

ARRIVALS

FROM	FLIGHT	ARRIVAL	TERM	REMARKS
MUSELAS	TP 1853	08:46	T3	ARRIVAL
WELDONA	TP 2115	08:50	T3	ARRIVAL
DRESDEN	RYP 2614	09:20	T3	ON TIME
LALA	IBE 8261	09:20	T3	
PRAG	TP 3955	09:18	T3	ON TIME
TRAVICK	EZY 8601	09:19	T3	ON TIME
BERLIN	TP 4521	09:38	T3	ON TIME
LIVERPOOL	EZY 7178	09:46	T3	ON TIME
AMSTERDAM	TP 6115	09:55	T3	ON TIME
AMSTERDAM	TP 2644			ON TIME
BRISTOL				ON TIME
GENOVA				ON TIME
SCU SHER				
SCU SHER				
BOA				
AMSTERDAM				ON TIME
MANCHESTER				ON TIME
BOA				

ARRIVALS

TIME	FROM	FLIGHT	ARRIVAL	TERM	REMARKS
10:45	NIEDERRHEN	HV 6705	10:45	T3	
10:50	CORK	EIN 882	10:48	T3	ON TIME
10:50	BARCELONA	TP 1039	10:50	T3	
10:55	P. MALLORCA	AB 7552	10:55	T3	
10:55	CASABLANCA	TP 237	10:55	T3	
11:00	BIRMINGHAM	ZB 970	11:00	T3	
11:00	LEEDS	LS 185	11:00	T3	
11:00	NICE	TP 483	11:00	T3	
11:00	DUBLIN	EIN 584	11:00	T3	
11:10	FARO	TP 1908	11:10	T3	
11:10	VALENCIA	TP 1097	11:10	T3	
11:10	LUANDA	TP 288	11:10	T3	
11:15	COPENHAGEN	TP 753	11:15	T3	
11:20	EASTMIDLAN	ZB 7448	11:20	T3	
11:25	SAO PAULO	TP 088	11:25	T3	
11:30	NEWCASTLE	LS 557	11:30	T3	
11:35	EASTMIDLAN	DZ 4468	11:35	T3	
11:40	MANCHESTER	TP 329	11:40	T3	

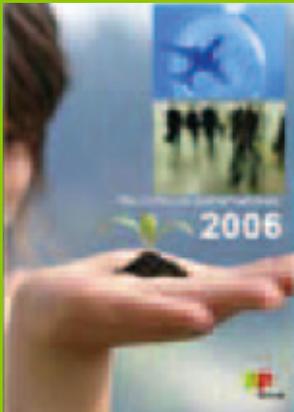


2013

Sustainability Report

This is the eighth Sustainability Report of TAP Group, also available on TAP's website

www.tapportugal.com/Info/en/about-tap/tap-group/annual-reports



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APPROVAL OF THE SUSTAINABILITY REPORT

OPENING NOTE

The Sustainability Report of TAP Group includes economic, social and environmental indicators, prepared in accordance with the directives of the Global Reporting Initiative (GRI), that evidence the performance and practices of the Company in the area of sustainability.

This report aims to promote transparency in relation to the sustainability of the organisation's activities, by providing information considered relevant to the different groups of interest – Customers, Shareholder, Employees, Non-Governmental Organisations, among others.

In this way, the principles and practices are disclosed, as well as the programmes and initiatives developed to improve the Company's performance, with respect to the economic, environmental and social impacts occurred in the exercise of its activity.



MAIN ASPECTS OF THIS REPORT

Scope

The present document refers to the calendar year of 2013 and mainly contains information relative to TAP, S.A., the company dedicated to the development of the core activity of TAP Group, and the other companies of TAP Group, with the exception of TAP-Maintenance and Engineering Brazil.

This report complements the information contained in the Annual Report of TAP Group, providing in this way additional information on the development of the activity.

The above and other supplementary information are available for downloading at the TAP portal <http://www.flytap.com>.

Approval

This Sustainability Report was approved by the General and Supervisory Board with the follow-up and prior opinion of the Specialised Sustainability and Corporate Governance Commission, under proposal of the Executive Board of Directors.

Structure

Prepared on an annual basis, the Sustainability Report features the main economic, social and environmental impacts of the activity developed by TAP Group. In its preparation, criteria based on the Directives of the Global Reporting Initiative (third version – GRI G3) were followed, aimed at, with the adoption of the principles, criteria and recommendations contained therein, assuring the international credibility of the document.

The report is composed of four sections and a body of annexes. The first two sections describe the general framework of TAP within the context of the sector in which it develops its activity. In this regard, the first section includes the message of the Chairman of the Executive Board of Directors, in addition to the evolution of the Key Sustainability Indicators. The second section describes the Company Profile, with reference being made to the main Events of the year, as well as the Awards and Distinctions received, followed by the presentation of the Governance and Management Models, from the viewpoint of the sustainability strategy designed by the organisation, as well as the respective



Sustainability Commitments and Objectives. The section continues with a description of the Risk Management process in the Group, followed by reference to the main developments carried out within the scope of Innovation and Development. The section concludes with reference to the Relations processes with the main stakeholders, with the commitments assumed by the Company to the same being reiterated. Throughout the third section, the positioning of TAP relative to each of the following three perspectives are described: Economic, Social and Environmental. Each of these sub-chapters begins with the table of the respective indicators and continues with reference to the main developments achieved over the course of the financial year. In the fourth section, the degree of compliance in the financial year relative to the indicators of the matrix of Commitments, as well as future targets, is mentioned. Finally, the body of annexes includes the GRI Correspondence Table with explanations on the limitations and omissions relative to the same, as well as the historical series for the indicators of the Tables (GRI).

Other international standards were also taken into consideration by TAP Group, namely, the Greenhouse Gas Protocol and the ISO standards.

MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE BOARD OF DIRECTORS

In line with this corporate venture of the entire TAP Group are, at the top of its priorities, the respect for and commitment of the Organisation to the sustainability and security of its operations

Pursuing a strategic direction whose key objectives are the creation of economic and social value for its shareholder and the Country, the satisfaction and anticipation of the expectations of its Customers, and the guarantee of the best conditions for professional empowerment and progress of its employees, TAP develops its activity within the context of a fiercely competitive and regulated industry continually in compliance with the directives of the Global Reporting Initiative (GRI).

In line with this corporate venture of the entire TAP Group are, at the top of its priorities, the respect for and commitment of the Organisation to the sustainability and security of its operations before the wider Community, as well as the preservation and defence of the Environment and the Planet.

Its daily practices are thus based on a culture firmly founded on the values of security, transparency and responsibility, never losing sight of the sustainability and economic growth of TAP Group, in addition to justice and social responsibility, and the safeguarding of the environmental quality.

Basing its activity on the unequivocal respect for these founding principles, TAP thus discloses to its various stakeholders the programmes, developments and initiatives undertaken over the course of 2013 with a view to increasingly improve its economic, social and environmental performance.

I would begin by giving prominence to, among others, some sustainability indicators that are indicative of what has been achieved to date, such as, from an economic viewpoint, the 7 percent increase in the value of services rendered abroad by TAP Group and the GVA per Employee of the Group, which grew 11 percent. I would also point out, in the social sphere, the 2.8 percent increase in the total number of Group employees, alongside a 4.5 percent decline in the average age, reflecting the growth of the employability indicator, with a direct positive impact on the Company and the Country's Economy.

At the same time, TAP was distinguished and recognised by the market in various areas, having conquered several awards, namely: *Best Airline Company in Europe* attributed by the *Global Traveler Magazine* of the USA; *Best Customer Service in Facebook*, a distinction awarded by *Socialbakers.com*; *Best In-Flight Security Video*, in the *Passenger Choice Awards*; *Creativity and Innovation in Training Award* or the distinction of the *In-Flight Magazine UP* awarded by the *Journalism in Tourism Awards*, of Pará.

It is also important to mention the implementation of a new operational safety structure, the Safety Management System – SMS, which, in compliance with applicable legislation, promotes the development of a transversal organisational culture reflecting the Safety Policy of the operations, procedures and responsibilities that are associated to said structure.

In addition, it is important to highlight Innovation and Development as relevant and differentiating factors in a highly competitive environment, enabling TAP to reposition itself and to offer more competitive and efficient products and services, to both Customers and its internal universe, based on simpler and more effective processes, such as, for example, the improvement of the FlyStaff application, the investment in technological solutions leading to greater mobility and more features and the automatic centralisation of information in Operational Dispatch.

A special reference also needs to be made to the principles of transparency and commitment to the progress of the Community and of the Environment that guide the performance of TAP, as well as the respect for human value, promoting an organisational culture with emphasis on the progression of its People and on the active and conscious relationship with its stakeholders and with the Community to which it belongs, in a heartfelt attitude of responsibility and with a view to fostering social cohesion.

In that regard, the volunteer work within the Company is noteworthy, focusing the will and energy of our Employees on social causes and actions and allowing them to, through *Voluntários com Asas*, collectively participate in the promotion of initiatives in favour of the Community. It is also worth noting the involvement of TAP Group companies in social responsibility actions supporting different population groups of the Community, such as, for example, the association of TAP's Victoria Programme to the *For a better world* project, with 16,500,000 miles donated by passengers to promote humanitarian causes.

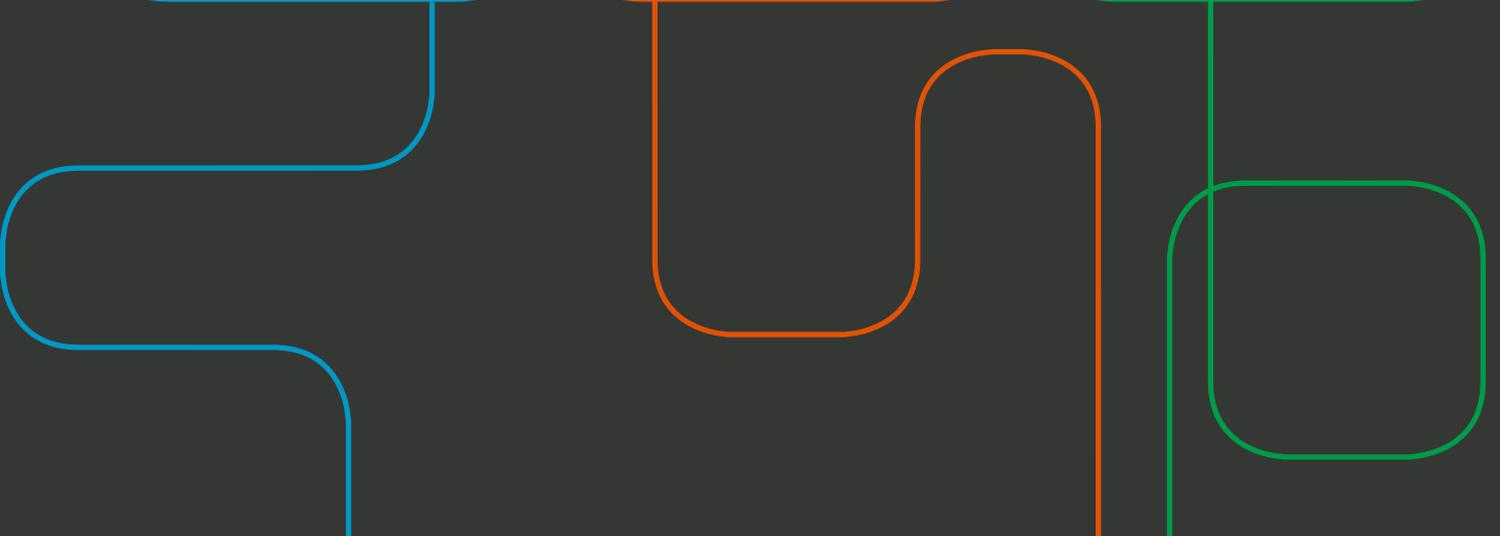
Finally, a special mention should also be made of the priority that we give to the development of all the daily activities of TAP Group, to a management that is responsible and committed to the Environment, aligning the generation of economic and social value with its defence and promoting environmental awareness and the protection of the planet within the entire Organisation.

At the same time, TAP continues to reaffirm its name and brand values internationally, inseparable from its intimate ties to Portugal and from its commitment to become an instrument of excellence in bringing together and connecting the Portuguese-speaking world, uniting and embracing Europe with Africa and with the Americas.

Fernando Pinto

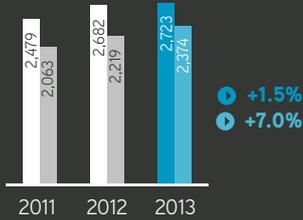


MAIN SUSTAINABILITY INDICATORS



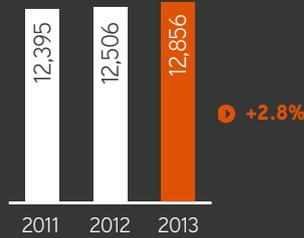
ECONOMIC PERSPECTIVE

■ Operating Revenues and Gains of TAP Group
■ Value of the Services Rendered Abroad of TAP Group
 EUR million



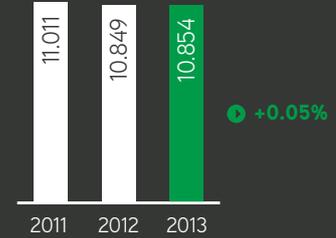
SOCIAL PERSPECTIVE

Total Employees of TAP Group
 (31 December)

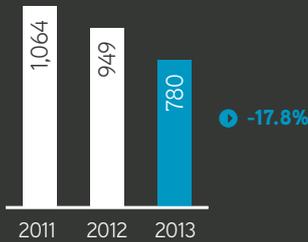


ENVIRONMENTAL PERSPECTIVE

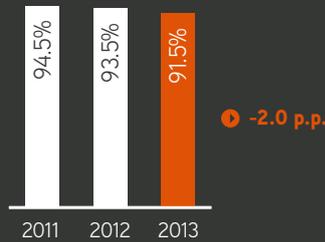
CO₂ Emissions per Passenger
 (kg/100 RPK)



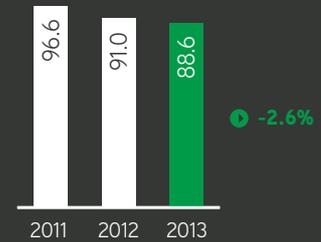
Remunerated net debt of TAP Group
 EUR million



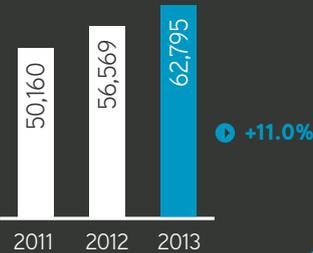
Permanent Contracts Percentage ⁽¹⁾



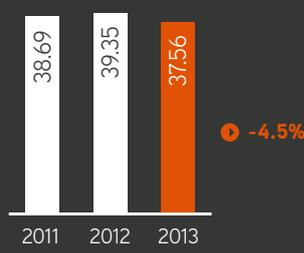
Energy consumption over turnover ⁽¹⁾
 (GJ/EUR million)



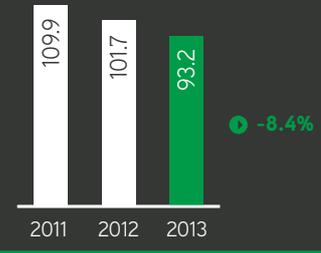
GVA per Employee of TAP Group
 EUR



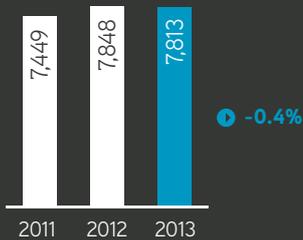
Average Age of Employees ⁽¹⁾



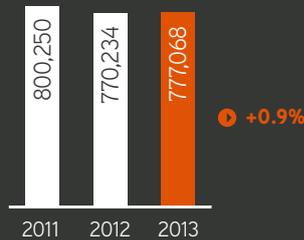
Total water consumption over turnover ⁽¹⁾
 (m³/EUR million)



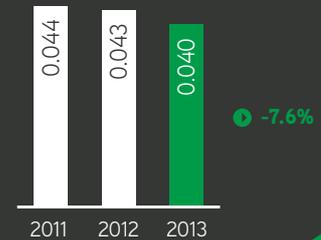
Air Transport Productivity
 Thousand ASKs per Employee



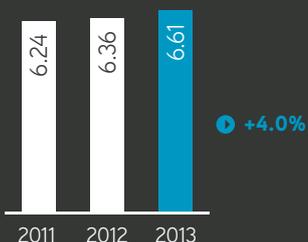
Training Volume ⁽¹⁾
 (number of participants x hours)



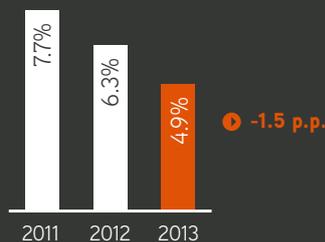
Paper consumption over turnover ⁽¹⁾
 (Tons/EUR million)



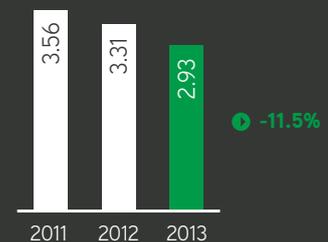
Air Transport Revenue per Available Seat-Kilometre
 EUR cents per ASK



Rate of Employee Turnover ⁽¹⁾
 [((Entries+Exits)/2)/Average Staff]x100



Quantities of waste produced over turnover ⁽¹⁾
 (Tons/EUR million)



Values in IFRS (International Financial Reporting Standards)

(1) TAP Group indicators (except TAP-Maintenance and Engineering Brazil)

(1) TAP Group indicators (except TAP-Maintenance and Engineering Brazil)



COMMITMENT TO CONTRIBUTE TO ECONOMIC AND SOCIAL DEVELOPMENT AND TO THE PRESERVATION OF THE ENVIRONMENT



10.7 million
Passengers

198
Destinations

104 /Europe (10 Portugal);
65 /Americas; 21 /Africa;
8 /Other Continents

82.4 thousand ton
Cargo

71
Aircraft

(55 TAP; 16 PGA)

12 856
Employees

TAP Group on 31st December

PROFILE

TAP, created on 14 March 1945, was instituted on 26th April 2003 as TAP Group, through the incorporation of a holding company, TAP, SGPS, following a business restructuring process.

Included in the TAP Group the company TAP-Transportes Aéreos Portugueses, S.A. (TAP Portugal), whose core activity is the air transport of passengers and cargo. The Company also participates in the aeronautical maintenance business and other activities linked to the core business of the Group.

Based in Lisbon, the city whose airport is the Company's main operating hub and which represents a privileged platform of access to markets located in other Continents, TAP's network currently links Europe, Africa as well as North, Central and South America.

In the development of its network, the Company has pursued a niche strategy, connecting Europe to a growing number of destinations located in Africa and the South Atlantic, and in the latter is the leading European air carrier flying to Brazil.

Vision

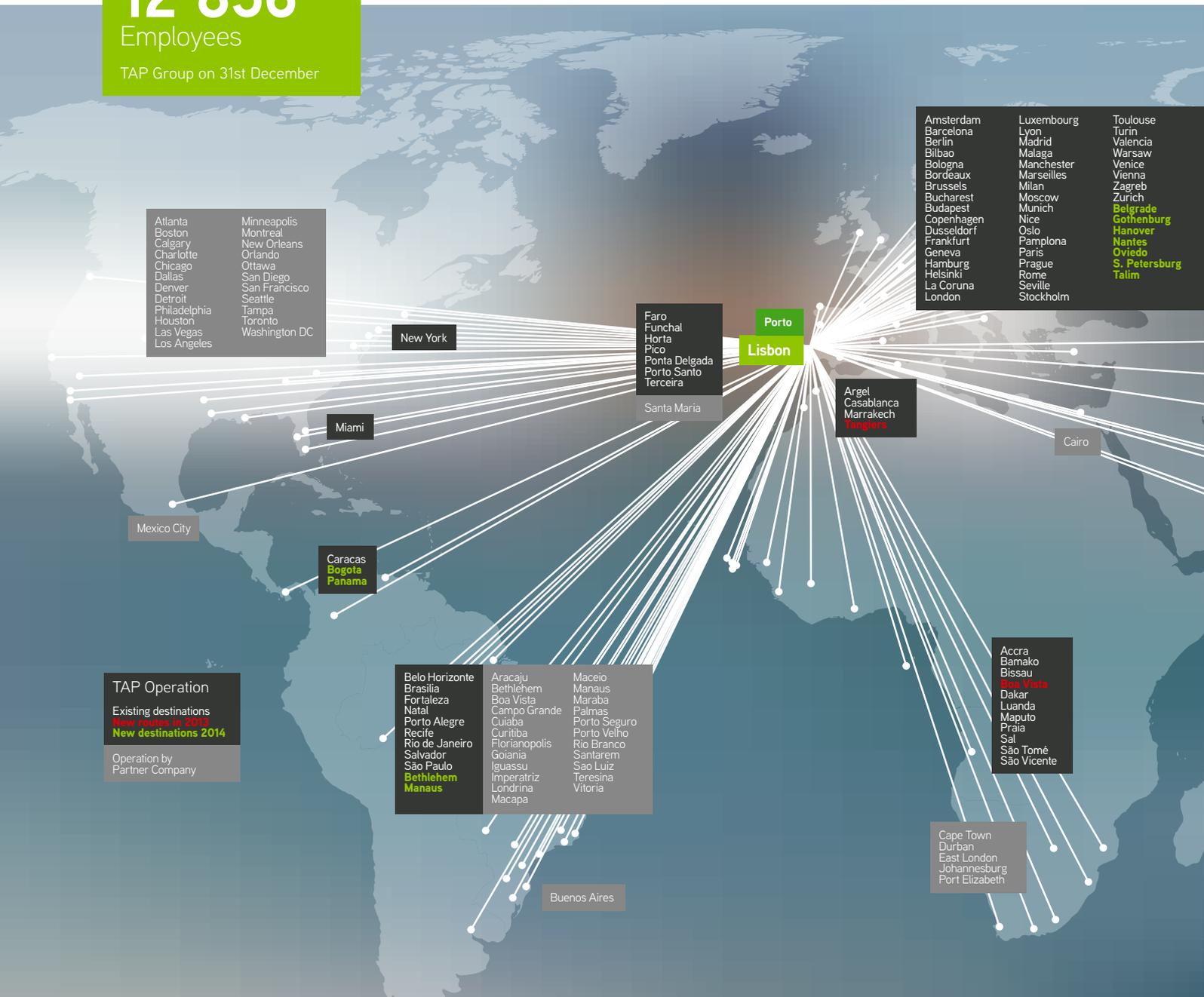
TAP's objective is to provide returns for its investors and promote the satisfaction of its Customers' expectations, maintaining a positive attitude of contribution towards economic and social development, at a global and local level.

Mission

TAP's mission involves the service of Air Transport and similar activities, always aspiring to be the best choice for those who use its services and amongst the best companies to work with, acting in full consistency with its commitment to society and the environment.

Ethics

The Company has defined, as one of its critical success factors, compliance with its Code of Ethics and commitment to a culture of values upheld by this code. Since this is a dynamic process the text of the Code of Ethics of the TAP Group 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.

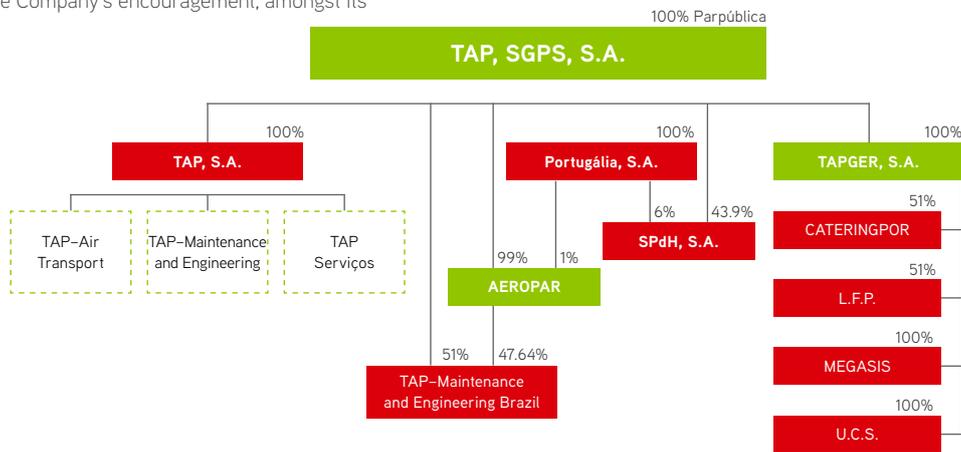


A new Chapter (Chapter IV) was thus included in the Code of Ethics, which defines the general principles for the correct use of these resources, ensuring accountability and, simultaneously, stimulating their potential growth, in a responsible and rigorous fashion.

Furthermore, in compliance with the principles laid down in the Code of Ethics, note should be made of the Company's encouragement, amongst its

Employees and the Community in general, of socio-environmental values, the reconciliation of family and work, transparency and respect for the rules governing good commercial practices, as well as relations with shareholders and stakeholders.

The Code of Ethics is available for viewing at TAP's official website www.flytap.com.



Principal Milestones Chronological Record

- 2002 Voluntary Commitment to Passenger Rights
- 2004 Signing of the UN Global Compact
- 2005 Application of (EC) regulation number 61/2004 on compensation and assistance to passengers in the case of refusal of boarding or flight cancellation
- 2006 First Social Responsibility Report
- 2008 Adherence to the National Social Responsibility Network of Organisations (RSOPT)
- 2009 Implementation, as a pioneer company, of the Carbon Dioxide (CO₂) Emissions Compensation Programme, launched by IATA
- 2012 Implementation of the Safety Management System throughout the whole organisation and promotion of a Safety culture

Main Sustainability Achievements

INNOVATIONS IN PRODUCTS AND SERVICES

- // Leadership in the use of frequent flyer cards in Passbook
- // Mobility and Usability
- // Creation of the innovative concept of outpost for aircraft inspections
- // For more information please see pp. 24-25

CREATION OF VALUE

- // Reinforcement of contribution to the volume of national exports
- // Enhancement of the effort to attract tourism to Portugal, reinforcing the strategic importance of the Lisbon hub
- // For more information please see pp. 36-41

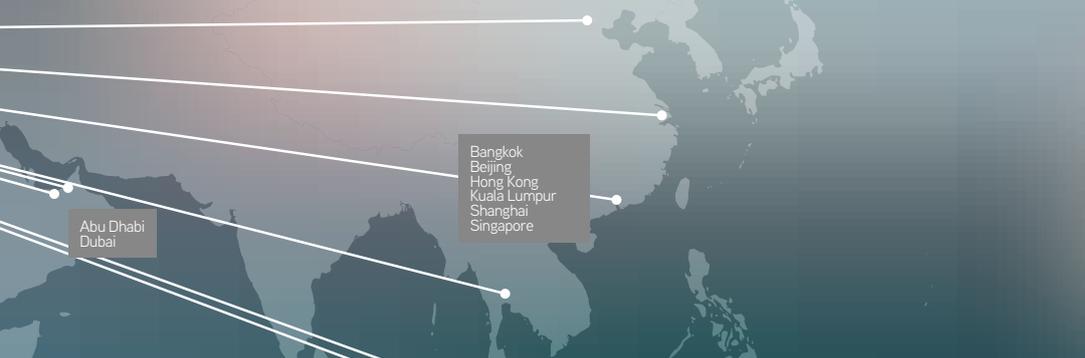
RESPECT FOR HUMAN VALUE

- // Balance between personal and professional life
- // Support to the Community
- // For more information please see pp. 52-57

RESPONSIBLE MANAGEMENT COMMITTED TO THE ENVIRONMENT

- // Reduction of CO₂ emissions
- // Environmental responsibility
- // Preservation of biodiversity
- // For more information please see pp. 64-67

Aberdeen	Gdansk	Linz	Strasbourg
Adana	Genoa	Muenster	Stuttgart
Ancona	Gothenburg	Naples	Thessaloniki
Ankara	Graz	Novosibirsk	Trieste
Antalya	Hanover	Nuremberg	Ufa
Athens	Heraklion	Palermo	Verona
Bari	Innsbruck	Pisa	Vilnius
Belgrade	Istanbul	Pristine	Yekaterinburg
Billund	Izmir	Reggio Calabria	
Bremen	Kayseri	S. Petersburg	
Brindisi	Kazan	Salzburg	
Cagliari	Kiev	Samara	
Catania	Klagenfurt	Sarajevo	
Cologne	Kosice	Sochi	
Dresden	Krakov	Sophia	
Dubrovnik	Lamezia Terme	Split	
Florence	Leipzig	Stavanger	

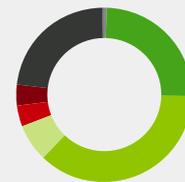


TAP Group Turnover



- 87.8% Air Transport
- 2.8% Maintenance-Assistance to third party Portugal
- 2.7% Maintenance-Assistance to third party Brazil
- 6.1% Duty free shops (LFP, S.A.)
- 0.3% Catering (CATERINGPOR, S.A.)
- 0.3% Other Activities of TAP, SGPS, SA

Tickets Sales by Geographic Area

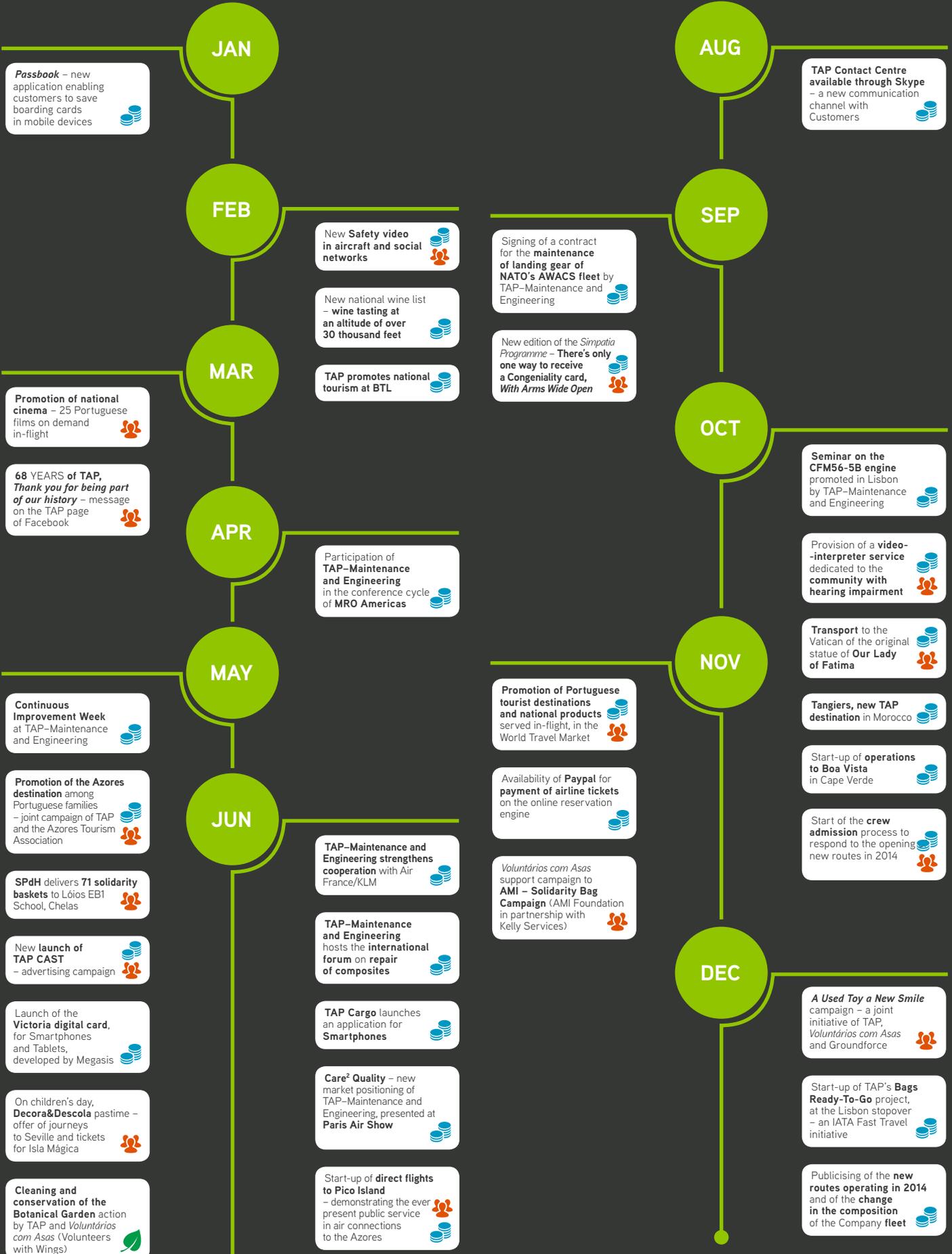


- 24.8% Portugal
- 37.0% Europe
- 6.9% Africa
- 3.8% North Atlantic
- 3.9% Mid Atlantic
- 23.0% South Atlantic
- 0.1% Rest of the World
- 0.5% Other

The diversity of destinations served, in the medium-haul and long-haul, as well as the dispersion of sales in multiple markets characterised by very different dynamics, constitutes a relevant factor of mitigation of the market risks associated to the activity.

MAIN EVENTS IN 2013

 Economic Perspective
  Social Perspective
  Environmental Perspective



AWARDS AND DISTINCTIONS IN 2013

April



TAP's safety video distinguished with a Gold award

(Meios & Publicidade Awards)

Distinction of TAP's safety film, shown in-flight and which can be seen on the Company's Facebook and YouTube pages, in the category of Institutional Communication, in the context of *Meios & Publicidade Awards*. In order to reaffirm its *With Arms Wide Open* positioning, in an innovative initiative, TAP invited the passengers to participate as the main personalities, having approached over one thousand passengers of various nationalities.

May



Best New Shop Opening 2012

(DFNI-Duty Free News International Magazine Awards)

Distinction received by the Duty Free – Just for Travellers shop, of the TAP Group company TAP, LFP-Lojas Francas de Portugal, at Lisbon airport, under the Global Travel-Retail Excellence 2013 awards, an initiative of DFNI-Duty Free News International Magazine. This award, attributed through vote cast by the main elements of the duty free industry, distinguishes the quality and success of the new Duty Free Store concept, based on a walkthrough shop organisation, which is more dynamic and an innovative concept in Portugal.

Third Best Airline Company in the Czech Republic

(TTG-Travel Trade Gazette Awards)

TAP was considered the *third best airline company* operating in the Czech Republic, under a questionnaire directed at travel agents, addressing topics such as *tariffs, help with problems, access to the help desk in Czech, assistance and reimbursement policy, among others.*

June



Airline Company with Best Executive Class – South America

(Business Destination Awards)

TAP was distinguished by Business Destinations, a widely known British Travel & Business magazine, in recognition of the prestige and international reputation of the Company in the travel and business sector, in particular in connections between

Europe and South America, a region where it holds a very strong position, leading the air transport operation between the two continents.

July

Best Performing New Airline



(Vienna Airline Award Summer Event 2013)

Award attributed by Vienna Airport, distinguishing TAP as the airline company which recorded the largest number of passengers, during 2012, on a new route.

July

TAP's in-flight magazine distinguished in the Print Journalism category

(Pará Journalism in Tourism Awards)

UP magazine distinguished for its news report dedicated to Belém do Pará – *Door to the Amazon*, with second place in the category *Print Journalism of the Comendador Marques dos Reis Journalism in Tourism Awards*, an initiative organised by Companhia Paraense de Turismo (Paratur) and by the Brazilian Association of Tourism Journalists of the State of Pará (Abrajet-Pará).



Excellent Performance – Outstanding Performance Award, Fastest Growing Operating Frequency

(Bucharest Airline Award)

Award attributed for the first time by Bucharest Airport, distinguishing TAP as the company which recorded the strongest growth of frequencies and a significant increase of the volume of passengers transported during its first year of operation.

August



Best Customer Service in Facebook – Top socially devoted brands

(Socialbakers.com)

Distinctions made by Socialbakers.com, the most quoted source at a worldwide level on global data on the use of Facebook, attributing TAP with

the leadership of Portuguese brands with best customer service in this social network, and also classifying it among the world's *top socially devoted brands*. In the second quarter of 2013, the rate of response to questions posed by customers on TAP's Facebook page was 96%, which places the Company among the best of the entire world.



Logistics Efficiency Award

(Infraero)

Distinction given to TAP-Maintenance and Engineering Brazil by Infraero, a Brazilian airport management company, distinguishing the efficiency of this maintenance company of TAP, in the management of logistics processes at cargo terminals.

September



Best inflight video

(Passenger Choice Awards)

Award attributed, under the APEX-Airline Passenger Experience Association, in the Best In-flight Video category, for the safety video where TAP presents the passengers as the main figures, reaffirming its positioning, *With Arms Wide Open*.

Guri Trophy

(State of Rio Grande do Sul)

Tribute paid to by the state of Rio Grande do Sul, to Fernando Pinto, distinguishing his professional career, namely, as chairman of the Executive Board of Directors of TAP.

September

TAP Stand – First place in the creativity category

(Brasil Travel News)

Recognition of Tap's stand at the Fair of the Brazilian Association of Travel Agencies (ABAV), by the magazine Brazil Travel News, for the capacity of creativity and innovation of accomplishment, based on the theme on the entrance of Lisbon Airport, with the reproduction of the sculpture of Fernando Pessoa.

October

AIRMAN Web – AIRcraft Maintenance Analysis

(Airbus)

Distinction given by Airbus to TAP-Maintenance and Engineering, for its participation in the development of this application that provides access, in real time, to information on anomalies detected in aircraft.

November

Creativity and Innovation in Training Award

(National Meeting of Trainers)

Distinction attributed to TAP, concerning education/training technologies used for learning purposes, for the development of the *+Vale Prevenir* (Prevention is Better than Cure) training programme, in partnership with the companies of the TAP Group, Megasis and UCS.

December



Best Airline Company in Europe

(Global Traveler Magazine Awards)

Distinction arising from the GT Tested Reader Survey to frequent flyers and executive passengers by the North American Global Traveler Magazine. This distinction represents one of the most important awards of the Travel and Tourism industry, recognising the best performance in the sector.

AmCham Tributes 2013

(American Chamber of Commerce in Portugal)

Distinction attributed by the American Chamber of Commerce in Portugal, in recognition of TAP's significant contribution, as a fundamental vehicle both for closer ties between Portugal and the USA, in increasing economic and commercial relations, and tourism between the two countries, as well as the important contribution to maintaining the connection of emigrants and Portuguese descendants to Portugal.



TAP Cargo, Best Cargo Airline Company in two categories

(Transportes & Negócios)

Special mention attributed by the periodical *Transportes & Negócios* in two of the five Air Transport categories.

Manager of the year in aviation

(Amadeus Brighter Awards)

Distinction received during the Gala of the Amadeus Brighter Awards, by the deputy chairman of TAP Luiz Mór, in view of the affirmation of the Lisbon hub – an important contribution both to strengthening the Company's operations in the world and to Tourism in Portugal.

CORPORATE GOVERNANCE AND MANAGEMENT MODEL

The pursuit of the objectives of TAP Group, with regards to social responsibility, within the scope of the economic, social and environmental perspectives, is embedded in the spirit of the organisation, which includes the responsibilities of the organisational structure at its various levels.

TAP Group publishes a Corporate Governance Report.

Under the General and Supervisory Board two commissions operate the Specialised Audit Commission and the Specialised Sustainability and Corporate Governance Commission.

The diagram below allows for the identification of the location of the areas within the TAP Group management model which are specifically involved in the social responsibility context of the Company.

TAP Group

General and Supervisory Board

// Monitors the activity of the Board of Directors of the company and subsidiaries, in particular, with respect to strategy, sustainability, achievement of objectives and compliance with applicable standards and principles

Specialised Sustainability and Corporate Governance Commission

- // Verifies the conditions for the Company's sustained growth in the economic, environmental and social areas (triple bottom line)
- // Supervises the preparation and submits for approval to the General and Supervisory Board the corporate governance report and the sustainability report of the Company which expresses the organisation's social responsibility performance

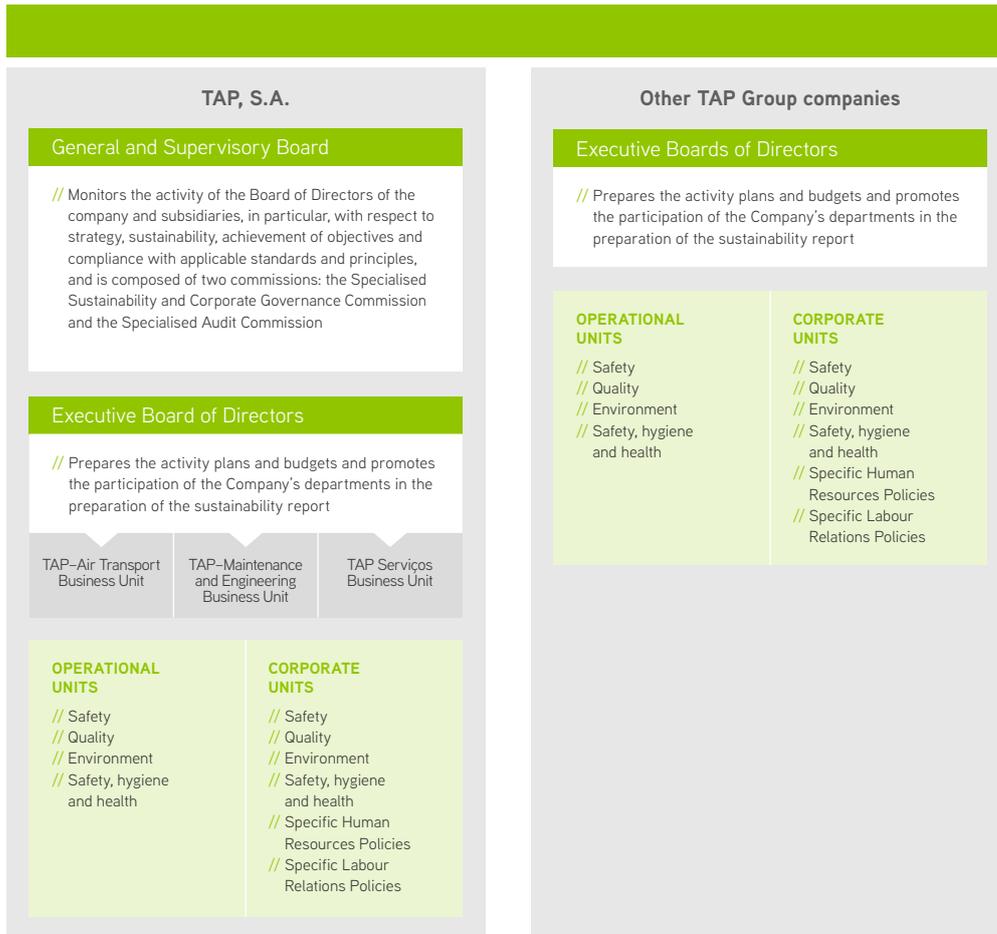
Specialised Audit Commission

- // Supports the General and Supervisory Board, in verifying the quality, integrity and effectiveness of the system information and internal control
- // Identifies significant potential risks of a financial, operational, safety, legal and/or social nature, which may generate relevant direct or indirect losses, defining proposals of measures and mechanisms leading to a reduction of said risks
- // Issues its opinion on the Company's risk manual

Executive Board of Directors

- // Defines the Company's management objectives and policies
- // Prepares the Company's Strategic Plan
- // Prepares the activity plans and budgets, carries out their monitoring and promotes the participation of the Company's departments in the preparation of the corporate governance and sustainability reports
- // Monitors the plan and the budget

TAP Group Companies



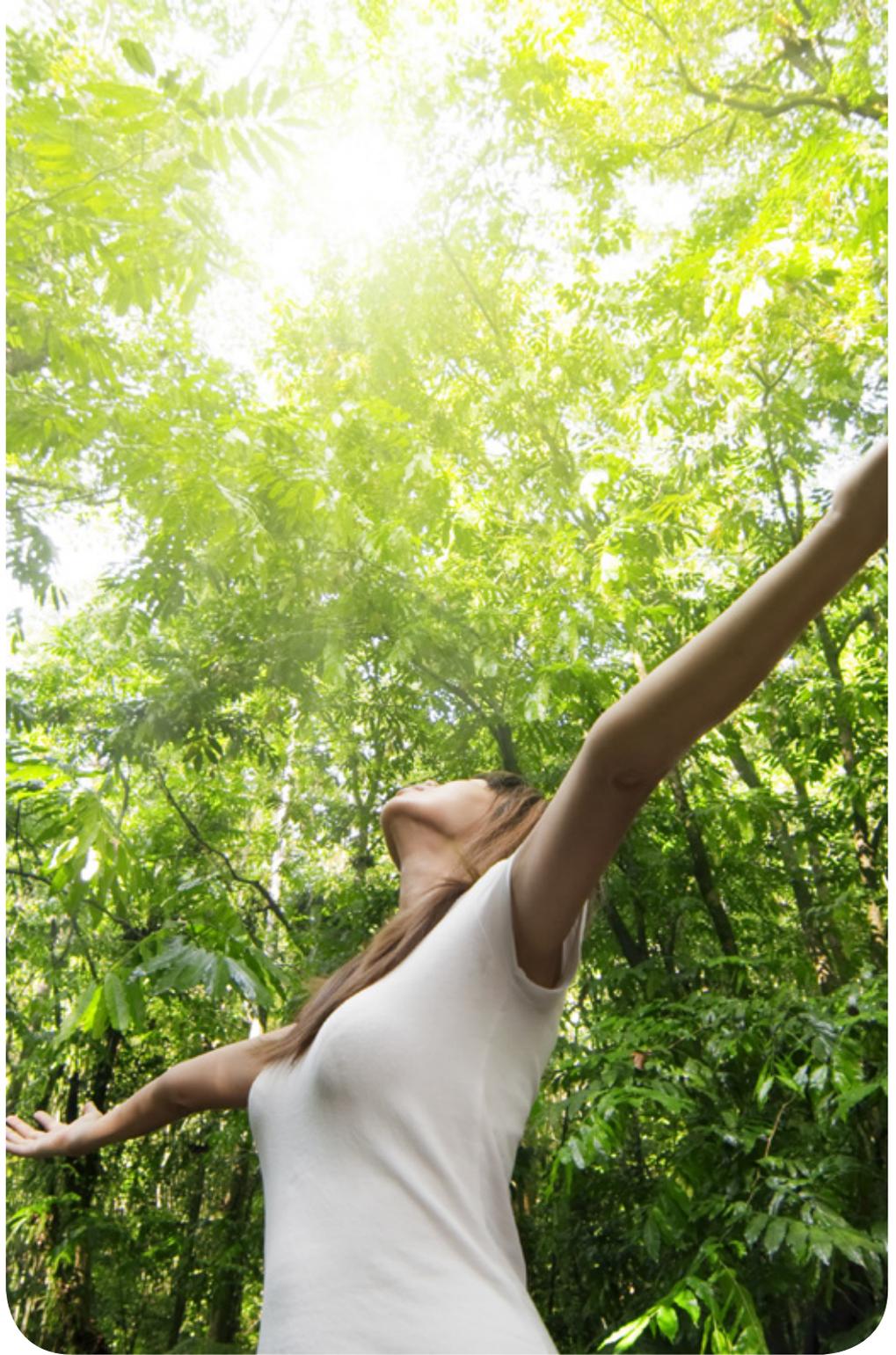
OPERATIONAL SAFETY STRUCTURE – A BODY THAT CUTS ACROSS ALL OF THE COMPANY'S OPERATIONAL AREAS

In accordance with Safety legislation, in 2012 TAP implemented the Safety Management System – SMS, so as to endow the Company, as an airline operator, with a Corporate Safety, a body that cuts across all of the Company's operational areas and reports directly to the Executive Board of Directors. This system implies an organised, proactive and integrated approach to operations safety management, and required the implementation of a specific organisational structure that resulted in the adaptation of the previous Air Transport Safety structure to the new reality.

Among the main objectives of SMS, the development of an organisational culture that reflects the operations Safety Policy and procedures, as well as the associated responsibilities, is noteworthy.

The strategic guidelines are transmitted to the operational areas (Flight Operations, Ground Operations and Maintenance and Engineering) via the Safety Action Group, operating under the hierarchical administration of each specific area.

The **Management Model** of TAP Group seeks to promote **sustainable development** in the context of economic prosperity, social justice and environmental quality. Hence, with a view to ensuring the achievement of the chosen objectives, the model is supported by instruments aimed at the different perspectives, driven by the creation of value.



Perspectives	General Objectives of the Company	Instruments
Economic	<p>Promote sustainability, through the economic viability of the Company and creation of value, as well as ensuring, in the most efficient manner possible, mobility and access to the global market, contributing to greater integration in Europe, to the consolidation of the connections of the European region with the American and African continents and to the country's economic prosperity.</p> <p>Provide a product of quality, carrying out the monitoring of performance and control of risks.</p> <p>Always observing the ethical values assumed by the Company.</p>	<ul style="list-style-type: none"> // Performance indicator system. // Information systems in support of quality management. // Set of rules required by the national and international entities which regulate the Air Transport activity. // Monitoring of Customer satisfaction and market studies. // Code of Ethics. // Risk management system
Social	<p>Be identified with the principles of transparency and commitment to society, fostering professional development and working conditions compatible with legitimate labour expectations and with market requirements, and promoting initiatives of a social character.</p>	<ul style="list-style-type: none"> // Performance and Potential Assessment System. // Partnerships with education establishments; professional integration of disabled persons. // Social Responsibility Certification Standard – SA 8000. // Human Resources Policy.
Environmental	<p>Include environmental issues in all activities developed at the Company, fostering environmental awareness and the protection of the environment.</p>	<ul style="list-style-type: none"> // Implementation in the Company of environmental management sub-systems, in accordance with NP EN ISO 14001 standard certification. // Integrated environmental management plan. // Environmental awareness-raising actions.

RISK MANAGEMENT

RISK MANAGEMENT MODEL

The TAP Group has progressively implemented and developed a risk management model based on a philosophy of Three Lines of Defence. Each of these lines plays 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.

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

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

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.

The model used at the Company – 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).

1st Line of Defence

Head of Risk Management

- // Operational Management

2nd Line of Defence

Risk Control and Compliance

- // Limited Independence
- // Reports primarily to the management

3rd Line of Defence

Risk Assessment

- // Internal auditing
- // Reports to the management body and to General and Supervisory Board
- // Independence of action

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



- Board of Directors
- Company's Risk Management Teams
- Primary Structure
- Internal Audit
- Other
- Middle Managers

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 is developed in absolute observance of their compliance (compliance analysis).

In line with what is identified in the Global Risks 2014 document, TAP also shows an effective commitment to the areas considered in the risk assessment process.

During 2013, TAP assumed the challenges, among others, of assessing and mitigating cyber risks, in conformity with the challenges referred to by the World Economic Forum, in its document Global Risks 2014. These risks are considered critical, in society and in the current context, at an economic, financial and business level.

The digital intercommunication and interconnection underlying progressively more important business processes means that these areas become potential sources of risk. This fact implies the need for attentive, systematic and systemic risk management, developing methodologies for the assessment and management of these risks, being aware of the benefits arising from the intensive use of the internet, in particular for the aviation business, both concerning sales/bookings and all other aspects: financial, procurement, acquisitions and contracts at the different levels of the organisation.

Application of the COSO Model (Committee of Sponsoring Organisations of the Treadway Commission)

Risk Analysis of specific aspects

Entity	Scope
TAP, S.A./Air Transport Business Unit	Physical Inventory of TAP Warehouses Deposit Analysis <i>versus</i> CSR Used <i>versus</i> Issued Tickets Frequent Pax <i>versus</i> TAP Group Workers
TAP, S.A./Maintenance and Engineering Business Unit	Physical Inventory of Maintenance and Engineering Warehouses Commission Contracts
CATERINGPOR-Catering de Portugal, S.A.	Physical Inventory of Cateringpor Warehouses
L.F.P.-Lojas Francas de Portugal, S.A.	LFP Stock Control and Physical Inventory of Warehouses and Shops
MEGASIS-Sociedade de Serviços e Engenharia Informática, S.A.	Physical Inventory of the IT Warehouse Revenue Analysis
U.C.S.-Cuidados Integrados de Saúde, S.A.	Contracting and Control of Supplier Invoicing
PORTUGÁLIA-Companhia Portuguesa de Transportes Aéreos, S.A.	Physical Inventory of Uniforms Physical Inventory of Maintenance and Engineering Warehouses
TAP-Maintenance and Engineering Brazil, S.A.	Foreign Exchange Rates Monitoring of Labour Processes Monitoring of Internal Regulations Monitoring of Physical Inventory (October 2013)
SPdH-Serviços Portugueses de Handling, S.A.	Physical Inventory of Equipment Maintenance and Stationery Warehouses Physical Inventory of Fixed Assets

In turn, from an operational viewpoint, particular relevance is lent to the following operational risk perspectives.

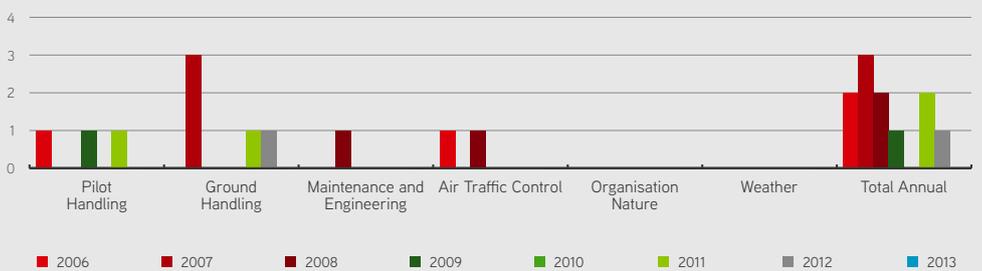
Risk level

Ratio of occurrences per number of services rendered

	TAP	Portugália
SEVERE	-	-
HIGH	-	0.004%
SIGNIFICANT	0.052%	-
MEDIUM	0.944%	0.113%
LOW	1.646%	0.858%

No SEVERE level occurrences were reported at TAP and Portugália in 2013. Since each company has its own classification criterion on the risk level of the occurrences, it won't be possible to compare the values reported by both companies.

Incidence of High Risk Occurrence, TAP, S.A.



Type of Risk	Developments Objectives
<p>Operational (Safety) Model of action whereby the possibility of damage, to people and goods, is minimised or eliminated through a continuous process of identification of situations of potential danger and the management of the respective associated risk.</p>	<p>Developments 2013</p> <p>TAP, S.A.</p> <ul style="list-style-type: none"> // Reorganisation of the Safety Manager area, in order to reflect the <i>architecture</i> of the SMS in its organic structure, as defined in the reference document ICAO Doc. 9859; // Continuation of the development of the application aggregating all the Safety information channels implemented in the Company's operational areas, which currently covers the areas of Flight (FLT) Cabin (CAB) Operational Control and Flight Dispatch (DSP) Ground Handling (GRH) Cargo (CGO) Security (SEC) Training (ATO) Maintenance (MNT)*(EASA Part M); // Systematisation of the risk classification of events and start-up of the development of the ALoSP (Acceptable Level of Safety Performance) concept which establishes improvement objectives for each indicator; // According to the LOW, MEDIUM, SIGNIFICANT, HIGH, and SEVERE risk levels classifications, among the operational events reported in 2013, only the first three were assigned risk classifications, with no events having been classified as HIGH or EXTREME; // Consolidation of the use of SPIs (Safety Performance Indicators) to assess the safety performance and implementation of a criterion of traffic light alerts to take action in line with the recommendations in ICAO DOC 9859; 9859 3rd edition which introduced the standard deviation criterion; // Continuation of the development of technological infrastructure projects, endowing the Safety area with the capacity to perform proactively (and in the future, with predictive capacity); // As established for 2013, implementation of initiatives to consolidate the Safety Culture at the Company (1st Seminar on SMS). <p>PORTUGÁLIA–Companhia Portuguesa de Transportes Aéreos, S.A.</p> <ul style="list-style-type: none"> // Introduction of the SMS (Safety Management System), a decisive tool to extend operational safety to all areas of the Company. Start-up of the training of familiarisation with SMS in 2103, reaching 95% of PGA's employees; // Development of various initiatives aimed at enhancing the reporting culture, such as the reformulation and simplification of the Safety reporting forms and conduct of a Survey of Fair Culture to 95% of PGA's employees. The indicators for 2013 already express an increase of the reporting values per 1,000 flights; // Introduction of the new FDM tool for the Embraer 145 fleet, enabling the reading of the Mini-QAR flight data. <hr/> <p>Objectives 2014</p> <p>TAP, S.A.</p> <ul style="list-style-type: none"> // Review of the Safety Policy with a view to consolidating TAP's Core Values; // Continued development of the technological infrastructure to support the Safety activities (Data Collation Tool, Hazard Library, Safety Portal and Risk Management Tool); // Continued training/awareness-raising on Safety concepts for all the Company's employees. <p>PORTUGÁLIA–Companhia Portuguesa de Transportes Aéreos, S.A.</p> <ul style="list-style-type: none"> // Conclusion of the Training in familiarisation with SMS; // Training in the area of investigation of Accidents/Incidents; // Training of the Safety Action Group, namely on aspects of hazard identification and respective mitigation; // Improvement and simplification of the event reporting process; // Improvements in the FDM (Flight Data Monitoring) programmes.
<p>Health and Safety at work Risk management system linked to the professional activity, based on a systematic programme of identification, assessment, measurement and control of the risks to health and safety at work, aimed at prevention and promotion of health and the reduction of occupational accidents and work-related diseases, in order to assure and improve health and safety at work in the Company.</p>	<p>Developments 2013</p> <ul style="list-style-type: none"> // Continuation of the application of the plans of continuous assessment of the occupational hygiene, safety and ergonomic conditions, having recorded an increase of 9% of the number of assessments made; // Analysis of occupational accidents to determine their causes, so as to contribute to reducing accident rates (+30% of occupational accidents analysed); // Environmental assessments for the qualitative and quantitative evaluation of occupational hazards (+45% of assessments made); // Continued preparation/review of the Manual of Identification and Assessment of Occupational Hazards and conclusion of the Personal Protection Equipment Manual for all jobs at TAP-Maintenance and Engineering; // Start-up of the 5' of safety project underway in the Aircraft Maintenance unit of TAP-Maintenance and Engineering, under the <i>Prevenção em Saúde e Segurança no Trabalho</i> Programme (+SST); // Training actions on prevention of occupational hazards, promotion of health and first aid training for ground staff and flight crew, in compliance with the IATA international standards and national legislation; // Increase of 5% of clinical acts concerning the health monitoring tests to evaluate physical and psychological aptitude for the professional activity, assuring a coverage rate above 80% in most areas of intervention. <hr/> <p>Objectives 2014</p> <ul style="list-style-type: none"> // Assured compliance with the national legislation in force and the international standards that regulate occupational health, hygiene and safety in aeronautical and/or related activities; // Contribute to upholding a real Culture of Risk Prevention concerning Health and Safety in the Company; // Continued development of actions concerning health promotion and prevention of occupational accidents and work-related diseases, via the intervention of the Health and Safety at work multidisciplinary team; // Assured implementation of the <i>Prevenção em Saúde e Segurança no Trabalho</i> Programme (+SST), at TAP-Maintenance and Engineering, continuing the 5' of safety project in the area of Aircraft Maintenance; // Start-up of the joint project with the Aircraft Maintenance unit to train/raise the awareness of workers who have been the victim of accidents, after their return to work; // Reinforce awareness-raising actions, namely in digital format, on the promotion of health, prevention of occupational hazards and accidents among flight crew members and ground staff.
<p>Economic and Financial 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.</p>	<p>Developments 2013</p> <p>Fuel and Emissions</p> <ul style="list-style-type: none"> // Continuous monitoring of energy markets and regular, moderate and gradual contracting of risk protection operations, consisting of price-fixing for the year in progress and subsequently for 2014; // Assessment of competitive conditions, particularly in relevant markets, and decision-making aimed at mitigating and minimising commercial risks; // Follow-up of draft amendments to regulations and legislation relative to the Community legal framework in force of the European emissions trading scheme, and respective implications on the procedures to be implemented and market strategy to be adopted. <p>Financing and Liquidity</p> <ul style="list-style-type: none"> // Negotiation and contracting of various short term credit lines, some of which were used for treasury support and others kept as a reserve of ready cash; // Setting up of capital and leasing operations aimed at assuring adequate levels of financing and availability of the necessary equipment for the pursuit of the strategically defined activity; // Continuous management of surplus liquidity based on safety, flexibility and profitability criteria; // Regular current operations, involving currency transaction, the obtaining of bank guarantees, renewal of credit lines and exercise of contractual options. <hr/> <p>Objectives 2014</p> <ul style="list-style-type: none"> // Assured maintenance of appropriate financing and liquidity levels in view of the needs of the activities developed by the Group; // Conduct actions aimed at reducing risks and protecting assets and revenues, particularly in areas and countries with high social, political and fiscal instability; // Assured satisfactory stability level in terms of fuel costs through hedge operations of the appropriate amounts and levels in the contemporary context of market circumstances; // Resuming of market operations in the context of the European emissions trading scheme.

Type of Risk	Developments Objectives
Information Technology Systems used by organisations to identify weaknesses and threats.	Developments 2013 <ul style="list-style-type: none"> // Integrated monitoring system – Business Service Manager – Implementation aimed at increasing the capacity of problem detection and troubleshooting, improvement of service metrics and control of service quality associated to information systems, thus contributing to the mitigation of risks of service unavailability; // IT Service Management System – Implementation in line with the good practices of the ITIL methodology, in order to improve the quality of IT services and minimise the risk of non-compliance for the service levels agreed upon; // Pursuit of strategy involving the implementation of virtualisation technologies within the technological infrastructures, with the consequent increase in the level of system scalability, reliability, recovery and security; // Analysis of the process of identity management IAM – Identity Access Management – Undertaken, continuing the actions associated to user management processes, unification of internal authentication and enterprise single sign-on; // Review and preparation of IT security policies and procedures, based on the recommendations of the ISO27000 standards, including the PCI-DSS (Payment Card Industry-Data Security Standards) standards; // Increased use of data replication between the two existing Processing Centres to increase the security of stored information and systems recovery in the event of a disaster; // Audits to system and network security – Undertaken. Objectives 2014 <ul style="list-style-type: none"> // Review and implementation of new information security, in line with the national and international guidelines, both in terms of access to information systems and access to stored information; // Obtain certification in PCI-DSS (Payment Card Industry-Data Security Standards); // Improve the password management and recovery processes; // Increase the software licensing management and control processes; // Review the risk management process, based on incidents arising from the Risk Days of TAP–Maintenance and Engineering; // Under the implementation of the new IT Service Management system, improve the Change Management process in order to standardise procedures and control changes to infrastructures, platforms and applications, aimed at minimising the risk of occurrence of incidents; // Study the implementation of event correlation systems, commonly named IPS/IDS (Intrusion Prevention Systems/Intrusion Detection Systems); // Prepare the implementation of a formal system of information security in accordance with ISO 27001.
Fire – Prevention Risk management system for fire, explosion and spillage of chemical products. The system includes the Internal Security Plans, continuous training of Employees, the manuals for protection against explosive atmospheres (ATEX Manuals), Simulation Drills based on risk scenarios, and an internal audit plan.	Developments 2013 <ul style="list-style-type: none"> // Review and updating of the Internal Security Plan for the TAP Campus buildings and hangars, where the purpose of these document is to prevent risks of fire, explosion and spillage of chemicals (total of 47 Internal Security Plans for TAP's Campus); // Simulation drills, specifically covering the teams who will operate on TAP's Campus in the event of an emergency: Security Centre, Fire and Surveillance Brigade, aimed at improving communication between these different teams; // Simulation drills in buildings and hangars to train their occupants; // Implementation, in the Vocational Training building, of the evacuation plan in the classrooms through the provision of an emergency briefing and emergency kit; // Process of audits to the facility and equipment maintenance service provider, in the context of the maintenance of fire-fighting equipment in order to assure their good operation; // Reduction of the risk of explosion through the preparation of 3 ATEX manuals (protection of potentially hazardous explosive atmospheres). Objectives 2014 <ul style="list-style-type: none"> // Dissemination of a culture of safety through improved communication on safety against fire; // Training of the occupants of the buildings in response to emergency situations, through 12 emergency simulation drills; // Continued monitoring and control of the maintenance of fire-fighting safety equipment, periodic audits to the maintenance service provider; // Continued promotion of reduction of the risk of explosion, continuing the preparation of ATEX manuals for the facilities; // Production of a video and e-learning training directed at the trainers.



Type of Risk	Developments Objectives
<p>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.</p> <p>TAP–Maintenance and Engineering Portugal</p>	<p>Developments 2013</p> <ul style="list-style-type: none"> // INAC and EASA audits (EASA standards Part M, 145, 147 and 21); // Monitoring inspection of the <i>Bureau Veritas</i> certification (benchmarks ISO 9001 and EN 9110); // Audit of IPAC (Instituto Português de Acreditação) of the Calibrations Laboratory, as part of the certification of Standard NP EN ISO / IEC 17025:2005; // Implementation of the EU-US Bilateral Agreement; // Implementation of the EU-Canada Bilateral Agreement; // Implementation of the Safety Management System of TAP–Maintenance and Engineering; // Development of the processes and procedures of the Risk Management System of TAP–Maintenance and Engineering; // Continuation of the training actions on Safety Training, Safety Promotion and Risk Management; // Launch of a promotion campaign to disseminate good practices of voluntary reporting and Risk Management; // Reorganisation of the electronic communication channels on Safety, namely, the website of the Maintenance and Engineering Safety Office and Safety Library on the Campus of the Business Unit; // Use of the means available on the intranet to disseminate information on Safety, namely via MSB (Maintenance Safety Bulletin), a biweekly publication, the email iGo Safety and the permanent page in the TAP Newspaper dedicated to promoting the SMS of TAP-Maintenance and Engineering; // In the context of the investigation of occurrences, the members of MIP (Maintenance Investigators Pool), composed of 18 investigators of TAP–Maintenance and Engineering, conducted 8 Safety investigations and their discussion with the ERG (Event Review Group), a body chaired by the Directors of this Business Unit; // Application of the initial version of the SMS Manual of TAP–Maintenance and Engineering; // Publication of the annual MSR (Maintenance Safety report) of the Business Unit relative to 2012, followed by the meeting of the SRB (Safety Review Board), where the Safety Policy was reconfirmed, and the objectives, indicators and goals of the SPI (Safety Performance Indicators) were defined for 2013; conduct of an additional SRB meeting for approval of the Risk Management methodologies and SPIs for 2014; // Operationalisation of the support groups of the SMS of TAP–Maintenance and Engineering, namely: <ul style="list-style-type: none"> // ME Safety Office; // SAG (Safety Action Group); // SRB (Safety Review Board); // MIP (Maintenance Investigators Pool); // ERG (Event Review Group); // SPOT (Safety Operational Team). // In the context of Safety Assurance, the second Safety Audit was conducted by the auditors of the Audit Office of TAP-Maintenance and Engineering. <p>Objectives 2014</p> <ul style="list-style-type: none"> // Implementation of the EU-Brazil Bilateral Agreement; // Publication of revision 1 of the SMS Manual of TAP–Maintenance and Engineering; // Publication of the MSR (Maintenance Safety Report) relative to the Safety activities developed in 2013, followed by the annual SRB (Safety Review Board) meeting involving the definition of the Safety objectives, indicators and goals for 2015; // Implementation of initiatives dedicated to the identification of hazards which affect TAP-Maintenance and Engineering; // Updating of the hazard register and application of the risk matrices in the occurrence scenarios; // Implementation of an integrated Risk Management IT platform at TAP-Maintenance and Engineering; // Start-up of new phases in the implementation of the Business Unit’s SMS, in the context of Safety Assurance, namely: <ul style="list-style-type: none"> // IEP – Internal Evaluation Programme; // Management of Change; // Adaptation of the Internal Audit Programme to a Risk Management based philosophy. // Updating of the procedures of the ERP (Emergency Response Plan) of the Business Unit, in coordination with the respective TAP plan, and development of specific processes for application in emergency and contingency situations typical of maintenance and airworthiness management activities, since it was not possible to start this in 2013, as planned.
<p>PORTUGÁLIA–Companhia Portuguesa de Transportes Aéreos, S.A.</p>	<p>Developments 2013</p> <ul style="list-style-type: none"> // Certification as entity Part 147 (MTO); // Full review of the document structure for the Maintenance and Engineering Department, seeking to reflect the processes modified by the introduction of the new maintenance software; // Document and process changes, as required by ISM revision 6 of IOSA. <p>Objectives 2014</p> <ul style="list-style-type: none"> // Increased standard training of Aircraft Maintenance Technicians (TMA–Técnicos de Manutenção de Aeronaves); // Consolidation of the Maintenance and Engineering Department’s documental structure, in view of the introduction of the new maintenance software; // Increased capacity for certification of category C6 and C20 components.

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



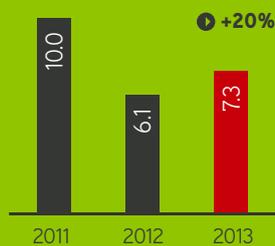
Permanent search for innovation opportunities as a dynamic factor of the Company's competitiveness

Innovation is an important factor in the acquisition of competitive advantages, enabling, apart from the development of higher quality products and services, in a wider perspective, the increased efficacy of processes. Innovations introduced in products, services, processes, competence and organisational structures are means to ensure the Company's adaptability and survival in the market.

In 2013, various activities were developed in this regard in the I&D areas which, in an evident manner, improved the competitive capacity of the TAP Group companies.

Investment in Innovation TAP, S.A.

EUR million



INNOVATION AND DEVELOPMENT

A new service at the distance of a click

TAP Cargo launched a new free application for iOS and Android, enabling customers to access cargo information and services, in any place. This initiative registered a good adherence in Portugal and other countries such as Switzerland, France, Brazil, the United States and the United Kingdom, contributing to the strengthening of the brand's visibility and notoriety.

Better information and more autonomy

Innovations were introduced in the new version of the FlyStaff application, further simplifying ticket facility processes and providing better information and a higher level of autonomy to employees. In addition to the version for personal computers, a new application for smartphones and tablets has been provided with iOS and Android systems, enabling access to the service at any place. The application that has also been made available to employees of Portugal, under its ticket facility regulations, also incorporated new functionalities: form of payment by credit cards, including all the automated features for detection of situations of fraud; introduction of a new and more effective layout for the presentation of tariffs; possibility of creation of bookings for crew members travelling as Dead Head Crew (DHC), significantly reducing the series of manual procedures of the different areas of the Company.

Mobility and Usability

In a vanguard positioning in the use of technological innovations that contribute to facilitate communication with its customers and employees, TAP continues with the investment in mobility solutions, providing new applications free of charge to its customers for smartphones and tablets, as well as similar tools, to the Company's employees, aimed at increasing efficiency levels, simplifying access to services, and improving employees relations. 2013 was also a year of investment in terms of the usability and design of the applications, promoting greater integration with the native operative systems of the equipment and with an appealing, modern and more user-friendly image.

Leadership in the use of frequent flyer cards in Passbook

With the widespread use of mobile devices, there has been a trend of the gradual replacement of physical customer loyalty cards, giving rise to a concentration of digital cards in a single folder in the mobile device. TAP launched the digital Victoria card in 2013, available through the Company's application for smartphones and tablets with iOS and Android systems, which introduces improvements in the operation of the frequent flyer programme, implying that customers are no longer required to present their physical card and may now use a digital card that will always be available on their mobile device. At all services where it is necessary to present the Victoria card (lounges, check-in, partners, among others), it is now possible to present the digital card, even at places where the magnetic strip is usually compulsory for data consultation, since the existing two-dimensional barcode (QR) of the virtual card will have the same purpose. In iPhone and iPad equipment, the digital Victoria card can also be kept in the Passbook application, as has already been the case with digital boarding cards generated through mobile check-in. With this new functionality, TAP has become the leader among airline companies in the use of frequent flyer cards in Passbook and applications.



An opportunity for innovation

The use of Open Source products at the Company is already very widespread, covering the most technological components to business support solutions. Strengthening its investment in Open Source, TAP revalued its service management processes, with the objective of improving the level of maturity of the existing processes, based on the reference model of best practices (ITIL). In this context, the Open Source product OTRS ITSM was identified as the Service Desk solution to be implemented, rationalising the use of resources and increasing the efficiency and quality of the services provided to the Group. The processes of asset management and configurations, alterations, versions and installations will be implemented in the future, as well as a personalised attendance portal for the direct use of the Group's Business Units.

Optimisation of processes

The Budget and Consolidation processes of the entire TAP group were subject to various optimisation projects in the respective support tools and solutions, involving improvements in technology and in the budgeting processes of various areas. A significant part of the information on the result of the implementation of control processes and mechanisms currently arrives automatically to the users, through electronic mail, warning, informing and reducing the effort spent on the follow-up of processes. These improvements have enabled implementing the budgeting process in a more controlled and efficient manner, assuring compliance with the defined periods of time, that are progressively shorter and more demanding.



Advanced station for aircraft inspections

Maintenance and Engineering promoted the creation of the innovative concept of Advanced Station, which consists of the concentration, in a mobile work station, of all the IT components required to support the implementation of Type A inspections to aircraft, carried out on a monthly basis and which imply the aircraft grounding. This innovative project has enabled reducing aircraft grounding time during the implementation of these tasks, with the technical staff now being provided with all the necessary information and equipment onsite, dispensing travel. The Advanced Station enables consultation of technical information relative to the aircraft, the printing of documentation onsite, and includes telephone and access to wireless internet, and an innovative application, in a kiosk mode, for imputation of labour with RFID reading, for the personal cards of the technical staff, and a barcode reader for the different work documents.



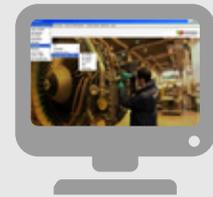
Automatic centralisation of Operational Control and Flight Dispatch

The area responsible for the preparation of flight plans (Operational Control and Flight Dispatch) has defined a programme of initiatives aimed at constructing a solution to support the respective process. As a consequence, an application has been provided which automatically centralises the information on events and operational conditions that might affect TAP flights. The aggregate vision has greatly reduced the time and effort spent on the manual collection of information, enabling Flight Operation Officials to change their focus to the analysis of impact and decision-making concerning necessary action, which are more complex activities and of higher value to the Company. This improved perception of operational conditions is of an extreme importance in the maintenance of the highest levels of safety compliance, efficiency in terms of fuel and use of the fleet. The innovative solution, FDCC (Flight Dispatch Control Centre), compiles and analyses all the relevant information and promptly highlights any situations that might negatively influence the efficiency or effectiveness of the operation. Furthermore, based on the historical information of the application, the production of the Daily Activity Report has been automated, a mandatory requirement of the industry and subject to validation under the TAP IOSA (IATA Operational Safety Audit).



Consolidation of the information at Maintenance and Engineering

The Company's Corporate Data Warehouse now includes the information of the Maintenance and Engineering systems, enabling the joint and integrated analysis of the information in terms of flights and on the ground, allowing for more efficient response to business needs regarding support to decision-making. The project conducted by Maintenance and Engineering – named Galaxy –, involved an information creation methodology based on the analysis of business processes and measurement of the main performance indicators. Important goals were achieved for the automation of reports supporting the operational areas, namely on fleet reliability, control of the interventions required by the aeronautical entities and the assessment and classification of suppliers.



Total Traceability in Engine Maintenance

After a rigorous and demanding battery of tests, the new information system for Engine Maintenance – GENESIS –, was implemented, with this application being fully integrated with the financial, human resources, logistics and operational processes. The innovative solution now assures the total traceability of each component, assuring support to the entire process from the entry of an engine into the workshop until its respective exit, including subsequent support. As an indicator demonstrating the complexity associated to each intervention and the need for the management and strict control of the whole process, it should be noted that an engine has, on average, close to 5,000 components, of which, on average, 500 require individual control.

RELATIONSHIP WITH STAKEHOLDERS

The close monitoring of the expectations and interests of the various Stakeholders is an important requirement of TAP Group strategy

The responsible management process of a company requires the close and timely monitoring of the expectations and interests of its various Stakeholders. This condition which constitutes an important requirement of the Group's strategy, assures an effective contribution to viable decision-making in the medium term, with the consequent generation of value, from which real advantages for the Company, and for Society, arise. The Company thus considers it vital to stimulate the relationship with interested parties, with the indispensable communication channels with its Customers and Employees, as well as with Public Administration, Suppliers and Non-Governmental Organisations, among others, having been developed.

Stakeholders	In the development of its objectives the company assumes the following positioning	Communication channels
Customers	Provide a quality product through the best and easiest solutions for their journeys and increasingly adding additional value to the product offered to them; Actively contributing to uphold the high levels of safety, demanded by the Aeronautical Industry, to ensure safe conditions for people and goods.	<p>Customers Passengers Call Centres; Talk to Us; Victoria Frequent Flyer Programme; TAP Website; In-Flight Magazine; In-Flight Video; Executive Lounge; iPhone; iPad, Social Networks (Facebook, Twitter).</p> <p>Customers Cargo and Mail Cargospot Cargo System; Cargo Call Center; Cargo Customs Systems; Website TAP-Cargo; Track & Trace Applications for mobile devices; Must Go products; Freightler Services; Claims dedicated service.</p> <p>Customers Maintenance and Engineering TAP-Maintenance and Engineering Website; Customer Managers; Customer Satisfaction Survey; Events aimed to mark important moments of Customer relations (Seminar on the CFM56 engine, given by the Engineering areas of the Engine and Aircraft Workshops); Advertising Campaigns.</p> <p>Internal Customer Business Units and Group companies Satisfaction Portal of TAP Serviços; Disclosure of the evolution of operating performance in Business Unit areas of TAP Serviços.</p>
Shareholders	Always endeavouring to achieve the best results in a sustained manner.	General Meeting; General and Supervisory Board; Annual Reports; Meetings; TAP Website.
Employees	Provision of conditions for professional development and employability of its Employees, the establishment of a relationship with the Employees and respective representative organisations according to ethical principles and principles of mutual respect and the promotion of balance between family and professional life.	Corporate Intranet; TAP Newspaper and Information Flash; Corporate Agreement; Meetings with Workers' Committee and Workers' representative structures; Survey on Organisational Climate; Performance Evaluation feedback Meetings; Training; Welcome Programme for new Employees; Reconhecer Programme; Ceremony of 20 years of service in TAP.
Society	Be identified with principles of transparency, in following its social responsibility commitment to Society. Assume an important role in promoting changes in society and, in this way, contribute to greater development and social cohesion.	TAP Website; Museum; Visits to the premises; Community support actions.
Suppliers	Continue to invest in the relationship with Suppliers, in a manner that is transparent and that guarantees the applicability of the sustainability principles throughout the value chain, with TAP considering that the advantage of its services is, in part, determined by the quality of Suppliers.	TAP Website; Supplier Portal; Events aimed to mark important moments of the Partner/Supplier relations (Annual Forum of the Commercial Aircraft Composite Repair Committee, held in Lisbon with the support of TAP-Maintenance and Engineering); Advertising Campaigns.
Regulatory and Supervisory Entities	Transparent and continuous communication and the rigorous fulfilment of rules established by regulatory and supervisory entities is considered an essential condition for carrying out TAP's activity.	Opinions, Comments and Reports for INAC, GPERI/MEE (Strategic Planning and International Relations Office of the Ministry of Economy and Employment), MNE/DGAT E (Directorate-General for Technical and Economic Issues of the Ministry of Foreign Affairs), Directorates-General of the European Commission (DG Mobility and Transport, DG Environment, DG Competition), among others; Periodic meetings with all the above mentioned entities and European and International Bodies directly related to Industry (AEA, ERA, IATA, ICAO); Observation of negotiations of Air Transport Agreements between the Portuguese State or the European Commission and Non-EU States; Assessment of the impact of proposals for legislation in Industry.

SHAREHOLDER

The TAP Group was constituted on 25 June 2003, under Decree-Law no. 87/2003, of 26 April, with its share capital having been fully subscribed and paid up in kind by Parpública – Participações Públicas, SGPS, S.A., by delivery of the shares representing the total share capital of Transportes Aéreos Portugueses, S.A. (TAP, S.A.).

On 31 December 2013, the nominal capital of the Group, in the amount of EUR 15,000 thousand was constituted of 1,500,00 nominal shares of EUR 10 each.

Remuneration of Shareholders

In 2013, no dividends were attributed to shareholders, with total net income having been transferred to retained earnings, in accordance with current legislation and the Company's Statutes.

Most relevant facts announced during the financial year 2013

January

Unanimous Shareholder Deliberation in Writing of the Shareholder Parpública, repealing the guidelines established on 8 August 2012, relative to the exercise of management powers at TAP by the General and Supervisory Board and the Executive Board of Directors during the reprivatization process, which took place in 2012.

March

Accounts for 2012.

Report of the General and Supervisory Board relative to 2012.

Annual Report of the General and Supervisory Board on Remuneration Policy for 2012.

May

Creation of the *Optimisation and Performance – Continuous Improvement* area

Sustainability Report 2012 of the TAP Group.

June

Preparation/approval of the 2013 Amending Budget.

Annual General Meeting of TAP, SGPS.

August

Consolidated Financial Statements for the First Half of 2013.

November

Approval by the Executive Board of Directors of the Activities Plan and Budget for 2014 and of the review of the Company's Strategic Plan.

Presentation to the General and Supervisory Board of the Activities Plan and Budget for 2014 and of the review of the Company's Strategic Plan, namely, of the opening of new routes operating in 2014 and of the change in the TAP fleet.

December

Entrance into force of Decree-Law no. 133/2013 of 3 October – Legal System for the Corporate Public Sector and Public Companies.

In the development of its objectives, the Company assumes as positioning the constant endeavor to achieve the best results in a sustained manner



Providing a quality product through the offer of the best and easiest solutions for travel, adding increasingly greater value to the product offered and actively contributing to maintain the high levels of security and safety required by the Aeronautical Industry, in order to uphold the safety of people and assets

CUSTOMERS

TAP continuously invests in the innovation and reorganisation of its services and attendance, so as to ensure determined and strict compliance with its commitment to *meeting expectations and being worthy of the trust of all who prefer TAP.*

Knowing and monitoring the evolution of Customers' perception in order to understand and anticipate needs, has represented a central axis in the formulation of the strategy, enabling TAP, through the use of new technologies, to adjust the services offered by the Company and, in this way, proactively enhance the respective service standards.

Principles of transparency

TAP's policy focuses on operating with the greatest transparency possible, providing the Customers with clear and detailed information, enabling informed choices. TAP communicates the total price of the air transport, indicating the values of the ticket according to the chosen destination (single or return), airport or other taxes and applicable service charges. Customers are informed of the restrictions relative to the conditions of the chosen ticket and that it is subject to the number of seats available by booking

class. Through its sales channels, TAP offers the lowest available air fare for the intended date, flight and booking class, including information on possible price differences, according to the sales channel used.

Customer satisfaction is monitored regularly, through TAP Customer Satisfaction studies as well as STAR Alliance Customer Satisfaction studies. Communication with the Senior Management is facilitated through the contact line Talk to Us and, since 2010 TAP proactively communicates with its Customers, through the social media channels Facebook, Twitter and YouTube.

In 2013, TAP's Facebook achieved the milestone of half a million fans, having grown by 50% in relation to 2012. The strategy of making the official increasingly closer to its fans, involving them in the daily promotion of its photographs, is turning this into a meeting place for the real community of admirers of the Company. 2013 also represented the year of consolidation of TAP's presence on Instagram — with over 7 thousand followers and the active participation of its workers as monthly managers, TAP is among the top 5 European airline companies in this social network.

- // Attract and retain the loyalty of Customers through the value and quality of the services offered by the Group.
- // Promote innovative and flexible solutions, be recognised as a strategic partner and fulfil expectations in a consistent manner.
- // Encourage a frequent and transparent relationship with Customers to enable the identification of opportunities to meet their expectations in relation to the services offered by the Company.

- // Attract and retain the loyalty of Customers by offering a trustworthy goods transport service.
- // Promote new innovative and diversified products, in line with different needs.
- // Modernise contact processes with Customers, enabling greater effectiveness and speed of response.

Global Satisfaction

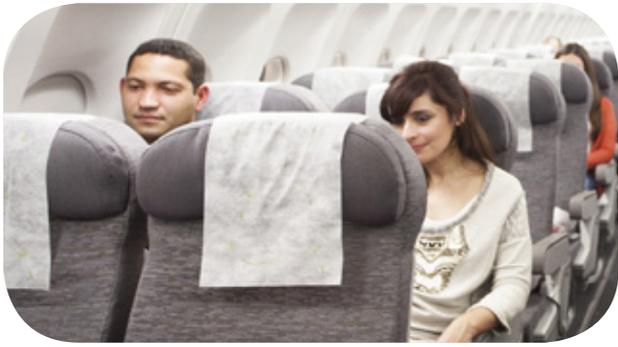
TAP-Air Transport (TAP Passengers)



Classification: 1 (very dissatisfied) to 10 (very satisfied)



The effort made to offer a distinctive service was reflected in the increased Satisfaction Level of TAP Passengers (+2%).



Creation of value for the Portuguese economy and society

TAP, S.A., together with its partners, has offered its passengers and cargo customers connections to 198 cities, transported 10.7 million Passengers (+5%) and 82.4 thousand tons of cargo and mail.

The contribution of the TAP Group to the volume of national exports, 2,374.3 million euros in sales and services rendered in markets abroad, has strengthened its positioning, where this figure represents +7.0% more than the value of 2012.

Total operating income and gains per job increased by approximately 2.0% at TAP, S.A., although there has been a contraction for the Group as a whole, primarily influenced by the increased number of jobs created.

Regarding its contribution to job creation, the TAP Group recorded an increase of 350 jobs, with 52 having been created at TAP, S.A.

During 2013, TAP-Maintenance and Engineering Portugal provided services to over 50 Customers worldwide, of which approximately 70% are airline companies, always ensuring compliance

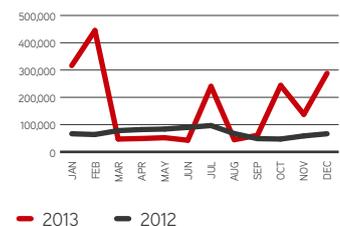
with its commitments, namely with respect to the maintenance of the high standards of security inherent to the aeronautical industry, and protection of the environment.

Safety of people and assets

Safety is the priority defined by the Senior Management, applicable to the entire operation of the Company, which considers this a critical element of aviation activity, requiring the constant involvement of all Employees. Hence, the Safety Management System (SMS) was implemented in 2012, in order to endow it, as an airline operator, with a Corporate Safety common to all of TAP's operational areas. It should be noted that the Operating Quality Management System is established in accordance with EASA, JAA and IOSA requirements and is based on a continuous cycle of *Planning, Implementation, Verification and Correction*, with responsibilities defined transversally across the entire organisation.

Pursuant to IOSA/IATA regulations, for possible use in the case of in-flight medical emergencies, UCS prepares first aid kits and places them on board all

Pageviews on Youtube



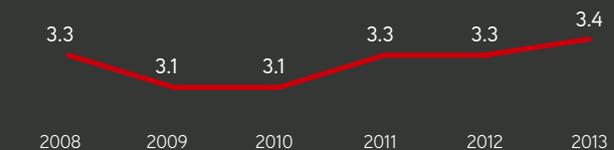
Global Satisfaction

TAP-Maintenance and Engineering Portugal



Global Satisfaction

TAP Serviços



Classification: 4 - Very Satisfied, 3 - Satisfied, 2 - Dissatisfied, 1 - Very Dissatisfied



The Satisfaction of Customers of TAP-Maintenance and Engineering Portugal is positive, standing above the reference value of 80%. The effort made in making customers aware of the importance of their participation in this assessment enabled reaching a response rate of around 72%.



Knowing and accompanying the evolution of Customer perceptions on the services offered by the Company – the internal Customer – has made an important contribution to the improvement of the processes of TAP Serviços.



Communication with Customers

A weekly strategy, suited to each network, type of audience and respective language, speaking to each follower in the network where the follower most likes to be present, disclosing TAP's initiatives..



LEVE O SEU NEGÓCIO MAIS LONGE!

Em março, a TAP oferece-lhe **1.150 pontos extra** para que possa antecipar a sua próxima viagem-prémio.

Sabão mais

Corporate Programme

In 2013, the campaigns sent to Corporate customers, as a whole, in the markets of Portugal and Spain, represent a total of close to 70 thousand contacts, communicating TAP products and services.



RECEBA SORRISOS PELA SUA SIMPATIA :) GET SMILES FOR YOUR SIMPATIA



TAP aircraft, for use by the cabin crew. In 2013, the contents approximately 34,352 of these kits were refilled.

Long-haul aircraft are equipped with automatic external defibrillators, pursuant to the specific programme for TAP aircraft, coordinated by UCS. This equipment, used in situations of cardio-respiratory reanimation, figures in the training of the crew, during the annual training on first aid, ministered by UCS health care workers (doctors and nurses).

Moreover, contents on aspects of health care and well-being related to flights are provided on the Company's website, on facebook, and in the in-flight magazine and audiovisuals, namely, information for passengers who are disabled or with limitations, pregnant women, children, and travellers requiring special diets, amongst others.

During 2013, there was a 30% increase, relative to 2012, in the number of services covered by the risk system.

Management committed to the development of the community and the environment

Pursuant to its commitment to citizenship, TAP continued to promote and support initiatives of a social character, aimed at integrating social responsibility in its culture. Also, for the purpose of encouraging its Customers to contribute on their own initiative, the TAP *Victoria for a better world* programme offers the possibility of donation of miles, to be reallocated to humanitarian aid institutions.

In the CO₂ emissions compensation programme (Carbon Offset), the defined objective was surpassed by 201%. It should be recalled that TAP was the first airline company of the world to launch this programme, which allows passengers to compensate the effect of the carbon footprint left by their respective travel. The reduction of energy, water, paper and waste produced also represented a transversal concern, with initiatives having been developed in the different activities of TAP Group companies.

Providing quality service

Pursuing the objective of diversifying destinations and strengthening the Lisbon hub, TAP launched 2 new destinations – Tangiers in Morocco and Boa Vista in Cape Verde. The number of flights has grown (+1.2%), and the number of destinations served directly by TAP (102) from Lisbon, Porto, Faro, Madeira and the Azores has been maintained.

TAP has continued to offer a model based on differentiation through quality and price, according to individual travel motivation, with five ways to travel and five service categories: tap | executive; tap | plus; tap | classic; tap | basic and tap | discount.

In order to improve the quality of in-flight service, the traditional blankets have been replaced by comfortable eiderdowns in the new tap | executive for long-haul flights. The new comfort kits are recyclable and contain items produced with 100% natural materials. The new service has also involved a focus on gastronomy with Portuguese roots, providing opportunities to national companies and Portuguese products, stimulating their competitiveness in the

different international markets. New tray mats have also been introduced, meal boxes and glasses decorated with TAP's mascot, Flip&Flap, and new children's entertainment kits, with games and comfort articles.

Likewise, a new service for Y class has been launched. The new concept is based on reinventing the spirit of traditional cuisine based on quality products, offering long-haul TAP passengers a different gastronomic experience.

The effort placed in a distinctive service has been reflected in the growth of the number of members of the Victoria Programme (+7.1%) and improved Customer Satisfaction of TAP Passengers as a whole (+2.1%).

TAP is always concerned with the comfort and safety of its passengers, and provides its Customers with medical services and information for passengers (website, facebook, in-flight magazine and audiovisuals) in the area of health care and well-being in relation to air travel. In close collaboration with the TAP Group's health unit (UCS), TAP offers its Customers access to medical authorisation for the boarding of sick or disabled passengers (MEDIF), pursuant to the international regulations (IATA), creating safe transport conditions that may involve special care, such as in-flight medical equipment, care by a health worker or transport on a stretcher. 1,005 MEDIF requests were attended during 2013.

TAP and UCS offer the public the *Ganhar Asas* programme, targeting passengers with a fear of flying, aimed at overcoming this fear. The Traveller Services offered by UCS at Lisbon airport is especially focused on destinations accessible by air and for TAP passengers, which is used for a variety of reasons such as leisure and business trips, including by long-haul travellers who are leaving to work or study in other parts of the world, particularly Africa, Asia and South America. UCS provides a complete service with medical evaluation and preventive recommendations by specialised nurses, administration of vaccines, prescription of prophylactic medication (for example, malaria) and availability for recommendations and evaluation during and after travel, reducing the health risks associated to travelling to a minimum. The TAP Group's health unit is one of the country's specialised centres working in close cooperation with the Portuguese Health Authority and Institute of Hygiene and Tropical Medicine on international vaccination.

QUALITY CERTIFICATION

Achievement of Quality Policy objectives and in line with the good practices of the Industry

The various certifications are an integral part of the quality control processes in the Group companies, with TAP firmly believing that it continues to adopt and promote best practices with a view to corresponding to the expectations of its stakeholders.

TAP Portugal has a decentralised Quality Management system, but which involves the entire organisation and all suppliers, keeping all the decision-making process close to operating areas, in order to achieve the Quality Policy objectives and in line with the good practices of the Industry.

In the operating area, the Operating Quality Management System of TAP Portugal is established in accordance with the EASA and IOSA requirements and is based on a continuous cycle of *Planning, Implementation, Verification and Correction*, with defined responsibilities that are common across the entire organisation. The Operating Quality Policy defines Safety and Security, Punctuality, In-flight Comfort and

Improved Performance of Quality as priority areas, the achievement of which is a common objective for all Employees. This objective is transversal to the entire carrier, with its air activity being based on compulsory compliance with the operational requirements issued by EASA, INAC, IATA and the actual Company.

Safety and security is the priority defined by the Senior Management, applicable to the entire Company

TAP Portugal considers that Safety and Security is a central element of aviation activity, requiring the constant involvement of all of the organisation's Employees. In 2013, according to IATA Statistics, the rate of accidents involving the total destruction of jet propulsion aircraft of western construction, of 0.4, i.e., one serious accident for every 2.4 million take-offs, represents a figure that, although higher than the rate of 0.2 recorded in 2012, the best year ever in the entire history of commercial aviation, shows an improvement of 14.6% in relation to the annual average of 0.48 recorded over the last five years. For IATA member airlines, this rate stood at 0.3, reflecting TAP's better performance, by 26.8% at the total rate referred to above.

In order to be involved in an aircraft accident it would be necessary to take 1 flight per day for 6,575 consecutive years

Developments 2013

Safety
// Continued documentation and implementation of the Safety Management System (SMS) at TAP

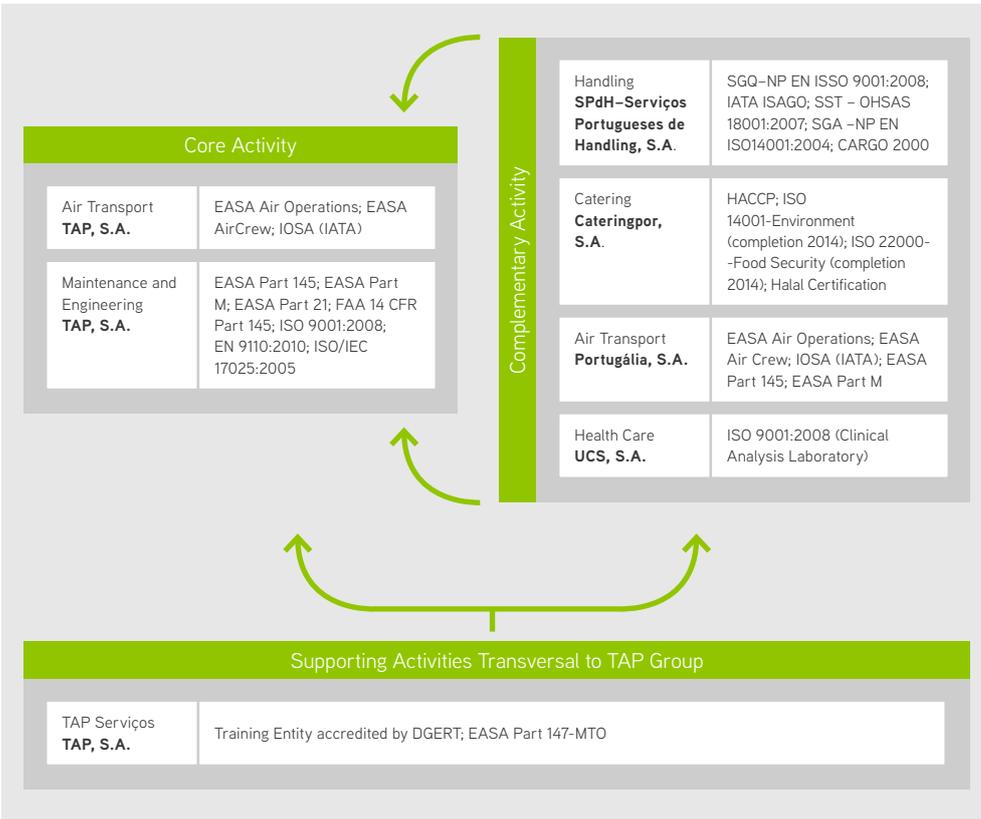
INAC Audit
// Audit of TAP's Simulators and Quality System
// Audit of TAP for the renewal of the Air Operator Certificate (AOC)

Objectives 2014

IOSA
// IATA audit of TAP in May

Safety
// Continued documentation and implementation of the Safety Management System (SMS) at TAP

INAC Audit
// Audit of TAP for the renewal of the Air Operator Certificate (AOC) in November
// Implementation of the Compliance Monitoring System at TAP
// Implementation of EASA-Air Operations standards at TAP



REGULATORY AND SUPERVISORY ENTITIES

Transparent and continuous communication and strict compliance with the rules established by the regulatory and supervisory entities

The regulatory entities are empowered to ensure compliance with the rules, to sanction anti-competitive practices and offences, and to correct certain behaviour. Its functions are performed by entities that are independent of Governments or have freedom in relation to the administration on which they directly or indirectly depend.

Promote an integrated, balanced and long term vision for the Aviation sector

As a definer of the framework in which TAP's access and exercise of activity takes place, the Regulator should define its decision making and actions based on basic principles such as transparency, proportionality, uniform application criteria, non-discrimination and the active involvement of stakeholders. As a monitor in this context, the Supervisor should certify that a healthy environment has been created that promotes business sustainability, under clear rules which are easily interpreted with a single meaning. These should be the primary objectives of these bodies.

Since Air Transport is an activity sector operating on a global scale and particularly stimulates the economy and well-being of communities, it is indispensable that the different regulatory entities (national and supranational) coordinate and reconcile their policies and actions, so as to create and maintain a harmonised regulatory framework, avoiding to the maximum possible extent any overlapping and/or contradiction in measures among jurisdictions which could potentially erode value for all economic agents.

It is crucial for the authorities to achieve a broad overview of any process, through recognition of the real dimension and importance of the economic agents involved, thus enabling their early understanding of how each policy can best contribute to their optimisation.

TAP is permanently attentive to major social, economic and political change and to signs of market evolution, and dedicated to acting proactively to best adapt or influence, in advance and positively, the context in which its business is based. TAP endeavours to be participative in terms of regulations, both anticipating in providing suitable response (self-regulation) to stimulus, needs and sensitivities of the environment (customers, agents, distributors, suppliers), and actively contributing via direct response to the requests of the authorities (national and supranational), as well as through a consolidated position via the organisations of the sector (IATA, AEA, ERA) in which it participates.

TAP recognizes the benefits of promoting among the different legislative and regulatory instances an integrated, balanced and long-term vision for the Aviation sector, which maximises the results the sector can achieve for the well-being of peoples and leverage for the progress of countries.

Entities regulating Markets and Commercial Relations in the Commercial Civil Aviation Sector

Europe	National	International
<p>European Commission The European Commission, the primary executive institution of the EU, is empowered to propose legislation and ensures that EU policies are applied correctly.</p> 	<p>INAC – Instituto Nacional de Aviação Civil, I.P. Its mission involves the regulation and supervision of the civil aviation sector and of the activities developed in this sector (Ministry of Public Works, Transport and Telecommunications).</p> 	<p>ICAO – International Civil Aviation Organization This is a specialised institution of the United Nations, with the objective of promoting international cooperation in civil aviation.</p> 
<p>EASA – European Aviation Safety Agency Its mission consists in promoting the highest common rules on safety and environmental protection in the civil aviation sector.</p> 	<p>Competition Authority Its main mission is to ensure compliance with the competition defence legislation, encourage the adoption of practices promoting competition and contribute to the dissemination of a competition culture and policy (Ministry of Economics and Innovation).</p>	<p>Other National Civil Aviation Authorities (of the EU and of non-EU countries) Its mission, as is the case of the Portuguese aeronautical authority, consists in regulating and supervising the civil aviation sector.</p>
<p>ECAC – European Civil Aviation Conference An intergovernmental organisation the objective of which is to promote the sustained, safe and efficient development of the European air transport system. This entity functions in close coordination with ICAO and in active cooperation with other institutions of the European Union.</p> 		

Looking back at 2013

Relations between the European Union and non-eu states in the aero-political field

In the context of multilateral relations, the following developments occurred between the European Union and the States listed below:

- // State of Israel – Signing of a Comprehensive Air Transport Agreement, on 10 June;
- // Special Administrative Region of Macau of the Popular Republic of China – Signing of an Agreement on certain aspects of Air Transport, on 23 November;
- // Republic of Sri Lanka – Entrance into force of an Agreement on certain aspects of Air Transport, on 15 July.

Relations between Portugal and non-eu states in the aero-political field

In the context of bilateral relations, the following developments occurred between the Portuguese Republic and the States listed below:

- // Republic of Peru – Signing of an Agreement on Air Transport, on 26 February.

Legislation

Proposed Community Directive

Relative to:
Organised and Assisted Travel

Summary:
Aimed at achieving a high level of consumer protection, clarifying which travel service arrangements are protected by the European Union package on travel rules and replacing provisions that are unclear and outdated. Contains compulsory rules for protection of travellers that Member States or merchants cannot derogate in detriment of consumers.

Commission Regulation (EU) 245/2013, of 19 March

(amends Regulation (EC) 272/2009)

Relative to:
Screening of liquids, aerosol and gel at European Union airports

Summary:
The Commission worked in close collaboration with all the stakeholders up to July 2012, assessing the situation with respect to the screening of liquids, aerosol and gel at EU airports, compulsory as of 29 April 2013, and considered that this date should be replaced with a gradual suppression of the restrictions which assure the maintenance of a high level of security and convenience for passengers at all stages, as specified in the implementation measures.

Draft Review of the Guidelines for 2005 for State Aid to Airports and Aviation Companies

(Draft Review)

Relative to:
Specification of the conditions under which public funding can constitute State aid in observance of article 107(1) of the Treaty on the operation of the European Union, and the conditions under which this can be declared compatible with the internal market

Summary:
The new guidelines aim to assure good connections between regions and the mobility of European citizens, while minimising competition distortions in the single market.

Proposed Community Directive

Relative to:
Provisional suspension (with respect to flights to/from non-EU countries, both for Community and non-Community companies) of the application of the Directive which includes Aviation in the ETS (Emissions Trading System)

Summary:
In order to boost the work of the ICAO (providing time and enthusiasm) to establish an international agreement applicable to international aviation emissions, a single measure based on the global market (MBM).

Outlook for 2014

Relations between the European Union and non-eu states in the aero-political field

In the context of multilateral relations, the following developments are expected between the European Union and the States listed below:

- // Federative Republic of Brazil – Resuming of the negotiation process with a view to establishing a Global Air Transport Agreement;
- // Australia – Resuming of the negotiation process with a view to establishing a Global Air Transport Agreement;
- // New Zealand – Resuming of the negotiation process with a view to establishing a Global Air Transport Agreement;
- // Russian Federation – Resuming of the negotiation process with a view to the current application of the Political Commitment established on the modernisation of the system of use of the transiberian routes by Community carriers.

Relations between Portugal and non-eu states in the aero-political field

In the context of bilateral relations, the following developments are expected between the Portuguese Republic and the States listed below:

- // Republic of São Tomé e Príncipe – Signing of an Agreement on Air Transport;
- // United Arab Emirates – Signing of an Agreement on Air Transport;
- // Republic of Panama – Conclusion of an Agreement on Air Transport;
- // Republic of Equatorial Guinea – Conclusion of an Agreement on Air Transport;
- // Russian Federation – Resuming of the negotiation process with a view to the conclusion of an Air Transport Agreement;
- // Russian Federation – Resuming of the negotiation process with a view to the conclusion of the Agreement on Simplified Rules of Entrance, Permanence and Leaving for Aircraft Crew of Air Carriers of the Russian Federation and the Portuguese Republic.

Legislation

Directive 2002/30/EC of the European Parliament and Council

(Revision)

Relative to:
Establishment of rules and procedures for the introduction of noise-related operating restrictions at European Union airports

Summary:
Establishment of rules concerning the standardised introduction of noise related operating restrictions at each airport, in order to improve the noise climate and limit or reduce the number of people affected by the harmful effects of the noise emission of aircraft.

Draft Community Directive

(amends Directive 2003/87/EC)

Relative to:
Creation of a scheme for the trading of greenhouse gas emission licenses in the Community

Summary:
In view of the resolution which consists of a consolidated statement of ICAO policies and practices on matters of environmental protection (adopted in the 38th session of the Meeting of the International Civil Aviation Organisation), the mechanism based on the global market should be finalised at the next ICAO Meeting in 2016 and implemented by 2020 through an international agreement (which will then apply international aviation emissions to a single measure). In response to this progress and in order to promote even more possibilities in the successful establishment of the global MBM, alterations must be introduced to the aviation activities covered by the European Union emission trading scheme.

Review of the Guidelines for 2005 for State Aid to Airports and Aviation Companies

Relative to:
Specification of the conditions under which public funding can constitute State aid in observance of article 107(1) of the Treaty on the operation of the European Union, and the conditions under which this can be declared compatible with the internal market

Summary:
The new Guidelines are part of the Commission's Strategy to modernise State aid, which seeks to promote growth of the internal market, encouraging aid measures that are more effective and focused on the Commission's scrutiny in cases with greater impact on competition.

Regulation (EC) 261/2004 of the European Parliament and Council

(Revision)

Relative to:
Establishment of common rules on compensation and assistance to air passengers in the event of being denied boarding and cancellation or long delay of flights

Summary:
The rights of passengers in the event of disturbance to circulation or damage to/loss of baggage seem to be insufficiently protected and, on the other hand, the airlines face an additional financial weight and legal uncertainty when exceptional circumstances occur. The European Union will finally define the rights and obligations of all parties concerned.

SUPPLIERS

Investment in relations with Suppliers, so as to guarantee the applicability of the sustainability principles throughout the value chain, since TAP considers that the value of its services is, in part, determined by the quality of the Suppliers

Integration of sustainability with a view to offering responsible services and products to Customers

Business sustainability represents a strategic objective pursued by TAP, in an ongoing manner. In this context, progressive focus has been given to the procurement model adopted by the Company, which involves two specific phases, associated, on the one hand to selection and contracting, and on the other hand to the assessment of the policy on sustainability and social responsibility of suppliers and service providers.

In view of the growth and diversification of the markets in which TAP operates, the Company has chosen to maintain a balance between these two, always aimed at creating and stimulating best practices of green procurement in these markets, in order to uphold the quality of the service to internal and external customers. While not placing free competition in question, the Company wishes to foster a policy of long-lasting and sustained partnership with its suppliers and service providers based, however, on rigorous financial assessments and carefully selected sustainability factors.

Therefore, in order to establish and ensure the continuous assessment of all of the stipulated practices and principles, the suppliers have been selected through sampling, audited and monitored in person. TAP thus considers that it is fundamental to find a balance between the needs of all the stakeholders in the procurement process, since this balance is a factor of success for all participants in this process.

Risk assessment

In the supplier selection process, TAP uses a tool to assess risk exposure, auditing the quality and financial performance, as well as compliance with Community legislation or legislation of the country of origin.

Procurement policy

The procurement policy for the Logistics area involves the participation of national suppliers, based on identical price/quality criteria, to stimulate and contribute to the progress of the Portuguese economy.

The integration of sustainability in Cateringpor

Likewise, at Cateringpor, the principles of sustainability are a concern to the company, which maintains demanding and stimulating relations with its suppliers, driven by the need to assure the specific high quality and environmental standards of this activity and which are reflected in various aspects:

- // Strict Procurement Conditions;
- // Conclusion of Quality Agreements for the different types of services and products, including chemical and allergens;
- // Requirement of Halal Guarantee Certificates and Charters, for Islamic meals;
- // Audits to the facilities of suppliers for verification of hygiene, manufacturing and traceability conditions;
- // Specifically concerning chemical products, action in conformity with the EU REACH regulation, requiring technical and safety files and records.



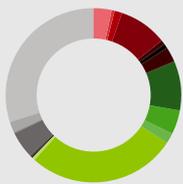
Characterisation of Suppliers

Profile of the base of Suppliers in 2013 TAP Group (except TAP-Maintenance and Engineering Brazil)

Total Suppliers

6 934

Distribution among National and Foreign markets

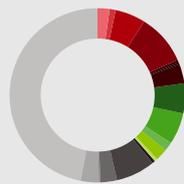


● 3.5% Germany	● 2.0% Netherlands
● 0.5% Angola	● 27.6% Italy
● 1.4% Belgium	● 0.4% Mozambique
● 8.9% Brazil	● 0.3% Norway
● 0.8% Cape Verde	● 0.4% Others
● 0.9% Denmark	● 4.9% United Kingdom
● 2.8% Spain	● 0.2% Singapore
● 9.1% United States	● 1.9% Switzerland
● 4.4% France	● 30.0% Portugal

Total invoices recorded

2 295 EUR million

With 47% distributed in the National market



● 2.3% Germany	● 1.6% Netherlands
● 1.3% Angola	● 2.2% Italy
● 5.5% Belgium	● 0.7% Mozambique
● 9.4% Brazil	● 0.6% Norway
● 0.5% Cape Verde	● 7.2% Others
● 0.4% Denmark	● 2.9% United Kingdom
● 3.6% Spain	● 0.3% Singapore
● 5.4% United States	● 3.5% Switzerland
● 5.9% France	● 46.7% Portugal

At TAP, as a Group of companies working in the sphere of air transport services, the acquisition of products and services includes a broad range, which reached a total of 2,295 million euros from 6,934 suppliers in 2013

It should also be noted that, as an aviation catering market leader, and since Cateringpor is one of the most important companies of the catering activity, this company has contributed to the development of the economy, upstream, by having managed to increase, on an annual basis, its coverage of needs with national products, which reached 94% in 2013.

Sustainability in Maintenance and Engineering

The integration of sustainability in the different supply chains is easier in some areas than others, depending on aspects such as the product in question, the reduced number, in some cases, of suppliers and manufacturers component and aircraft.

It is worth noting, in this context, the policy followed by TAP-Maintenance and Engineering:

// *General questionnaire sent to suppliers* – This survey invites suppliers to provide information on different legal and technical aspects, and also related to their sustainability policy, namely compliance with the EU REACH regulations on chemical products;

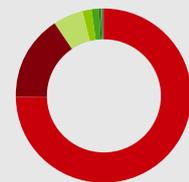
// *Application of the EU REACH regulation* – Being covered by this regulations, TAP tries to get supplies from suppliers that have already recorded the substances that comprise the products to be procured, thus benefiting from the authorisations previously granted to these suppliers (manufacturers or formulators), positioned as downstream users in the distribution chain;

// *Location of materials* – When negotiating with suppliers, the Business Unit tries to ensure that the materials to be supplied are located as near as possible to the logistics centre of TAP-Maintenance and Engineering in Lisbon, thus reducing distances, mileage travelled, and consequently CO₂ emissions;

// *TAP's environmental concerns with respect to its chain of suppliers* – In this context, the Company's concerns are linked to the assurance that all the acquired products are received with their respective Safety Data Files, containing the environmental information of the products in question.

Adjudications per purchase areas TAP Serviços

Includes TAP, S.A. (except TAP-Maintenance and Engineering); Megasis; Portugalgia; Groundforce



● 74.87% Jet Fuel
● 15.77% Handling
● 5.60% Catering
● 1.55% Hotels
● 1.40% In-flight
● 0.42% Irreg. (Hotels+PVA)
● 0.16% Uniforms
● 0.11% Media
● 0.07% Stationery
● 0.04% Computers
● 0.01% Furniture

ECONOMIC PERSPECTIVE

IMPORTANCE OF AIR TRANSPORT FOR ECONOMIC DEVELOPMENT

Vision

Pursue a sustainable strategy, aimed at the creation of value, also taking into account the dimension of its contribution to the Country's economic development via its prominent positioning as a national exporter.

The hub strategy implemented at the Lisbon Airport, as an important centre of connection between Europe, Brazil and Africa, has enabled the generation of economies of scale vital for the continued growth of the number of carried passengers.

The combination of connecting and point-to-point traffic underlying the hub concept has enabled the promotion, within the development of the operation, of the increased utilization of aircraft, ensuring the feasibility of the operation to new destinations and increased frequencies to airports already under operation. Consequently, there has been a sustained increase in traffic, accompanied by a growing volume of transit passengers.

In this way, TAP has strengthened, with increasing visibility, the activity of promoting Portugal in the world:

- // Increased number of destinations served by TAP from the Lisbon hub;
- // Increased number of flights;
- // Contribution to the affirmation of the Portuguese language;
- // Promotion of national products;
- // Contribution to the volume of national exports.



Given the particular exposure to a highly uncertain European context, related to the sovereign debt crisis in the Eurozone, remarkably accentuated in the domestic market, where the combined effects of the restatement of a high public deficit and increasing public and private debts led to the implementation of measures with unavoidable contractionary effects, and with the Company also facing rising price levels of aircraft fuel, TAP has pursued a sustainable strategy, seeking and exploring new business opportunities.

In this sense, the implementation of a Network growth policy and the consolidation of the current markets, as well as the continued efforts to reduce costs with a view to ensuring greater efficiency in the utilisation of existing resources are measures that already show visible results, particularly at the company TAP, S.A..

COMMITMENT

In line with its sustainable development policy, TAP is guided by the following principles:

- // Contribute to the creation of value for the economy and Portuguese society;
- // Provide Customers with a quality product through the best and easiest solutions for their travel and for the transport of goods;
- // Promote interconnectivity within the Portuguese speaking world.

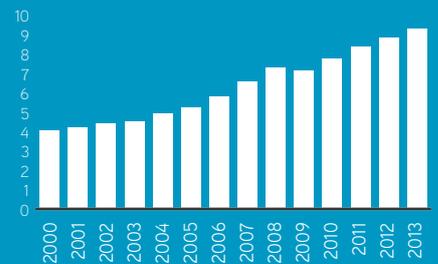


Strengthening economic competitiveness driven by connectivity between cities and markets

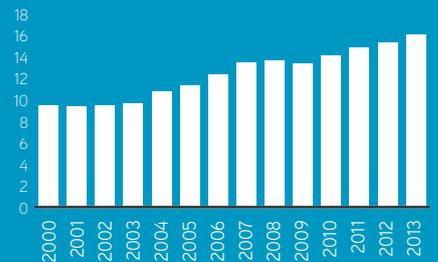
Air transport is a factor inducing a diversified spectrum of activities that contribute significantly to the growth of GDP. However, the value generated exceeds this aspect, with the main benefits accruing to its Customers – passengers and customers of the air transport of cargo.

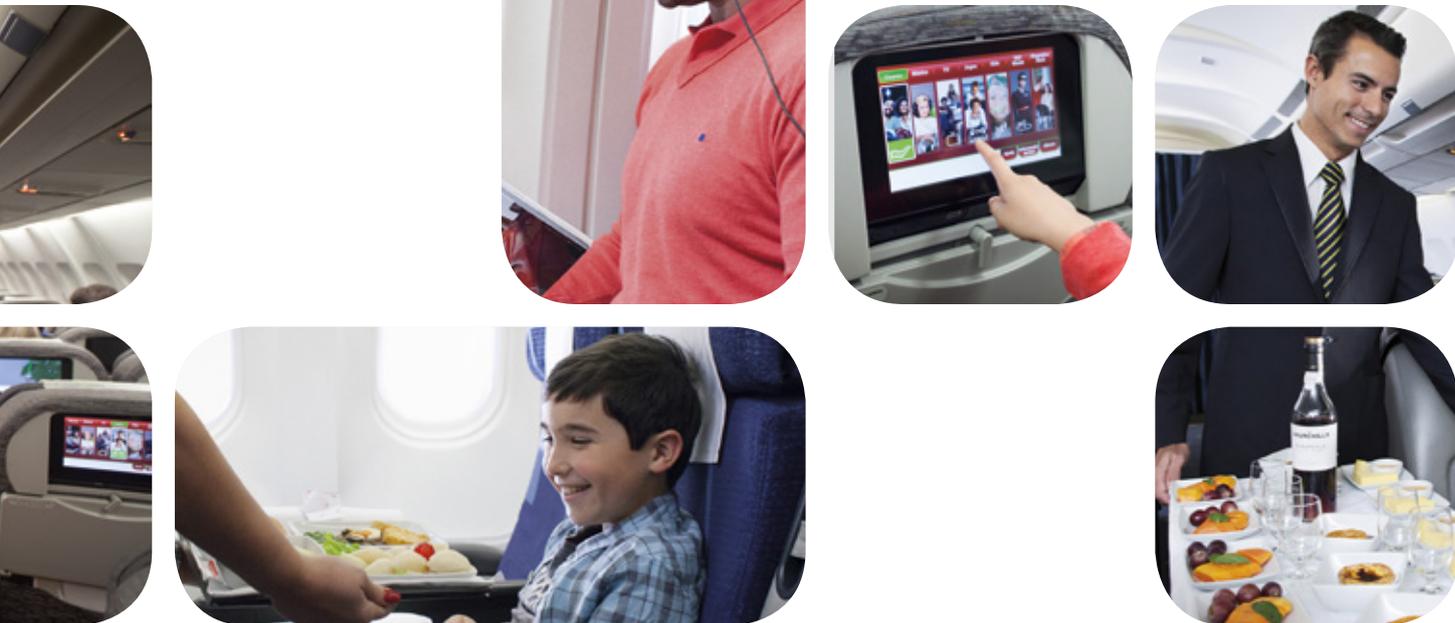
The connections created between cities and markets represent an important asset that generates benefits, facilitating direct foreign investment, business and specialisation clusters, namely in the tourism sector, amongst other chain reaction impacts on the productive capacity of the Portuguese economy.

TAP Total
Passengers carried – Lisbon hub



Total Volume
Passengers carried – Lisbon Airport





Improve the company's activity level

// **10 702 903** Passengers transported, an increase of 5.1% compare with 2012, representing 516,537 more passengers transported.

Assure diversity of destinations and frequencies to TAP customers

// **102** destinations served from Portugal, maintaining the number of 2012;

// **106 994** flights, a 1.2% increase;

// Access to **198** cities: 104 located in Europe (10 in Portugal), 65 in the Americas, 21 in Africa and 8 in the Middle East/Asia.

Promote passenger loyalty through distinctive service

// **1 400 000** members of the Victoria Programme, a 7.1% increase over 2012, corresponding to 93 thousand more members;

// Increased TAP Passenger Satisfaction – Overall (+2.1%).

Assure improved handling service level in terms of baggage delivery

// Reduction in the percentage of baggage left behind or damaged – at the Lisbon hub (-13.8%) and in the Network (-11.5%).

Increase productivity

// Increased ratio of Operating Revenue and Gains per job at TAP, S.A. (+2%).

Sales and Services Rendered
EUR million



TAP, S.A., has continued, the application of an innovation policy, monitoring the technology trends that are able to change business models

The results achieved by TAP, S.A. show a considerable evolution, and reflect the strong ability of the Company to respond with flexibility, within the range of services and in terms of efficiency, to the multiple challenges continually faced, with a positive performance relative to the generation of value being registered. In terms of the Group's consolidated net income, the results close to equilibrium are also indicative of a positive evolution.

Therefore, in 2013, the development of a series of initiatives developed within the Group continued, which, intervening in the area of sustainability, have progressively shown their impact. Particular note should be made of the significant weight of the exports of services in the Company's total sales and services, of approximately 89%, that is, 4.2 p.p. more than in 2012, enabling the strengthening of the positioning of its contribution to total national exports. On the other hand, through the architecture of the network and its extension with the launch of new destinations, TAP has enhanced the capacity to attract tourism to Portugal, coordinating air transport policies with Tourism objectives, and strengthening the strategic importance of the Lisbon hub. It is worth noting that Tourism, as one of the sectors showing significant growth worldwide, is currently of particular importance for the economic structure of Portugal, either through the expressive volume of jobs created, or through the multiplying effects induced in different areas of the national economic activities.

TAP, S.A., has continued, with enhanced intensity, the application of an innovation policy, with the development of a modernisation and simplification strategy, monitoring the technology trends that are able to change business models. With the purpose of reducing complexity throughout the service chain and improve convenience for passengers, the Company has adopted a series of measures to set itself apart, meeting the efficiency goals continually pursued. Regarding product quality indicators, the recorded performance, although not meeting the proposed objectives in some indicators, has shown a very positive general evolution.

To summarise, the established objectives were practically achieved, or even exceeded, in relation to the following indicators: increased activity level of the Company (number of carried passengers); number of destinations served directly by the Company; number of complaints per carried passenger; assessment of overall passenger satisfaction; costs due to lost or damaged cargo relative to total revenue; number of connections to the different geographical areas (Portuguese speaking world) and average time of payment to suppliers. The objectives relative to the following indicators were not achieved: increased productivity (ASK (000)/employee); number of jobs created (net) at TAP, S.A.; number of services rendered; flight punctuality index; percentage of baggage left behind or damaged; index of satisfaction for ground services and number of Victoria Programme members.

Indicators Representing the Company's objectives from an Economic Perspective

Objectives	Key Figures	Scope	2011	2012	2013	Variation 2012/2011	Variation 2013/2012
Increase its contribution to national GVA	GVA ⁽¹⁾ (EUR thousand)	TAP Group	635,580	703,602	793,162	10.7%	12.7%
Achieve positive net results in a sustainable manner	Net Income ⁽⁹⁾ (EUR million)	TAP Group	-76.8	-25.5	-5.9	51.32 ^(*)	19.62 ^(*)
		TAP, S.A.	3.1	23.8	34.0	20.66 ^(*)	10.23 ^(*)
Improve the company's activity level	Number of carried passengers ⁽⁴⁾ (Passengers million)	TAP, S.A.	9.8	10.2	10.7	4.5%	5.1%
Promote the export of services	Value of the services rendered abroad (Sales and Services Rendered) ⁽⁹⁾ (EUR billion)	TAP Group	2.1	2.2	2.4	7.5%	7.0%
	Percentage of service exports (Sales and Services Rendered Abroad) in Total TAP Sales and Services Rendered ⁽⁹⁾	TAP Group	84.6%	84.7%	89.0%	0.1 p.p.	4.2 p.p.
	Exports-Imports ⁽⁹⁾ (EUR million)	TAP Group	949	942	1,183	-0.7%	25.5%

^(*) Absolute value

Objectives	Key Figures	Scope	2011	2012	2013	Variation 2012/2011	Variation 2013/2012	
Increase productivity	Operating Revenues and Gains/employee ⁽¹⁴⁾ (EUR thousand)	TAP Group	195.6	215.7	215.6	10.3%	-0.04%	
		TAP, S.A.	324.2	353.3	360.3	9.0%	2.0%	
	ASK (000)/employee ⁽⁹⁾ (Air Transport Business Unit)	TAP, S.A. (Air Transport Business Unit)	7.449	7.848	7.813	5.4%	-0.4%	
Increase the Company's sustainability	Shareholders' Equity ⁽⁹⁾ (EUR thousand)	TAP, S.A.	55,549	76,058	113,991	36.9%	49.9%	
		TAP Group	-343,245	-380,805	-373,312	10.9%	-2.0%	
	Remunerated net debt ⁽⁹⁾ (EUR thousand)	TAP Group	1,063,553	948,711	780,032	-10.8%	-17.8%	
Create employment	Number of jobs created ⁽⁵⁾ (net)	TAP, S.A.	-121	-97	52	-	-	
		TAP Group	-718	111	350	-	-	
Foster innovation	Investment in Innovation ^{(1) (2)} (EUR thousand)	TAP, S.A.	10,044.7	6,097.6	7,343.1	-39.3%	20.4%	
Assure diversity of destinations and frequencies to TAP Customers	Number of destinations served directly by TAP ⁽⁴⁾ :	PORTO	18	18	18	0.0%	0.0%	
		FARO	1	1	1	0.0%	0.0%	
		LISBON	74	77	77	4.1%	0.0%	
		MADEIRA and the AZORES	4	6	6	50.0%	0.0%	
		Number of code-sharing destinations offered ⁽⁹⁾	TAP, S.A.	195	150	123	-23.1%	-18.0%
	Number of Services ⁽⁴⁾ (flights)	TAP, S.A.	102,328	105,733	106,994	3.3%	1.2%	
	Improve the punctuality index of TAP flights	Flight punctuality index ⁽⁴⁾	HUB	73%	69%	72%	-4.0 p.p.	2.7 p.p.
NETWORK			76%	71%	74%	-5.0 p.p.	2.7 p.p.	
TAP, S.A.								
Assure improved handling service level in terms of baggage delivery	Percentage of baggage left behind or damaged ⁽⁷⁾ (by 1,000 Passengers)	HUB	24.2	18.1	15.6	-25.2%	-13.8%	
		NETWORK	14.5	11.3	10.0	-22.1%	-11.5%	
		TAP, S.A.						
Guarantee improved Passenger Customer satisfaction	Number of complaints per carried passenger ⁽¹⁰⁾	TAP, S.A.	0.0028	0.0029	0.0026	4.9%	-11.4%	
Promote passenger loyalty through distinctive service	Evaluation of TAP passenger satisfaction (Overall) ⁽¹²⁾ Classification: 1 (very unsatisfied) to 10 (very satisfied)	TAP, S.A.	7.70	7.79	7.95	-	-	
		TAP passenger satisfaction index (Ground service) ⁽⁸⁾ (number of replies - satisfactory Ground service in total replies obtained)	TAP, S.A.	64.0%	64.4%	64.3%	0.4 p.p.	-0.1 p.p.
		Number of Victoria Programme members ⁽⁶⁾	TAP, S.A.	1,282,651	1,307,000	1,400,000	1.9%	7.1%
Guarantee an effective service level for Cargo and Mail transport	Cargo and Mail Revenue ⁽³⁾ (EUR million)	TAP, S.A.	130.235	126.895	115.348	-2.6%	-9.1%	
		Costs due to lost or damaged cargo relative to total revenue ⁽³⁾	TAP, S.A.	0.07%	0.24%	0.07%	0.17 p.p.	-0.18 p.p.
Provide connections within the Portuguese speaking world	Number of connections with Africa ⁽⁴⁾ (average number of flights per week)	TAP, S.A.	29	30	30	3.4%	0.0%	
		Number of connections with South America (Brazil) ⁽⁴⁾ (average number of flights per week)	TAP, S.A.	67	68	67	1.5%	-1.5%
Ensure convergence of the Average Time of Payment with the invoice due dates	Average Time of Payment (ATP) to Suppliers ⁽¹³⁾ (number of days)	TAP Group	35 ^(***)	25 ^(**)	25 ^(**)	-28.6%	0.0%	
		TAP, S.A.	33	24	24	-27.3%	0.0%	

^(*) Absolute value

^(**) TAP Group except TAP-Maintenance and Engineering Brazil, LFP, Cateringpor e SPdH

^(***) TAP Group except TAP-Maintenance and Engineering Brazil, LFP e Cateringpor

Means of verification

⁽¹⁾ Information supplied to GPEARI (IPCTN07)

⁽²⁾ Internal document

⁽³⁾ Budget Control

⁽⁴⁾ Traffic and Operations Statistics

⁽⁵⁾ Intranet

⁽⁶⁾ Victoria Programme

⁽⁷⁾ Departure Punctuality and IRR Bag

⁽⁸⁾ Passenger survey

⁽⁹⁾ Annual Report

⁽¹⁰⁾ Talk to Us Report

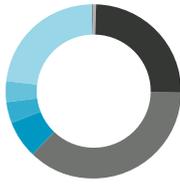
⁽¹¹⁾ Sustainability Report

⁽¹²⁾ Summary of the Customer Satisfaction Study

⁽¹³⁾ Central Data Processing System

⁽¹⁴⁾ Management Report

Tickets Sales
by Geographic Area



- 24.8% Portugal
- 37.0% Europe
- 6.9% Africa
- 3.8% North Atlantic
- 3.9% Mid Atlantic
- 23% South Atlantic
- 0.1% Rest of the World
- 0.5% Other

ACTIVITY

With a view to promoting Customer loyalty, the Company operates a structured network complemented by extensive interconnection with a global network, through its participation in the largest global alliance of airline companies, STAR Alliance, as well as good coordination with other partner companies.

Together with its partners, in 2013, TAP:

// Offered its Passengers and Cargo Customers access to 198 cities, 77 with TAP operation, of which 104 are located in Europe, 10 in Portugal, 65 in the Americas, 21 in Africa, and 8 in the Middle East/Asia;

// Transported 10.7 million Passengers and 82.4 thousand tons of cargo and mail.

It is also important to note the Company's positioning in the operation to the South Atlantic, both in terms of the number of passengers transported and number of destinations – involving a total of 10 gateways in Brazil: Fortaleza, Natal, Recife and Salvador in the North-East; Brasília and Belo Horizonte in the Centre; and Rio de Janeiro, São Paulo, Campinas and Porto Alegre in the South. The Company was thus able to meet the increased demand, reaffirming its position as the leading European carrier in this important South American market, which already represents close to 40% of the Company's activity (RPK).

Complementing the above, TAP provided Maintenance and Engineering services, where the following activity should be highlighted:

// The scale of the Customer base: over 50 Customers worldwide, of which approximately 70% are airline companies, always ensuring compliance with commitments, namely with respect to the maintenance of the high standards of security inherent to the aeronautical industry, and protection of the environment;

// The offer of services to third party customers involves an extensive geographical zone, covering the markets of the Americas, Africa, the Middle East and Europe, with this last region being the most significant, corresponding to approximately 60.2% of the revenue gained;

// TAP-Maintenance and Engineering is the supplier of all the support services for the maintenance of TAP's fleet. Its long-standing experience constitutes a competitive advantage in its approach to third party customers, a segment which has become an important part of its activity, currently corresponding to around 30% of the hours worked;

// A *Care² Customer* campaign was started in 2013, under the motto of *Care² Quality*, which seeks to tighten customer relations and their duration in the long term. The initiatives launched under this campaign will start in 2014, with the first results being expected at the end of the year;

// Concerning work for third party customers, during 2013 it was not possible to achieve the objectives defined at the beginning of the year, a strong increase of work for the TAP fleet. In fact, the growth strategy of the Air Transport Business Unit, forcing a more intensive use of its fleet, imposed additional constraints on the activity of Maintenance for Third Parties.

A modern fleet is used in air transport, composed of 55 aircraft for medium and long-haul operations. With the acquisition of Portugália in 2007, TAP now has an additional availability of 16 airplanes destined for the operation of regional routes.

Also noteworthy is the Company's important contribution to the country's sustained growth, in performing a fundamental role in the effort to integrate Portugal in the global economy, through the significant economic impact arising from the development of its direct activities, as well as via the catalytic effect on other productive sectors.

On this issue, it should be noted that by the end of 2013:

// The Group's turnover increased by 2% (50.8 million euros more than in 2012);

// The revenue generated in external markets in 2013 recorded a new increase of 155.6 million euros (+7%), reaching 2,374.3 million euros. This value confers the TAP Group the distinction of the national company with the greatest penetration in the external market. This position records a sustained growth since 2000, due to the consolidation of the Company's hub strategy consistently implemented over the past few years;

// In 2013, within TAP Group, the value invested in tangible fixed assets reached 18 million euros. This value essentially reflects the investments in the acquisition of spare parts and engine equipment for the aircraft fleets, as well as the acquisition of tools and utensils, and maintenance, catering, transport and administrative equipment, particularly in this case, the investment in data processing equipment;

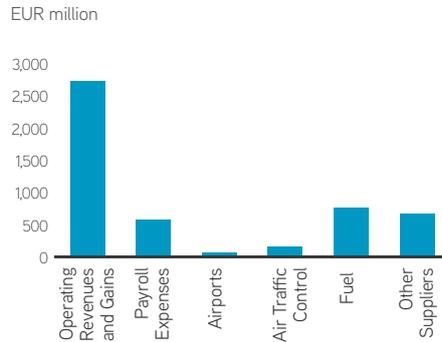
// Total values paid to the State, including taxes, stood at 265 million euros;

// Payments to Suppliers, of a total of 1,484 million euros, decreased by 4.6%, corresponding to 71 million euros less than in 2012.

It is worth noting that in the presence of an adverse European macroeconomic scenario, particularly severe in Portugal in the wake of the financial readjustment and rehabilitation process underway in the country, the Company pursued its sustainability strategy, assuring consistent focus on unit costs and promoting the continuous growth of awareness-raising. The effort developed along these lines led to the value of Costs, excluding Human Resources and Fuel, as a percentage of Revenue, having continued on its downward trend at TAP, S.A., reaching the value of 40.02%, compared with the 40.62% for the previous year.

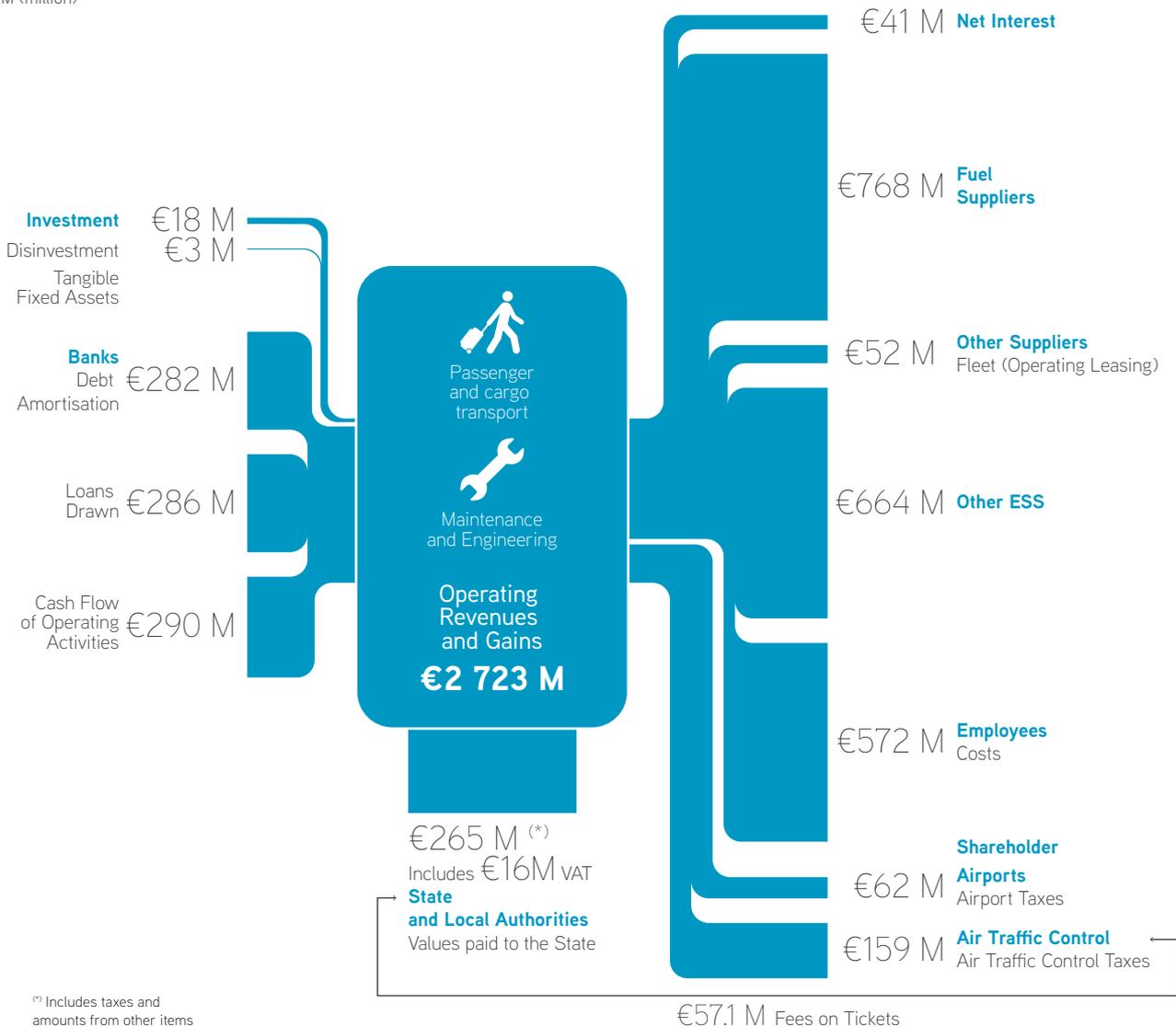
CREATION OF VALUE FOR STAKEHOLDERS

TAP Group, in the course of its activities, has directed its management initiatives to a progressive streamlining of operating activity costs, sales, support and logistics, automating and simplifying, through greater integration of information systems in business processes, and thus achieving significant increases in efficiency.



The consequent economic results have benefited various groups of Stakeholders which contribute to the value chain of the services rendered by TAP Group

Distribution of the Operating Revenue and Gains Created in 2013 to Stakeholders of TAP Group
M (million)



^(*) Includes taxes and amounts from other items

Furthermore, it should also be noted that in addition to the price paid for the ticket, Customers (passengers and cargo customers) also pay a number of taxes collected by the airline companies on behalf of the State, security agencies or airports.

In 2013, the overall value of these taxes reached 57.1 million euros, for the financing of government

agencies related to the regulation and supervision of air transport, including costs related to security measures and airport development, amongst others. There are also other taxes, such as the solidarity fee in France, aimed at contributing to overall solidarity and development.

SOCIAL PERSPECTIVE

RESPECT FOR HUMAN VALUE

Vision

Developing a proactive performance to generate economic and social value, identified with principles of transparency and commitment to society, providing professional development and work conditions compatible with legitimate labour expectations and market demands, and promoting social initiatives.

In the strongly competitive environment wherein it performs, TAP remains committed to the progression of its people, promoting a culture of sharing, while at the same time intensifying Community actions, in an attitude that encourages social cohesion.

Supporting 58 million jobs worldwide, the activities of the Air Transport Industry today faces multiple challenges. The progressive uncertainty of the macroeconomic context, the strong volatility and constant rise in fuel prices, in addition to an increasingly competitive environment demand quick responses, to which the solid and growing preparedness of the Human Resources team contribute.

The Industry thus requires growing levels of technical capability and an appropriate attitude, decisive requisites to meet the competitiveness and quality levels needed for business development and sustainability.

Hence, TAP's investments lean towards the development of its Employees to enable the creation of value, and are reflected in the improvement of the work conditions provided, fostering and supporting the compatibility of professional and personal life, and promoting and motivating a winning attitude.

Note should also be made, in the same context, of the application of a set of values in the human rights (**Principles 1 and 2** of the UN Global Compact) and labour standards (**Principles 3 to 6** of the UN Global Compact), fundamental vectors of the corporate personality that TAP supports and defends in its sphere of action and influence.



With its subscription, in 2004, to the principles of the United Nations Global Compact, TAP has seen and experienced the concerns related to human rights and labour practices, and has included them in its values.

UN Global Compact

Human Rights

- // **Principle 1** – Companies should support and respect the protection of the internationally recognised human rights;
- // **Principle 2** – Make sure they are not accomplices in human rights abuses.

Labour Practices

- // **Principle 3** – Companies should uphold the freedom of association and the effective recognition of the right to collective negotiation;
- // **Principle 4** – Elimination of all forms of forced or compulsory labour;
- // **Principle 5** – Effective eradication of child labour;
- // **Principle 6** – Elimination of discrimination in employment and occupation.

COMMITMENT

TAP is committed to a responsible and engaged management, providing professional development and work quality to the Company's Employees being identified with principles of transparency, and with the intention to assume an important role in promoting changes in society and, in this way, contribute towards greater social development and cohesion.

Policy aimed at assuring compliance with its social responsibility

In line with its sustainable development policy, TAP is guided by the following principles:

- // Providing professional development and employability conditions to its Employees;
- // Maintaining relations with Employees and respective representative organisations, based on ethical principles and mutual respect;
- // Promoting balance between family and professional life;
- // Adopting transparent principles in the Company's management and its relations with society;
- // Respecting the fundamental principles of Human Rights and Labour Practices of the UN Global Compact.



Promoting an attitude of differentiation, innovation and proximity

TAP has seen its effort recognised through the awards attributed to its safety video, which continued the work developed in the area of differentiation, attitude of innovation and proximity.



This video represents an essential item of in-flight communication, where TAP presents the passengers playing the key roles, reaffirming their positioning:

**There is only one way to travel.
TAP Portugal. With Arms Wide Open**

TAP Safety Video

Gold Award, attributed in the context of the *Meios&Publicidade* awards



Best In-flight Video

Passenger Choice Awards, attributed in the context of APEX

The video can be seen on the Company's Youtube channel, at the link:

http://www.youtube.com/watch?v=Ho7IMctxnnl&list=TLWdC5_JfXbPQE

Creativity and Innovation in Training

Distinction attributed, by *Forma-te*, the largest community of trainers and teachers in Portugal, concerning education/training technologies used for learning purposes, for the development of the *+Vale Prevenir* training programme, in partnership with the TAP Group companies, Megasis and UCS.



Dinamismo



Consolidation of the commitment to sustainable development, where the Company assumes social concerns with the Community

TAP's commitment to the Community is based on its active role in the Community, seeking to respond to its real needs.

Aware that attention to the other begins within the organisation and extends outwards, social responsibility has been assumed as an integral part of the Company's strategy and culture, with continued intensification in 2013 of the social solidarity actions, projects and programmes directed at different groups.

Set goals were met for most indicators

In 2013, most indicators of the matrix of commitments recorded a positive evolution in relation to previous years. The proposed objectives were met, in particular for the indicators related to the commitment to promote the professional development of Employees and quality at work, with the exception of the number of training hours carried out by Company Employees and the absenteeism rate. The defined objectives for the commitment to ensure the safety of operations, finance, people and assets, and the commitment of transparency in the Company's management and in relations with society were also met.

Concerning the indicators associated to the promotion of social initiatives, note should be made, in particular, of the Realisation of Traineeships at the Company and the *TAP Victoria for a better world* programme, whose objectives were significantly surpassed, although it was not possible to fulfil the objective of Encouragement of Voluntary Efforts (blood donation).

Indicators Representing the Company's Objectives from a Social Perspective

Objectives	Indicators	Scope	2011	2012	2013	Variation 2012/2011	Variation 2013/2012
Promote the continuous training of Employees and improve their qualification levels	Number of hours of training carried out by Company Employees ⁽²⁾	TAP, S.A.	297,564	324,026	284,876	8.9%	-12.1%
		TAP Group except TAP-Maintenance and Engineering Brazil)	800,250	770,234	777,068	-3.8%	0.9%
	Number of participations in training actions over the total number of Employees ⁽²⁾	TAP, S.A.	2.58	3.06	3.29	18.5%	7.7%
Promote involvement with the Company	Number of hours of training per Employee ⁽²⁾	TAP, S.A.	42.45	46.99	41.40	10.7%	-11.9%
	Rate of Absenteeism ⁽³⁾	TAP, S.A.	9.24%	9.48%	9.76%	0.2 p.p.	0.3 p.p.
	Absenteeism related to pregnancy		3.06%	3.83%	3.89%	0.8 p.p.	0.1 p.p.
Provide services and support of a social and cultural nature to Employees that contribute to improving their working conditions and facilitate the reconciliation of professional and personal life	Remaining Absenteeism		6.18%	5.65%	5.87%	-0.5 p.p.	0.2 p.p.
	Percentage of Gym users who are Company Employees ⁽⁴⁾	TAP Group	87.5%	82.7%	86.0%	-4.8 p.p.	3.3 p.p.
	Number of children using the nursery ⁽⁴⁾	TAP Group	326	335	358	2.8%	6.9%
Promote and support initiatives of a social character	Number of beneficiaries of the Group's Health-care Insurance ⁽⁴⁾	TAP Group	20,263	20,872	21,334	3.0%	2.2%
	Realisation of Traineeships at the Company ⁽²⁾	TAP, S.A.	88	93	110	5.7%	18.3%
		TAP Group except TAP-Maintenance and Engineering Brazil)	151	134	180	-11.3%	34.3%
	Portugal no Coração programme ⁽²⁾ (number of beneficiary Portuguese emigrants)	TAP, S.A.	39	15	14	-61.5%	-6.7%
	TAP Victoria for a better world ⁽²⁾ (number of miles donated)	TAP, S.A.	3,652,505	2,250,000	16,500,000	-38.4%	633.3%
Contribute to ensuring the safety of operations, finance, people and assets	Encouragement of Voluntary Efforts ⁽⁵⁾ – Blood Donation (Blood donated (ml))	TAP Group	93,500	74,000	65,000	-20.9%	-12.2%
	Number of services covered by the Risk System ⁽¹⁾	TAP Group (Operational Areas)	40	63	82	57.5%	30.2%
Comply with the Code of Ethics	Number of acquisitions through tender over the total number of acquisitions ⁽³⁾	TAP Group	As a rule, all acquisitions follow market consultation or under a contract which was signed following market consultation			-	-
	Number of persons admitted through open tender over the total number of persons admitted ⁽³⁾		100%	100%	100%	0.0 p.p.	0.0 p.p.
	Number of audits carried out to Tenders/Contracts ⁽⁶⁾		364	409	435	12.4%	6.4%
Assure the reliability of the information on the Company's activity and its communication to the stakeholders and community	Annual Report, Sustainability Report and Corporate Governance Report available on TAP's Website	TAP Group	Aug-2012	Jul-2013	Jul-2014	-	-

Means of verification

⁽¹⁾ Minutes of the Working Group Meetings on the implementation of the IT System

⁽²⁾ Various Internal Reports

⁽³⁾ Internal Documents

⁽⁴⁾ Various Internal and Information Reports for Management purposes, regularly disclosed to the Business Units and TAP Group companies

⁽⁵⁾ Information on the Blood Donor Group

⁽⁶⁾ Audit Activity Report

IN-HOUSE SOCIAL RESPONSIBILITY

EMPLOYEES

The Company's effectiveness in the management of its human capital is considered a determinant factor for its success. In a context of ongoing and challenging changes in economic and social circumstances, TAP believes that it can continue to set itself apart by the attitude of its Employees, seeking to permanently provide them with appropriate integration in the organisation and conditions that enable them to perform their duties in the best possible way.

In this sense, TAP has sought to meet the interests and needs of its Employees, in terms of personal and professional development.

Valorisation of human capital

12 856
TAP Group Staff

On December 31, 2013

6 889
TAP, S.A.

8% of the Employees distributed among the markets where the Company operates – Europe, Africa and America

Profile of TAP Group Employees (except TAP-Maintenance and Engineering Brazil)

Employees by Gender



● 41% Female
● 59% Male

Employees by contract of type



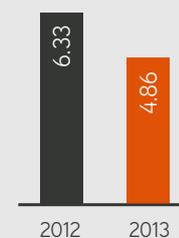
● 91.5% Permanent contract
● 8.2% Fixed-term contract
● 0.3% Variable-term contract

Employees by function



● 67.8% Ground Staff
● 23.1% Cabin Crew
● 9.1% Flight Deck Crew

Rate of Employee Turnover



Type of contract and function

Abroad	TAP	Portugália	Groundforce	Cateringpor	Lojas Francas	Megasis	UCS
Ground Staff	529						
Permanent contract	502	-	-	-	-	-	-
Fixed-term contract	27	-	-	-	-	-	-
Variable-term contract	-	-	-	-	-	-	-
Portugal	TAP	Portugália	Groundforce	Cateringpor	Lojas Francas	Megasis	UCS
Ground Staff	3,229	189	2,262	493	416	173	89
Permanent contract	3,056	158	2,000	357	300	173	87
Fixed-term contract	160	31	262	136	95	-	1
Variable-term contract	13	-	-	-	21	-	1
Cabin Crew	2,299	213					
Permanent contract	2,147	201	-	-	-	-	-
Fixed-term contract	152	12	-	-	-	-	-
Flight Deck Crew	832	155					
Permanent contract	832	143	-	-	-	-	-
Fixed-term contract	-	12	-	-	-	-	-
TOTAL	6,889	557	2,262	493	416	173	89

Seniority and average age by function

Portugal	TAP	Portugália	Groundforce	Cateringpor	Lojas Francas	Megasis	UCS
Ground Staff	3,229	189	2,262	493	416	173	89
Seniority	15	10	13	10	8	13	14
Age	40	40	39	42	37	41	44
Cabin Crew	2,299	213					
Seniority	14	13	-	-	-	-	-
Age	38	35	-	-	-	-	-
Flight Deck Crew	832	155					
Seniority	12	10	-	-	-	-	-
Age	41	42	-	-	-	-	-
TOTAL	6,360	557	2,262	493	416	173	89



Employment creation

Regarding its contribution to employment creation, the TAP Group recorded an increase of 350 jobs, with 52 having been created at TAP, S.A.

HUMAN CAPITAL MANAGEMENT – LABOUR PRACTICES

Differentiation through attitude



TAP was nominated for the HUMAN RESOURCES PORTUGAL awards under the categories of best company to work for and enabling greatest balance between professional and personal/family life.

Creating value through people

Under its strategic vision, in undertaking to be the Best Company to Work For, TAP seeks to enhance the impact of the activity of all its Employees and, in this way, base its sustainable development on a model of participatory management and social recognition, through their improved performance and greater contribution towards competitiveness and results.

Human Resources Organisation Model

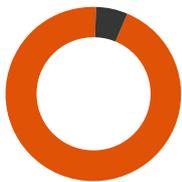
- // The transactional area – integrating Staff Administration and Remunerations, Travel Office and HR Management Information, has been progressively equipped with additional automation, providing faster responses, improving the quality of the services rendered at a more competitive cost.
- // The transformational area – integrating Talent Management aims to *Identify, Develop, Train and Support people in order to create value for the business and boost the balance between personal and professional life*. This area thus plays the role of creating commitment, competence and contribution for the Organisation, while simultaneously enhancing the personal and professional valorisation of those who work here.
- // HR Business Partners – operating as an area of direct intervention of the HR directors of the different Business Units of the Company.

Number of Training Actions



- 2,932 – TAP, S.A.
- 41 – UCS
- 14 – Megasis
- 1,846 – Groundforce
- 163 – LFP
- 294 – PGA
- 70 – Cateringpor

Type of Training TAP, S.A.



- 6% e-learning
- 94% Physical attendance

The promotion of individual valorisation

The Company considers the Professional Training of its Employees as key tools for quality professional performance, thus contributing to boosting increased productivity and the continuous improvement of operational skills. For this purpose, TAP has a Professional Training Centre, of an appropriate size and equipped, whose internal Training model was built in strict compliance with the specific corporate reality, supported by a group of duly certified Trainers.

The Training Plan is designed for the purpose of developing competence and skills, as well as establishing a direct relationship between the contents of the training programmes and the strategic objectives of the Company.

Based on a philosophy of inclusion and social responsibility, the first training action was ministered in 2013 to TAP Employees who work with the people with impaired hearing. These actions will be continued in 2014.

Under the continuous training programme for Employees, aimed at improving qualification levels, 5,360 Training Actions were conducted in 2013, covering a total of 777,068 Hours.

The promotion of merit

TAP continues to deepen its relations with those that make a difference and with whom TAP works on a daily basis and builds TAP's personality.

The *Reconhecer* Programme commemorated 10 years of existence, during which over 700 Employees have been distinguished. This Programme, apart from recognising the merit, dedication, spirit of initiative and high levels of Customer care, encourages the Employees to recognise the work of their peers, in a perspective of 360 degrees, promoting a positive organisational culture, focused on *working well and with the correct attitude*. The Company thus intends to stimulate improved performance, based on a better attitude to achieve results: enthusiasm, creativity, attention to external and internal Customers, determination, flexibility and initiative in resolving problems through combined efforts.

Also in the context of motivation initiatives, the *Simpatia* Programme symbolises the commitment to quality of the TAP brand, seeking to distinguish the employees who most stand out in conveying this value.

In distinguishing the politeness, courtesy and professionalism of our employees, the passengers help the Company improve the quality of its attendance and service. The main objective of the *Simpatia* Programme is to involve Passenger Customers in distinguishing the TAP Employees whose attitude of special congeniality, courtesy and attention in attendance merits being highlighted.



OS SORRISOS ESTÃO DE VOLTA :)

SMILES ARE BACK



SAFEGUARD

Quality of Life

Health insurance for employees, extensible to their families, and the existence of a medical unit in the TAP Campus, the UCS (Health Care Unit) represent an important support to reconcile family/work life.

The UCS provides out-patient health care, as well as aeronautical medical certification and occupational health, hygiene and safety services. The clinic is committed to the satisfaction of TAP's personnel via the health care services provided in a personalised manner. The UCS provides health care to about 52 thousand Customers, among Company Employees and their relatives, with convenience due to proximity to the workplace.

In addition to occupational medicine, the promotion of a healthy life is conducted under the *Saúde Mais* Programme, which includes awareness-raising, prevention and early diagnosis initiatives, free screenings, as well as pregnancy tracking plans and childbirth preparation courses.

As part of the initiatives of the *Saúde Mais* Programme, the practice of physical exercise is promoted. In addition to the existence of a gym at the TAP Campus, with reduced rates for workers, internal jogging tracks are available for the practice of physical exercise and social/cultural activities, securing a strong bond between active and retired workers. Among other healthy life promotion initiatives, TAP also offers, annually, free oral hygiene to all Employees.

Preventive Measures

Prevenir Programme

Launched in 2012 by TAP via the Group's health care provider company (UCS), the *Prevenir* Programme is intended to prevent and control the consumption of alcohol, drugs, tobacco, and help with tobacco withdrawal. TAP is concerned about the health and safety of its Employees, and this programme is intended to meet the highest safety standards of the aeronautical industry. During 2013, 11 e-learning actions were carried out covering 676 Employees, and 11 classroom training actions in which 125 Employees participated. For 2014, 19 actions are planned to involve close to 400 Employees.

Occupational Accident Prevention Plan

TAP-Maintenance and Engineering has continued the Occupational Accident Prevention Plan, aimed at reducing the rate of occupational accidents, as well as the personal damage associated to it, in a perspective of individual and collective accountability.

Alongside this plan, and in a social perspective, a series of initiatives were started aimed at developing a safety culture, in particular the periodic dissemination of information of good practices concerning Occupational Safety and Health.

Promotion of a Safety Culture

In April 2012, TAP activated a new structure, a Safety Manager, entrusted with implementing and maintaining the Safety Management System (SMS).

At the same time, TAP adjusted its Safety Policy, having, among other aspects, clarified and deepened some concepts, such as the culture of correct reporting of events.

The development of this system is dependent on a strong Safety Culture, relying on the fundamental commitment of the senior management to ensure that Safety is the first priority. One of its primary objectives is the dissemination, to all Company areas, of the Safety culture and processes, which have always characterised TAP's Flight Operations.

For this purpose, different communication channels with Employees were created to facilitate voluntary reporting and feedback process within the SMS. In addition to the e-mail and intranet channels, iGo Safety (Reporting and Communications) stations were installed on the TAP-Maintenance and Engineering campus for paper reporting and exclusive access to the Safety Office.

Healthy life promotion



Rooftop cycling – An initiative directed at TAP Employees who wish to experiment with cycling classes, involving 6 classes of 60 minutes each, ministered outdoors on the roof of a building of the TAP Campus.



SYSTEMS THAT GUARANTEE WELL-BEING

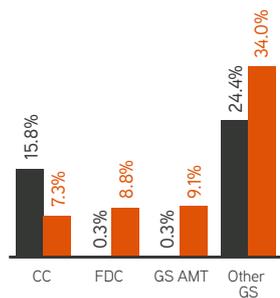
Balance between personal and professional life



Employees by Gender



● 41% Female
● 59% Male



■ Female ■ Male

Other GS – Other Ground Staff
GS AMT – Ground Staff/Aircraft Maintenance Technicians
CC – Cabin Crew
FDC – Flight Deck Crew

TAP Group except TAP-Maintenance and Engineering Brazil

TAP's personnel are the drivers of its growth, which is why the Company seeks to focus on the importance of each Employee in the value chain, one of the main components of its commitment to citizenship and sustainable growth.

Diversity and equality of gender

Aware of the importance of Diversity and Gender Equality and seeking the best practices, TAP's Social Service team regularly participates in seminars, workshops and congresses on topics such as dependence, active aging, gender equality and equal opportunities at work, and the reconciliation between Professional and Family life. TAP assures all workers have access to equal conditions and opportunities regardless of gender, age, race, religion, impairment and/or sexual preferences. It should be noted that over 30% of the Company's senior employees are female, guaranteeing alignment with the proportion of women in the Company. Even in professions usually exercised by men, such as mechanics, pilots and engineers, TAP has favoured gender diversity. The total staff of TAP and PGA is composed of a total of 33 female pilots and 30 female aircraft maintenance technicians, including one group leader.

Balance between Personal and Professional Life

The TAP Group's policies TAP are designed to *identify, develop, train and support people* in order to create value for the business, while at the same time promoting practices that enhance balance between personal and professional life.

TAP has created solutions in the organisation that promote emotional and physical well-being, facilitating balance between family/personal and professional life and influencing the internal social balance and level of performance. This means having people who are more available, more creative and with an attitude of *With Arms Wide Open*, in the spirit of the Company's slogan.

As a company that encompasses a wide range of professions, as well as professionals of three generations, the workers' needs to balance their professional/personal lives are also rather different.

TAP has strengthened its commitment of citizenship and social responsibility, investing in Remote Work. In areas where this is technologically possible, TAP has supported work from home. In 2013, and with prospective growth, 8 employees already enjoy the flexibility of this work regime, a measure that simultaneously assures productivity levels and enables greater support to the family.

TAP is a company committed to the following three pillars:

BEST COMPANY TO TRAVEL WITH
WORK FOR
INVEST IN

Under the Human Resources policies, one of the Talent Management areas is the Social Service, whose mission is to support and advise Employees in different daily situations, helping them to optimise resources so as to overcome difficulties. These include issues related to the employee's personal life that affect his/her performance, as well as programmes to prevent addiction and prepare for retirement through the creation of quality of life circles.

Retirement Planning: Support in the transition from professional life to retirement

In 2013, the Company's Social Service launched a new project *Abraçar a Vida* (Embrace Life). This project seeks to meet the need to address the issue of retirement in a more attractive manner, where myths are discussed without taboos. The *Abraçar a Vida* workshop intends to present a brief overview on aging and its influence at an individual and organisational level. Hence, this enables the discussion and reflection of contents aimed at creating an awareness of the existence of alternatives at all stages of life, enhancing the project of life of each person. These workshops also explore dynamics that enable helping the transition to a new stage, stimulating greater personal and family growth, social and cultural.

In the workshops held, that were attended by 45 people aged from 30 to 69 years old, the satisfaction of the participants was extremely evident, who considered that these actions contributed to their personal knowledge. Recommended to all Employees aged over 50 years old, this initiative demonstrates TAP's concern with all its Employees, with this action being planned to continue in 2014.

Communication

The TAP Group has regular and clear channels of dialogue with its Employees so as to foster their closeness and feeling of belonging to the Organisation. In this context, in addition to the TAP Newspaper, since 2010 exclusively in electronic format, a monthly publication for dissemination of the most diverse subjects, note should be made of the flow of *Informação Flash*, whenever it is necessary to provide any internal information. Likewise, the Intranet represents an important tool, which currently allows access to electronic forms, the Communication Portal, TAP TV, FlyStaff, among others.

The Communication Portal gives the Employees easy access to the most important information about the TAP Group, and enables daily consultation of the main news on TAP in the national and foreign media – TV, Radio and Press. The contents of TAP TV, produced internally, are intended to reach the largest possible number of employees, and are therefore available via monitors placed at various points on the TAP Campus.

A new version, FlyStaff 3.0, was provided in 2013, where this is one of the means of communication for the Group's Employees who, under the travel benefits regulation, seek leisure travel. This new version has a series of new services and functionalities, aimed at simplifying processes and procedures, with a view to satisfying the needs of the Employees, providing them with more information and autonomy. The company also re-launched TAP CAST in 2013, inviting the Group's Employees to volunteer to participate in the photographic casting. This initiative sought to find different types of profiles for more genuine advertising communication to strengthen the values of the brand: *human, contagious and always with a smile on their face*.



Associations: ASAS TAP (TAP Wings) and CLUBE TAP (TAP Club)

Thinking of those who have spent an entire life dedicated to the Company, TAP continues to support the Association of Solidarity and Social Support of TAP Staff (ASAS TAP), a private social solidarity institution created in 1984. This association has a social complex, located in Várzea de Sintra, and its primary objective is to contribute to supporting TAP's retired Employees.

In addition to this Association, TAP also financially supports CLUBE TAP, a Workers' association aimed at promoting social, cultural, sports and recreational activities for members and their family.

RH | Gestão de Talento | Serviço Social



Workshop sobre planeamento da reforma

abraçaravida@tap.pt





Canteen

1 200
Seats

3 200
Meals/day

Lunch, dinner and supper, for employees who are currently active, retired and have taken early retirement, where these adjoining social areas are also used to publicise information about the Company's activity



TAP's nursery

Open **24h**
every day
of the year



Ticket Benefits

Launch of the **new version of FlyStaff (FlyStaff 3.0)**, a communication channel for the Group's Employees who, under the travel benefits regulation, seek leisure travel

Benefits

Thinking about motivation, safety and the quality of life of its Employees and their families, the Company grants different social benefits:

Social support	The mission of social support is to support and advise active and retired Employees in the different situations they face, promoting their well-being and balance, as well as an appropriate social inclusion.
Solidarity fund	Granting of repayable monetary loans to Employees and retired employees, who are in situations of exceptional economic need.
Nursery	TAP's Nursery, located in the facilities of the Company, receives children from 4 months to 5 years old, whose parents are Employees of the Group, during irregular or regular hours. Open 24 hours/every day of the year, the Nursery is an important support for the family stability of TAP Group employees, contributing to promote the balance between work and personal life.
Canteen	The Canteen has 1,200 seats and serves about 3,200 meals/day (lunch, dinner and supper), to employees who are active, retired and have taken early retirement, and the adjacent conviviality spaces are also used to publicise information on the Company's activities and initiatives underway for specific projects involving the Employees – <i>Voluntários com Asas</i> (Volunteers with Wings), UCS/ <i>Saúde+</i> , Gym, Environment/ <i>Agir Eco</i> , TAP Club, among others. The Canteen space is also regularly used to hold support actions for Social Solidarity Associations, namely for fundraising.
Insurance	Employees who are active, retired and have taken early retirement, aged less than 65 years old, have a Health Plan, supported by collective health insurance, enabling access to medical services at lower rates, at the health establishments of the contracted network. The subsidised benefits for health expenses are extensible to direct family members. Life Insurance is also provided, covering risks of death and full and permanent disability.
Pension plan	TAP attributes its Employees, recruited by 31 May 1993 to the permanent staff, a supplement to the retirement pension granted by Social Security, when they become entitled to a retirement pension through old age or disability.
Supplementary subsidies	In the context of family support, the Company grants the children of its Employees, who have proven special education needs, a re-education subsidy, which consists of a supplement to the monthly benefit attributed by Social Security or any other official body, as well as a subsidy for school material, for each child of school age entitled to receiving the State family benefit.
Protocols	In order to provide its employees, as well as their family members, with a variety of benefits, TAP has established protocols with several entities, namely banks, which offer benefits in terms of consumer credit, mortgage loans, investment funds and insurance. Agreements with hotels, rent-a-car and airline companies, among others, also provide discounts for a variety of goods and services.
Ticket benefits	The offer of Ticket Benefits through air fares free of charge or with special discounts, subject to the availability of unsold seats, is yet another benefit TAP provides to its Employees and family members.

EXTERNAL SOCIAL RESPONSIBILITY

The promotion of the pool of volunteers is also an attitude towards sustained social development, where we highlight the active participation of the Employees, who are attentive and determined to minimise the hardships of needy communities.

Voluntary Action and Social Responsibility

The TAP Group is a social responsibility centre due to its interaction with society. As well as a space for professional accomplishment, it is also intended to be increasingly more a space for personal accomplishment, boosting the civic and altruistic solidarity action of its Employees.

TAP CARE TEAM – Assistance Team (Crisis management unit, coordinating actions in potential situations of emergency)

A voluntary group, the CARE team, operates under Community support, which is mainly composed of current or retired TAP Employees. The mission of the CARE Team consists of accompanying and providing support to survivors and relatives of victims of an emergency situation of TAP or one of its partners, such as due to an aviation accident, providing practical and emotional support, as well as gathering all the necessary information for the subsequent management of the entire process.

Voluntários com Asas (VCA)

TAP's corporate voluntary movement, *Voluntários com Asas* (VCA), which will complete 4 years of age in February 2014, derives from the initiative of a group of workers, the Founding Member Group (DG) whose objective is the dissemination and implementation of actions to stimulate the creation of a Pool of Volunteers and a Pool of Institutions, to enable the development of initiatives and space to join the different solidarity projects and causes.

Under the Action Plan for 2013, the work with the communities with which it is strongly involved was continued, and its sphere of intervention was broadened by creating synergies between the different stakeholders – workers, partner institutions, suppliers and community. The following initiatives were defined as priorities:

Support to Partner Institutions

Disclosure of initiatives of partner institutions, aimed at boosting the dissemination of this information and stimulating the development of these initiatives.

Support to Social and Cultural Initiatives

Cleaning and maintenance of Lisbon Botanical Garden.

Participation in the sustainability event Greenfest.

Opening to the community, giving preference to partner institutions which work with children, of the Christmas Party of TAP Employees, and with the support of the TAP Club, taking 100 children supported by these institutions to the Circus.

Alignment of institutional solidarity strategies

The Donate Miles Programme (*TAP Victoria for a better world*) enabled TAP's passenger Customers to donate 16.5 million solidarity miles to partner institutions, helping the institutions which benefited from this Programme to boost their initiatives, creating projects closer to the communities where they work and abroad, and promoting other initiatives where the use of these miles was fundamental to the respective dynamics.

Under its support to humanitarian action, TAP collaborated in approximately 600 actions (travel and cargo).

Reinforcement of the fight against waste

Donation of surplus food to social solidarity institutions (close to 23,000 meals and snacks), with the support of the suppliers Uniself and Masega (concessionaire companies of the TAP Canteen and vending machines).

Donation of discontinued equipment, under the DAR MAIS Programme (in-flight blankets and tableware), covering a total of over 9,000 articles.

Start-up of collaboration with *DariAcordar*, an institution created by TAP Commander António Costa Pereira, which, in its tirelessly persistent effort against the waste of food, coordinated a study project with the *Voluntários com Asas*, Cateringpor and TAP, involving ASAE and other institutions, on the use of leftover food served in-flight TAP aircraft which could, due to its condition, be distributed to partner institutions.

Presence in Portuguese speaking countries

Initiative to support young entrepreneurial action, in collaboration with the AIP, in communities in Mozambique, being a precedent to the extension of this initiative, in 2014, to other institutions in Portugal, involving the Champagnat college, provider of the TAP's Nursery services.

Disclosure of Institutions for incentive purposes

Collection of articles and fundraising, where we highlight the strong and dedicated contribution of all the Employees of the TAP Group companies: *Solidarity Bag* campaign – food and other items donated to over 16,000 families supported by AMI; *An old toy. A new smile* campaign – toys donated to over 200 children.

Own initiatives or in partnership with other entities, in a collective effort to promote social action

VOLUNTÁRIOS COM ASAS

Voluntários com Asas (Volunteers with Wings) have an Internet [blog](#) to share information about their initiatives (voluntarioscomasas.blogspot.com) and a [specific address](#) (voluntarioscomasas@tap.pt)

Initiatives directed at different population groups

16 500 000
Donated miles to Support Humanitarian Causes with the TAP's Victoria Programme



TAP joined the Organisations' National Network of Social Responsibility in 2008 (RSO PT Network)

SOCIAL RESPONSIBILITY IN TAP GROUP COMPANIES

Community Support Actions

- // Professional integration of People with Disabilities, number of people in the TAP Group: 25
- // TAP has collaboration agreements with various Social Support Institutions, promoting the integration of disabled people in business environments. Various areas of the Company offer jobs that are adapted to the special needs of workers and interns from these institutions.
- // The *Portugal no Coração* programme provides a visit to Portugal to Portuguese emigrants resident outside Portugal, aged over 60 years old, who had not visited the country in the last 10 years for lack of financial means.
- // The *Batismo de Voo* programme is an opportunity to fly given whenever possible by the Company to children who would otherwise be unable to live this experience.
- // The *Ganhar Asas* programme treats flight phobia, conducted by a team of trainers composed of two psychologists with cognitive-behavioural training, a commander, a flight assistant and an aircraft maintenance engineer. Carried out by TAP in partnership with UCS, this programme is open to external and internal customers, with special conditions for TAP Employees and their family who would like to participate in these courses. Hence, the course is free of charge for the staff, and for their descendants or spouses the programme offers a 50% discount. During 2013, 5 courses were conducted with a high success rate [ganharasas@ucs.pt].

Partnerships

- // TAP has been a member of the Organisations' National Network of Social Responsibility (RSO PT Network) which encompasses different institutions and companies to promote social responsibility in organisations. In this context, TAP's Social Service participates actively in the National Network of Social Responsibility (RSO PT Network), with the objective of working in the different aspects of social responsibility, creating and processing indicators, conducting and publicising studies, promoting training, and information and awareness-raising campaigns. The RSO PT Network aims to contribute in a significant and real form to the implementation of sustained policies and practices in the management of organisations, regardless of their branch of activity, size or location. TAP is a founding member of this Network, and regularly participates in 2 working parties, Responsible Entrepreneurial Action and in the baseline Observatory of knowledge in the area of Social Responsibility of Organisations, based on the monitoring of the Network's indicators and disclosure of other relevant information in the area of Social Responsibility.

Actions under School/Company

Trainee Placements

Total number of Trainees in the TAP Group: 180

Among other Organisational Citizenship Conduct (CCO), TAP meets the appeals of society in continuing to focus strongly on traineeships with a view to promoting and integrating young unemployed people in the company.

The Company also participated in the following initiatives:

- // Employment Internship Programme, promoted by the IIEFP (*Instituto de Emprego e Formação Profissional*) aimed at achieving the harmonisation and aggregation of active employment and vocational training measures targeting young people who are unemployed;
- // Summer Course, held in Lisbon, Sustainability Management in the Air Passenger Transport Sector, aimed at university students and teachers of the Czech Republic (in partnership with ISEGI/UNL and the University of Pardubice, in Prague).

Study Visits to the Company Premises

No. of participants: 898

In the context of School/Company Relations, TAP publicises and promotes other exchange programmes, namely: Study Visits, Participation in Colloquiums/Conferences/Presentations, also collaborating in the organisation of Fairs of Educational/Training nature.

The *Voo de Verão* programme

Whenever possible, TAP offers Employees' children an opportunity to become acquainted with the Company, as well as the backstage of Aviation, in partnership with Lisbon Airport.



TAP Victoria for a better world



TAP's *Victoria Programme* is associated to humanitarian aid and social solidarity institutions, inviting members of the programme to donate miles which are offered to these institutions.

<http://www.tapvictoria.com/en/UseMiles/DonateMiles/>



Participation of FLIP in the Mascot Parade

Around 50 mascots from various companies/brands participated in this initiative, promoted by Brandkey (activation agency), with the *Fundação do Gil* and support of the Lisbon Tourism Association and Lisbon City Hall.



Flip&Flap
TAP children's mascots



Children's Day – Decora&Descola pastime

TAP invited the children to participate in the Decora&Descola pastime, in the Big Check-In Hall of Lisbon Airport. The action consisted of decorating an airplane with materials provided on site and awarded two different segments for creativity and work – under 5 year-olds and the 6 to 12 year-olds.

ENVIRONMENTAL PERSPECTIVE

RESPONSIBLE MANAGEMENT COMMITTED TO THE ENVIRONMENT

Vision

Develop a proactive performance to generate economic and social value, and protect the environment by integrating the environmental issues in all of the activities developed at the Company, promoting environmental awareness and protection.

The TAP Group is aware of its important role in the protection of the environment, in relation to the use of resources, emissions from its activities and the impact of its contribution towards collective awareness-raising.

Globally, aviation is responsible for 2% of the total emissions of CO₂ released by man, a contribution that still continues to be of low significance when compared to other activity sectors, even with a forecast of increased emissions due to additional air traffic.

It should be noted that by providing the fastest means of mobility, the Air Transport Industry is an important economic driver, playing a decisive role in global business and tourism. As a company with an active role in this context, and considering the current scenario of climatic changes, TAP has adopted an economic growth strategy to compete in the global market, integrating environmental concerns and conducting actions in various areas.

It is for this purpose that the Company:

- // Participates actively in the Industry's collective effort to reduce CO₂ emissions, through its carbon offset programme and the development of initiatives to reduce its carbon footprint (**Principle 9** of the UN Global Compact);
- // Implements a diversified series of measures aimed at the rational use of resources, reduction of waste and energy consumption arising from its activity (**Principle 7** of the UN Global Compact);
- // And, at the same time, promotes and encourages the commitment to environmental responsibility of Employees and Suppliers, as well as the awareness-raising of society, and collaborates with stakeholders on environmental issues (**Principle 8** of the UN Global Compact).



With the subscription to the principles of the United Nations Global Compact in 2004, TAP has seen and experienced the concerns related to the environment, and included them in its values.

UN Global Compact

Environmental protection

- // **Principle 7:** Companies should support a preventive approach to environmental challenges;
- // **Principle 8:** Develop initiatives to promote increased environmental responsibility;
- // **Principle 9:** Encourage the development and dissemination of environmentally sustainable technologies.

Likewise, by joining the worldwide STAR Alliance on 14 March 2005 and signing the Environmental Commitment document of this alliance, TAP has raised its commitment to environmental protection. Thus, the Company shares, with the other members of the alliance, fundamental principles that represent a challenge to reduce their environmental impact and keep a healthy balance between progress and environmental sustainability (// for more information, see the Annual Report 2012/STAR Alliance, page 67).

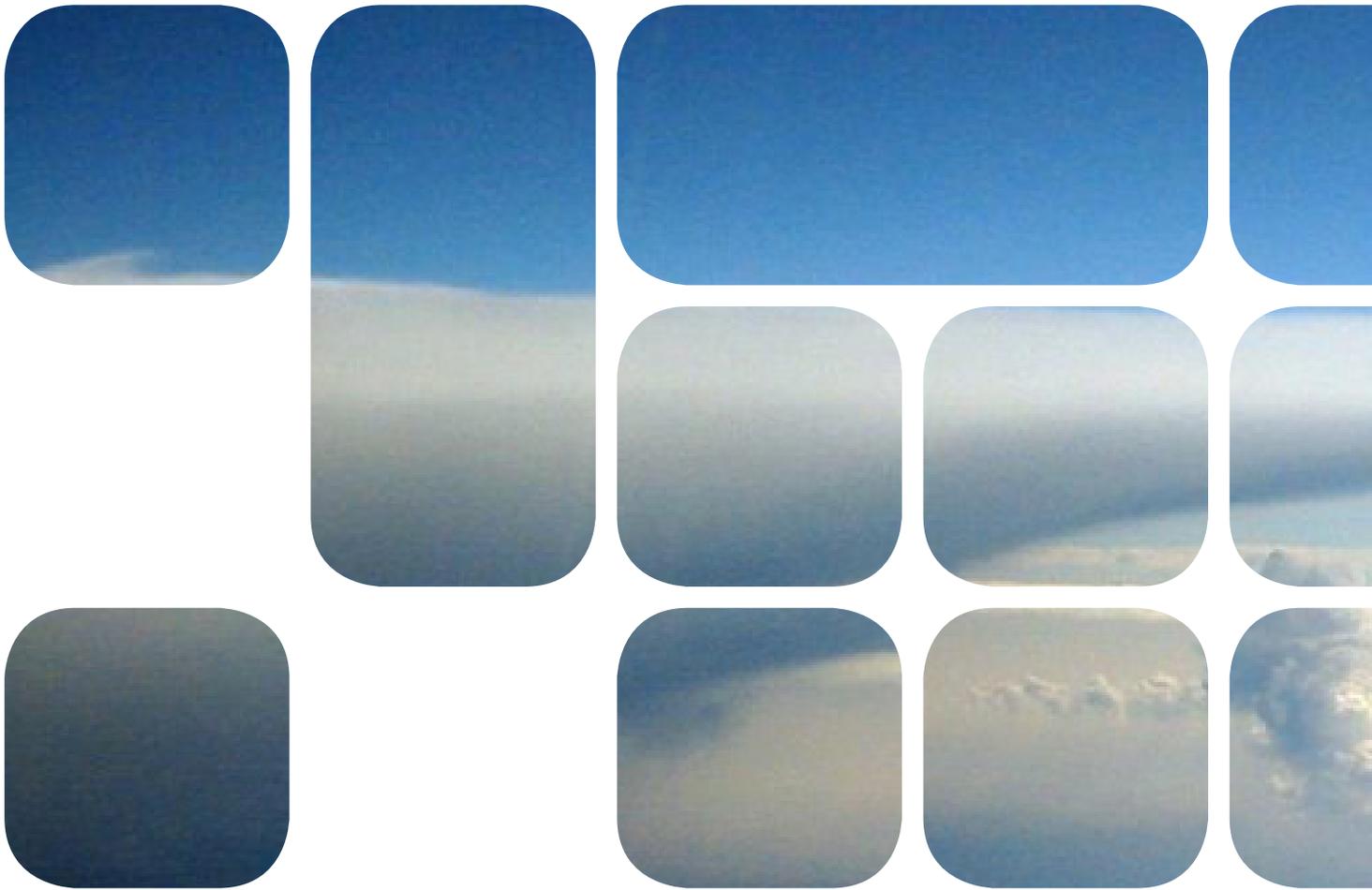
COMMITMENT

TAP is committed to a responsible and engaged management, adopting the best environmental practices to rationalise the use of resources and adapt its action so as to assure environmental protection beyond the levels established in the regulations in force.

Policy to secure environmental efficiency

In line with its sustainable development policy, TAP is guided by the following principles:

- // Inclusion of environmental issues in all activities carried out at the Company;
- // Use of eco-efficient practices and technologies, combining growth with environmental protection;
- // Promotion of the continuous improvement of environmental performance;
- // Promotion of environmental awareness amongst Employees and Suppliers;
- // Respect for the fundamental environmental principles of the UN Global Compact.



Assessment of a series of projects aimed at improving energy efficiency for implementation over the next few years

- // Replacement of medium-haul aircraft seating with lighter ones, associated to a new cabin version, which will enable reducing cabin weight by at least 500 kg (still underway);
- // Installation of Sharklets in some aircraft of the medium-haul fleet, which will enable efficiency gains of around 3%, planned to take place as of 2015;
- // Use of an electrical system for towing, enabling the reduction of emissions associated to ground operations, both relative to the aircraft and equipment supporting these operations. The decision was taken not to pursue this implementation at this stage, due to the system being considered too immature to start up operation in the short term.

In-flight procedures

- // Optimised operation, with reformulation of procedures enabling better performance and intensive capacity use;
- // Optimised flight plan system for more efficient operations combined with piloting techniques to reduce fuel consumption;
- // Introduction of the Electronic Flight Bag (EFB) which in the future will allow providing pilots with more and better information, certainly resulting in improved efficiency levels.

Improved performance, with reduction of aircraft weight

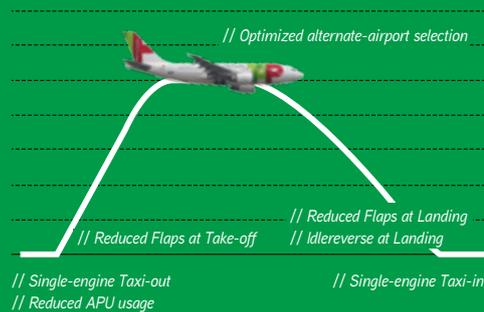
- Application of weight reduction policies for aircraft, involving the Marketing, Handling and Maintenance and Engineering areas.
- // Optimisation of the quantity of water supplied, as well as the in-flight service, combined with the use of lighter, and in some cases recyclable materials for in-flight service (glasses, supports, trays);
- // Completion of the replacement of life jackets with lighter ones with longer service life, thus reducing aircraft weight in the medium-haul fleet;
- // Engine washing and aircraft surface cleaning policy, conducted by Maintenance and Engineering.



Performance improvement due to aircraft weight reduction

-  Light-weight safety equipment
-800 ton. CO₂/year
-  Drag reduction
-7 700 ton. CO₂/year
-  Optimized service for reduced weight
-1 200 ton. CO₂/year
-  Potable water
-750 ton. CO₂/year
-  Engine water wash
-3 400 ton. CO₂/year

Take-off and landing cycle





Consolidation of the strategy defined in 2012 at Maintenance and Engineering

Focus on the improved environmental performance of the Business Unit, operated through four green missions, with specific programmes and goals.

These strategic pillars of the environmental policy of TAP–Maintenance and Engineering were complemented with some investment in terms of infrastructures and the continued effort in employee training.

- // Waste Mission
- // Green Hangar Mission
- // Savings Mission
- // + Environment Mission

The + Environment Mission and Green Hangar Mission seek to raise the environmental awareness of the workers of the Business Unit. The Waste Mission focused on the optimisation of the waste storage and collection processes, in order to minimise the probability of spillage or environmental incidents during the handling of waste. The objective of reducing paper consumption was surpassed at TAP–Maintenance and Engineering in 2013, with a reduction above 11% having been achieved, as a result of the information campaigns conducted throughout the year under the Savings Mission.

The process which will enable TAP–Maintenance and Engineering to renew its Environmental License was also prepared and submitted during the year. This process, which involved the Environment Office and the Engine Maintenance area, supported by TAP Serviços, was formally submitted for analysis on 30 July 2013, with its approval being awaited.

Concerning infrastructures, assured compliance with best environmental practices

In terms of infrastructures, new painting and sanding cabins were acquired and installed in the Component Maintenance area, assuring compliance with the best environmental practices applicable to these processes. Aimed at improving/increasing the repair capacity of the Cabin Interior Workshop, a study was started in 2013 to define the best solution for the remodelling of the coating application and sanding cabins, where the implementation of this investment is expected to take place in 2014.

Treatment of industrial effluents at the wastewater treatment station (ETAR) of TAP–Maintenance and Engineering

The treatment of industrial effluents from the Electrolytic Treatment Workshop and the Engine Workshop, carried out at the wastewater treatment station (ETAR) of the Business Unit, reached a total of 1,026 m³ of effluents in 2013. The quality of the final effluent is assessed whenever there are discharges and quarterly, through monitoring in accordance with the Environmental License in force. The efficiency of the treatment processes is checked regularly and the processes are altered, when necessary, according to the characteristics of the effluent under treatment.

Every six months, and as foreseen in the Environmental License, two monitoring campaigns were conducted for fixed source emissions and, as a preventative pollution measure, two additional campaigns to the fixed source associated to the degreasing process at the Electrolytic Treatment Workshop.



Visible progress in reducing environmental impacts

The main direct environmental impact of the TAP Group's activities comes from the CO₂ emissions generated by the aircraft fleet operation, and to a lesser degree, by the ground operations, the consumption of water, paper, and also the quantity of waste produced.

The efforts to minimise these environmental impacts achieved visible progress in 2013, with the objectives established for this year having been surpassed in all indicators.

The Carbon Offset programme, a contribution to reduce the carbon footprint via an option for TAP Customers to compensate the CO₂ emissions of their respective trips remarkably exceeded by 201% the objective established for the year (5,000 tons of CO₂).

In turn, regarding noise control, it is worth noting that TAP's fleet operates with a significant safety margin in relation to the current noise limits established by the International Civil Aviation Organization (ICAO Annex 16, Chapter 3).

Indicators Representing the Company's Objectives from an Environmental Perspective

Objectives	Indicators	Scope	2011	2012	2013	Variation 2012/2011	Variation 2013/2012
Increase Energy Efficiency <i>Improve fuel efficiency by 1.5%/year up to 2020</i> Air Transport	Jet A1 consumption per passenger ⁽⁴⁾ (litres/100 RPK)	TAP, S.A.	4.369	4.305	4.307	-3.7% ^(*)	-2.7%^(**)
Reduce CO ₂ emissions <i>Improve environmental performance by 1.5%/year up to 2020</i> Air Transport	CO ₂ emissions per passenger ⁽⁴⁾ (kg/100 RPK)	TAP, S.A.	11.011	10.849	10.854	-3.7% ^(*)	-2.7%^(**)
Promote voluntary compensation by passengers Air Transport	Carbon offset ⁽³⁾ (ton CO ₂)	TAP, S.A.	4,515	9,579	15,037	112.2%	57.0%
Reduce energy consumption (electricity, natural gas, petrol and diesel) Ground Operations	Energy consumption (electricity, natural gas, petrol and diesel) over turnover ⁽¹⁾	TAP, S.A.	47.09	45.44	43.01	-3.5%	-5.4%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	96.62	90.96	88.59	-5.9%	-2.6%
Reduce water consumption Ground Operations	Total water consumption over turnover ⁽¹⁾	TAP, S.A.	69.92	61.80	52.50	-11.6%	-15.1%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	109.85	101.70	93.17	-7.4%	-8.4%
Reduce paper consumption Ground Operations	Paper consumption over turnover ⁽⁵⁾	TAP, S.A.	0.022	0.021	0.020	-1.9%	-7.3%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	0.044	0.043	0.040	-2.8%	-7.6%
Reduce waste production Ground Operations	Quantity of waste produced over turnover ⁽²⁾	TAP, S.A.	2.00	1.74	1.21	-12.8%	-30.5%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	3.56	3.31	2.93	-6.9%	-11.5%

^(*) Annual variation 2009-2012

^(**) Annual variation 2009-2013

Means of verification

⁽¹⁾ TAP Campus – Water and Energy Consumption

⁽²⁾ Document Accompanying Waste of the Ministry of the Environment and Integrated Waste Registry Report

⁽³⁾ IATA Programme

⁽⁴⁾ Sustainability Report

⁽⁵⁾ Information System Report

REDUCTION OF WASTE AND WATER AND ENERGY CONSUMPTION

Waste Management

TAP's waste management plan covers various types of waste derived from many sources of production. Success in the defined goals thus depends on the collaboration of the different areas and the action of all stakeholders. Together, they ensure that the correct separation upstream leads to higher valuation rates and lower quantities of waste sent to landfills, downstream.

The results achieved in 2013 demonstrated the continued improvement of this collaboration. In addition to the reduction of close to 10% of the total waste produced, the respective valuation rate increased to 93% at the TAP Group. In other words, most of the waste produced was sent for recovery, recycling and regeneration or organic valuation (to create compost), and for energy use.

The effort dedicated to the integration of procedures among TAP Group companies and the involvement of stakeholders also contributes to the identification of waste that can represent assets to Society. The DAR MAIS programme was launched under the actions for the reuse of leftover food from the Company's canteen. Thanks to this programme, in-flight blankets, office material at the end of its useful life and discontinued tableware (up until then considered waste) were donated to social solidarity institutions in 2013.

In the future, TAP will continue to collaborate actively, with all the agents involved, to assure compliance with the principle of waste management hierarchy. Under a new communication plan on the environment, a resource saving campaign will be launched in 2014, whose target will be all the areas where inefficiency in the process are still observed.

Water

The performance of this environmental indicator for Ground operations is coherent with the Company's adopted resource saving strategy – improvement of infrastructures, optimisation of processes and training of Employees. Over the last three years, there has been an 18% reduction of water consumption for TAP, S.A. and 7% for the TAP Group, consistently representing one of the indicators with best performance.

During this International Year of Water Cooperation, when TAP invested in raising the awareness of its Employees on the balanced and responsible use of this resource, this trend has been maintained, with reductions of close to 13% having been recorded for TAP, S.A. and 7% for the TAP Group in relation to the previous year.

Energy

The descriptors of energy consumption on the ground (electricity and fossil fuels for industrial areas and logistics activities) were reduced in 2013. This result highlights the better use of the operational areas and improvement in the planning of logistics activities associated to the different activities of TAP Group companies, in particular TAP, S.A. and Cateringpor.

TAP recognises that this indicator is related to high direct and indirect environmental impact, namely greenhouse gas emissions. Recognising this goal of reduction as a strategic objective for the Group, TAP intends to promote even more significant reductions, through the analysis of improved consumer infrastructure and equipment, as well as the continuation of the industrial energy efficiency plan, currently underway.

+31%

Investment in environmental awareness-raising
TAP Group

+14%

Valorised hazardous waste
TAP Group

-13%

Total water consumption
TAP, S.A.

-10%

Consumption of fossil fuel in logistics operations (petrol and diesel)

-0.4%

Electricity consumption
TAP, S.A.

REDUCTION OF CO₂ EMISSIONS

CARBON OFFSET

CO₂ Emissions Offset Programme

For 2013, TAP's CO₂ Carbon Emissions Offset Programme achieved the best result since its launch in June 2009. In 2013, TAP's passengers voluntarily offset over 15 thousand tons of carbon dioxide (CO₂), significantly exceeding the objective of 5 thousand tons established for the year. This programme of TAP, launched in partnership with IATA (International Air Transport Association) and recognised by UNESCO with the *Planet Earth 2010* award, enables Passengers who book through TAP's portal, www.flytap.com, to voluntarily offset the CO₂ emissions associated to their flights, thus contributing to emissions reduction projects in developing countries.

Energy and Environmental Efficiency

TAP's fleet, composed of 55 aircraft (39 medium-haul and 16 long-haul), had in 2013 an average age of 12.5 years.

A renewal of the long-haul fleet is scheduled for the gradual replacement of the A340 and A330 equipment with new Airbus A350 aircraft, resulting in energy and environmental efficiency gains of around 20%.

TAP continues committed to the objective of improving energy and environmental efficiency in flight operations.

In 2013 ...



Over
30 thousand
Passengers

voluntarily offset the carbon emissions resulting from their trip, amounting to a total of 15,037 tons offset.



+ 201%

than the established objective of 5,000 tons offset

January and February

months with the best results for CO₂ emissions offsetting



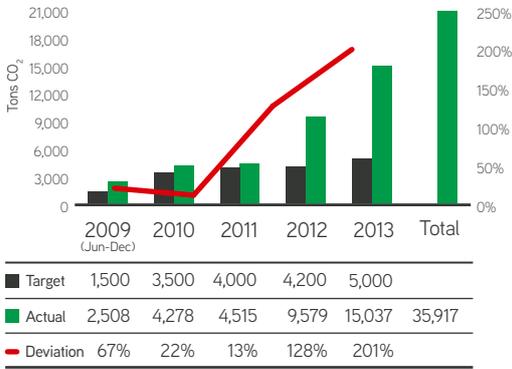
Lisbon-London (Heathrow)

route with the highest value of CO₂ emissions offset

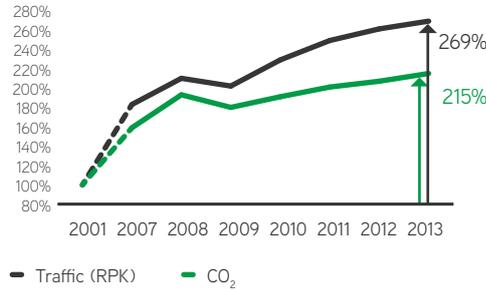
Performance Indicator	2001	2007	2008	2009	2010	2011	2012	2013
RPK (million)	10,449	19,135	21,908	21,076	23,944	25,970	27,226	28,152
Jet fuel consumption (million litres)	564.92	898.26	1,090.46	1,014.56	1,078.03	1,134.72	1,172.15	1,212.59
CO ₂ Emissions (million tons)	1,424	2,260	2,748	2,557	2,717	2,859	2,954	3,056
CO ₂ Emissions per passenger (kg/100 RPK)	13.620	11.830	12.540	12.130	11.346	11.011	10.849	10.854
Jet A1 consumption per passenger (litres/100 RPK)	5.410	4.690	4.980	4.810	4.502	4.369	4.305	4.307

Passenger Participation

Passenger Participation CO₂ Emissions Offset Programme Carbon Offset



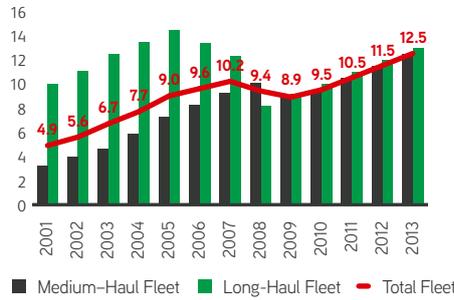
Energy Efficiency



Average number of Aircraft of TAP's Fleet

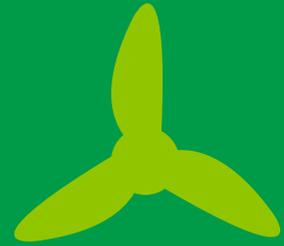


Average Age of TAP's Fleet



TAP fleet noise

TAP's fleet, including PGA, operates with a significant safety margin regarding the current noise limits established by the International Civil Aviation Organization (ICAO Annex 16, Chapter 3), given that with an average age of 13.8 years, 87% of TAP aircraft already comply with the new, more restrictive ICAO noise limits applicable to new aircraft, certified after January 1, 2006 (ICAO Annex 16, Chapter 4).



-1.9%

TAP achieved a 1.9% improvement in the Energy efficiency and Environmental Performance indicators – Fuel Consumption (Jet A1) per Passenger and CO₂ Emissions per Passenger between 2001 and 2013.

Climate Targets

1.5%

Aviation will improve its fleet fuel efficiency by 1.5% per annum between now and 2020.

Stabilise

From 2020, net carbon emissions from aviation will be capped through carbon-neutral growth.

50%

By 2050, net aviation carbon emissions will be half of what they were in 2005.

Source: www.iata.org



ENVIRONMENTAL RESPONSIBILITY

Socio-Environmental Campaigns

Under its culture of integrated responsibility, TAP developed various socio-environmental campaigns based on the philosophy that a *Low Footprint is a Positive Footprint*, aimed at combining environmental conduct to social concerns. Therefore, TAP lowered its footprint:

in its Activity ,	Reducing energy consumption through the integration of innovative, lighter and more efficient products.
in the City of Lisbon,	Carrying out an action of cleaning and maintenance of the infrastructures and facilities of the greenhouses and wall of Lisbon's Botanical Garden, under the <i>Jardim Transparente</i> (Transparent Garden) Project, an initiative developed in collaboration with the Company's volunteers – <i>Voluntários com Asas</i> .
and in Society	Through the DAR MAIS Programme – Campaign launched in partnership with <i>Voluntários com Asas</i> whose objective is to donate, to social solidarity institutions, leftover food from the canteen or vending machines, as well as material that is no longer in use at TAP and which would otherwise be considered waste (the case of in-flight blankets, office material at the end of its life or discontinued tableware).



Botanical Garden of Lisbon, *Jardim Transparente* Project



Also in 2013, International Year of Water Cooperation, the Environment area prioritised disclosure and awareness raising on the environment at TAP Group companies specifically concerning sustainable water consumption.



World Water Day (22 March)

Through the children's drawing competition Water, the Source of Life, the children of TAP Group employees were alerted to the scarcity of water in the world and the importance of preserving this resource.



World Environment Day (5 June)

On this day, the *Water footprint of food: from choice to waste* action sought to raise the awareness of TAP Group employees to the importance of choosing and preparing food with a low water footprint, that is, food which consumes less water during its life cycle.

PRESERVATION OF BIODIVERSITY

Animal transport: with total care

TAP Cargo is prepared to transport domestic or wild animals in full comfort and safety.

Involved in cutting edge projects in the area of the protection of species and salvage of endangered animals, the Company has been in the news around the world due to the success of the projects that it supports and develops in this area.



Koala

On 9 January 2013, TAP transported 2 Koalas between Zoos, from Lisbon to Paris and from Paris to Lisbon.

Under a programme of preservation of endangered species of the European Zoo and Aquarium Association, exchanges of Koalas are organised between zoos whenever necessary.



Magellanic Penguin

In February 2012, in order to increase the existing colony of the Magellanic Penguin species, TAP transported 9 Penguins from Lisbon to Venice, bound for the local oceanic aquarium.



Fisher Eagle

Developed by the CIBIO (Biodiversity and Genetic Resources Research Centre) together with EDP and the ICNB (Nature Conservation and Biodiversity Institute), the Reintroduction of the Fisher Eagle project included the participation of TAP, which collaborated in the transport:

- // In July 2011, of 5 fisher eagles from Helsinki to Lisbon, assuring the necessary delicate procedures for their transport;
- // In July 2012, of 10 fisher eagles from Helsinki to Lisbon.



Kemp's Ridley Sea Turtle

On 29 November 2011, TAP successfully transported one of the most endangered sea turtles of the world to Miami, a Kemp Ridley Sea Turtle.

The journey was planned to the last detail by TAP Cargo and TAP-Maintenance and Engineering teams, who adapted an A330 cabin for the transport of the special passenger weighing 31Kg and size of around 1.20m.

TAP has long standing experience in the transport of live animals, and is proud to contribute to the preservation of endangered species





COMMITMENTS



Distance à parcourir 275 km
Température à l'extérieur 17.0 °C
Altitude -23 m

DEGREE OF COVERAGE IN 2013 AND OBJECTIVES FOR 2014

● Exceeded ● Achieved ● Not Achieved

Commitments	Objectives	Key Figures	Scope	2012	2013	2013	Degree of Coverage	2014	Variation		
				Actual(A)	Target(T)	Actual(A)		Target(T)	2014(T)/2013(A)		
Contribute to the creation of value for the economy and Portuguese society	Improve the activity level of the Company	Number of carried passengers (Passengers million)	TAP, S.A.	10.2	10.2	10.7	●	10.9	1.7%		
	Increase productivity	ASK (000)/employee (Air Transport Business Unit)	TAP, S.A. (Air Transport Business Unit)	7,848	7,859	7,813	●	7,640	-2.2%		
	Create employment	Number of jobs created (net)	TAP, S.A.	-97	126	52	●	500	-		
Provide Customers with a quality product through the best and easiest solutions for their travel and for the transport of goods	Assure diversity of destinations and frequencies to TAP Customers	Number of destinations served directly by TAP:	TAP, S.A.	PORTO	18	18	18	●	18	0.0%	
				FARO	1	1	1	●	1	0.0%	
				LISBON	77	77	77	●	87	13.0%	
				MADEIRA and the AZORES	6	6	6	●	6	0.0%	
				Number of code-sharing destinations offered	TAP, S.A.	150	-	123	-	140	13.8%
	Improve the punctuality index of TAP flights	Flight punctuality index	TAP, S.A.	HUB	69%	78%	72%	●	78%	6.3 p.p.	
				NETWORK	71%	79%	74%	●	77%	3.6 p.p.	
				Number of Services (flights)	TAP, S.A.	105,733	108,904	106,994	●	110,134	2.9%
	Assure improved handling service level in terms of baggage delivery	Percentage of baggage left behind or damaged (by 1,000 Passengers)	TAP, S.A.	HUB	18.1	15.0	15.6	●	15.0	-3.8%	
				NETWORK	11.3	9.6	10.0	●	9.7	-3.2%	
				Number of complaints per carried passenger	TAP, S.A.	0.0029	0.0029	0.0026	●	0.0026	0.0%
	Promote passenger loyalty through distinctive service	Evaluation of TAP passenger satisfaction (Overall) Classification: 1 (very unsatisfied) to 10 (very satisfied)	TAP, S.A.		7.79	7.79	7.95	●	7.95	-	
				TAP passenger satisfaction index (Ground service) (number of replies - satisfactory Ground service in total replies obtained)	TAP, S.A.	64.4%	68.0%	64.3%	●	68.0%	3.7 p.p.
				Number of Victoria Programme members	TAP, S.A.	1,307,000	1,450,000	1,400,000	●	1,500,000	7.1%
	Guarantee an effective service level for Cargo and Mail transport	Costs due to lost or damaged cargo relative to total revenue	TAP, S.A.	0.24%	0.08%	0.07%	●	0.08%	0.01 p.p.		
Promote inter-connectivity within the Portuguese speaking world	Provide connections within the Portuguese speaking world	Number of connections with Africa (average number of flights per week)	TAP, S.A.	30	30	30	●	34	13.3%		
		Number of connections with South America (Brazil) (average number of flights per week)		68	67	67	●	71	6.0%		
Promote the professional development of the Company's Employees and quality at work place	Promote the continuous training of Employees and improve their qualification levels	Number of hours of training carried out by Company Employees	TAP, S.A.	324,026	300,000	284,876	●	[300,000 a 315,000]	-		
		Number of participations in training actions over the total number of Employees	TAP, S.A.	3.06	[2.30 a 2.44]	3.29	●	[3.02 a 3.29]	-		
		Number of hours of training per Employee	TAP, S.A.	46.99	43.11	41.40	●	[41.74 a 43.23]	-		
	Promote the involvement with the Company	Rate of Absenteeism	TAP, S.A.	9.5%	5.0%	9.8%	●	5.0%	-4.8 p.p.		
Provide services and support of a social and cultural nature to the Employees, which contribute to improving their working conditions and facilitate the reconciliation of professional and personal life	Percentage of Gym users who are Company Employees	TAP Group	82.7%	85.0%	86.0%	●	80.0%	-6.0 p.p.			
	Number of children using the nursery	TAP Group	335	350	358	●	375	4.7%			
	Number of beneficiaries of the Group's Health-care Insurance	TAP Group	20,872	21,230	21,334	●	21,761	2.0%			

● Exceeded ● Achieved ● Not Achieved

Commitments	Objectives	Key Figures	Scope	2012 Actual(A)	2013 Target(T)	2013 Actual(A)	Degree of Coverage	2014 Target(T)	Variation 2014(T)/2013(A)
Ensure the operational and financial safety of people and assets	Contribute to ensuring conditions for the operational and financial safety of people and assets	Number of services covered by the Risk System	TAP Group (Operational Areas)	63	80	82	●	All services are currently covered by the risk management system	-
Assume responsible management committed to the objectives of the Company, to community development and to the environment	Promote and support initiatives of a social character	Realisation of Traineeships at the Company	TAP, S.A.	93	88	110	●	[100 a 120]	-
		<i>Portugal no Coração</i> Programme (number of Portuguese emigrant beneficiaries)	TAP, S.A.	15	15	14	●	14	0.0%
		<i>TAP Victoria for a better world</i> (Number of miles donated)	TAP, S.A.	2,250,000	7,500,000	16,500,000	●	16,500,000	0.0%
		Encouragement of Voluntary efforts – Donation Blood (ml)	TAP Group	74,000	105,000	65,000	●	90,000	38.5%
	Increase Energy Efficiency <i>Improve fuel efficiency by 1.5%/year up to 2020</i> Air Transport	Jet A1 consumption per passenger (litres/100 RPK)	TAP, S.A.	4.305	Improve fuel efficiency by 1.5%/year up to 2020	4.307	●	Improve fuel efficiency by 1.5%/year up to 2020	-
	Reduce CO ₂ emissions <i>Improve environmental performance by 1.5%/year up to 2020</i> Air Transport	CO ₂ emissions per passenger (Kg/100 RPK)	TAP, S.A.	10.849	Improve environmental performance by 1.5%/year up to 2020	10.854	●	Improve environmental performance by 1.5%/year up to 2020	-
	Promote voluntary compensation by passengers Air Transport	Carbon Offset (ton CO ₂)	TAP, S.A.	9,579	5,000	15,037	●	10,000	-33.5%
	Reduce energy consumption (electricity, natural gas, petrol and diesel) Ground Operations	Energy consumption (electricity, natural gas, petrol and diesel) over turnover	TAP, S.A.	45.44	< 45.44	43.01	●	< 43.01	-
	Reduce water consumption Ground Operations	Total water consumption over turnover	TAP, S.A.	61.80	< 61.80	52.50	●	< 52.50	-
	Reduce paper consumption Ground Operations	Paper consumption over turnover	TAP, S.A.	0.021	< 0.021	0.020	●	< 0.020	-
Reduce waste produced Ground Operations	Quantity of waste produced over turnover	TAP, S.A.	1.74	< 1.74	1.21	●	< 1.21	-	
Adopt transparent principles in the Company's management and relations with society	Comply with the Code of Ethics	Number of acquisitions through tender over the total number of acquisitions	TAP Group	100%	100%	100%	●	100%	100%
		Number of persons admitted through open tender over the total number of persons admitted	TAP Group	100%	100%	100%	●	100%	100%
		Number of audits carried out to Tenders/Contracts	TAP Group	409	421	435	●	457	5.1%
	Ensure convergence of the Average Time of Payment with the invoice due dates	Average Time of Payment (ATP) to Suppliers (number of days)	TAP Group	25 ^(*)	Ensure convergence of the Average Time of Payment with the invoice due dates	25 ^(*)	●	Ensure convergence of the Average Time of Payment with the invoice due dates	-
			TAP, S.A.	24		24	●		-
	Assure the reliability of the information on the Company's activity and its communication to the stakeholders and community	Annual Report and Corporate Governance and Sustainability Report available on TAP's Website	TAP Group	Jul-2013	Jul-2014	Jul-2014	●	Jul-2015	-

(*) TAP Group except TAP-Maintenance and Engineering Brazil, LFP, Cateringpor e SPdH



ANNEXES

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AR2013 – TAP Group Annual Report, available on TAP's website <http://www.tapportugal.com/Info/en/about-tap/tap-group/annual-reports>

CGR2013 – TAP Group Corporate Governance Report, available on TAP's website <http://www.tapportugal.com/Info/en/about-tap/tap-group/annual-reports>

GLOBAL REPORTING INITIATIVE (GRI) INDICATORS

GRI Indicators – Economic Perspective			TAP, S.A.					
Code	Type	Indicator Description	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾⁽²⁾	2013 ⁽¹⁾	2013/12
EC1	Core	Direct economic value generated and distributed, including: revenues, operating costs, Employee remuneration, donations and other community investments, retained earnings, payments to investors and taxes						
		Operating Revenues and Gains (EUR million)	1,958.1	2,180.7	2,272.6	2,435.7	2,479.6	1.8%
		Operating Net Income (EUR million)	97.8	103.3	41.1	53.0	51.7	-2.5%
EC5	Additional	Range of ratios of the standard basic entry-level salary at TAP, S.A. compared to the local minimum salary at important operational units	29.3%	24.8%	22.3%	22.3%	22.3%	0.0 p.p.
		National Minimum Salary (EUR) Source: http://www.dgert.mtss.gov.pt/Trabalho/rendimentos/evolucao_smn.htm	6,300	6,650	6,790	6,790	6,790	0.0%
		Lowest basic salary at TAP, S.A. (EUR) Source: Tables supplied by the Staff Administration and Salaries area	8,148	8,302	8,302	8,302	8,302	0.0%
		Net salary range at TAP, S.A.. (Highest net basic salary / Lowest net basic salary)	8.58	7.29	7.17	6.84	6.36	-7.0%
EC6	Core	Policy, practices and proportion of spending relative to local suppliers at important operational units						
		Proportion of purchases made by TAP, S.A., by market, without leasing:						
		Portugal	50.0%	50.6%	51.4%	48.9%	48.9%	0.1 p.p.
		Rest of the European Union	31.5%	30.4%	28.9%	26.5%	28.9%	2.5 p.p.
		United States	6.4%	5.5%	4.5%	6.4%	4.3%	-2.1 p.p.
		Other Countries	12.2%	13.6%	15.2%	18.3%	17.9%	-0.5 p.p.
		Proportion of purchases made by TAP, S.A., by market, with leasing:						
		Portugal	48.9%	48.2%	50.4%	47.4%	48.2%	0.8 p.p.
		Rest of the European Union	31.5%	29.7%	29.1%	27.8%	29.1%	1.3 p.p.
		United States	6.2%	5.1%	4.3%	6.4%	4.7%	-1.7 p.p.
Other Countries	13.5%	17.0%	16.3%	18.4%	18.0%	-0.3 p.p.		
EC9	Additional	Identification and description of significant indirect economic impacts, including the extent of impacts						
		Net Income (EUR million)	60.0	62.3	3.1	23.8	34.0	10.23 ⁽³⁾

⁽¹⁾ Values in accordance with the IFRS (International Financial Reporting Standards)

⁽²⁾ Restated

⁽³⁾ Absolute value

GRI Indicators – Economic Perspective			TAP Group					
Code	Type	Indicator Description	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾⁽³⁾	2013 ⁽¹⁾	2013/12
EC1	Core	Direct economic value generated and distributed, including: revenues, operating costs, Employee remuneration, donations and other community investments, retained earnings, payments to investors and taxes						
		Operating Revenues (EUR million)	2,198.9	2,351.1	2,478.6	2,682.4	2,722.9	1.5%
		Operating Revenues and Gains (EUR million)	52.2	-0.4	-18.1	40.8	44.1	8.1%
EC2	Core	Financial implications and other risks and opportunities for the organisation's activities due to climate change	AR 26-27	AR 33	AR 35	AR 33	AR 29	-
EC3	Core	Coverage of the organisation's defined benefit plan obligations	AR 146-149	AR 150-154	AR 168-173	AR 160-165	AR 152-158	-
EC4	Core	Significant financial assistance received from the Government	- €	- €	- €	- €	- €	0.0%
EC8	Core	Development and impact of infrastructure investments and services offered primarily for public benefit, through commercial engagement	AR 23-25	AR 32-33	AR 34-35	AR 32-33	AR 28-29	-
EC9	Additional	Identification and description of significant indirect economic impacts, including the extent of impacts						
		Analysis of the National and International Economic Climate	AR 34-37	AR 42-44	AR 44-46	AR 42-44	AR 38-40	-
		Performance Breakdown	AR 38-41	AR 38-41	AR 40-43	AR 38-41	AR 34-37	-
		Net Income (EUR million)	-3.5	-57.1	-76.8	-25.5	-5.9	19.62 ⁽⁴⁾
		GVA per Employee ⁽²⁾ (EUR)	59,088	54,819	50,160	56,569	62,795	11.0%

⁽¹⁾ Values in accordance with the IFRS (International Financial Reporting Standards)

⁽²⁾ GVA from 2009 to 2013 calculated with the new criteria – Operating Revenues and Gains

⁽³⁾ Restated

⁽⁴⁾ Absolute value

GRI Indicators – Environmental Perspective

TAP, S.A.

Code	Type	Indicator Description	2009	2010	2011	2012	2013	2013/12
EN1	Core	Materials (paper) consumption, itemised by weight (tons)	59.6	51.7	48.4	50.8	48.1	-5.3%
		White A4 paper – 75g	52.8	48.4	47.7	49.6	47.2	-4.9%
		White A4 paper – 80g	5.7	2.4	0.02	0.04	0.2	450.0%
		White A3 paper – 80g	1.1	0.9	0.6	1.2	0.7	-38.3%
EN3	Core	Direct energy consumption, itemised by primary energy source (GJ)	34,603,091	36,800,735	38,797,749	40,037,077	40,272,035	0.6%
		Flight Operations						
		Jet Fuel consumption (flight operations)	34,530,338	36,720,907	38,729,714	39,967,322	40,192,108	0.6%
		Ground Operations						
		Jet Fuel consumption (maintenance and test)	26,722	26,346	18,125	16,356	29,904	82.8%
		Natural Gas consumption	41,571	48,839	44,368	47,113	44,363	-5.8%
		Petrol consumption (vehicles at the service of TAP)	458.02	468.3	242.1	540	278	-48.4%
Diesel consumption (vehicles at the service of TAP)	4,003	4,175	5,299	5,746	5,382	-6.3%		
EN4	Core	Indirect energy consumption, itemised by primary energy source – Electricity (GJ) ⁽³⁾	58,413	58,118	54,435	54,033	54,087	-0.4%
EN8	Core	Water consumption, itemised by source (m ³)						
		Total Water consumption	159,074	149,571	154,945	146,496	127,086	-13.2%
		Total Groundwater consumption	54,566	50,880	62,559	55,368	43,727	-21.0%
		Total Mains Supply Water consumption	104,508	98,691	92,386	91,128	83,359	-8.5%
EN16	Core	Total greenhouse gas emissions (tons of CO ₂)	2,376,473	2,526,820	2,663,196	2,747,991	2,764,091	0.6%
		Flight Operations						
		Direct CO ₂ emissions – TP Flights	2,364,577	2,514,584	2,652,143	2,736,893	2,752,286	0.6%
		Ground Operations						
		Direct CO ₂ emissions – Fixed Sources ⁽¹⁾	3,941	4,307	3,537	3,544	4,326	22.1%
		Direct CO ₂ emissions – Mobile Sources ⁽²⁾	328	342	409	463	418	-9.7%
		Indirect CO ₂ emissions ⁽⁴⁾	7,626	7,588	7,107	7,092	7,061	-0.4%
EN22	Core	Total quantity of waste by type and method of elimination (tons)	4,225.27	4,776.59	4,426.84	4,129.70	2,932.81	-29.0%
		Physical/chemical treatment	318.57	433.15	495.01	124.05	56.37	-54.6%
		Recovery	22.28	45.86	22.57	27.25	16.89	-38.0%
		Regeneration	70.71	125.21	85.16	74.22	90.54	22.0%
		Recycling	402.85	410.93	403.15	496.91	556.60	12.0%
		Landfill	45.55	73.72	0.00	522.56	0.82	-99.8%
		Industrial waste landfill	-	3.22	1.35	5.84	7.01	20.0%
		Energy recycling – incineration	2,344.90	2,120.9	2,010.0	1,445.20	1,485.46	2.8%
		Organic recycling	999.00	1,545.00	1,400.00	1,400.00	676.42	-51.7%
		Temporary storage at a licensed operator	21.41	18.65	9.59	33.67	42.70	26.8%
EN24	Additional	Treated hazardous waste by final destination (tons)	129.57	290.98	375.85	178.44	200.68	12.5%
		Physical/chemical treatment	44.12	127.65	263.45	66.15	44.91	-32.1%
		Recovery	2.16	18.57	0.73	1.00	0.12	-88.0%
		Regeneration	70.71	125.21	85.16	74.22	90.54	22.0%
		Recycling	10.17	18.46	22.48	14.35	19.94	39.0%
		Temporary storage at a licensed operator	0.51	0.14	3.09	16.88	38.14	125.9%
		Industrial waste landfill	1.90	0.95	0.94	5.84	7.01	20.0%
		Energy recycling – incineration	-	-	-	-	0.02	-
EN30	Additional	Total environmental protection investments and expenditures, by type (€)	219,500	268,137	265,272	344,357.3	312,878.8	-9.1%
		Waste Management	219,500	240,943	247,219	284,957.9	229,963.9	-19.3%
		Monitoring of emissions	-	7,869	7,602	6,524.5	4,134.5	-36.6%
		Consultancy, audit and certification	-	-	-	-	4,861.0	-
		Environmental awareness-raising	-	-	-	-	3,258.4	-
		Minimisation/mitigation measures	-	19,325	10,451	52,874.9	70,661.0	33.6%

⁽¹⁾ Fixed Sources: Emissions from fossil fuel combustion in the company's production, steam and hot water boilers.

⁽²⁾ Mobile Sources: Emissions from fossil fuel combustion in vehicles at the service of the company.

⁽³⁾ Since the electricity used in the company is purchased from an external entity, it is not possible to itemise indirect consumption by primary energy source.

⁽⁴⁾ Conversion factor updated for 2008 in accordance with Order number 17313/2008, of 26th June.

GRI Indicators – Environmental Perspective

TAP Group ⁽⁵⁾

Code	Type	Indicator Description	2009	2010	2011	2012	2013	2013/12
EN1	Core	Materials (paper) consumption, itemised by weight (tons)	141.7	137.6	104.8	109.2	102.8	-5.8%
		White A4 paper – 75g	64.58	60.4	61.3	89.9	82.1	-8.7%
		White A4 paper – 80g	74.9	75.0	42.6	18.0	18.9	5.1%
		White A3 paper – 80g	2.4	2.2	0.9	1.4	1.9	37.3%
EN3	Core	Direct energy consumption, itemised by primary energy source (GJ)	37,474,666.3	39,822,979.4	41,892,103.5	43,269,393.2	44,769,618.1	3.5%
		Flight Operations						
		Jet Fuel consumption (flight operations)	37,335,780.5	39,671,533.9	41,757,725.9	43,135,142.8	44,623,431.9	3.5%
		Ground Operations						
		Jet Fuel consumption (maintenance and test)	26,721.8	26,345.8	18,125.5	16,356.5	29,904.0	82.8%
		Natural Gas consumption	48,824.7	56,946.5	51,525.2	55,721.8	54,539.6	-2.1%
		Petrol consumption (vehicles at the service of TAP)	1,235.7	1,093.4	433.1	629.7	367.1	-41.7%
Diesel consumption (vehicles at the service of TAP)	62,103.6	67,059.9	64,293.9	61,542.3	61,375.5	-0.3%		
EN4	Core	Indirect energy consumption, itemised by primary energy source – Electricity (GJ) ⁽³⁾	112,324	113,536	113,534	114,048	113,950	-0.1%
EN8	Core	Water consumption, itemised by source (m ³)						
		Total Water consumption	247,207	248,087	261,239	259,328	242,145	-6.6%
		Total Groundwater consumption	54,566	50,880	62,559	55,368	43,727	-21.0%
		Total Mains Supply Water consumption	192,641	197,207	198,680	203,960	198,418	-2.7%
EN16	Core	Total greenhouse gas emissions (tons of CO ₂)	2,579,753.3	2,741,221.5	2,882,965.2	2,977,264.5	3,076,227.2	3.3%
		Flight Operations						
		Direct CO ₂ emissions – TP Flights	2,556,689.3	2,716,637.6	2,859,496.4	2,953,819.6	3,055,735.0	3.5%
		Ground Operations						
		Direct CO ₂ emissions – Fixed Sources ⁽¹⁾	4,309.8	4,722.4	3,879.8	3,986.4	4,848.5	21.6%
Direct CO ₂ emissions – Mobile Sources ⁽²⁾	4,682.2	5,038.8	4,766.4	4,597.7	4,566.7	-0.7%		
Indirect CO ₂ emissions ⁽⁴⁾	14,072.0	14,822.7	14,822.5	14,897.0	14,876.8	-0.1%		
EN22	Core	Total quantity of waste by type and method of elimination (tons)	7,333.9	8,329.6	8,459.7	8,443.2	7,612.6	-9.8%
		Physical/chemical treatment	332.3	446.4	631.1	309.9	301.9	-2.6%
		Recovery	143.9	172.1	250.6	44.0	16.9	-61.6%
		Regeneration	88	149.0	102.1	95.6	112.9	18.0%
		Recycling	590.2	694.7	675.1	816.9	892.1	9.2%
		Landfill	45.6	74.4	11.9	522.6	0.8	-99.8%
		Industrial waste landfill	-	3.2	1.4	6.4	7.4	15.9%
		Energy recycling – incineration	5,104.9	5,217.3	5,324.1	5,073.2	5,363.5	5.7%
		Organic recycling	999.0	1,548.0	1,402.0	1,402.0	693.9	-50.5%
		Temporary storage at a licensed operator	27.5	21.7	58.9	170.4	220.8	29.6%
		Group III – hospital waste of biological risk	1.2	1.6	2.3	2.1	2.2	3.3%
Group IV – specific hospital waste	1.5	1.3	0.3	0.2	0.2	4.3%		
EN24	Additional	Treated hazardous waste by final destination (tons)	181.8	349.2	498.5	246.1	243.7	-1.0%
		Physical/chemical treatment	50.2	132.6	279.0	72.3	48.1	-33.6%
		Recovery	22.8	41.8	83.0	1.0	0.1	-88.0%
		Regeneration	88	149	102.1	95.6	112.9	18.0%
		Recycling	11.2	21.4	26.4	21.1	20.6	-2.2%
		Temporary storage at a licensed operator	7.8	3.5	7.1	49.7	54.7	9.9%
		Industrial waste landfill	1.9	1.1	0.9	6.4	7.4	15.9%
Valorização energética – incineração	-	-	-	-	0.02	-		
EN30	Additional	Total environmental protection investments and expenditures, by type (€)	369,431.9	424,891.8	469,126.2	563,412.0	585,046.7	3.8%
		Waste Management	364,197.3	393,937.2	402,919.5	484,388.2	433,130.8	-10.6%
		Monitoring of emissions	5,234.5	11,629.4	15,169.0	8,747.7	7,287.5	-16.7%
		Consultancy, audit and certification	-	0.0	28,585.2	7,572.3	30,647.2	304.7%
		Environmental awareness-raising	-	-	-	2,482.7	3,258.4	31.2%
		Minimisation/mitigation measures	-	19,325.2	22,452.5	60,221.2	110,722.8	83.9%

⁽¹⁾ Fixed Sources: Emissions from fossil fuel combustion in the company's production, steam and hot water boilers.

⁽²⁾ Mobile Sources: Emissions from fossil fuel combustion in vehicles at the service of the company.

⁽³⁾ Since the electricity used in the company is purchased from an external entity, it is not possible to itemise indirect consumption by primary energy source.

⁽⁴⁾ Conversion factor updated for 2008 in accordance with Order number 17313/2008, of 26th June.

⁽⁵⁾ TAP Group except TAP-Maintenance e Engineering Brazil (Includes: TAP, S.A; PORTUGÁLIA; SPdH; CATERINGPOR; LFP; MEGASIS; UCS)

GRI Indicators – Social Perspective

TAP, S.A.

Code	Type	Indicator Description	2009	2010	2011	2012	2013	2013/12	
LA1	Core	Employees by type of employment							
		Ground Staff	3,896	3,934	3,835	3,779	3,758	-0.6%	
		Flight Staff	3,090	3,121	3,099	3,058	3,131	2.4%	
		Total Employees	6,986	7,055	6,934	6,837	6,889	0.8%	
		Average Seniority (years)	13.17	13.32	13.58	13.46	14.12	4.9%	
		Average Age (years)	38.68	39.14	39.46	39.42	36.51	-7.4%	
LA1	Core	Employees by type of employment contract							
		Permanent contract	6,138	6,400	6,665	6,497	6,537	0.6%	
		Fixed-term contract	841	645	269	335	339	1.2%	
		Variable-term contract	7	10	0	5	13	160.0%	
LA1	Core	Employees by Region							
		Portugal	6,438	6,487	6,388	6,291	6,360	1.1%	
		Europe	268	266	253	247	240	-2.8%	
		Africa	93	94	89	95	91	-4.2%	
		Americas	187	208	204	204	198	-2.9%	
LA2	Core	Rate of Employee turnover	3.87%	5.04%	4.81%	5.48%	2.78%	-2.7 p.p.	
LA3	Additional	Benefits offered to full-time employees that are not provided to temporary or part-time employees, itemised by main operations	Parking on TAP Campus during the daytime period and ticket benefits						
LA4	Core	Percentage of employees covered by collective negotiation agreements	71.02%	67.81%	67.69%	60.25%	60.69%	0.4 p.p.	
LA5	Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Notice periods established in Portuguese legislation. TAP Group companies strictly comply with the legislation						
LA6	Additional	Percentage of the total employees represented in formal health and safety committees, composed of managers and other staff, who assist in the monitoring of and provision of advice on occupational health and safety programmes	100%	100%	100%	100%	100%	0.0 p.p.	
LA7	Core	Percentage of injuries, occupational illnesses, days lost, absenteeism and number of work-related deaths							
		Number of Work Accidents	1,140	1,001	1,148	1,121	1,135	1.2%	
		Number of Days Lost	15,400	17,318	15,699	15,684	16,850	7.4%	
		Hours of Occupational Illness	171	158	-	1,073	13,928	1,198.6%	
LA8	Core	Education, training, counselling, prevention and risk-control programmes in place to assist employees, their families or community members affected by serious illnesses	The objective of the company UCS, S.A. is to provide services in the health area to Group companies, employees, family members and third parties Programmes: Healthy Life; Prevention and Treatment of Addictions; GRAV						
LA9	Additional	Health and safety topics covered in formal agreements with trade unions	// Health and Safety Training // Applicable Legislation and Regulations // Definition of Company and staff responsibilities on Safety matters // Occupational Medicine and Health // Company responsibilities regarding risk prevention and promotion of employee health and physical and psychological integrity // Activity in epidemic areas. In accordance with national and internal regulations: Articles 272-280 of CT Law 99/2003, of 27th August; DL 26/96, of 1st February; DL 441/91, of 14th November; and AE PT in force, the TAP Hygiene, Safety and Working Conditions Commission was constituted in 1986. This Commission aims to establish standards and measures regarding hygiene, safety and the prevention of occupational hazards						
LA10	Core	Training							
		Number of Actions	1,220	2,492	2,825	2,864	2,932	2.4%	
		Number of Trainees	12,598	17,672	18,078	21,076	22,649	7.5%	
		Training Volume in Person-Hours	243,666	303,688	297,564	324,026	284,876	-12.1%	
LA11	Additional	Skills management and continuous learning programmes to support the continued employability of the employees and assist them in managing career ending	// At TAP, training designed for the purpose of developing knowledge, competences and skills, as well as establishing a direct relationship between Training contents and the Company's strategic objectives // TAP perceives the Professional Training of its Employees as a continuous process, with the objective of preparing them with the necessary skills to provide all Customers – internal and external – with products and services of high quality and safety, reflecting the Organisation's values and constituting an essential aspect of Human Resources management // TAP grants its retired and pre-retired Employees the possibility of enrolling in Transversal Training						
LA12	Additional	Percentage of employees receiving regular performance and career development reviews	95%	95%	95%	95%	87%	-8.0 p.p.	
LA13	Core	Equal opportunities							
		Women	2,607	2,973	2,918	2,874	2,920	1.6%	
		Men	3,831	4,082	4,016	3,963	3,969	0.2%	
LA14	Core	Ratio of basic salaries of men to women, by category	According to the applicable legislation, the Company adopts a policy of equal salaries for women and men, based on equal opportunities, with diversity being decided by the exercise of the existing Functions						
HR5	Core	Cases where rights to exercise freedom of association and establish collective negotiation agreements may be at significant risk	TAP respects the right of all its employees to join and associate in trade unions of their choice and engage in collective negotiations. In addition to negotiation meetings, TAP maintains frequent contact with the Trade Unions and Workers Commission						
HR6	Core	Cases where there is a significant risk of the occurrence of child labour and measures taken to prevent this situation	In its Human Resources management, TAP is particularly strict in observing all legal and conventional standards regulating labour relations, and respects the informative guidelines included in the United Nations Universal Declaration of Human Rights						
HR7	Core	Cases where there is a significant risk of the occurrence of forced or slave labour and measures taken to prevent these situations	In its Human Resources management, TAP is particularly strict in observing all legal and conventional standards regulating labour relations, and respects the informative guidelines included in the United Nations Universal Declaration of Human Rights						

GRI Indicators – Social Perspective

TAP, S.A.

Code	Type	Indicator Description	2009	2010	2011	2012	2013	2013/12	
HR8	Additional	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights relevant to operations	Activity subcontracted to a security company						
S02	Core	Percentage and total number of business units subject to risk analysis aimed at fighting corruption	100%	100%	100%	100%	100%	0.0 p.p.	
S04	Core	Measures taken in response to cases of corruption	All acts which may possibly involve corrupt behaviour are reported by the company to the police authorities and the corresponding offenders are subject to disciplinary procedures						

GRI Indicators – Social Perspective

TAP Group ⁽¹⁾

Code	Type	Indicator Description	2009	2010	2011	2012	2013	2013/12	
LA1	Core	Employees by type of employment							
		Ground Staff	7,612	7,642	7,068	7,158	7,383	3.1%	
		Flight Staff	3,457	3,483	3,472	3,424	3,496	2.1%	
		Total Employees	11,069	11,125	10,540	10,582	10,879	2.8%	
		Average Seniority (years)	n.a.	12.6	12.91	12.95	13.26	2.4%	
		Average Age (years)	n.a.	39.13	38.69	39.35	37.56	-4.5%	
LA1	Core	Employees by type of employment contract							
		Permanent contract	9,716	10,097	9,963	9,893	9,956	0.6%	
		Fixed-term contract	1,338	996	565	658	888	35.0%	
		Variable-term contract	15	32	12	31	35	12.9%	
LA1	Core	Employees by Region							
		Portugal	10,521	10,557	9,994	10,036	10,350	3.1%	
		Europe	268	266	253	247	240	-2.8%	
		Africa	93	94	89	95	91	-4.2%	
		Americas	187	208	204	204	198	-2.9%	
LA2	Core	Rate of Employee turnover	n.a.	7.29%	7.72%	6.33%	4.86%	-1.5 p.p.	
LA3	Additional	Benefits offered to full-time employees that are not provided to temporary or part-time employees, itemised by main operations	Parking on TAP Campus during the daytime period and ticket benefits						
LA4	Core	Percentage of employees covered by collective negotiation agreements	67.2%	63.9%	62.7%	54.8%	54.6%	-0.1 p.p.	
LA5	Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Notice periods established in Portuguese legislation. TAP Group companies strictly comply with the legislation						
LA6	Additional	Percentage of the total employees represented in formal health and safety committees, composed of managers and other staff, who assist in the monitoring of and provision of advice on occupational health and safety programmes	76.6%	77.3%	98.6%	99.2%	99.2%	0.0 p.p.	
LA7	Core	Percentage of injuries, occupational illnesses, days lost, absenteeism and number of work-related deaths							
		Number of Work Accidents	1,712	1,542	1,637	1,611	1,713	6.3%	
		Number of Days Lost	28,789	30,801	26,088	27,440	30,322	10.5%	
		Hours of Occupational Illness	2,225	6,275	2,184	2,625	17,143	553.2%	
LA8	Core	Education, training, counselling, prevention and risk-control programmes in place to assist employees, their families or community members affected by serious illnesses	The objective of the company UCS, S.A. is to provide services in the health area to Group companies, employees, family members and third parties Programmes: Healthy Life; Prevention and Treatment of Addictions; GRAV						
LA10	Core	Training							
		Number of Actions	2,943	5,009	5,236	5,753	5,360	-6.8%	
		Number of Trainees	23,761	32,944	35,848	38,171	36,495	-4.4%	
		Training Volume in Person-Hours	557,366	669,667	800,250	770,234	777,068	0.9%	
LA12	Additional	Percentage of employees receiving regular performance and career development reviews	95.3%	95.4%	95.2%	95.8%	90.9%	-4.9 p.p.	
LA13	Core	Equal opportunities							
		Women	4,191	4,549	4,349	4,331	4,439	2.5%	
		Men	6,330	6,576	6,191	6,251	6,440	3.0%	
HR6	Core	Cases where there is a significant risk of the occurrence of child labour and measures taken to prevent this situation	In its Human Resources management, TAP is particularly strict in observing all legal and conventional standards regulating labour relations, and respects the informative guidelines included in the United Nations Universal Declaration of Human Rights						
HR7	Core	Cases where there is a significant risk of the occurrence of forced or slave labour and measures taken to prevent these situations	In its Human Resources management, TAP is particularly strict in observing all legal and conventional standards regulating labour relations, and respects the informative guidelines included in the United Nations Universal Declaration of Human Rights						
HR8	Additional	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights relevant to operations	Activity subcontracted to a security company						
S02	Core	Percentage and total number of business units subject to risk analysis aimed at fighting corruption	100%	100%	100%	100%	100%	0.0 p.p.	
S04	Core	Measures taken in response to cases of corruption	All acts which may possibly involve corrupt behaviour are reported by the company to the police authorities and the corresponding offenders are subject to disciplinary procedures						

⁽¹⁾ TAP Group except TAP-Maintenance e Engineering Brazil (Includes: TAP, S.A.; PORTUGÁLIA; SPdH; CATERINGPOR; LFP; MEGASIS; UCS)

ABBREVIATIONS AND GLOSSARY

AEA	Association of European Airlines
EASA	European Aviation Safety Agency
ECAC	European Civil Aviation Conference
GRI	Global Reporting Initiative
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
INAC	<i>Instituto Nacional de Aviação Civil</i>
ISO	International Standards Organization
t	Tons
Additional Indicators	Indicators identified in the GRI Directives, which represent emerging practices or deal with issues that may be relevant to some companies, but not to the majority.
ASK	Available Seat-Kilometres Total number of seats available for sale multiplied by the number of kilometres flown.
CO ₂	Carbon Dioxide Gas naturally present in the atmosphere and which also results from the combustion of fossil fuels (coal, oil). Increased levels of carbon dioxide in the atmosphere could lead to global warming and consequent climate changes.
Code-Share	Agreement between two companies operating as partners, to provide services on the same aircraft, while maintaining the respective IATA codes, flight numbers and brands.
Core Indicators	Indicators identified in the GRI Directives as being of interest for the majority of stakeholders and considered relevant, except when considered otherwise, based on the GRI reporting principles.
Direct Energy used	Energy directly consumed by the Company, its products and services.
Global Compact	Initiative promoted by the 7th Secretary-General of the United Nations – Mr. Kofi Annan – with the objective of promoting human, labour and environmental rights.
Global warming potential	Global warming potential of a fluorinated greenhouse gas, when compared to carbon dioxide.
Hub	Term used to describe an airline company’s operating base, where arrivals and departures are coordinated, in order to keep transit time to a minimum. The TAP Hub in Lisbon is structured in three daily waves of arrivals and departures, so as to increase the number of connections available to TAP customers.
Primary Energy	Energy resources available in nature (oil, natural gas, water power, wind power, biomass, solar power). (Decree-Law number 80/2006 – Regulation of thermal behaviour characteristics in buildings).
Punctuality	Industry Standard, measured as the percentage of flights departing within 15 minutes after the scheduled departure time.
RPK	Revenue Passenger-Kilometres Total number of passengers multiplied by the number of kilometres flown.
Stakeholders	Stakeholders are broadly defined as groups or individuals that may be significantly affected by the company’s activities, products and/or services, or whose actions may affect the organisation’s ability to implement its strategies and successfully achieve its objectives.



APPROVAL OF THE SUSTAINABILITY REPORT

Approved by the General and Supervisory Board (under the terms of subparagraph o) of number 1 of article 23 of the Statutes), under proposal of 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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