based on the definition of an audit strategy, considering:

- // Definition of the objectives and scope of the audit action;
- // Collection of information;
- // Consultation of the risk management process in force or, when non-existent, identification and assessment of the risks inherent to the processes to be audited;
- // Preparation of the specific work programmes of the audit action;
- // Definition of the format of the final report.

The documentation of the audit action plan establishes the **objectives of the audit** and the scope of the work.

There are essentially two types of audit objectives: (1) Audit of compliance (internal control, contracts, processes, among others); (2) Audit of the financial statements/data.

According to the intended objective to be achieved, a suitable work programme is established, adjusting the nature and extent of the tests (control or substantive) to be carried out.

The **scope of the audit** consists of the identification of the process(es) or financial statements/data to be audited, as well as the period under review.

The information is then collected where the Internal Audit compiles, confirms and extends all the knowledge to the Organisation and Sector, in its various aspects, namely, through studying the appropriate documentation and assessing the quality of the information, accounting and internal control systems in force. Baseline information the activities to be audited should be collected and analysed in order to verify potential impacts in the audit, where this information covers the following aspects:

- // Policies, plans, procedures, laws, regulations and contracts which could have a relevant impact on operations and reports;
- // Organisational information, namely the organisational chart with the names of employees and senior staff, description of duties/tasks and process flowchart;
- // Minutes of the Board of Directors;
- // Details on recent modifications in the Organisation, including changes to systems;
- // Budget information, net operating income and financial data of the activity to be audited;
- // Working papers of previous and third party audits, namely Official Review of Accounts, Court of Auditors and Finance Inspection, among others;
- // Results of other audits that have already been conducted;
- // Correspondence files for verification of potentially relevant audit facts;
- // Preparation of the specific assessment check-list of the internal control;
- // Assessment of key points of control installed in the different processes and their efficacy.

C. REGULATIONS AND CODES

1. APPLICABLE INTERNAL REGULATIONS AND EXTERNAL REGULATIONS

Company internal regulations

The Company has developed a risk control and management process based on the following three lines of defence: in the first line of defence, as a pillar of the corporate culture of the TAP Group, are all the management processes assumed as a constant concern of all managers and employees of the Group, based on the identification, management and control of the uncertainties and threats which might affect the different business areas. This action is undertaken on a going concern and based on making the most of business opportunities; in the second line of defence is the verification of the analysis of compliance and monitoring relative to risk control; and in the third line of defence is the risk assurance process, where it is important to note that certification in this area by the IIA was achieved in 2012, assured by the systematic action of the Internal Audit unit. The Audit area strengthened its activity, using the Continuous Audit process which is characterised by the continuous and automated assessment of risks and controls, mitigating inherent and residual risk, through the use of the information of the universe under analysis, 100% of the operations, verification and monitoring in real time. The analytical instrument of the Continuous Audit arises as a fundamental basis for risk management, enabling more effective knowledge and monitoring of the business.

In the meantime, over the years the Company has emphasised the implementation and adjustment of the Internal Regulations, composed of Codes of Conduct and Good Practices, of which the following are of particular importance:

- // *The Code of Ethics* – As a statement of the principles, ideals and charter of intentions, the Code of Ethics is a document where the Company establishes objectives of an ethical and behavioural character for business with its stakeholders, that is, with its suppliers, workers and/or customers, financial institutions, the local community and national economy, amongst others. This Code contains a statement of objectives – the mission of the Company –, the fundamental ethical principles and the implementation of this mission and these objectives in specific areas of particular interest, seeking to safeguard the principles of transparency and independence in the businesses on the part of the different participants in these businesses;
- // *The Procurement and Sales Directives and Duties* – The procurement areas, as the services responsible for the provisioning process, must endeavour to ensure compliance with the applicable legislation and directives in force at TAP, in their respective areas of intervention. The regulation establishes the delegation of duties, so as to ensure the implementation of the different responsibilities in the procurement areas within the Company;
- // *The Financial Directives (Head Office and Representations)* – The Company has produced internal regulations for the purpose of guaranteeing effective internal control in the context of the action of the financial function, as well as regarding the action and delegation of duties in this area;

- // *The Contracting Regulation* – Through the establishment of Exchange Agreements, the Company has composed a Regulation for the establishment of contracts by which the parties undertake to exchange services between one another. All services which are tradable may be exchanged, with situations of goods of different utility and/or value being assessed through criteria;
- // *The Plan on Anti-Corruption and Related Offences* – Especially highlighting the Regulation of Incompatibilities and Conflicts of Interest;
- // *The Security Manual* – In order to assure high safety and security standards in its operation and follow the best practices and procedures of the Industry, the Company ensures the permanent monitoring and ongoing review of its Security Manual, which defines the standards, rules and procedures on security issues so as to guarantee the application of national and international standards. This Manual is approved by the National Civil Aviation Institute for application on national territory and all destinations operated by the Company.

Internal Auditing, as an activity subject to the international rules governing the profession, complies with the standards of the IIA (Institute of Internal Auditors), regarding recommended Attribution Standards:

- // Standard 1000 – Purpose, Authority and Responsibility
- // Standard 1100 – Independence and Objectivity
- // Standard 1200 – Proficiency and Professional Dedication
- // Standard 1300 – Quality Guarantee and Improvement Programmes

Likewise, in coordination with IPAI (*Instituto Português de Auditores Internos*), promotes the benchmarking of the best practices of the profession, and stimulates the training and updating of the knowledge of its professionals.

External regulations

From the viewpoint of external regulations, the Company's activity is developed within a framework defined by regulatory entities empowered to ensure compliance with the rules, sanction anti-competitive practices and offenses and correct certain behaviour. Its functions are performed by entities that are independent of Governments or, at least, with some degree of freedom in relation to the administration on which it directly or indirectly depends. The following entities regulate Markets and Commercial Relations in the Commercial Civil Aviation Sector:

- // Competition Authority – Its main mission is to ensure compliance with the legislation defending competition, encourage the adoption of practices promoting competition and contribute to the dissemination of a competition culture and policy (Ministry of Economics and Innovation);
- // European Commission (EC) – As the primary executive institution of the EU, the EC is empowered to propose legislation and ensures that EU policies are adequately applied;
- // EASA (European Aviation Safety Agency) – Its mission consists of promoting the highest common rules on safety and environmental protection in the civil aviation sector;

- // ECAC (European Civil Aviation Conference) – An intergovernmental organisation, whose mission is the promotion of sustained, safe and efficient development of the European air transport system. This entity operates in close coordination with ICAO and actively cooperates with other institutions of the European Union;
- // ICAO (International Civil Aviation Organization) – This is a specialised institution of the United Nations, with the objective of promoting international cooperation in civil aviation;
- // INAC (*Instituto Nacional de Aviação Civil, I. P.*) – Its mission involves the regulation and supervision of the civil aviation sector and the activities developed in this area (Ministry of Public Works, Transport and Telecommunications);
- // Other Civil Aviation National Authorities (community and of third countries) – Their mission, as is the case of the Portuguese aeronautical authority, is to regulate and supervise the civil aviation sector.

2. CODE OF ETHICS

The Company ensures that its conduct complies with its Code of Ethics and is committed to the culture of values upheld by this code. The Code of Ethics is present in all the internal regulations and instruments regulating its external relations with customers, suppliers and other legitimate stakeholders, in order to assure that equitable treatment and transparency are safeguarded in all processes. Its updating and adaptation to new requirements and practices assume the constant review of the principles inscribed in the Code of Ethics. Hence, since this is a dynamic process, the text of the TAP Group's Code of Ethics was adjusted to a very significant reality, in terms of internal and external relations, represented by the use of the Internet and social networks by the Group's employees. A new Chapter (Chapter IV) was thus included in the Code of Ethics, which defines the general principles for the correct use of these resources, ensuring accountability and, simultaneously, stimulating their potential growth, in a responsible and rigorous fashion. Furthermore, in compliance with the principles laid down in the Code of Ethics, note should be made of the Company's support and encouragement, among its employees and the Community in general, of social and environmental values, the reconciliation of family and work, transparency and respect for the rules governing good commercial conduct, as well as relations with shareholders and stakeholders. The review of the Procurement and Sales Manual was started in 2013, where the objective involves the adoption of best practices, through transparency and uniformity of criteria, the efficient and rational use of resources, with all stages of processes observing compliance with the high standards of ethical and professional criteria, seeking to establish solid and trustworthy relations with external agents and the promotion of TAP's identity.

The Code of Ethics is available for viewing at TAP's official website www.flytap.com and on the Company's intranet, being, in this way, widely disclosed to the public, employees, customers and suppliers.

D. WEBSITE

The following information is available on the TAP Group's website www.flytap.com:

- a) Head office and other elements mentioned in article 171 of the Companies Code;
- b) Statutes and operating regulations of bodies and/or commissions;
- c) Identification of the members of the governing bodies and other statutory bodies;
- d) Documents presenting the annual accounts relating to the last five years.

VI. REMUNERATIONS

A. COMPETENCE FOR DETERMINATION

The remunerations of the Governing Bodies of TAP are set by the General Meeting (see article 11 of the Statutes of TAP, SGPS).

The members of the Executive Board of Directors and the General and Supervisory Board are remunerated exclusively for positions held at TAP, S.A., and do not earn any remuneration for positions held at TAP, SGPS or at any other TAP Group company.

The remunerations earned were established for the three-year period 2006-2008, in Minutes number 1/2007 of the Remunerations Commission of TAP, S.A.. The single shareholder Parpública issued a Unanimous Shareholder Decision in Writing on 29 July 2009, which determined that "(...) for the three year period 2006-2011 there shall be no alteration of the remunerative status (...)".

The defined remunerative status underwent reductions arising from the application of Law 12-A/2010 and Law 66-B/2012.

B. STRUCTURE OF REMUNERATIONS

As indicated in point VI. A. above, the remunerative status and the remunerations earned by the members of the governing bodies of TAP were established for the three-year period 2006-2008, in Minutes number 1/2007 of the Remunerations Commission of TAP, S.A., with the single shareholder Parpública having issued a Unanimous Shareholder Decision in Writing on 29 July 2009, which determined that "(...) for the three year period 2006-2011 there shall be no alteration of the remunerative status (...)".

Thus, the defined remunerative status is as follows, to which the alterations arising from Law 12-A/2010 and Law 66-B/2012 were applied:

Executive Board of Directors

// Chairman

Fixed Compensation

Fixed Remuneration: Gross monthly remuneration of 30,000 euros, paid 14 months per year.

Meal Allowance: Application of the Labour Agreement for active permanent staff.

Variable Compensation

In 2013, no amounts were paid as variable compensation.

Benefits

Life, health and personal accident insurance: In force at the Company, according to the model applicable to all employees.

Vehicle policy: Use of the vehicle fleet by the Executive Board of Directors and use of the general support services of the Governing Bodies.

Telephone expenses: Use of a company mobile telephone, where the annual maximum limit for expenses related to the use of the mobile telephone was set at 9,000 euros.

Company credit card: Under the terms of Decree-Law 8/2012, the use of the Company credit card is no longer permitted.

// Members

Fixed Compensation

Fixed Remuneration: Gross monthly remuneration of 20,000 euros, paid 14 months per year.

Meal Allowance: Application of the Labour Agreement for active permanent staff.

Variable Compensation

In 2013, no amounts were paid as variable compensation.

Benefits

Life, health and personal accident insurance: In force at the Company, according to the model applicable to all employees.

Vehicle policy: Use of the vehicle fleet by the Executive Board of Directors and use of the general support services of the Governing Bodies.

Telephone expenses: Use of a company mobile telephone, where the annual maximum limit for expenses related to the use of the mobile telephone was set at 9,000 euros.

Company credit card: Under the terms of Decree-Law 8/2012, the use of the Company credit card is no longer permitted.

Through Unanimous Shareholder Deliberations in Writing of 14 May 2009 and 29 July 2009, the directors whose residence was not originally in Portugal benefit from the right to receive accommodation allowances under the Status of Expatriate Staff conferred to workers of TAP, S.A..

General and Supervisory Board

Chairman

Gross monthly remuneration of 6,000 euros, paid 14 months a year.

Members

Gross monthly remuneration of 4,000 euros, paid 14 months a year.

A supplementary monthly remuneration of 3,000 euros is attributed to the members of the General and Supervisory Board that participate in the Specialised Auditing and Sustainability and Corporate Governance Commissions.

Remunerations set for the 2006-2008 period (in Minute no. 1/2007 of the Remunerations Commission of TAP, S.A.)

By Unanimous Board Decision in Writing on 29 July, 2009, "(...) for the three-year period 2009-2011 there will be no alteration of the remuneration status (...)".

General Meeting Committee

Chairman

Attendance money, in the gross amount of 640 euros.

Vice-Chairman

Attendance money, in the gross amount of 400 euros.

Secretary

Attendance money, in the gross amount of 330 euros.

Certified Accountant

Remuneration is regulated by the values of the indicative benchmark recommended by the Portuguese Institute of Statutory Auditors (Article 60 of Decree-Law 487/99 of 16 November).

C. DISCLOSURE OF REMUNERATIONS

Board of the General Meeting

Mandate ^(*) (Start - End)	Position	Name	Annual Remuneration	
			Fixed Remuneration Status ⁽¹⁾	Gross Paid
2009-2011 ^(*)	Chairman	Paulo Manuel Marques Fernandes	640.00 €	1,280.00 € ⁽²⁾
	Vice-Chairman	António Lorena de Sêves	400.00 €	800.00 € ⁽²⁾
	Secretary	Orlanda do Céu Silva Sampaio Pimenta d'Aguiar	330.00 €	660.00 € ⁽²⁾

(1) Established value of the attendance voucher; (2) Value corresponds to a General Meeting at TAP, SGPS and a General Meeting at TAP, S.A.

(*) See number 4 of article 391 of the Companies Code

General and Supervisory Board

Mandate (Start - End)	Position	Name	Appointment	
			Doc.	Date
2009-2011 ^(*)	Chairman	Manuel Pinto Barbosa	General Meeting	02.Jun.09
	Member of the GSB	João Borges de Assunção	General Meeting	02.Jun.09
	Member of the GSB	Carlos Veiga Anjos	General Meeting	02.Jun.09
	Member of the GSB	Luís Patrão	General Meeting	02.Jun.09
	Member of the GSB	Maria do Rosário Vítor	General Meeting	02.Jun.09
	Member of the GSB	Rui Azevedo Silva	General Meeting	02.Jun.09
	Member of the GSB	Vítor Cabrita Neto	General Meeting	02.Jun.09

(*) See number 4 of article 391 of the Companies Code

Name	Annual Remuneration					
	Variable	Fixed ^(*)	Other	Reduction Law 12-A/2010	Reduction (State Budget Law)	Gross after Reductions
Manuel Pinto Barbosa	n.a.	126,000.00 €	-	6,300.00 €	11,970.00 €	107,730.00 €
João Borges de Assunção	n.a.	98,000.00 €	-	4,900.00 €	9,310.00 €	83,790.00 €
Carlos Veiga Anjos	n.a.	98,000.00 €	-	4,900.00 €	9,310.00 €	83,790.00 €
Luís Patrão	n.a.	98,000.00 €	-	4,900.00 €	9,310.00 €	83,790.00 €
Maria do Rosário Vítor	n.a.	98,000.00 €	-	4,900.00 €	9,310.00 €	83,790.00 €
Rui Azevedo Silva	n.a.	98,000.00 €	-	4,900.00 €	9,310.00 €	83,790.00 €
Vítor Cabrita Neto	n.a.	98,000.00 €	-	4,900.00 €	9,310.00 €	83,790.00 €

(*) Only for remuneration, with there being no entitlement to representation expenses

Name	Meal Allowance	Social Benefits				
		Social Protection Scheme		Health Insurance	Life Insurance	Personal Accident Insurance
		Identify	Value			
Manuel Pinto Barbosa	n.a.	Social Security	16,726.92 €	n.a.	n.a.	n.a.
João Borges de Assunção	n.a.	Social Security	16,726.92 €	n.a.	n.a.	n.a.
Carlos Veiga Anjos	n.a.	National Pensions Fund		n.a.	n.a.	n.a.
Luís Patrão	n.a.	Social Security	16,726.92 €	n.a.	n.a.	n.a.
Maria do Rosário Vítor	n.a.	Lawyers and Solicitors Welfare Fund		n.a.	n.a.	n.a.
Rui Azevedo Silva	n.a.	Social Security	16,726.92 €	n.a.	n.a.	n.a.
Vítor Cabrita Neto	n.a.	Social Security	16,726.92 €	n.a.	n.a.	n.a.

Board of Directors

Mandate (Start - End)	Position	Name	Appointment	
			Doc.	Date
2009-2011 ^(*)	Executive Chairman	Fernando Pinto	General Meeting	02.Jun.09
	Executive Director	Michael Conolly	General Meeting	02.Jun.09
	Executive Director	Manoel Torres	General Meeting	02.Jun.09
	Executive Director	Luiz Môr	General Meeting	02.Jun.09
	Executive Director	Jorge Sobral ⁽¹⁾	General Meeting	02.Jun.09
	Executive Director	Luís Rodrigues	General Meeting	02.Jun.09

(*) See number 4 of article 391 of the Companies Code

(1) Requested termination due to retirement, taking effect on 30 September 2013

Name	EGP				OPRLO	
	Fixed [Y/N]	Classification [A/B/C]	Salary Value (monthly)	Representation Expenses Value (monthly)	Identify Entity [identified/n.a.]	Payer [O/D]
Fernando Pinto	Y	Exempt ⁽¹⁾	-	-	-	-
Michael Conolly	Y	Exempt ⁽¹⁾	-	-	-	-
Manoel Torres	Y	Exempt ⁽¹⁾	-	-	-	-
Luiz Mór	Y	Exempt ⁽¹⁾	-	-	-	-
Jorge Sobral	Y	Exempt ⁽¹⁾	-	-	-	-
Luís Rodrigues	Y	Exempt ⁽¹⁾	-	-	-	-

Note: EGP - Public Manager Status; OPRLO - Option for Remuneration of Place of Origin; O/D: Origin/Destination

(1) Under the terms of RCM 36/2012 of 15 March 2012

Name	Annual Remuneration					
	Variable	Fixed (*)	Other	Reduction Law 12-A/2010	Reduction (State Budget Law)	Gross after Reductions
Fernando Pinto	-	420,000.00 €	-	21,000.00 €	39,900.00 €	359,100.00 €
Michael Conolly	-	280,000.00 €	-	14,000.00 €	26,600.00 €	239,400.00 €
Manoel Torres	-	280,000.00 €	-	14,000.00 €	26,600.00 €	239,400.00 €
Luiz Mór	-	280,000.00 €	-	14,000.00 €	26,600.00 €	239,400.00 €
Jorge Sobral	-	243,551.16 €	-	12,177.56 €	23,137.36 €	208,236.24 €
Luís Rodrigues	-	280,000.00 €	-	14,000.00 €	26,600.00 €	239,400.00 €

(*) Only for remuneration, with there being no entitlement to representation expenses

Name	Meal Allowance	Social Benefits					Other	
		Social Protection Scheme		Health Insurance	Life Insurance	Personal Accident Insurance	Identify	Value
		Identify	Value					
Fernando Pinto	1,135.32 €	Social Security	16,726.92 €	978.00 €	18,361.84 €	1,093.54 €	Accommodation expenses in Portugal – gross value	85,205.76 €
Michael Conolly	1,053.00 €	Social Security	77,093.87 €	978.00 €	33,416.00 €	1,093.54 €	Accommodation expenses in Portugal – gross value	85,205.76 €
Manoel Torres	1,024.92 €	Social Security	77,093.87 €	978.00 €	27,739.26 €	1,093.54 €	Accommodation expenses in Portugal – gross value	85,205.76 €
Luiz Mór	996.84 €	Social Security	77,093.87 €	978.00 €	13,840.55 €	1,093.54 €	Accommodation expenses in Portugal – gross value	85,205.76 €
Jorge Sobral	767.52 €	Social Security	49,456.10 €	978.00 €	13,746.30 €	817.90 €	-	-
Luís Rodrigues	1,151.28 €	Social Security	16,726.92 €	978.00 €	4,307.49 €	1,093.54 €	-	-

Name	Mobile Communication Expenses			Comments
	Defined Annual Ceiling	Annual Value		
Fernando Pinto	9,000.00 €	7,026.16 €		
Michael Conolly	9,000.00 €	765.36 €		
Manoel Torres	9,000.00 €	1,706.24 €		includes expenses related to internet
Luiz Mór	9,000.00 €	4,893.27 €		
Jorge Sobral	9,000.00 €	1,348.80 €		
Luís Rodrigues	9,000.00 €	3,192.11 €		

Costs related to Vehicles								
Vehicle fleet for use by the Executive Board of Directors and general support services of the Governing Bodies	Conclusion of individual contracts for use of vehicles	Reference value of the vehicle	Mode	Starting Year	End Year	No. of Instalments	Value of the Monthly Rent ^(a)	Annual Value
12-ND-38	N	53,899.53 €	Renting	2012	2016	48	1,059.44 €	12,713.40 €
88-NC-57	N			2012	2016	48	1,059.44 €	12,713.40 €
21-EM-43	N	51,027.65 €	Acquisition	2007	n.a.	n.a.	n.a.	n.a.
66-EJ-82	N			2007	n.a.	n.a.	n.a.	n.a.
69-EJ-08	N			2007	n.a.	n.a.	n.a.	n.a.
10-FQ-07	N			2008	n.a.	n.a.	n.a.	n.a.
14-IM-45	N			2009	n.a.	n.a.	n.a.	n.a.

a) Value of insurance € 98.62/month, included in the monthly instalment (€ 1,059.44)

Name	Defined annual Plafond for fuel of the vehicle fleet allocated to the Governing Bodies	Annual costs of the vehicle fleet allocated to the Governing Bodies		
		Fuel	Tolls	Insurance
Fernando Pinto				
Michael Conolly				
Manoel Torres	24,000.00 €	17,616.00 €	6,731.80 €	€ 1,183.44 for rented vehicles (value included in the rent); from € 803.65 to € 1,112.29 for vehicles owned by TAP
Luiz Mór				
Jorge Sobral				
Luís Rodrigues				

Name	Annual costs related to Work Travel				Total travel cost (€)
	Accommodation cost	Daily allowances	Other		
			Identify	Value	
Fernando Pinto	3,439.90 €	3,870.75 €	Transport	607.34 €	7,917.99 €
Michael Conolly	1,068.11 €	2,776.54 €	Transport	914.73 €	4,759.38 €
Manoel Torres	0.00 €	697.05 €	Transport	55.00 €	752.05 €
Luiz Mór	4,555.86 €	2,766.40 €	Transport	254.45 €	7,576.71 €
Jorge Sobral	1,177.07 €	2,072.70 €	Transport	400.78 €	3,650.55 €
Luís Rodrigues	3,675.59 €	4,211.05 €	Transport	1,163.57 €	9,050.21 €

Supervision and Audit

TAP, SGPS

Mandate (Start - End)	Position	SROC identification		Appointment		Contracted Remuneration	No. of mandates held in the company
		Name	Number	Doc.	Date		
2009-2011 (*)	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis	359	General Meeting	02.Jun.09	€ 13,800.00 + VAT (at the legal rate in force)	2
2009-2011 (*)	Certified Accountant Alternate	Fernando Marques Oliveira	207	General Meeting	02.Jun.09		2

(*) See number 4 of article 391 of the Companies Code

TAP, S.A.

Mandate (Start - End)	Position	SROC identification		Appointment		Contracted Remuneration	No. of mandates held in the company
		Name	Number	Doc.	Date		
2009-2011 (*)	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis (until 4 Dec 2013)	359	General Meeting	2.Jun.2009	€ 32,100.00 + VAT (at the legal rate in force)	2
		Oliveira, Reis & Associados, represented by Joaquim Oliveira de Jesus (as of 5 Dec 2013)	1056				
2009-2011 (*)	Certified Accountant Alternate	Fernando Marques Oliveira	207	General Meeting	2.Jun.2009		2

(*) See number 4 of article 391 of the Companies Code

VII. TRANSACTIONS WITH RELATED PARTIES AND OTHERS

1. MECHANISMS IMPLEMENTED TO CONTROL TRANSACTIONS WITH RELATED PARTIES

In order to identify the mechanisms implemented for the effect of control of transactions with related parties, see description number 3 of point V of this document. At TAP-Maintenance and Engineering, the implemented control mechanisms involve the auditing of the acquisition process. In general, the processes are analysed, verifying, in some cases/transactions, whether the implemented process was accomplished/assured, with the audits being classified under three categories:

- // Internal audits to the Business Unit, conducted by the Quality area, with an annual frequency;
- // External audits to the Business Unit, although still within the TAP Group, conducted by the Audit area of TAP Serviços;
- // External audits to the TAP Group, conducted by *Bureau Veritas*, normally with an annual frequency.

2. INFORMATION ON OTHER TRANSACTIONS

a) Procedures adopted on matters of acquisition of goods and services

The Company is always concerned with the action of its employees, regulating what it considers best practices and disclosing them, and upholding the use of a Code of Conduct and the observance of procedures in its internal regulations. The regulations referred to above, determinant in daily action, represent a reference in the conduct of Compliance Audits, thus assuring the development of effective control. The following documents are listed as being of most relevance:

- // Manual of Guidelines and Competence in the Procurement and Sales Areas;
- // Manual of Financial Guidelines (Head Office and Representations);
- // Deliberation 2574.04 – Delegation of Competence, taken at the meeting of the Executive Board of Directors of TAP, S.A. on 24 April 2007;
- // Supporting information systems (Central Information System/LOG and SCORPIUS).

Note should also be made of the general principles applicable to procurement and sales activities, considering the importance of criteria of rigour, transparency and professionalism:

In the procurement and sales functions

- // Competition – Assurance of the greatest access;
- // Transparency – Definition prior to the opening of the procedure, of the essential features of the contract;
- // Loyalty – Prevalence of the interests of the Company, safeguarding its image;
- // Efficiency and results-driven – Continuous improvement of the process and cost/benefit analysis;
- // Responsibility – Assured compliance with the law,

regulations and internal rules; consideration of economic and social development in the different markets in which it operates;

- // Confidentiality – Treatment of information with confidentiality.

In relations with suppliers and customers

- // Equality and impartiality – Exclusion of any influence that might compromise impartiality;
- // Ethics in relation – Prohibition of use of specific benefits by the employees involved;
- // Non-existence of connections with suppliers and customers – Prohibition of participation in situations with connections;
- // Information – Equitable provision of information and inhibition of privileged access;
- // Good faith – Conduct of relations with respect and good faith.

At TAP-Maintenance and Engineering, in a general manner, the implemented procedures enable the procurement process to assure the acquisition of materials, products and services, striving to obtain the best relationship possible between acquisition costs, periods of availability and presented quality. In most cases, there is a procurement phase during which market research is conducted to find suitable/qualified suppliers in accordance with the criteria defined by the Quality area (NTM 08-17), so as to access the necessary material, product or service at the best price, quality and delivery deadline. This excludes the need for pre-selection/research of all products, services or contract works for which there is only one supplier or manufacturer, a previously established contract (which assumes that market research and respective negotiation has already been carried out) or upon customer request.

b) All transactions that have not taken place under market conditions

No transactions were carried out that had not taken place under market conditions.

c) List of suppliers representing more than 5% of the total external supplies and services of TAP, S.A.

Suppliers		
PETROGAL – PETRÓLEOS DE PORTUGAL	302,132,526.29 €	16%
EUROCONTROL – UE	104,197,315.50 €	6%
PETROBRAS DISTRIBUIDORA S.A.	102,505,106.93 €	6%
ANA-AEROPORTOS DE PORTUGAL, S.A.	101,079,391.91 €	5%

VIII. ASSESSMENT OF CORPORATE GOVERNANCE

Compliance with Recommendations

The present report is organised in conformity with the provisions in Annex II of Circular Letter number 832 of the Directorate-General for the Treasury and Finance, and does not include mention of sections that are not applicable to the corporate governance model in force at TAP.

The table below lists the recommendations on matters of corporate governance, including their identification and disclosure, or not, by TAP, as well as the place where more detailed information can be consulted, on the adoption of each recommendation, in the present report.

Corporate Governance Report	Identification		Disclosure		Page	Comments
	YES	NO	YES	NO		
I. Mission, Objectives and Policies						
I.1.	Indication of the mission and how it is pursued, as well as the vision and values that guide the company.	✓		✓	6	I.1.
I.2.	Policies and lines of action developed under the defined strategy.	✓		✓	6	I.2.
I.3.	Indication of the objectives and their compliance level, as well as justification of any deviations observed and correction measures which have, or will be, applied.					The financial objectives of the Group and its participated companies are approved in the context of the Annual Activity Plan approved by the Company's Governing Bodies, which is disclosed to the Shareholder. The Sustainability Report contains a table presenting the level of compliance with the objectives in a triple bottom line perspective.
I.4.	Indication of the key factors underlying the company's results.	✓		✓	6	I.2.
II. Capital structure						
II.1.	Capital structure.	✓		✓	8	II.1.
II.2.	Any limitations to the holding and/or transfer of shares.	✓		✓	8	II.2.
II.3.	Shareholders' agreements.	✓		✓	8	II.3.
III. Shares and Bonds held						
III.1.	Identification of natural persons (governing bodies) and/or legal persons (Company) which, directly or indirectly, hold stakes in other entities, with detailed indication of the percentage share capital and voting rights.	✓		✓	9	III.1.
III.2.	The acquisition and divestment of shareholdings, as well as holdings in any associations, foundations or similar entities.	✓		✓	9	III.2.
III.3.	Provision of financial guarantees or assumption of debt or liabilities of other entities.	✓		✓	9	III.3.
III.4.	Indication of the number of shares and bonds held by members of the administration and supervisory bodies.					Not applicable
III.5.	Information on the existence of significant business relations between holders of shares and the company.					Not applicable
III.6.	Identification of mechanisms adopted to prevent the existence of conflicts of interest.	✓		✓	9	III.4.
IV. Governing Bodies and Commissions						
IV.A. Board of the General Meeting						
IV.A.1.	Composition of the board of the general meeting, mandate and remuneration.	✓		✓	10	IV.A.
IV.A.2.	Identification of shareholder deliberations.					Not applicable
IV.B. Administration and Supervision						
IV.B.1.	Adopted governance model.	✓		✓	10	IV.B.1.
IV.B.2.	Statutory rules on procedures applicable to the appointment and replacement of members.	✓		✓	10	IV.B.2.
IV.B.3.	Composition, duration of the mandate and number of permanent members.	✓		✓	11	IV.B.3.
IV.B.4.	Identification of the executive and non-executive members of the Board of Directors and independent members of the General and Supervisory board.	✓		✓	12	IV.B.4.
IV.B.5.	Relevant curricular data of each member.	✓		✓	12	IV.B.5.
IV.B.6.	Habitual and significant family, professional or business relations of members with shareholders to whom a qualifying stake above 2% of the voting rights is imputable.	✓		✓	16	IV.B.6.
IV.B.7.	Organisational charts relative to the distribution of duties among the different governing bodies.	✓		✓	17	IV.B.7.
IV.B.8.	Operation of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors.	✓		✓	21	IV.B.8.
IV.B.9.	Commissions within the administration or supervisory body.	✓		✓	23	IV.B.9.
IV.C. Supervision and Audit						
IV.C.1.	Identification of the supervisory body corresponding to the adopted model and composition, indication of the minimum and maximum statutory number of members, duration of the mandate and number of permanent and alternate members.	✓		✓	24	IV.C.1.
IV.C.2.	Identification of members of the supervisory body.	✓		✓	24	IV.C.2.
IV.C.3.	Relevant curricular data of each member.	✓		✓	12	IV.B.5.
IV.C.4.	Operation of the supervision.	✓		✓	21	IV.B.8.
IV.D. Certified Accountant						
IV.D.1.	Identification of the certified accountant (ROC) and/or audit firm (SROC).	✓		✓	24	IV.D.1.

Corporate Governance Report		Identification		Disclosure		Page	Comments
		YES	NO	YES	NO		
IV.D.2.	Indication of legal limitations.	✓		✓		25	IV.D.2.
IV.D.3.	Indication of the number of years that the audit firm (SROC) and/or certified accountant (ROC) has performed duties consecutively at the company/group.	✓		✓		24	IV.D.1.
IV.D.4.	Description of other services provided by the audit firm (SROC) to the company.						Not applicable
IV.E.	External Auditor						
IV.E.1.	Identification.	✓		✓		26	IV.E.1.
IV.E.2.	Rotation policy and frequency.	✓		✓		26	IV.E.2.
IV.E.3.	Identification of work conducted, other than related to audit.						Not applicable
IV.E.4.	Indication of the amount of the annual remuneration paid.	✓		✓		26	IV.E.3.
V.	Internal Organisation						
V.A.	Statutes and Communications						
V.A.1.	Amendment of the company's statutes – applicable rules.	✓		✓		27	V.A.1.
V.A.2.	Communication of irregularities.	✓		✓		27	V.A.2.
V.A.3.	Indication of anti-fraud policies.	✓		✓		27	V.A.3.
V.B.	Internal control and risk management						
V.B.1.	Information on the existence of an internal control system (SCI).	✓		✓		28	V.B.1.
V.B.2.	People, bodies or commissions responsible for the internal audit and/or internal control system.	✓		✓		28	V.B.2.
V.B.3.	Main measures adopted in risk policy.	✓		✓		28	V.B.3.
V.B.4.	Relations of hierarchical and/or functional dependence.	✓		✓		29	V.B.4.
V.B.5.	Other functional areas with competence in risk control.	✓		✓		29	V.B.5.
V.B.6.	Identification of the main types of risks.	✓		✓		29	V.B.6.
V.B.7.	Description of the process of identification, assessment, monitoring, control, management and mitigation of risks.	✓		✓		29	V.B.7.
V.B.8.	Elements of the internal control and risk management systems implemented in the company.	✓		✓		30	V.B.8.
V.C.	Regulations and Codes						
V.C.1.	Applicable internal regulations and external regulations.	✓		✓		31	V.C.1.
V.C.2.	Codes of Conduct and Ethics.	✓		✓		32	V.C.2.
V.D.	Website						
V.D.	Indication of address(es) and disclosure of information provided.	✓		✓		32	V.D.
VI.	Remunerations						
VI.A.	Competence for Determination						
VI.A.	Indication of the competent body to establish remuneration.	✓		✓		33	VI.A.
VI.B.	Remunerations Commission						
VI.B.	Composition.						Not applicable
VI.C.	Structure of Remunerations						
VI.C.1.	Remuneration policy for the administration and supervisory bodies.	✓		✓		33	VI.B.
VI.C.2.	Information on how the remuneration is structured.	✓		✓		33	VI.B.
VI.C.3.	Variable component of remuneration and attribution criteria.	✓		✓		33	VI.B.
VI.C.4.	Deferral of payment of the variable component.						Not applicable
VI.C.5.	Parameters and grounds for bonus attribution.	✓		✓		33	VI.B.
VI.C.6.	Supplementary pensions schemes.						Not applicable
VI.D.	Disclosure of Remunerations						
VI.D.1.	Indication of the annual amount of the remuneration earned.	✓		✓		34	VI.C.
VI.D.2.	Amounts paid by other companies in controlling or group relations.	✓		✓		34	VI.C.
VI.D.3.	Remuneration in the form of profit-sharing and/or bonuses.	✓		✓		34	VI.C.
VI.D.4.	Indemnities paid to former executive directors.	✓		✓		34	VI.C.
VI.D.5.	Indication of the annual amount of the remuneration earned by members of the company's supervisory body.	✓		✓		34	VI.C.
VI.D.6.	Indication of the annual remuneration of the board of the general meeting.	✓		✓		34	VI.C.
VII.	Transactions with Related Parties and Others						
VII.1.	Mechanisms implemented to control transactions with related parties.	✓		✓		37	VII.1.
VII.2.	Information on other transactions.	✓		✓		37	VII.2.
VIII.	Analysis of the Company's sustainability in the economic, social and environmental areas						
VIII.1.	Strategies adopted and level of achievement of the established goals.	✓		✓			See Sustainability Report for 2013
VIII.2.	Policies pursued.	✓		✓			See Sustainability Report for 2013
VIII.3.	Form of compliance with the principles inherent to appropriate business: a) Social responsibility b) Environmental responsibility c) Economic responsibility	✓		✓			See Sustainability Report for 2013
IX.	Assessment of Corporate Governance						
IX.1.	Compliance with recommendations.	✓		✓		38	VIII.
IX.2.	Other information.						Not applicable

Approval of
the Corporate
Governance
Report



Approved by the General and Supervisory Board (under the terms of subparagraph o) of number 1 of article 23 of the Statutes), as proposed by the Specialised Sustainability and Corporate Governance Commission of TAP, SGPS, at the meeting of 8 May 2014.

General and Supervisory Board

Specialised Sustainability and Corporate Governance Commission

Chairman	Manuel Pinto Barbosa
Member	Carlos Veiga Anjos
Member	João Borges de Assunção
Member	Luís Silva Patrão
Member	Maria do Rosário Ribeiro Vítor
Member	Rui Azevedo Pereira da Silva
Member	Vítor Cabrita Neto

Executive Board of Directors

Chairman	Fernando Pinto
Member	Luís Rodrigues
Member	Luiz da Gama Mór
Member	Manoel Torres
Member	Michael Conolly

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