



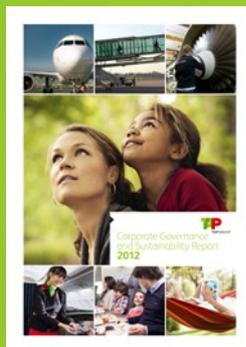
Sustainability Report
2014

Sustainability Report 2014

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.



Available on TAP's website

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

TAP, SGPS, S.A.

Head office: Aeroporto de Lisboa, Edifício 25 8º
1704-801 Lisboa

Portugal

Nominal Capital: EUR 15,000 thousand

Registration at the Commercial Registry Office of Lisbon
and Legal Person no. 506623602

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APPROVAL OF THE SUSTAINABILITY REPORT

OPENING NOTE

MAIN ASPECTS OF THIS REPORT

Scope

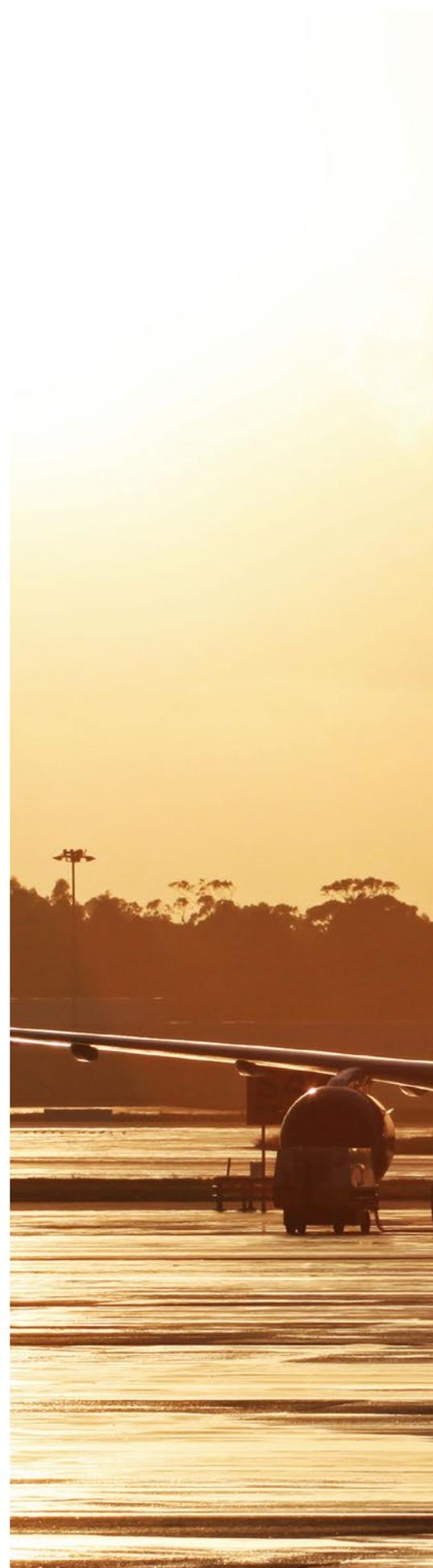
The present document refers to the calendar year of 2014 and mainly contains information relative to TAP, S.A., the company dedicated to the development of the core activity of TAP Group, and the other companies of TAP Group, with the exception of TAP-Maintenance and Engineering Brazil.

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



TAP remains committed to its vision and mission, aiming to be the *best company to travel, invest and work* in Portugal. This means that the strategic guidance defined for the TAP Group has fundamental objectives such as the creation of economic and social value for the shareholder and for Portugal, the satisfaction and anticipation of Customer expectations, and the guarantee of the best conditions for the professional affirmation and progress of workers.

TAP develops its activity in a highly competitive and regulated environment in line with the guidelines of the Global Reporting Initiative (GRI).

In the development of its business, TAP is committed to the pursuit of the best sustainability and security practices for its operations, as well as the preservation and defence of the Environment and of the Planet.

Its daily practices are thus based on a culture that is solidly founded on the values of security, transparency and responsibility, never losing sight of the feasibility and economic growth of the TAP Group and of justice and social responsibility, as well as the safeguarding of environmental quality.

In support of this solid commitment and its underlying practices, TAP discloses to its various stakeholders the programmes, advances and initiatives undertaken over the course of 2014 aimed at improving the economic, social and environmental performance.

I would like to begin by pointing out the improvements in some sustainability indicators that demonstrate the path that is being pursued.

From an economic viewpoint, an increase of 3 percent in the TAP Group's operating revenues and gains was registered, while at the same time the services provided abroad by the TAP Group grew by 1.1%.

From a social viewpoint, I would like to highlight the increase in the total staff of the Group by 3.2 percent, an indicator that clearly demonstrates that TAP generates employment and has a direct positive impact on the Company and on Portugal's Economy. In addition to the creation of jobs, TAP qualifies workers, having increased the volume of training (number of participants x hours) by 5.9 percent in 2014.

The results obtained in areas with a special impact on the environmental field also call for special mention. In fact, in spite of a strong increase of the company's activity, TAP managed to significantly reduce CO₂ emissions per passenger (-3.9%), energy consumption over turnover (-4%), total water consumption over turnover (-8.6%) and paper consumption over turnover (-3.3%). I believe that the decrease in consumption of all of these resources demonstrates, without a shadow of a doubt, the commitment to meeting our environmental pledge.

In addition, TAP was distinguished and recognised by the market and by the community in various areas, having conquered a number of awards, of which the following are noteworthy:

- **Airline with the Best Reputation in Portugal** (Reputation Institute) Portugal Rep Trak Pulse – Companies and Brands Study. The study, conducted in 33 countries, in the case of Portugal, highlights TAP as the airline company with the best reputation, reaffirming itself as the preferred brand of the Portuguese, in its sector of activity;
- **Praise for the Safety Video of TAP** (Commission for Equality and Against Racial Discrimination) Distinction attributed by the Commission for Equality and Against Racial Discrimination, presided by the High Commissioner for Migrations, for the safety video shown on board TAP aircraft, for the way in which the safety rules in force are disclosed, portraying them through age, gender, origin, skin tone and accent diversity in our country, thus contributing to the mission of defence of the principle of equal treatment and fight against racism and xenophobia;



TAP is committed to the pursuit of the best sustainability and security practices for its operations, as well as the preservation and defence of the Environment and of the Planet

○ **Award Of Distinction** (2014 World Public Relations Forum) Distinction attributed to TAP and to lecturers and researchers of the Catholic University of Portugal, in the Academic Case Studies of the Global Alliance Comm Prix category, distinguishing The PR Pyramid: Guidelines for Social Media Management study, on the Company's management of its presence in the social networks.

I believe these three awards and recognitions, only a few of the many received in 2014, illustrate fully well how TAP, aware of its social responsibility and its commitment to sustainability, participates in and relates to the community in general.

In this context, it is also important to mention some other initiatives undertaken in 2014 that illustrate, due to their nature, the attitude of the organisation. The adoption of TAP business cards with QR code, as a means of contributing towards environmental sustainability, the launch of the Solidarity Vending Project by *Voluntários com Asas* (Volunteers with Wings) in partnership with hypermarket, in favour of a Social Solidarity Institution or the holding of the Solidarity Fair, at TAP's canteen, also organised by *Voluntários com Asas*, were projects supported and encouraged by TAP that assuredly contribute to an organisational culture of responsibility.

Finally, in the field of involvement with the community, and continuing the promotion, valuation and affirmation in the world of non-tangible values, I must express my immense satisfaction for TAP's association to the recognition of the *Cante Alentejano* as an Intangible Cultural Heritage of Humanity awarded by UNESCO. TAP transported the delegation that travelled to the headquarters of UNESCO in Paris on the return flight to Lisbon and, through its communication channels and tools, promoted the dissemination of this historical milestone of Portuguese identity, popular culture and tradition, which now belongs to all humanity.

TAP continues to reaffirm internationally its name and the values of its brand, which are indissociable from its strong ties to Portugal and its commitment in becoming an instrument of excellence in the convergence and connection of the Portuguese-speaking world, uniting and embracing Europe, Africa and the Americas.

Fernando Pinto

MAIN SUSTAINABILITY INDICATORS

ECONOMIC PERSPECTIVE



SOCIAL PERSPECTIVE

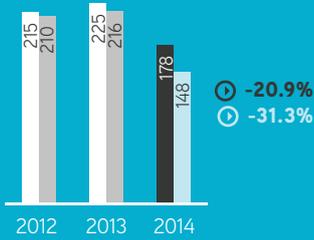


ENVIRONMENTAL PERSPECTIVE

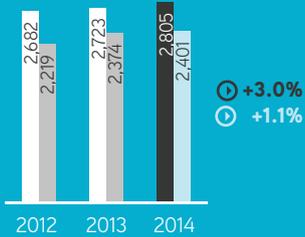


ECONOMIC PERSPECTIVE

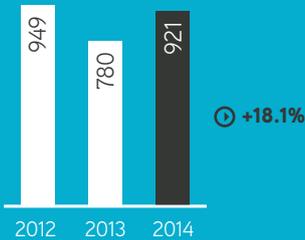
■ EBITDAR (TAP Group)
■ EBITDAR (TAP, S.A.)
EUR million



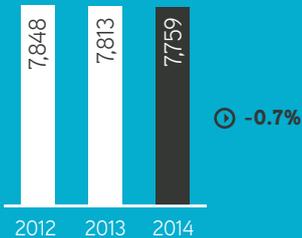
■ Operating Revenues and Gains of TAP Group
■ Value of the Services Rendered Abroad of TAP Group
EUR million



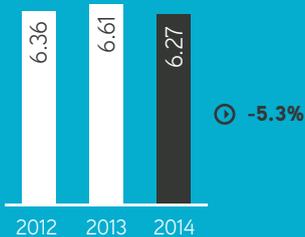
Remunerated Net Debt of TAP Group
EUR million



Air Transport Productivity
Thousand ASKs per Employee



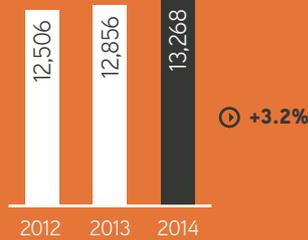
Air Transport Revenue per Available Seat-Kilometre
EUR cents per ASK



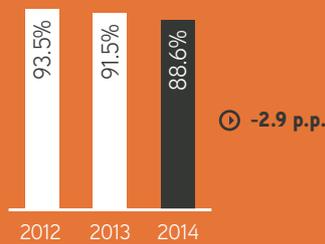
Values in IFRS (International Financial Reporting Standards)

SOCIAL PERSPECTIVE

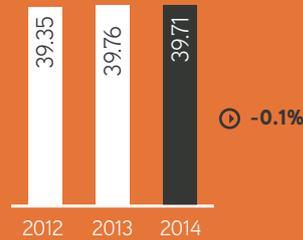
Total Employees of TAP Group
31 December



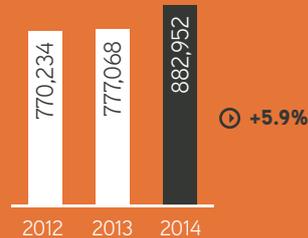
Permanent Contracts Percentage ⁽¹⁾



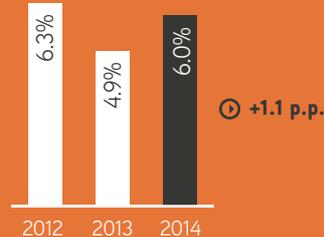
Average Age of Employees ⁽¹⁾



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



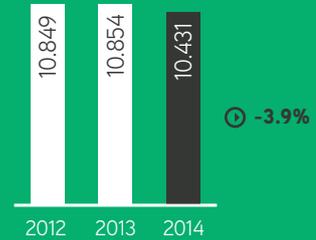
Rate of Employee Turnover ⁽¹⁾
(((Entries+Exits)/2)/Average Staff)x100



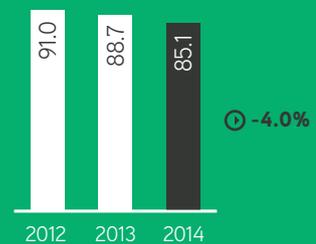
(1) TAP Group indicators (except TAP-Maintenance and Engineering Brazil)

ENVIRONMENTAL PERSPECTIVE

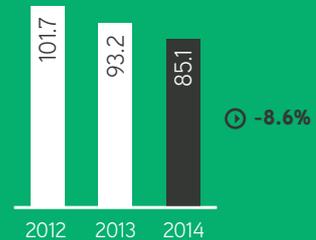
CO₂ Emissions per Passenger
kg/100 RPK



Energy Consumption over Turnover ⁽¹⁾
GJ/EUR million



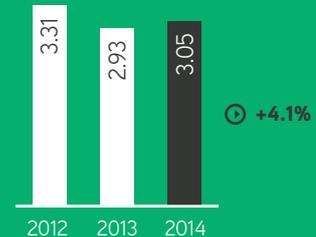
Total Water Consumption over Turnover ⁽¹⁾
m³/EUR million



Paper Consumption over Turnover ⁽¹⁾
Tons/EUR million



Quantities of Waste Produced over Turnover ⁽¹⁾
Tons/EUR million



(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**



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.

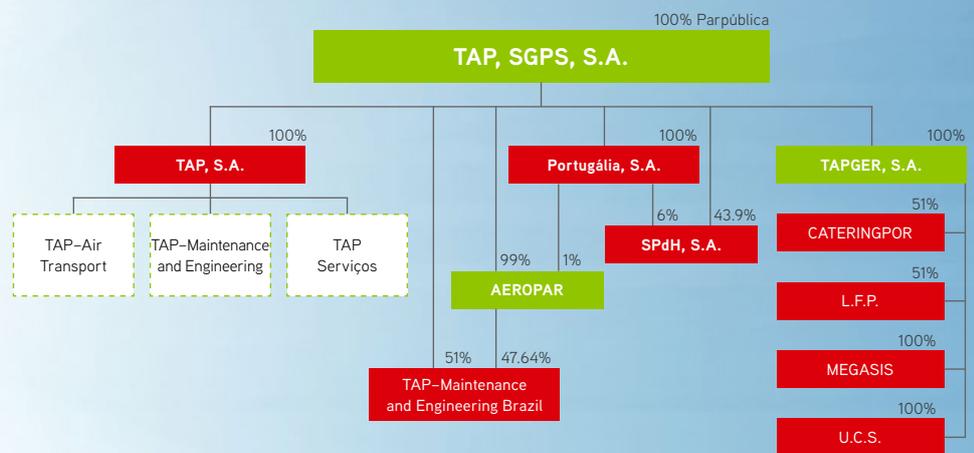
Based in Lisbon, the city whose airport is the Company's main operating hub and which represents a privileged platform of access to markets located in other Continents, TAP's network currently links Europe, to Africa as well as to North, Central and South America.

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.

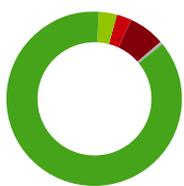
- Atlanta
- Boston
- Calgary
- Charlotte
- Chicago
- Dallas
- Denver
- Detroit
- Philadelphia
- Houston
- Las Vegas
- Los Angeles
- Minneapolis
- Montreal
- New Orleans
- Orlando
- Ottawa
- San Diego
- San Francisco
- Seattle
- Tampa
- Toronto
- Washington DC

Miami

Mexico City



TAP Group Turnover



- 86.8% Air Transport
- 3.4% Maintenance - Assistance to third party Portugal
- 2.6% Maintenance - Assistance to third party Brazil
- 6.7% Duty Free (LFP, S.A.)
- 0.2% Catering (CATERINGPOR, S.A.)
- 0.3% Other Activities of TAP, SGPS, SA

Vision

TAP aims to provide a quality service to its Customers, seeking a position of leadership in the market segment in which it operates and maintaining a positive attitude of contribution towards the economic and social development of Portugal and the communities it serves:

- Being recognised as the airline company that, through the geographic positioning of its operational hub in Lisbon, provides privileged connections between Europe and Africa and North, Central and South America;
- Pursuing, in the development of its network, an interconnection strategy, which connects Europe to a growing number of destinations located in Africa and in the South Atlantic, where it is distinguished as the leading European carrier to Brazil;
- Providing a quality product to Customers through the best and easiest solutions for their journeys and adding ever more value to the product offered to them;
- Being perceived by the shareholder as a company that generates value on a sustained basis.

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.

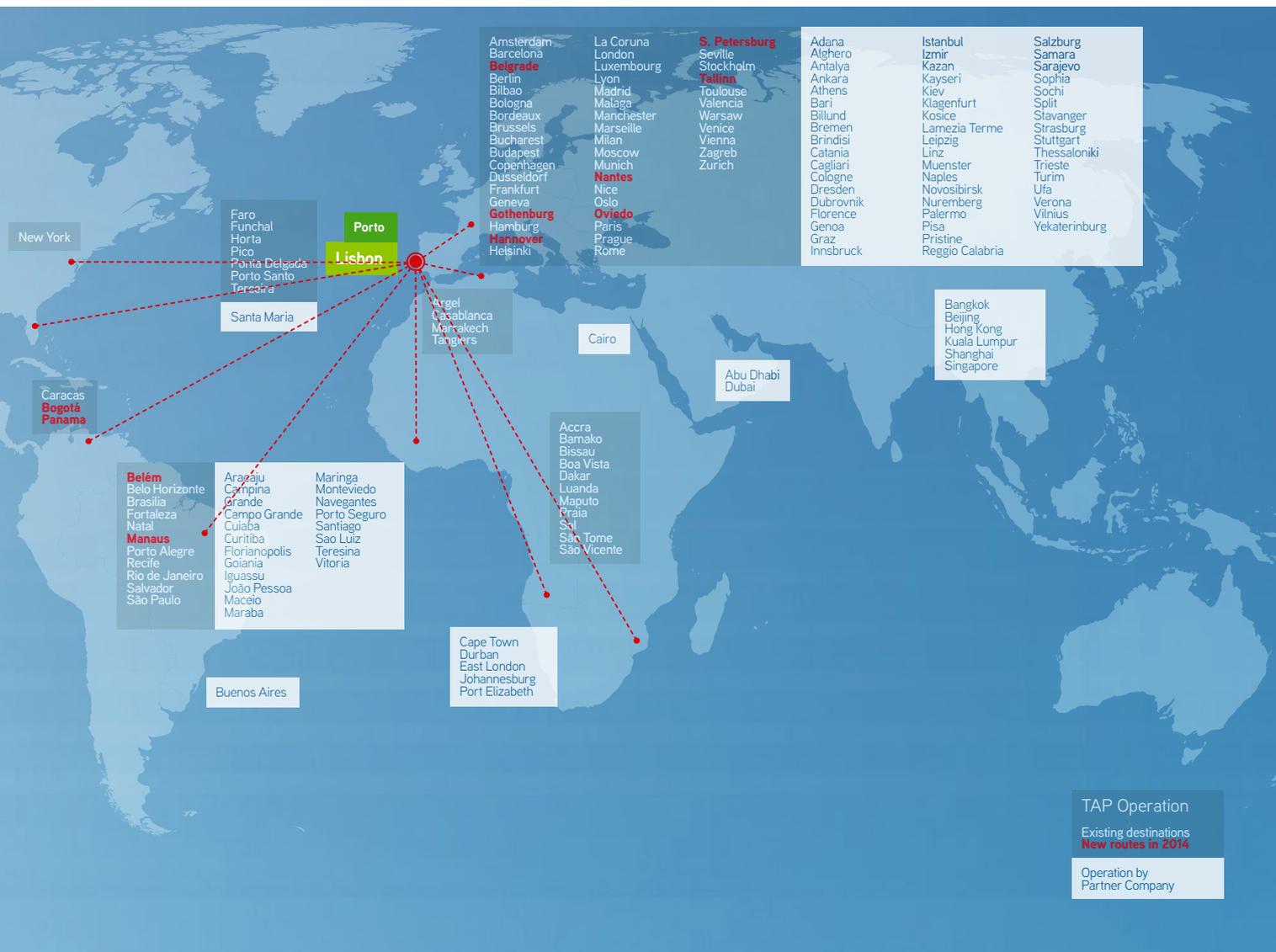
Ethics

The principles of Ethical and Responsible Management express the commitment of the Company towards sustainable development and guide business strategy, being aligned with best practice in terms of:

- Accountability and Transparency;
- Ethical conduct and respect for the interest of the Stakeholders;
- Respect for the Rule of Law;
- Respect for Human Rights, valuing the personal and professional competences of its Employees and promoting urban interpersonal relations;
- Respect for the Customer, offering the highest quality standards;
- Loyal and friendly partnership relationship with its Suppliers;
- Solidarity and Social Intervention;
- Proactive Environmental Protection;
- Innovation and Continuous Improvement.

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

The Company is currently promoting the comprehensiveness of the Anti-corruption and Related Practices Manual/Plan in some areas, with a view to achieving greater efficiency and improvement of its monitoring and efficacy, seeking to cover new areas that are also associated to the use of new technologies.



Main Sustainability Achievements

INNOVATIONS IN PRODUCTS AND SERVICES

- Investment in the improvement of Customer relations – Mobility and the Customer
- Supplier relationship management
- FDCC (Flight Dispatch Control Center), integrated additional monitoring mechanisms
- 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. 53-55

RESPONSIBLE MANAGEMENT COMMITTED TO THE ENVIRONMENT

- Reduction of CO₂ emissions
- Environmental responsibility
- Preservation of biodiversity
- For more information please see pp. 62-66

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 organization and promotion of a Safety culture



Tickets Sales by Geographic Area



11.4 million
Passengers carried

178
Destinations
107 /Europe (10 Portugal)
42 /Americas; 21 /Africa;
8 / Other Continents

11 New destinations in 2014

85.1 thousand
Cargo ton

77
Aircraft
61 TAP; 16 PGA

13 268
Employees
TAP Group on 31 December

MAIN EVENTS IN 2014

 Economic Perspective
  Social Perspective
  Environmental Perspective

<div data-bbox="113 398 220 506"> <p>JAN</p> </div> <div data-bbox="240 454 560 573"> <p>Launch of new applications for mobile devices, with a more appealing, <i>user-friendly</i> image </p> </div> <div data-bbox="240 580 560 676"> <p>Use of in-flight personal electronic devices, configured to <i>flight mode</i> </p> </div>	<div data-bbox="592 398 699 506"> <p>APR</p> </div> <div data-bbox="719 454 1038 573"> <p>Participation of TAP–Maintenance and Engineering in the MRO Americas and MRO Africa conferences cycle </p> </div> <div data-bbox="719 580 1038 645"> <p>FLYTAP expedition takes Portugal to the Brazil of the World Cup </p> </div>	<div data-bbox="1070 398 1177 506"> <p>SEP</p> </div> <div data-bbox="1198 454 1517 537"> <p>Launch of application available for smartphones </p> </div>
<div data-bbox="113 663 220 770"> <p>FEB</p> </div> <div data-bbox="240 719 560 815"> <p>Promotion of Portugal in Estonia at the Tourism Fair of Tallinn as an excellent tourist destination.  </p> </div>	<div data-bbox="592 631 699 739"> <p>MAY</p> </div> <div data-bbox="719 696 1038 792"> <p>Actions to promote Portugal as a destination to agents of Eastern Europe  </p> </div> <div data-bbox="719 799 1038 896"> <p>Check-in 72 hours in advance (with the exception of flights to and from the USA, due to a North American legal requirement) </p> </div> <div data-bbox="719 902 1038 1043"> <p>In coordination with the Portuguese education system, presence of TAP at the Jobshop of IST (<i>Instituto Superior Técnico</i>) </p> </div>	<div data-bbox="1070 524 1177 631"> <p>OCT</p> </div> <div data-bbox="1198 584 1517 703"> <p>Launch of the Solidarity Vending Project by the <i>Voluntários com Asas</i> (Volunteers with Wings) in partnership with hypermarket, in favour of a Social Solidarity institution </p> </div> <div data-bbox="1198 732 1517 815"> <p>Participation of TAP–Maintenance and Engineering in MRO Europe </p> </div>
<div data-bbox="113 810 220 918"> <p>MAR</p> </div> <div data-bbox="240 871 560 967"> <p>Selection of Cateringpor, a TAP Group company, to provide meals to passengers of the Alfa Pendular trains of CP </p> </div> <div data-bbox="240 974 560 1070"> <p>Organisation by TAP of the 2nd Iata Baggage Fraud Prevention Meeting in Lisbon </p> </div> <div data-bbox="240 1077 560 1173"> <p>Launch of the new communication line of TAP with the dissemination of the new destinations of 2014  </p> </div> <div data-bbox="240 1180 560 1321"> <p>The founding date of TAP is signalled with the inauguration, at the Museum of Air (Sintra), of the <i>Commemorative Exhibition of the 69th Anniversary 1945 – 2014 / Tribute to Commander Silva Soares</i> </p> </div> <div data-bbox="240 1328 560 1469"> <p>Signing of the cooperation protocol between TAP Portugal and C.P.– Comboios de Portugal, E.P.E.  </p> </div>	<div data-bbox="592 1030 699 1137"> <p>JUN</p> </div> <div data-bbox="719 1090 1038 1187"> <p>Launch of the new Flip & Flap (children's mascots) website marks Children's Day </p> </div> <div data-bbox="719 1193 1038 1290"> <p>Start of the operations to Manaus and Belém – TAP reinforces leadership in Brazil with direct flights to 12 cities </p> </div> <div data-bbox="719 1296 1038 1393"> <p>Launch of the new in-flight safety video, within the scope of the World Football Cup </p> </div> <div data-bbox="719 1400 1038 1496"> <p>The new aircraft, Airbus A319 received the name of Aristides de Sousa Mendes, in tribute to the former Consul. </p> </div> <div data-bbox="719 1503 1038 1644"> <p>Innovation in mobile devices with access to the Customer Support Service Talk to Us and the modernisation of the booking engine in mobile applications </p> </div> <div data-bbox="719 1650 1038 1769"> <p>Support to the promotion and dissemination of the Portuguese Language in France, through the partnership agreement with the Calouste Gulbenkian Foundation of Paris </p> </div>	<div data-bbox="1070 801 1177 909"> <p>NOV</p> </div> <div data-bbox="1198 862 1517 981"> <p>Launch of the new automatic notifications service, through SMS and e-mail, aimed at improving communication with Customers </p> </div> <div data-bbox="1198 987 1517 1084"> <p>Approval by the Council of Ministers of the Reprivatisation of TAP </p> </div> <div data-bbox="1198 1090 1517 1187"> <p>Promotion of the destination Azores with local partnerships, through the Victoria card loyalty programme </p> </div> <div data-bbox="1198 1193 1517 1335"> <p>Representatives of the Cante Alentejano, Intangible Cultural Heritage of Humanity awarded by UNESCO, on the TAP flight from Paris to Lisbon </p> </div> <div data-bbox="1198 1341 1517 1438"> <p>Tribute to the Cante Alentejano at the arrivals area of Lisbon airport </p> </div> <div data-bbox="1198 1444 1517 1541"> <p>Solidarity Fair, at the TAP Canteen, organised by <i>Voluntários com Asas</i> (Volunteers with Wings) </p> </div> <div data-bbox="1198 1547 1517 1644"> <p>Film, TAP flight with the Heritage of Humanity, available on YouTube and TAP's Facebook page </p> </div>
<div data-bbox="113 1464 220 1572"> <p>APR</p> </div> <div data-bbox="240 1520 560 1617"> <p>Business cards of TAP with QR code, as a means of contributing to environmental sustainability </p> </div> <div data-bbox="240 1624 560 1720"> <p>Promotion of solidarity by TAP Victoria, through the donation of miles to social intervention and inclusion institutions or projects </p> </div> <div data-bbox="240 1727 560 1868"> <p>Mutual cooperation protocol between TAP and IPDAL (Institute for the Promotion and Development of Latin America) aimed at strengthening their partnership relationship  </p> </div> <div data-bbox="240 1874 560 1993"> <p>One of the aircraft of the TAP fleet, an Airbus A320 that begins operating in the summer period, is named after José Saramago </p> </div> <div data-bbox="240 2000 560 2096"> <p>Participation of TAP Cargo in the Intermodal of São Paulo </p> </div>	<div data-bbox="592 1760 699 1868"> <p>JUL</p> </div> <div data-bbox="719 1816 1038 1912"> <p>Junior Academy 2014, an initiative under the School-Company programme </p> </div> <div data-bbox="719 1919 1038 2060"> <p>Start of the operations to Belgrade, Nantes, Oviedo, S. Petersburg, Gothenburg, Hannover and Tallinn in Europe and, Bogotá and Panama City in Latin America </p> </div> <div data-bbox="719 2067 1038 2128"> <p>Availability of a new free application for PCs and Tablets </p> </div>	<div data-bbox="1070 1617 1177 1724"> <p>DEC</p> </div> <div data-bbox="1198 1673 1517 1814"> <p>Mobile check-in on mobile applications, at more than eight new European airports: Geneva, Zurich, Zagreb, Vienna, Frankfurt, Munich, Hamburg or Dusseldorf </p> </div>

AWARDS AND DISTINCTIONS IN 2014



February

- 1 Best European Airline Company 2013**
(Hungarian magazine *Az Utazó*)
Distinction attributed by the Hungarian magazine *Az Utazó*, specialised in tourism and travel.

March

- Fastest Growing Airline 2013**
(*Otopeni Airport of Bucharest*)
Award attributed as a result of the strong 95% growth in the number of passengers transported by TAP from and to the airport of the capital of Romania.

- 2 The Expectation of 2014**
(*Pulkovo Airport*)
Title attributed to TAP in S. Petersburg, relative to the expectations generated by the Company with its operation.

May

- 3 AEEC Trumbull Award 2014**
(*AEEC - Aviation Electronic Engineering Committee*)
Distinction attributed to the Engineering Director of the TAP-Maintenance and Engineering Business Unit, Mário Araújo, by the AEEC, a body that comprises engineers and scientists from 500 organisations of the global aeronautical industry.

- Airline Company with the Best Reputation in Portugal**
(*Reputation Institute*)
Special mention, in the 2014 edition of the *Portugal Rep Trak Pulse - Companies and Brands Study*. The study, conducted in 33 countries, in the case of Portugal, highlights TAP as the airline company with the best reputation, reaffirming itself as the preferred brand of the Portuguese, in its sector of activity.

- 4 TAP Stand with Honourable Mention in the Large Format Digital Printing Category**
(*Papies 2014*)
Distinction attributed to the TAP stand at Greenfest - recreating a large bag, according to the creative concept *Choose a different destination for your miles and change the destiny of those that receive them -*, with the objective of showing your social side and disseminating the possibility of Victoria members donating their miles to humanitarian aid institutions.

May

- Marketeer Award**
(*Marketeer*)
Distinction attributed, recognising TAP as the best company in the Marketing, Advertising and Communication area in Portugal, in the Airline Company category.

July

- 5 Praise for the Safety Video of TAP**
(*Commission for Equality and Against Racial Discrimination*)
Distinction attributed by the Commission for Equality and Against Racial Discrimination, presided by the High Commissioner for Migrations, for the safety video shown on board TAP aircraft, for the way in which the safety rules in force are disclosed, portraying them through age, gender, origin, skin tone and accent diversity in Portugal, thus contributing to the mission of defence of the principle of equal treatment and the fight against racism and xenophobia.

- 6 Career Award of APCE 2014**
(*Portuguese Business Communication Association*)
Distinction attributed to the Director of Communication and Public Relations of TAP, António Monteiro. The prize aims to distinguish the excellence of the organisational communication, encouraging, recognising and disseminating the initiatives of the professionals of this area.

- TAP Site With a Positive Performance**
(*DECO - Portuguese Association for Consumer Protection*)
Special mention by DECO, following the analysis undertaken of the websites of airlines and travel agencies operating in the national market, having stated the following: *We analysed the website with regards to information and prices, and no irregularities were registered.*

August

- 7 Leading European Airline Company for Africa and Leading European Airline Company for South America**
(*World Travel Awards*)
Awards attributed to TAP, within the scope of the WTA - the Oscars of world tourism -, in recognition of the persistent effort made in promoting the best product in the connections between Europe and South America.

September

- 8 Best Aviation Company**
(*Publituris*)
Classification received within the scope of the *Publituris Portugal Travel Awards 2014*, an important recognition based on various assessment criteria, namely knowledge of the reality of the Company, coherent communication policy, innovation capacity and media visibility.

- 9 Award of Distinction**
(*2014 World Public Relations Forum*)
Distinction attributed to TAP and to lecturers and researchers of the Catholic University of Portugal, in the Academic Case Studies of the Global Alliance Comm Prix category, distinguishing *The PR Pyramid: Guidelines for Social Media Management* study, on the Company's management of its presence in the social networks.

October

- 10 Navegantes XXI Career Award**
(*Association of the Digital Economy*)
Tribute paid to Fernando Pinto, highlighting the work undertaken as Executive Chairman of TAP, at the helm of one of the most important Portuguese companies. ACEPI emphasises the enormous transformational project of digitisation that Fernando Pinto has led and that has transformed TAP into a paradigm of the digital economy in Portugal and in the rest of the world.

November

- 11 Tourism Personality in Brazil**
(*Market & Events and FT Brasil magazines*)
Award attributed, highlighting personalities and entities that worked for the benefit of the development of tourism in Brazil.

December

- 12 TAP Cargo, Best Air Cargo Company**
(*T&N 2014 Cargo Awards*)
TAP Cargo was once again recognised as the company with the highest number of awards, winning in three categories (*Best Cargo Airline Company for Europe, for the Americas and for Africa*).

CORPORATE GOVERNANCE AND MANAGEMENT MODEL

The pursuit of the objectives of the 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. The TAP Group publishes, at an individual level since 2013, 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



TAP GROUP COMPANIES



NEW 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 effective implementation, as of 28 October 2014, of Regulation (EU) no. 965/2012 of 5 October, called for the implementation of a Management System composed of Safety Management and Compliance Monitoring Management (designation that replaces the previous designation of Quality Management).



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. 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"> ○ Compliance with environmental regulations. ○ Environmental Guiding Principles of the TAP Group. ○ Integrated environmental management plan. ○ Environmental awareness-raising actions.

RISK MANAGEMENT

Risk management has played an increasingly significant role in the different areas of the Company and in the different TAP Group companies. The observed trend is to move away from a case-by-case vision and traditional technical plans for individual risks. Efforts have been made to conduct integrated planning and to use the structuring analytical tools and instruments of risk analysis, with a common language (COSO and FERMA model) and an integrated application that allows different corporate risks to be assessed and monitored.

The uncertainties associated with the recent economic climate resulted in the Company becoming exposed to a number of characteristic risks of the markets associated to the new business routes. Globalisation brings in its wake different risks and vulnerabilities, which have been increasingly followed up and monitored.

The dynamics involved in constituting an SMS (Safety Management System), with a transversal analysis of risk, permitted the establishment of a common methodology and the coordination of the impacts and of the risk management processes. This dynamic also applies to the governance process of the Company and of the Group, where each area no longer has a vision focused on its own processes and on the respective associated risks. Rather, a general vision of the risks of transversal importance that interact directly has been favoured. The objective is to manage those risks by mitigating and minimising their interaction with other risks.

The Management and mitigation process within the Group includes the implementation of strategies:

Minimisation of risks – Actions developed by the areas of the Company, in order to reduce the effects of a duly identified, harmful event;

Responsibility action – The Company has become concerned with finding ways to encourage employees individually to create database preservation strategies;

Diversification of the network of Suppliers – Creation of a network of suppliers with multiple locations in order to minimise the risk of supply, especially in markets with a high degree of uncertainty, as well as having a proactive attitude focused on an efficient stock management system;

Avoid unnecessary risks – Monitoring and assessment of risks inherent to new businesses and/or activities, with the possibility of undertaking sensibility analyses that enable decreasing or even eliminating activities in which the additional income does not compensate for the exposure to the associated risk;

Transfer of Risks – Contracts with insurers within the scope of the Air Transport activity are entered into by resorting to processes of high technicality;

Assume the risk – In duly identifiable situations, the Company can create provisions to cover any risk losses with a low degree of probability of occurrence.

The TAP Group has a risk management culture, as reflected in the following implementations:

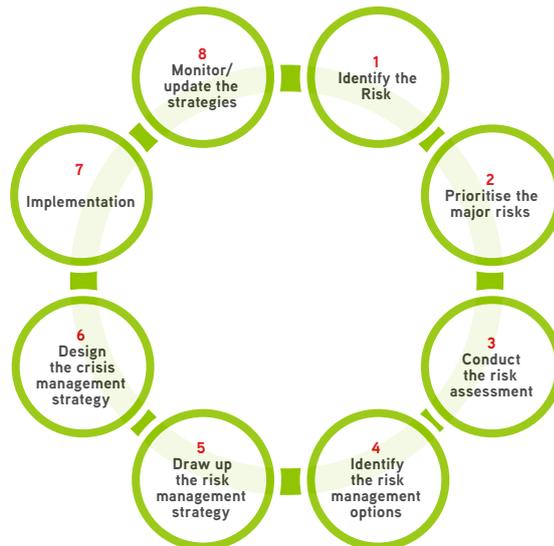
A preventive alarm system – Employees that conduct preventive analyses of specific risks.

Simulations of risk situations – Creation of an artificial environment of a negative event so that reaction and prevention strategies can be established, and thus prepare the entity in terms of processes.

The crisis management strategy complements risk management by defining functions and procedures so as to preserve the continuity of the business in an environment of lower economic growth and a possible adverse reputation situation arising from an external event. Crisis management plans who will be the decision-makers and advisors in a crisis situation. The main decision-maker is the manager, owner of the risk assigned to its area. Within the scope of the TAP Group, the contingency and crisis management plans were duly treated, prepared and tested.

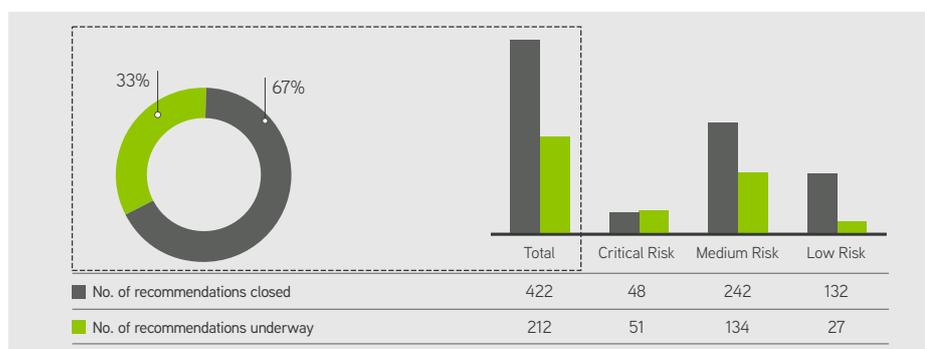
In the TAP organisation, the Risk analysis and management model can be illustrated in the following diagram.

Risk Analysis and the Management Process



Within the scope of its evaluation and monitoring of the processes implemented in the organisation, contracting was focused on, based on a risk assessment model. In every Report issued there was always a concern with highlighting the level of risk associated to each recommendation. This concern is illustrated in the charts below, where it is possible to identify the number of recommendations per type of risk, as well as the number of recommendations that were implemented by the organisation's services and those that are still underway, with reference to 2014.

Number of Recommendations per Type of Risk



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

Risk Analysis of specific aspects

Entity	Scope
TAP, S.A./Air Transport Business Unit	Contracting: Retainer Agreements of the Group; Booking Fees; BSP and CASS charges; Incentive Programmes for Agencies-AIPs (Brazil and Spain); Victoria Programme; GSA- Scandinavia; GSA-Eastern Europe; AirCargoNet GSSA Germany. Human Resources: Remunerations 2 nd Semester 2013; Personal Accounts, TAP, S.A.; Absenteeism Flight Deck Crew/ Cabin Crew; Absenteeism Ground Staff Branches: France; Angola; Italy; Freezing of Bank Accounts Inventories: Uniforms; Stationery Warehouses
TAP, S.A./Maintenance and Engineering Business Unit	Contracting: Commission Agent of ME Worldair Inventories: TAP-Maintenance and Engineering Warehouses
CATERINGPOR-Catering de Portugal, S.A.	Inventories: Physical Inventory; Control of Warehouses
L.F.P.-Lojas Francas de Portugal, S.A.	Inventories: Inventory of the Main Shop PTLA 2014; Physical Inventory of the Central Warehouse 2013
MEGASIS-Sociedade de Serviços e Engenharia Informática, S.A.	Contracting: Suppliers Inventories: IT Inventory 2014
U.C.S.-Cuidados Integrados de Saúde, S.A.	Contracting: Customers - TAP and Multicare Human Resources: Absenteeism
PORTUGÁLIA-Companhia Portuguesa de Transportes Aéreos, S.A.	Contracting: Customers 2014 Human Resources: Remunerations 2 nd Semester 2013 Inventories: Physical Inventory
TAP-Manutenção e Engenharia Brasil, S.A.	Contracting: Payments to Specific Suppliers TAP-Maintenance and Engineering Brazil Banks: Foreign Exchange Rates 2 nd Semester 2013; Evolution of Loans Inventories: Materials Information 2013
SPdH-Serviços Portugueses de Handling, S.A.	Human Resources: Remunerations 2 nd Semester 2013 Inventories: Inventory of Maintenance Equipment and Stationery Warehouses; Inventory of Fixed Assets

THREE LINES OF DEFENCE MODEL

- 1st Line of Defence:**
Operating Management
- 2nd Line of Defence:**
Risk Management and Compliance Functions
- 3rd Line of Defence:**
Internal Audit

The model used in the Company - Three Lines of Defence - ensures successive controls and the capacity for direct interaction with the operation (1st line), as well as the management bodies (2nd and 3rd line).

MAIN TYPES OF RISK

In the development of its business, TAP is exposed to a variety of risks, namely market risks and, in a general way, operating risks.



DESCRIPTION OF THE MAIN TYPES OF RISK

Type of Risk	Developments Objectives
<p>Operational (Safety)</p> <p>Model of action whereby the possibility of damage, to people and assets, is minimised or eliminated through a continuous process of identification of situations of potential danger and the management of the respective associated risk.</p>	<p>Developments 2014</p> <p>TAP, S.A.</p> <ul style="list-style-type: none"> ○ Successful renewal of the IATA IOSA certificate, with the Organisation being recognised (in the Safety area) for the implementation of a consistent SMS; ○ In association with this process, there is the production of Recommendations (process of mitigation of identified risks) of Risk Assessments (proactive identification of risks in operations to new destinations) and of Safety Studies (process of monitoring of the performance and safety of the Carrier); ○ Adjustment of the Safety Policy of the Carrier and development of processes, i.e. safety audits, aimed at strengthening the area's activity; ○ List of some initiatives that achieved the established objectives: <ul style="list-style-type: none"> • Significant improvement in relation/coordination processes on the analysis and investigation of occurrences; • Entry into the consolidation phase of the SMS_DCT (<i>Data Collation Tool</i>) Tool, with the production of reports and systematised information and substantial improvement in the correlation between Occurrences and events detected in Flight Data Monitoring; • There is, as a result of this interaction, an increase in the reliability of the data supplied by Flight Data Monitoring; • Entry into the updating phase of document management of the Safety Portal, thus improving the respective performance in the response to the internal customer; • With a view to starting a new internal communication channel, the first Seminar on the subject of SMS was held at TAP, which was attended by representatives of the National Authority, among other participants; • Development of an SMS indoctrination module that is transversal to the entire Carrier (accessible to all employees until 31 March 2014); • Entry into production of the Safety Portal covering two areas – Reporting and Library; ○ Implementation of the quantitative monitoring of the accompanied areas (FLT CAB DSP GRH CGO), according to the ALoSP (<i>Acceptable Level of Safety Performance</i>) concept that permits performance management by objectives; ○ Reinforcement of the investigation capacity in the Flight area, with the opening of a competition to recruit three investigators. <p>PORTUGÁLIA-Companhia Portuguesa de Transportes Aéreos, S.A.</p> <ul style="list-style-type: none"> ○ Improvement of the Safety Promotion processes, and re-publication of the Security Bulletin, Safety News, with a new format and more comprehensive and diversified contents; ○ Objective of 10 reports per 1,000 flights carried out achieved, reflecting a growing reporting culture at PGA; ○ Improvement of the FDM (Flight Data Monitoring) Software, through the SMART FDM tool; ○ Training at the Safety departmental level in the area of investigation of Accidents/Incidents and FRMS (Fatigue Risk Management Systems). <p>Objectives 2015</p> <p>TAP, S.A.</p> <ul style="list-style-type: none"> ○ Continuation of the development of the initiatives leading to the strengthening of the capacity to identify and mitigate the operational risk at the Carrier, namely: <ul style="list-style-type: none"> • Implementation of the TOP#3 Events Occurrences project (which permits informing the Pilots in each flight from A to B, of the types of more frequent deviations, increasing operational awareness); • Conclusion of the transfer of the data source of the EoD (Events on Demand) initiative from AGS to the ATHOS computerised system; • Operationalisation of the Safety Audits, in coordination with the Compliance area; • Reissue of the Promotion initiatives (Seminar, safety culture survey, safety magazine). <p>PORTUGÁLIA-Companhia Portuguesa de Transportes Aéreos, S.A.</p> <ul style="list-style-type: none"> ○ Acquisition of SMS AQD Software (specific tool for SMS management); ○ Training of SLO (Safety Line Officers) elements, in risk assessment and investigation of occurrences; ○ Improvement of the risk assessment process described in SMM, in order to respond to the reports related with Fatigue.

Operational Risk (Safety)

Risk level

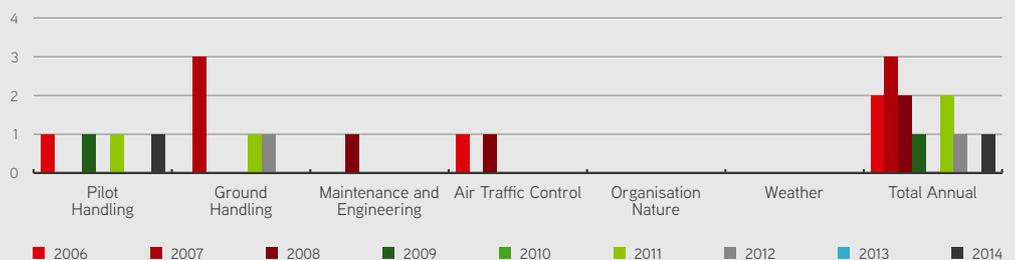
Ratio of occurrences per number of services rendered

Risk Classification ^(*)	TAP	Portugália
EXTREME	-	-
HIGH	0.001%	0.004%
MODERATE	0.024%	0.099%
LOW	2.545%	0.949%
NEGLIGIBLE	0.978%	-

(*) Classification adopted from 2014 onwards, for carrying out Operational Risk Assessments (ORAs)

No EXTREME level occurrences were reported at TAP and Portugália in 2014. However, 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 Occurrence, TAP, S.A.



Type of Risk	Developments Objectives
<p>Health and Safety at Work Risk management system supported by the identification, assessment and control of professional risks, with repercussions on health and safety, aimed at improving health and the quality of life of individuals and of society, fostering productivity, through the involvement of the entire Company in a Risk Prevention Culture.</p>	<p>Developments 2014</p> <ul style="list-style-type: none"> ○ Health monitoring examinations focused on health promotion and protection and on the prevention of work-related diseases, with emphasis on the importance of healthy life styles and safe practices at work; ○ Continuation of the professional risk prevention programmes at the workplace, focusing on the continuous assessment of health and safety conditions, to identify and quantify the professional risks and implement preventive/corrective measures, in compliance with applicable legislation and standards in force; ○ Holding of training and information actions on promoting health and healthy living habits and on hygiene and safety at work issues aimed at preventing occupational hazards and accidents. <p>Objectives 2015</p> <ul style="list-style-type: none"> ○ Continuation of the development of Health and Safety at Work actions, within the scope of the promotion of health and prevention of occupational accidents and work-related diseases, in compliance with good practices and national and international legislation and standards, which regulate health, hygiene and safety in aeronautical activities, for a safe and healthy work environment.
<p>Economic and Financial Economic and financial risk monitoring and control systems and actions, monitoring of economic and geopolitical developments, namely in countries with high social and political instability, and internal audit of processes, contracting and transactions.</p>	<p>Developments 2014</p> <ul style="list-style-type: none"> ○ Fuel and Emissions <ul style="list-style-type: none"> • Monitoring and analysis of the behaviour of international energy markets throughout the year, including the extreme alterations that took place in the second half of the year; • Development of internal and external actions, including negotiations aimed at securing the advantages gained from the sharp fall in prices at the end of 2014 – without parallel since the end of 2008 – for the year underway and, in particular, for 2015; • Materialisation of fuel price setting operations for the year underway and the following year; • Management of the process of accumulation of emission licences, in a gradual manner. ○ Financing and Liquidity <ul style="list-style-type: none"> • Negotiation of short-term credit line renewal conditions and terms aimed at ensuring financing levels appropriate to the evolution of the treasury situation; • Request, from financial entities and lessors, for medium and long-term operation proposals, including operations that imply the use of assets available for collateralisation, aimed at strengthening the overall balance sheet; • Reinforced monitoring and taking of new justified actions relative to funds held in the different markets; • Rigorous management of liquidity surpluses. <p>Objectives 2015</p> <ul style="list-style-type: none"> ○ Conclusion of negotiations with financial entities relative to new medium and long-term financial operations to substitute debt maturing over the course of 2015; ○ Short-term operations management taking into account adequate treasury levels, the cost of operations, and the structure and stratification, in terms of nature and term, intended for Liabilities; ○ Resolution of constraints and mitigation of risks involving funds generated in markets where the transfer of such funds are subject to constraints.
<p>Information Technologies Systems used by organisations to identify weaknesses and threats.</p>	<p>Developments 2014</p> <ul style="list-style-type: none"> ○ Reinforcement of the use of virtualisation technologies within the technological infrastructures, with the consequent increase in the level of system scalability, reliability, recovery and security; ○ Review and improvement of information safeguard policies, backups of systems and respective data, and implementation of automatic processes to verify the quality of completed backups; ○ Continuity of actions involving system changes, masking of information and improvement of control and verification processes to comply with the PCI-DSS (Payment Card Industry-Data Security Standard's) recommendations; ○ Review and preparation of information security policies and procedures based on ISO 27001 recommendations; ○ Reinforcement of the central storage systems, implemented at the TAP Processing Centres, with additional space for data replication in order to increase the security of the stored information and its recovery in case of disaster; ○ Implementation of a mobile device management platform, MDM-Mobile Device Management, which enables improving the availability of applications, in a controlled manner, and taking action in the event of loss or unauthorised use of mobile devices managed centrally from the platform; ○ Holding of awareness raising actions on legal and contractual compliance and the use of best practice in terms of Information Security and Information Systems, with a specific focus on data privacy; ○ Continuity of the process of implementation of the monitoring of the components constituting the application systems, use of the Monitoring Business Service Manager, 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. <p>Objectives 2015</p> <ul style="list-style-type: none"> ○ Improved information and system security analysis with the implementation of a platform, Security Analytics, through which it is possible to, in real-time, identify potential threats to critical assets, centralise security information and obtain reports and dashboards; ○ Implementation of the Security Access Manager & Single Sign On platform, aimed at centralising the policies of access and SSO to the main application systems; ○ Improvement of the process of management of the life cycle of users and creation of regular access review processes; ○ Increased protection of WEB applications exposed on the Internet with the use of a WEB Application Protection platform based on a heuristic engine to detect potential operations such as SQL Injection, and Cross-Site Scripting, among others; ○ Continuation of Information Security audits, with the carrying out of system and network penetration and intrusion tests; ○ Within the scope of the IT Service Management system, improvement of the Change Management process to standardise procedures and control infrastructure, platform and application changes, aimed at minimising the risk of occurrence of incidents arising from planned changes; ○ Within the scope of Risk Management, development of actions aimed at conducting impact analyses, BIA-Business Impact Analysis, creation of Contingency Plans and continued implementation and control of procedures and policies associated to Information Security, based on ISO 27001 recommendations.

Type of Risk	Developments Objectives
<p>Fire-Prevention</p> <p>Risk management system for fire, explosion and spillage of chemical products. The system includes the Internal Safety Plans, the Training of Employees, the Manuals for Protection against Explosive Atmospheres (ATEX Manuals), the Emergency Drill Exercises (fire, spillage of chemical products and earthquake) for the training of Employees and Emergency Support Teams (Safety, Surveillance and Fire Brigade Station), and an Internal Audit Plan.</p>	<p>Developments 2014</p> <ul style="list-style-type: none"> ○ Review and updating of 20 Internal Security Plans for the buildings and hangars of the TAP Campus, documents whose purpose is to prevent risks of fire, explosion and spillage of chemicals (a total of 47 Internal Security Plans for the TAP Campus); ○ 10 simulations drills, directed at the teams operating on TAP's Campus in the event of an emergency: Security Centre, Fire and Surveillance Brigade, aimed at improving communication; ○ 9 simulation drills in buildings and hangars to train their occupants; ○ Development of an e-learning course and video on the evacuation plan for the classrooms of the Vocational Training building; ○ Periodic audits to the facilities and equipment maintenance service provider, within the scope of the maintenance of the fire safety equipment, in order to guarantee its proper operation and compliance with the regulations in force; ○ Preparation of two ATEX manuals (protection of potentially hazardous explosive atmospheres), to reduce the risk of explosion; ○ Start of the <i>Safe Parking Project</i>, whose objective consists of promoting the adequate occupation of the parking lot on the TAP Campus to reach the <i>Zero risk target</i>. <p>Objectives 2015</p> <ul style="list-style-type: none"> ○ Improvement of the management and control of the risk of fire, explosion and spillage on the TAP Campus, through: <ul style="list-style-type: none"> • Detailed analysis of accidents and incidents; • Periodic audits to the fire safety equipment maintenance service provider; • Training of the emergency teams of the buildings in the action and evacuation plan in the event of an emergency; • Training of the occupants of buildings and hangars to respond to emergency situations, through simulation drills; ○ Promotion of initiatives relative to the prevention culture in the Company, namely: <ul style="list-style-type: none"> • Awareness raising campaigns for the prevention of fire and other risks; • Preparation of interactive contents on measures to be followed in the event of fire, earthquake and spillage of chemical products; ○ Within the scope of the <i>Safe Parking Project</i>, identification and demarcation of the critical areas where, for security reasons, the parking of vehicles is not permitted – <i>zero tolerance</i> areas; ○ Implementation of the work needed to modernise and update the fire detection and extinction systems of the oldest buildings and hangars.
<p>Maintenance and Engineering</p> <p>At TAP-Maintenance and Engineering, Risk Management is inherent and integrated in the responsibilities defined in the context of the aeronautical certifications and accreditations held (1) which are compulsory to guarantee the continuity of the activity.</p> <p>TAP- Maintenance and Engineering Portugal</p>	<p>Developments 2014</p> <ul style="list-style-type: none"> ○ INAC and EASA audits (EASA standards Part M, 145, 147 and 21 Subpart J); ○ Audit to renew the Bureau Veritas certification (ISO 9001:2008 and EN 9110:2010 standards); ○ IPAC (Portuguese Accreditation Institute) audit of the Calibrations Laboratory, as part of the certification under the NP EN ISO / IEC 17025:2005 Standard; ○ Implementation of the first parts of the EU-Brazil Bilateral Agreement; ○ Implementation of SMS-Safety Management System (Operational 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 in Safety Training, Safety Promotion and Risk Management; ○ Holding of Risk Challenger – Risk Days of TAP-Maintenance and Engineering, which involved a wide range of employees of the Business Unit over a week, including workshops on Risk Management and HAZID Methodology, work teams to identify risk scenarios, presentation and discussion of projects; ○ Use of the means available on the intranet to disseminate information on Safety, namely via MSB (Maintenance Safety Bulletin), a monthly publication of the MSU (Maintenance Safety Update) email) and of the permanent page on the TAP Newspaper dedicated to promoting the SMS of TAP-Maintenance and Engineering; ○ Training of 20 investigators of maintenance occurrences, by JAA, who reinforced the MIP (Maintenance Investigators Pool) which already comprised 18 qualified investigators; ○ Within the scope of the investigation of occurrences, the members of MIP of TAP-Maintenance and Engineering conducted 6 Safety investigations, and their discussion at the ERG (Event Review Group), a body presided by the Department of this Business Unit; ○ Operationalisation of the initial version of the SMS Manual of the Business Unit; ○ Publication of the annual MSR (Maintenance Safety Report) for the Business Unit with reference to 2013, followed by the meeting of the SRB (Safety Review Board), where the Safety Policy was reconfirmed, and the Safety objectives, indicators and goals (SPI-Safety Performance Indicators) for 2014 were defined; ○ Operationalisation of the support groups for SMS of TAP-Maintenance and Engineering, namely Safety Office ME, SAG (Safety Action Group), SRB (Safety Review Board), MIP (Maintenance Investigators Pool) and ERG (Event Review Group); ○ Within Safety Assurance, the third annual Safety Audit was conducted by the auditors of the Audit Office of TAP-Maintenance and Engineering; ○ Updating of the ERP (Emergency Response Plan) procedures of the Business Unit, in line with the respective EAPM plan of TAP, as well as the development of the specific processes to be used in emergency and contingency situations typical of maintenance and airworthiness management activities; ○ Publication of the initial version of the ERP Manual of TAP-Maintenance and Engineering. <p>Objectives 2015</p> <ul style="list-style-type: none"> ○ Implementation of the parts relative to the maintenance of the EU-Brazil Bilateral Agreement; ○ Publication of revision 1 of the SMS Manual of TAP-Maintenance and Engineering; ○ Publication of the initial version of the Risk Management Manual (SRM Manual) of TAP-Maintenance and Engineering; ○ Publication of MSR (Maintenance Safety Report), regarding the Safety activities conducted in 2014, 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 that affect the Business Unit; ○ Updating of the hazard register and application of the risk matrices in occurrence scenarios; ○ Implementation of an integrated Risk Management IT platform at TAP-Maintenance and Engineering, with SMS DCT being under review; ○ Start of new phases of SMS implementation for the Business Unit, within Safety Assurance, namely: <ul style="list-style-type: none"> • SOP-Safety Oversight Programme; • Management of Change; ○ Adaptation of the Internal Audit Programme to a Risk Management-based philosophy.
<p>PORTUGÁLIA-Companhia Portuguesa de Transportes Aéreos, S.A.</p>	<p>Developments 2014</p> <ul style="list-style-type: none"> ○ Preparation of the operating plan in accordance with the requirements of the TAP Group, presenting an approximate accrued value of 50,000 BH; ○ Intense effort in the basic and type of training of the Aircraft Maintenance Technicians; ○ Approval of the On-the-job training procedure within the scope of Part 145; ○ Increase in certification staff and of the respective scopes. <p>Objectives 2015</p> <ul style="list-style-type: none"> ○ Increase in component certification capacity in the categories: C3 (Comms and Nav); C5 (Electrical Power & Lights); C6 (Equipment) and C20 (Structural); ○ Development of services rendered to third parties within the scope of Part M (aeronavigability management), Part 145 (base, route and components maintenance, supply of labour) and Part 147 (standard courses).

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



INNOVATION AND DEVELOPMENT

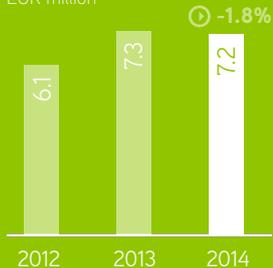
The identification of opportunities that allow the Company to set itself apart from the competition, materialises in a continuous effort to innovate its processes

Innovation represents, with growing intensity, a crucial factor of differentiation, enabling the Company to respond, in an adequate manner, to the challenges of the market, improving the relationship with its customers, employees and suppliers, making its processes more efficient and effective in a broadly regulated and competitive context such as the Air Transport market.

In this context, in 2014 several activities were developed in the Innovation and Development areas which dramatically improved the competitive capacity of TAP Group companies.

Investment in Innovation TAP, S.A.

EUR million



Mobility and the Customer

In 2014, TAP continued to invest in its relationship with the Customer, maintaining a dynamic and innovative presence in mobile applications, for smartphones and tablets. New versions of the TAP Mobile APPS were launched, extending the offer of free applications to the Windows Phone and Windows 8 (Tablet/PC) ecosystem, and TAP Cargo has a new design that is more modern and appealing, and now includes flight information in real time, consultation of flight schedules, access to frequent issues and contacts with TAP, possibility of reservations and check-in, crisis information alerts, status of cargo transport and historical record of waybills, being one of the few airline companies with digital loyalty cards integrated in Passbook.



Uniform store

The TAP Uniform Store was implemented, a portal destined for the online management of uniforms in a multiplatform environment, which allows employees to manage their Uniform in a quick, simple and confidential manner. With the TAP Uniform Store, and provided there is Internet access, crew members can consult the catalogue of items comprising their uniform, check availability, the uniform elements that have been assigned to them and consult the historical register with all the movements that were carried out in the past. They can also place orders in a quick and simple manner, as well as schedule the return of goods. An automatic warehouse order management process and a notification system was also developed so that employees can follow at every moment the status of their requests. At the same time, an express counter was created at the physical uniform store, specifically for picking up orders placed through the TAP Uniform Store. In partnership with *CTT Expresso*, a new home delivery service was introduced, which permits crew members to conveniently receive their order without having to travel to TAP.



Supplier relationship management

The Logistics area of TAP Services, within the scope of transformation of the Procurement Function with the objective of achieving concrete gains in terms of organisational efficiency and cost control and optimisation, implemented the Sourcing & Procurement project, which covers the Sourcing function, the P2P processes and a number of key management tools for the function. The outputs of the transformation programme served as a starting point for the implementation of an SRM (Supplier Relationship Management) tool, which enabled the decentralisation of the creation of shopping carts among the various requisitioning areas, thus freeing up purchasers for tasks with higher added value. The SRM contemplates a tool for master data management which enables the updating of materials and the creation of specific catalogues for certain categories of purchases. Access is intuitive and web-based. With this solution, the goods receipt process becomes more flexible and can be carried out in the SRM by the actual requester.



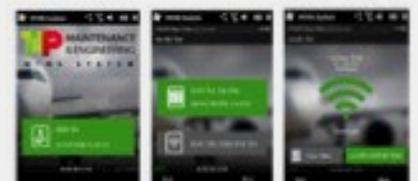
Paperless – Electronic Invoice

The implementation of the electronic invoice in terms of the dispatch of orders, status of invoices, payment notices and reception of invoices, enabled the sending of paper to be eliminated, substituting the same by sending in electronic format. This format has the same legal value as the paper invoice, permitting greater security and transparency in transactions between the TAP Group and its suppliers. The implemented solution also enabled speeding up the invoice registration process, reducing waiting times and increasing the control of invoices per supplier. Associated with this new process, a consultation portal was also implemented for its suppliers, improving TAP communication with its suppliers and making it more efficient.



Management and control of tools and equipment by RFID

RFID technology, previously implemented by TAP–Maintenance and Engineering in the engine workshop to control the movement of components in the workshop circuit, was adopted in 2014 in the tool and equipment management processes within the scope of the production activities in hangar, related to aircraft maintenance. Designated as MTMS (Mobile Tooling Management System), this system will provide the logistics area of production in hangar with a useful tool to adequately control and mitigate the occurrence of damages in equipment and tools, make the management of those that are considered critical for any intervention more efficient, due to the greater visibility that RFID technology permits, relative to the movement of any object and the control of its conditions of use. Externally, it will allow the Business Unit to continue to disseminate an image of rigour and compliance with the best practices of the industry, thus raising the interest of external customers on its maintenance services. Internally, the MTMS system will enable reducing or eliminating the occurrence of non-conformities related to the use of support tools and equipment, providing a significant contribution towards quality control of the aircraft production area.



Talk to us with an innovative search engine

Always aware of the importance of efficiency and efficacy for the Customer, an Enterprise Search solution, known as Smoogle, was implemented in the Smile system. This solution permits the indexation, almost in real-time, of the information managed and maintained on that system, enabling searches with an immediate, multifaceted result, on millions of records, a fundamental requirement for the Talk to Us activity, which would be difficult to achieve with conventional database management systems.



Calculation of monthly revenue on the 3rd working day of the following month

The Sales module of ARAMIS – Revenue Accounting solution – was redesigned, based on the redefinition of the business process with the objective of improving the efficiency of the traffic revenue tasks, a process which had up to then been conducted manually on all billings/sales sheets. The main objective consisted in increasing efficiency through the automation of the process, with the Traffic Revenues Department focusing on the correction of detected anomalies, or assessment of alerts resulting from implemented validations. As a result of this improvement in the process, the possibility arose of being able to provide the monthly revenue calculation on the 3rd working day of the following month.

Recording, scanning and mail forwarding

Recording, scanning and mail forwarding aims to streamline the mail receipt and dispatch process, decrease consultation times and aggregate related mail in a simple way. The RDEC permits the forwarding of mail, after reception at TAP, to be undertaken automatically by the Document Management platform, avoiding manual delivery, and enabling electronic forwarding and the digital registration of mail. The new system is used by about 800 users and, since its entry into production, has already registered about 8 thousand correspondences.



Digital archive of Maintenance and Engineering

TAP–Maintenance and Engineering has an extensive archive, composed of thousands of documents relative to Consumption Processes, Aircraft Inspections, Terms of Reception, Repair of Engines, Technical Incident Report, Designs and OTEs. The importance of this information requires its preservation, for possible subsequent consultation. In this sense, the project for the complete dematerialisation of the documentation was implemented, which occupies a physical archive of a considerable size, in the facilities of TAP–Maintenance and Engineering. In addition to the recovery of the historical archive, current processes were also, in some cases, scanned and indexed. The main objective was to increase the effectiveness in consulting the information, being significantly quicker for electronic documentation. Among other documentation, about 1,950 million Historical Registers of Aircraft, 230 thousand Consumption and Rotational Processes, 75 thousand Line Certificates, 32 thousand Terms of Reception, 10 thousand Designs and 3 thousand OTEs and Technical Incident Reports were integrated.

Extension of the application of performance assessment to TAP–Maintenance and Engineering Brazil

In an initiative promoted by TAP–Maintenance and Engineering Brazil – and in alignment with the Human Resources area of TAP Services and with TAP–Maintenance and Engineering Portugal –, the entire performance assessment process by competences for *non-managers* was automated. The objective of the project consisted in making the process more efficient by eliminating existing paper circuits and reducing the time spent in its administrative management. Increase interaction/accountability of the various intervenients in the process, automate the process of standardisation and compatibility of final results and produce automatic reporting were also objectives achieved by the project. The solution implemented is based on a cockpit of information that enables the entire process to be conducted and monitored from a single screen, which simplifies user interaction with the system. The evaluation sheets are now sent by email as Interactive Forms.

FDCC – Flight Dispatch Control Center

The Flight Dispatch Control Center (FDCC) application entered into operation in the second semester of 2013. It began as a flight operations monitoring system developed in order to reinforce security processes and practices, and is currently a tool that is perfectly integrated in the procedures of the area responsible for the Company's Air Transport Operational Dispatch, having become a central and indispensable tool for the work of the Operational Dispatch Officers. The evolution of the FDCC has enabled the integration of progressively greater functionality in the same application context, substituting and automating manual procedures, making processes more efficient, streamlined and less prone to human error. The FDCC is part of a set of tools of Operational Dispatch, whose associated procedures and processes were audited in 2014 by the International Air Transport Association (IATA) programme, the IATA Operational Safety Audit (IOSA), whose strategic pillars are: Security, Effectiveness and Integrity. Last year, additional monitoring mechanisms were also integrated in the FDCC, focusing on the contingency processes of flight documentation production (Briefing Packages), the messages exchanged between the flight planning system of TAP (LIDO) and the entity that controls and manages European air space, Eurocontrol, validation of fuel value of the flight plan according to contingency policies imposed on companies for specific destinations. In these two years of operation, FDCC has competed in and won innovation prizes, as well as having been included in the portfolio of applications that applied to the Portuguese State benefits programme, SIFIDE.



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.	Customers Passengers Call Centers; Talk to Us; Loyalty Programmes: Victoria, for individual customers, and corporate for Company customers; TAP Website; In-Flight Magazine; In-Flight Video; Executive Lounge; iPhone; iPad; Social Networks (Facebook, Twitter). Customers Cargo and Mail Cargospot Cargo System; Cargo Call Center; Cargo Customs Systems; TAP-Cargo Website; Track & Trace Applications for mobile devices; Must Go products; Freighter Services on request; Claims dedicated service; Mail system project kick-off. Customers Maintenance and Engineering TAP- Maintenance and Engineering Website; Customer Managers; Customer Satisfaction Survey; Advertising Campaigns; Launch of the Care ² Customer programme aimed at highlighting a policy of proximity to the customer and recognising the best customers of TAP- Maintenance and Engineering; Participation in specialised Fairs and Conferences. Internal Customer Business Units and Group companies Satisfaction Portal of TAP Services; Dissemination of the evolution of operating performance in the areas of the TAP Services Business Unit.
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 Flash Information ; Corporate Agreement; Meetings with Workers' Committee and with representative structures of Employees; Survey on Organisational Climate; Performance Assessment feedback meetings; Training; Welcome Programme for new Employees; Recognise Programme; Ceremony of 20 years in TAP's service; <i>Safe Attitude</i> Campaign within the scope of Health and Safety at Work, at TAP- Maintenance and Engineering
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; Suppliers Portal; Events aimed to mark important moments of Partner/Supplier relations; Participation in specialised Fairs and Conferences.
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/DGATE (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

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

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 2014, 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 2014, 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 2014

- Composition of the Commission for the Commemorations of the 70th Anniversary of TAP, in 2015.
- Report of the General and Supervisory Board (GSB) relative to the financial year of 2013.
- Appointment of the Director Luís Manuel da Silva Rodrigues, following the termination due to retirement of the Director Michael Anthony Conolly.
- Corporate Governance Report and Sustainability Report of TAP Group, relative to the financial year of 2013.
- Order of the Secretary of State for the Treasury, exempting TAP from compliance with the principle of Treasury Unity.
- Purchasing and Sales Manual of the TAP Group.
- Approval of the 2013 Annual Report.
- Consolidated Financial Statements relative to the 1st semester of 2014.
- Creation of the organisational structure TAP IT (Information Technology and Information Systems of the TAP Group).
- Appointment of Maria Teresa Silva Lopes for the post of Executive Director, following the resignation of the Director Luís Manuel da Silva Rodrigues.
- Approval by the General and Supervisory Board of the Plan of Activities and Budget for 2015.
- Decree-Law no. 181-A/2014, of 24 December, which approves the indirect reprivatization process of the share capital of TAP.

CUSTOMERS

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

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, 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. 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.



The TAP site received a special mention by DECO (Portuguese Association for Consumer Protection), following the analysis undertaken of the sites of airlines and travel agencies operating in the national market: *We analysed the site with regards to information and prices, and no irregularities were registered.*

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. In 2012, the Safety Management System (SMS) was implemented at TAP, in order to endow it, as an airline operator, with a Corporate Safety common to all of TAP's operational areas. The Operating Quality Management System is established in accordance with the 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.

The contribution of UCS (Health Care Unit of the TAP Group) to the security of passengers is felt on board, during flights, through the annual first aid training provided to TAP's cabin crew and the management of the first aid kits that equip TAP's entire fleet, according to the IOSA/IATA regulation. Every year, the contents of more than thirty-five thousand kits are prepared and replaced. The long-haul fleet is also equipped with automatic external defibrillators, for use in situations of cardio-respiratory reanimation, within the scope of the specific programme for TAP aircraft coordinated by UCS and certified by INEM.



In terms of the security of passengers in the post-flight phase, the *Consulta do Viajante* offered by UCS at Lisbon airport, provides a complete service with medical evaluation and specialised preventive recommendations, including administration of vaccines and prescription of prophylactic medication (example: malaria). The Traveller Services are sought for varied reasons: from leisure and business trips to long-haul passengers who travel to study or work in the most

varied regions of the world, from South America, to Africa or to Asia.

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.

At TAP, all services (82) are covered by the risk management system.

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 178 cities, transported 11.4 million Passengers (+6.6% than in 2013) and 85.1 thousand tons of cargo and mail.

The contribution of the TAP Group to the volume of national exports, 2,400.9 million euros in sales and services rendered in markets abroad, has strengthened its positioning, representing +1.1% more than the value of 2013.

Regarding its contribution to job creation, the TAP Group recorded an increase of 412 jobs, with 434 having been created at TAP, S.A..

The total operating income and gained per job ratio decreased at TAP, S.A. and fell slightly in the Group, mostly influenced by the increase in the number of jobs created.

TAP-Maintenance and Engineering Portugal provided services to over 37 Customers worldwide, of which approximately 78% 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.

Global Satisfaction
TAP-Air Transport (TAP Passengers)



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

Global Satisfaction
TAP-Maintenance and Engineering Portugal



— TAP-Maintenance and Engineering
— Reference value

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. With a view to fulfilling this objective, aiming to encourage Customers to contribute on their own initiative, the collaboration between the *Voluntários com Asas* (Volunteers with Wings) movement and the DONATE MILES Programme (*TAP Victoria for a better world*) offers the possibility of donation of miles, to be reallocated to social and humanitarian support institutions.

The reduction of energy, water, paper and waste produced also represented a transversal concern, with initiatives having been developed in different activities of the companies of the TAP Group.

61%

In the CO₂ emissions compensation (*Carbon Offset*) programme, the defined objective for 2014 was surpassed by +61%.

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.

Assure diversity of destinations and frequencies to TAP Customers

Continuing the objective of diversification of destinations and reinforcement of the Lisbon hub, TAP launched 11 new destinations (Manaus, Belém, Bogotá, Panama, S. Petersburg, Tallinn, Gothenburg, Hannover, Belgrade, Nantes and Oviedo). The new destinations of TAP cover a range of climates, which vary from hot to cold, dry to humid, traditional to exotic, and rural to urban. This variety inspired the creation of the new campaign, illustrating with this new initiative that TAP allows customers to change environment

when they so wish, from the heat in Brazil to the cold in Russia.



The number of flights has grown (+2%), and at the same time there has been an increase in the number of destinations served directly by TAP (+10.8%) from Lisbon, Porto, Faro and the Autonomous Regions.

The effort made in the offer of a distinctive service has been reflected in the growth of the number of members of the Victoria Programme (+14.3%).

Providing quality service

The convenience and security of passengers constitutes a concern for TAP, in addition to a continued effort in communicating with its Customers.

Dedicated Communication

Within the scope of customer loyalty, there is communication, in a **one2one** logic, dedicated to the members of the Victoria and Corporate Programmes.

Within the scope of health and well-being, TAP also provides medical services and information for passengers (website, facebook, in-flight magazine and audiovisuals), related with air travel.

UCS, as a health care unit of the TAP Group, provides a number of differentiated health care services with a unique aeronautical focus, resulting in added value in terms of comfort, convenience and security for passengers.

The health care unit is involved in a health quality accreditation process promoted by the Health Quality Department of the Portuguese Health Authority and supervised by ACSA (*Agência da Qualidade Sanitária da Andaluzia*), initiated in May 2013. It is the first multidisciplinary private health care unit to join this programme, whose objectives include: guarantee the continuous improvement of services; increase customer satisfaction by corresponding to their needs and expectations; promote a culture of quality and security; optimise processes and increase the motivation and satisfaction of employees. This evolution to an integrated system of risk management and health quality is already becoming visible to customers, with whom information about the health care unit and its services is increasingly shared and its participation and involvement in the implementation of the continuous improvement strategy is promoted.

The intervention of UCS is reflected at the TAP passenger level before, during, and even after each air travel. Passengers with specific health problems, and which would otherwise be unable to travel or would only do so in a limited way, can be assisted in having secure and comfortable flights through the Medical Authorisation for the Boarding of Disabled Passengers (MEDIF) system. TAP, through its close collaboration with UCS, offers this service to its Customers, in accordance with the international regulations (IATA). In 2014, more than one thousand MEDIF requests were attended, which included the request for special measures such as wheelchairs, stretchers, and oxygen, among others. In terms of flight preparation, passengers with flight phobia can attend the *Ganhar Asas* (Gain Wings) course, enabling them, due to the high success rate of the course, to fly more smoothly.

Global Satisfaction TAP Serviços



Classification: 4 Very Satisfied; 3 Satisfied; 2 Dissatisfied; 1 Very Dissatisfied

- 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.

Social Networks

The year of 2014 was a year of consolidation and growth of TAP in the world of the social networks and, of debuts.

The new profiles on Pinterest and LinkedIn have complemented an already successful presence on Facebook, Twitter and Instagram. In terms of growth, TAP's Facebook page recorded an increase of 300,000 fans and the profile on Instagram grew by more than 100%. In 2014, TAP remained on the podium of the Socially Devoted Portuguese brands on Facebook and Twitter, a seal of prestige that has been attributed by Social Bakers to the Company since 2013. The management of TAP's social networks also received the Award of Distinction in the Global Alliance Comm Prix and, in December, the Luso Awards attributed the bronze trophy to two actions undertaken on TAP's Facebook (the pastime *Let your dream fly* and the action in partnership with the FlyTAP expedition *Message to Portugal*).



Gift Voucher: if you don't know what to offer, offer the world

The best gift is the one that makes you dream. TAP created the Gift Voucher, to surprise those you care about at any moment. Available in three values – €50, €75 and €150 –, it allows you to visit the four corners of the world, in the 12 months following the date of issue.

one2one

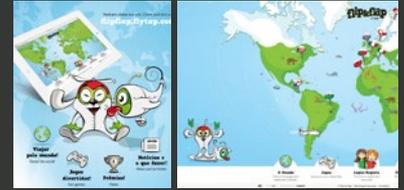
Within the scope of customer loyalty, there is a communication, in a **one2one** logic, dedicated to the members of the **Victoria** and **Corporate Programmes**.

The dissemination of products and services, of TAP and of its partners, in more than 150 campaigns, has surpassed the 20 million contacts, in a total exceeding 500 e-mail marketing campaigns.



Flip and Flap have a new home

The mini-customers of TAP now have available to them the totally renewed site of their mascots. With the aid of the world map, Flip and Flap invite the young ones to explore the destinations of the airline company in a fun way, through didactic games, animations and appealing illustrations.



In alignment with the growing route of the online

Digital Marketing assumes, from year to year, an increasingly important role in the Company's communication and strategy. In 2014, more financial and human resources were allocated, an investment was made in innovative solutions and digital became truly structuring in all of the decisions that involve TAP's marketing. This year was the Company's most digital and it will continue to evolve in this way since TAP is aligned with the growing route of the online.

BTL 2014: The stage of the new destinations

TAP is present at the Lisbon International Tourism Exhibition (BTL), where 11 new destinations were presented, associated to the concept **Connected to the world with arms wide open**, which symbolises the brand values.



Automatic notifications via email and SMS

TAP launches a new notifications service whose premise is to continuously improve contact with each of its customers.

QUALITY CERTIFICATION

Meet the objectives of the Quality Policy and in alignment with the best practices of the Industry

The various certifications are an integral part of the Quality/Conformity Guarantee and Control processes for each of the Group companies. The Company firmly believes that it continues to adopt and promote values that support the entire structure of the organisation, with a view to corresponding to the expectations of all its Stakeholders.

TAP has a decentralised Quality/Conformity Management system, but which involves the entire organisation and suppliers, maintaining the entire decision-making process closer to critical areas, with a view to achieving the Quality/Conformity Policy objectives, as well as complying with the best practices in the Industry.

In the operating area, the Quality/Conformity Management System of TAP Portugal is established in accordance with the EASA and IOSA (the renewal of the IOSA certificate took place in June 2014) requirements, and is based on a continuous cycle of *Planning, Implementing, Verifying and Correcting*, with responsibilities defined transversally throughout the entire organisation, basing its air activity on compulsory compliance with the operating rules and requisites issued by EASA, INAC, IATA and by TAP itself.

Two new challenges are expected for 2015. One will be the consolidation of the Conformity Supervision Management System, in replacement of the Operating Quality Management System, and the other challenge is the introduction of the concept of Enhanced IOSA at the TAP Portugal operator.

Security is the priority defined by the Senior Management, applicable to the entire Company

TAP Portugal considers Security as a central element of air activity, requiring the constant involvement of all of the organisation's Employees. In 2014, according to IATA Statistics, the rate of accidents involving the total destruction of jet aircraft of western construction was 0.23, that is, one serious accident per 4.4 million flights. This value, below that observed in 2013 (of 0.41) represents the best value in the entire history of Commercial Aviation, also reflecting an improvement of 60.3% relative to the annual average of 0.58 registered in the last five years. For the member companies of IATA, the rate came to 0.12 (that is, one accident per 8.3 million flights), reflecting a superior performance, by 47.8%, relative to the overall rate mentioned previously.

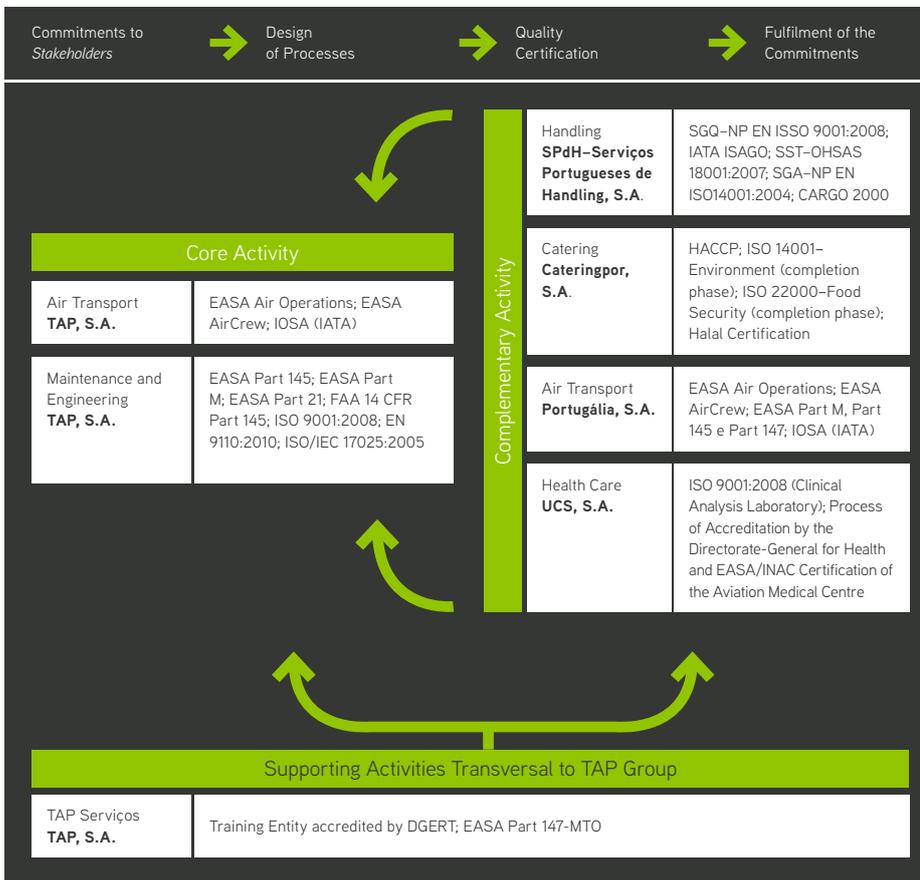
In order to be involved in an aircraft accident it would be necessary to take 1 flight per day for 12,055 consecutive years

Developments 2014

- ATA audit of TAP (June);
- INAC audit of TAP for the renewal of the Air Operator Certificate (COA) in November
- Implementation of the Compliance Monitoring function (November)
- Implementation of EASA – Air Operations standards (November)

Objectives 2015

- Enhanced IOSA implementation (September)



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 2014

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:

- Launch of the negotiation process for the potential establishment of an Aviation Agreement between the European Union and ASEAN (Association of Southeast Asian Nations);
- Resumption of contacts between the European Commission and the Brazilian Aeronautical Authority with a view to resuming the negotiation process to conclude a Global Air Transport Agreement;
- The 2nd meeting between the European Union and GCC (Cooperation Council for the Arab States of the Gulf) was held with a view to continuing the dialogue and cooperation in various sectors of civil aviation;
- Resumption of negotiations between the European Union and the Republic of Tunisia seeking to achieve an Agreement on certain aspects of Air Transport.

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:

- Consultations were held between representatives of the aeronautical authorities of the Portuguese Republic and of the Islamic Republic of Iran, with a view to achieving an air transport agreement between the two countries;
- Aeronautical consultations were held between Portugal and Guinea Bissau, to discuss issues of mutual interest within the scope of the Air Transport Agreement, signed in Lisbon, on 30 August 2007;
- Bilateral aeronautical consultations were held with the United Arab Emirates, to discuss issues of mutual interest within the scope of the *Agreement on Air Services between the Portuguese Republic and the United Arab Emirates of 2011*;
- Consultations were held between representatives of the Aeronautical Authorities of the Portuguese Republic and of the Democratic Republic of São Tomé and Príncipe, with a view to boosting international air traffic between the two countries. As a result, the Santomean Delegation granted TAP the exercise of fifth freedom traffic rights, between Accra and São Tomé and return, on the Lisbon-Accra-São Tomé route and return;
- Consultations were held, by correspondence, between representatives of the aeronautical authorities of the Portuguese Republic and of the Republic of Panama, with a view to achieving an air transport agreement between the two countries;
- Consultations were held, by correspondence, between representatives of the aeronautical authorities of the Portuguese Republic and of the Republic of Equatorial Guinea, with a view to achieving an air transport agreement between the two countries.

Legislation

Implementing Regulation (EU) no. 1028/2014 of the Commission *(amends Implementing Regulation (EU) no. 1207/2011)*

Relative to:

Establishment of the requirements for the performance and interoperability of surveillance in the single European sky

Summary:

Harmonisation of the performance, interoperability and efficiency of the systems that contribute to the provision of surveillance data, within the scope of the European air traffic management network and for the purposes of civil-military coordination.

Regulation (EU) no. 376/2014 of the Parliament and of the Council

Relative to:

Communication, analysis and follow-up of occurrences in civil aviation

Summary:

Reinforce aviation security, by ensuring the communication, collection, storage, protection, exchange, dissemination and analysis of relevant information relating to civil aviation security.

Regulation (EU) 245/2014 of the Commission

(amends Regulation (EU) 1178/2011 of the Commission)

Relative to:

Establishment of technical requirements and administrative procedures for civil aviation crews

Summary:

Ensure a smooth transition and a high uniform level of civil aviation safety in the European Union, reflecting technical updates, including the best practices, and the scientific and technical progress in the field of pilot training.

Regulation (EU) no. 598/2014 of the Parliament and of the Council

Relative to:

Establishment of rules and procedures for the introduction of noise-related operating restrictions at EU airports in the context of a balanced approach and that revokes Directive 2002/30/EC

Summary:

Establish, for those cases in which a noise-related problem has been identified, rules on the process to be followed for the homogeneous introduction of noise-related operating restrictions at each airport, in order to help improve the noise climate and limit or reduce the number of people significantly affected by the potentially harmful effects of aircraft noise.

Outlook for 2015

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:

- Continuation of the negotiations with a view to establishing an Aviation Agreement between the European Union and ASEAN (Association of Southeast Asian Nations);
- Resumption of the negotiation process with a view to establishing a Global Air Transport Agreement between the European Union and the Federal Republic of Brazil;
- Entry into force of the European Common Aviation Area Agreement (ECAA), after having finally been ratified by all the Member States of the European Community;
- 3rd meeting between the European Union and the GCC (Cooperation Council for the Arab States of the Gulf) with a view to deepening the dialogue between the Parties, namely in the areas of liberalisation and fair competition in international air transport relations;
- Establishment of the internal procedures necessary to begin negotiations between the European Union and the United Mexican States with a view to signing a Global Air Transport Agreement.

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:

- Conclusion of a bilateral Air Transport Agreement between Portugal and the Republic of Congo;
- Conclusion of a bilateral Air Transport Agreement between Portugal and Curaçao (Netherlands Antilles);
- Bilateral aeronautical consultations between Portugal and the United Arab Emirates, to rediscuss issues of mutual interest within the scope of the Agreement on Air Services of 2011.

Legislation

Review of the Regulation (EC) no. 868/2004 of the European Parliament and of the Council

Relative to:

Protection against subsidisation and unfair pricing practices

Summary:

Avoid losses of Community air carriers in the supply of air services from carriers of countries not members of the European Community.

Draft Community Directive

Relative to:

Insurance mediation aimed at improving regulation in the retail insurance market

Summary:

Ensure a fair framework for all parties involved in the sale of insurance products and reinforce the protection of policy holders.

Review of the Regulation (EC) no. 216/2008 of the European Parliament and of the Council

(basic AESA regulations)

Relative to:

Common rules in the field of civil aviation and establishing a European Aviation Safety Agency

Summary:

Improve response to changes in the operating civil aviation environment and subsequent challenges to its safety.

Proposal for a Directive of the European Parliament and of the Council

Relative to:

Use of data on air transport passengers for protection against terrorist offences and serious crime

Summary:

Collect the so-called Passenger Name Record (PNR) data for flights from third countries and potentially for flights within the EU, in addition to setting a time limit during which the PNR elements are visible to police officials responsible for front-line supervision.

Conclusion of the revision of Regulation (EC) no. 261/2004 of the European Parliament and of the Council

Relative to:

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

Summary:

Protect the rights of passengers in the event of disturbance to circulation or damage to/loss of baggage and when extraordinary circumstances occur in flight operations. The European Union will define the rights and obligations of each party (passengers, air carriers, travel agencies, among others).

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

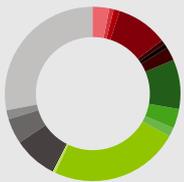
Characterisation of Suppliers

Profile of the base of Suppliers in 2014
TAP Group (except TAP-Maintenance and Engineering Brazil)

Total Suppliers

7 624

Distribution among National and Foreign markets



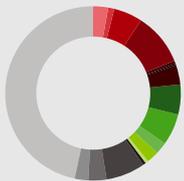
- | | |
|----------------------|-----------------------|
| ● 3.3% Germany | ● 1.7% Netherlands |
| ● 0.6% Angola | ● 23.9% Italy |
| ● 1.1% Belgium | ● 0.4% Mozambique |
| ● 9.5% Brazil | ● 0.4% Norway |
| ● 1.0% Cape Verde | ● 7.8% Others |
| ● 0.7% Denmark | ● 4.7% United Kingdom |
| ● 2.5% Spain | ● 1.7% Switzerland |
| ● 9.2% United States | ● 27.8% Portugal |
| ● 3.7% France | |

Total invoices recorded

2 423

 EUR million

With 46% distributed in the National market



- | | |
|----------------------|-----------------------|
| ● 2.8% Germany | ● 2.1% Netherlands |
| ● 1.2% Angola | ● 2.3% Italy |
| ● 5.4% Belgium | ● 0.6% Mozambique |
| ● 9.6% Brazil | ● 0.6% Norway |
| ● 0.5% Cape Verde | ● 7.0% Others |
| ● 0.4% Denmark | ● 3.6% United Kingdom |
| ● 3.5% Spain | ● 2.5% Switzerland |
| ● 5.5% United States | ● 46.4% Portugal |
| ● 6.0% France | |

STRATEGIC PRINCIPLE OF ADDING VALUE

Corporate sustainability represents a strategic objective permanently pursued by Group companies. In this context the procurement model adopted by the Company merits special focus. The model involves two specific phases: on the one hand, selection and contracting and, on the other hand, 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, a decision was made to maintain a balance, 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 on a rigorous financial assessment and carefully selected sustainability factors.

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

In the supplier selection process, the Company 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 is focused on the important challenge of rationalising costs, in order to achieve high levels of efficiency, such that eco efficiency has been fostered through the appropriate management of materials and other resources.

During 2014, the gradual replacement of the traditional trolleys used in the in-flight catering service with the latest generation of lightweight trolleys was begun, with significant savings in terms of jet fuel and with a consequent impact on the reduction of CO₂ emissions, thus contributing to the implementation of environmental management. In 2014, with the increase in TAP destinations, the number of suppliers and service providers also rose, which resulted in both a challenge and a driver for development of the various communities.

The Logistics area has also involved the participation of national suppliers, based on identical price/quality criteria, to stimulate and, in this way, contribute to the progress of the Portuguese economy.

In this context, the evaluation by the Company of the policy of sustainability and social responsibility of the suppliers and service providers is mandatory, based on the following main objectives: obtaining the highest quality; risk management; fomenting the use of green procurement practices, in the markets where the Company operates.

In addition, clauses related to the UN Global Compact and the environmental commitment of Stakeholders have also been gradually written into contracts.



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 of component and aircraft manufacturers.

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. So far, none of the material purchased by TAP is covered by the deadlines on the use of substances that require authorisation. The REACH TF of AEA, in which TAP is represented, has made an appeal to the European Commission to introduce amendments to the legislation in force, namely extend the deadlines on the use of substances listed in Annex XIV, through the timely alteration of the maintenance manuals;
- 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.

AVIATION CATERING

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:

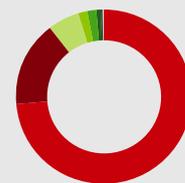
- Strict Procurement Conditions;
- Conclusion of *Quality Agreements* for the different types of services and products, including chemical and allergens;
- Requirement of *Halal Guarantee Certificates and Charters*, for Islamic meals;
- Audits to the facilities of suppliers for verification of hygiene,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

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 maintained, on an annual basis, its coverage of needs with national products, at 94% in 2014.

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 2,423 million euros from 7,624 suppliers in 2014

Adjudications per Purchase areas TAP Serviços

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



- 73.70% Jet Fuel
- 15.90% Handling
- 5.80% Catering
- 1.70% Hotels
- 1.60% In-flight
- 0.85% Irrreg. (Hotels+PVA)
- 0.17% Uniforms
- 0.12% Media
- 0.08% Stationery and general purchasing
- 0.06% Computers
- 0.01% Vehicles
- 0.01% Furniture and equipment

ECONOMIC PERSPECTIVE

**IMPORTANCE OF
AIR TRANSPORT
FOR ECONOMIC
DEVELOPMENT**

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, 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 and 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..

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.

Commitment

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

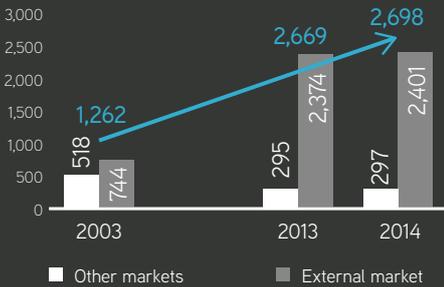
- Contribute to the creation of value for the economy and Portuguese society;
- Provide Customers with a quality product through the best and easiest solutions for their travel and for the transport of goods;
- Promote interconnectivity within the Portuguese speaking world.

The expansion of the network to new destinations contributed to the diversification of markets with a relevant impact on the national economy

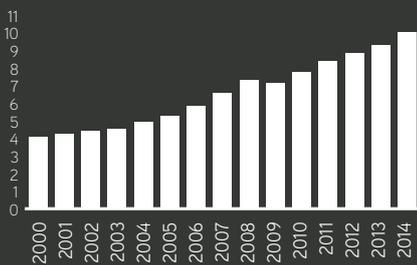
Air transport is a factor inducing a diversified spectrum of activities that contribute significantly to the growth of GDP. However, the value generated exceeds this aspect, with the main benefits accruing to its Customers – passengers and customers of the air transport of cargo.

The expansion of the network to new destinations contributed to the diversification of markets, representing an important asset that generates benefits, facilitating direct foreign investment, business and specialisation clusters, namely in the tourism sector, amongst other relevant impacts on the Portuguese economy.

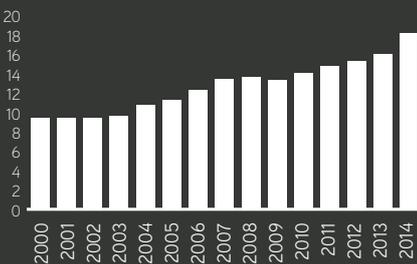
Sales and Services Rendered
EUR million



TAP Total
Passengers carried – Lisbon hub



Total Volume
Passengers carried – Lisbon Airport



Improve the company's activity level

11 413 699

Passengers carried, an increase of 6.6% compared with 2013, representing 710,796 more passengers carried.

Assure diversity of destinations and frequencies to TAP customers

113

Destinations served from Portugal, 10.8% more than in 2013;

109 139

Flights, a 2% increase;

178

Access to 178 cities: 107 located in Europe (10 in Portugal), 42 in the Americas, 21 in Africa and 8 in the Middle East/Asia.

Promote passenger loyalty through distinctive service

1 600 000

Members of the Victoria Programme, a 14.3% increase over 2013, corresponding to 200 thousand more members.

Guarantee an effective service level for Cargo and Mail transport

7.2%

Increase in Cargo and Mail Revenue.

85.1 thousand tons of cargo and mail transported, 6% more than in 2013.

Create employment

434

Number of Jobs created at TAP, S.A..



In spite of the negative impact of a multiplicity of disturbances, TAP continued to comply with its commitment to contribute to the generation of value for the economy and for Portuguese society

In 2014, the activity of the Company took place in an environment characterised by a number of factors, namely the fall in fuel prices and a context of increased competition, both at a European and intercontinental level. The results achieved in 2014 by the Group and by TAP, S.A., also reflected the negative impact of the multiplicity of disturbances that occurred over the course of the year. In particular, it is important to mention the disturbances observed between June and mid-July – due to the late arrival of new aircraft destined for the operation of new destinations, as well as the grounding of aircraft for longer durations than expected –, which were solved over the remaining summer period. Furthermore, the end of 2014 culminated with the announcement of a strike, which had a significant negative impact on the Company and on the Portuguese economy in general.

However, it should be pointed out that, in 2014, TAP's development of a series of initiatives within the Group continued, which, intervening in the area of sustainability, have progressively shown their impact.

In this regard, in compliance with its commitment to contribute to the generation of value for the Portuguese economy, particular note should be made of the increase in the value of services rendered abroad, with the significant weight of the exports of services in the Company's total sales and services, of approximately 89%,

remaining at the level of 2013. In this context, it is also worth highlighting TAP's continuing effort, through the architecture of the network and its extension with the launch of new destinations, to enhance 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, although at a slower pace than in 2013, 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 continued to identify opportunities to set itself apart, meeting the efficiency goals continually pursued.

Regarding product quality indicators, the recorded performance achieved fell short of the performance in 2013, not having met the proposed objectives for a significant part of the indicators as a reflection of the disturbances

mentioned above, and presenting a development of the operation that is not aligned with the normal performance of the Company.

To summarise, the established objectives were practically achieved, or even exceeded, in relation to the following indicators: increased level of activity of the company (number of carried passengers); increased productivity (ASK 000/employee); number of destinations served directly by the company; number of members of the Victoria Programme; 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: number of jobs created (net) in TAP, S.A.; number of services rendered; flight punctuality index; percentage of baggage left behind; number of complaints per carried passenger; evaluation of global passenger satisfaction; index of satisfaction for ground services; costs due to lost or damaged cargo in relation to total revenue.

Indicators Representing the Company's objectives from an Economic Perspective

Objectives	Key Figures	Scope	2012	2013	2014	Variation 2013/2012	Variation 2014/2013
Increase its contribution to national GVA	GVA ⁽¹⁾ (EUR thousand)	TAP Group	703,602	793,162	719,145	12.7%	-9.3%
Achieve positive net results in a sustainable manner	Net Income ⁽⁹⁾ (EUR million)	TAP Group	-25.5	-5.9	-85.1	19.62 ^(*)	-79.23 ^(*)
		TAP, S.A.	23.8	34.0	-46.4	10.23 ^(*)	-80.36 ^(*)
	EBITDAR ⁽⁹⁾ (EUR million)	TAP Group	215	225	178	5.1%	-20.9%
TAP, S.A.		210	216	148	2.8%	-31.3%	
Improve the company's activity level	Number of carried passengers ⁽⁴⁾ (passengers million)	TAP, S.A.	10.2	10.7	11.4	5.1%	6.6%
Promote the export of services	Value of the services rendered abroad (Sales and Services Rendered) ⁽⁹⁾ (EUR billion)	TAP Group	2.2	2.4	2.4	7.0%	1.1%
	Percentage of service exports (Sales and Services Rendered Abroad) in Total TAP Sales and Services Rendered ⁽⁹⁾	TAP Group	84.7%	89.0%	89.0%	4.2 p.p.	0.0 p.p.
	Exports – Imports ⁽⁹⁾ (EUR million)	TAP Group	942	1,183	928	25.5%	-21.6%

^(*) Absolute Value

Objectives	Key Figures	Scope	2012	2013	2014	Variation 2013/2012	Variation 2014/2013	
Increase productivity	Operating Revenues and Gains/employee ⁽¹⁴⁾ (EUR thousand)	TAP Group	215.7	215.6	213.7	-0.04%	-0.85%	
		TAP, S.A.	353.3	360.3	348.0	2.0%	-3.4%	
Increase the Company's sustainability	ASK (000)/employee ⁽⁹⁾ Air Transport Business Unit (B. U.)	TAP, S.A.	7,848	7,813	7,759	-0.4%	-0.7%	
		TAP Group	-380,805	-373,312	-511,860	-2.0%	37.1%	
Create employment	Shareholders' Equity ⁽⁹⁾ (EUR thousand)	TAP, S.A.	948,711	780,032	921,287	-17.8%	18.1%	
		TAP Group	948,711	780,032	921,287	-17.8%	18.1%	
Foster innovation	Remunerated net debt ⁽⁹⁾ (EUR thousand)	TAP, S.A.	948,711	780,032	921,287	-17.8%	18.1%	
		TAP Group	948,711	780,032	921,287	-17.8%	18.1%	
Assure diversity of Destinations and Frequencies to TAP Customers	Number of jobs created ⁽⁵⁾ (net)	TAP, S.A.	-97	52	434	-	-	
		TAP Group	111	350	412	-	-	
Assure diversity of Destinations and Frequencies to TAP Customers	Investment in Innovation ^{(1) (2)} (EUR thousand)	TAP, S.A.	6,097.6	7,343.1	7,212.5	20.4%	-1.8%	
		TAP, S.A.	6,097.6	7,343.1	7,212.5	20.4%	-1.8%	
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	77	77	88	0.0%	14.3%	
		MADEIRA and the AZORES	6	6	6	0.0%	0.0%	
		Number of code-sharing destinations offered ⁽⁹⁾	TAP, S.A.	150	123	126	-18.0%	2.4%
		Number of Services ⁽⁴⁾ (flights)	TAP, S.A.	105,733	106,994	109,139	1.2%	2.0%
Improve the punctuality index of TAP flights	Flight punctuality index ⁽⁴⁾	HUB	69%	72%	64%	2.7 p.p.	-8.1 p.p.	
		NETWORK	71%	74%	66%	2.7 p.p.	-7.5 p.p.	
		Percentage of baggage left behind ⁽⁷⁾ (by 1,000 Passengers)	TAP, S.A.	18.1	15.6	16.6	-13.8%	6.4%
Assure improved handling service level in terms of baggage delivery	Percentage of baggage left behind ⁽⁷⁾ (by 1,000 Passengers)	HUB	18.1	15.6	16.6	-13.8%	6.4%	
		NETWORK	11.3	10.0	10.6	-11.5%	6.0%	
Guarantee improved Passenger Customer satisfaction	Number of complaints per carried passenger ⁽¹⁰⁾	TAP, S.A.	0.0029	0.0026	0.0067	-11.4%	157.7%	
Promote passenger loyalty through distinctive service	Evaluation of TAP passenger satisfaction (Overall) ⁽¹²⁾ Classification: 1 (very unsatisfied) to 10 (very satisfied)	TAP, S.A.	7.79	7.95	7.67	-	-	
		TAP passenger satisfaction index (Ground service) ⁽⁸⁾ (number of replies – satisfactory in total replies obtained)	TAP, S.A.	64.4%	64.3%	63.8%	-0.1 p.p.	-0.5 p.p.
		Number of Victoria Programme members ⁽⁶⁾	TAP, S.A.	1,307,000	1,400,000	1,600,000	7.1%	14.3%
Guarantee an effective service level for Cargo and Mail transport	Cargo and Mail Revenue ⁽³⁾ (EUR million)	TAP, S.A.	126.895	115.348	123.621	-9.1%	7.2%	
		Costs due to lost or damaged cargo relative to total revenue ⁽³⁾	TAP, S.A.	0.24%	0.07%	0.10%	-0.18 p.p.	0.03 p.p.
Provide connections within the Portuguese speaking world	Number of connections with Africa ⁽⁴⁾ (average number of flights per week)	TAP, S.A.	30	30	34	0.0%	13.3%	
		Number of connections with South America (Brazil) ⁽⁴⁾ (average number of flights per week)	TAP, S.A.	68	67	71	-1.5%	6.0%
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 (Except TAP-ME Brazil, LFP, Cateringpor and SPdH)	25	25	24	0.0%	-4.0%	
		TAP, S.A.	24	24	24	0.0%	0.0%	

⁽¹⁾ Absolute value

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

ACTIVITY

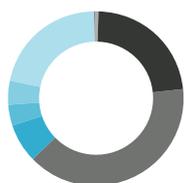
With a view to promoting Customer loyalty, the Company operates a structured network complemented by extensive interconnection with a global network, through its participation in the largest global alliance of airline companies, STAR Alliance, as well as good coordination with other partner companies.

Together with its partners, in 2014, TAP:

- Offered its Passengers and Cargo Customers access to 178 cities, (88 in its own aircraft), of which 107 are located in Europe, 10 in Portugal, 42 in the Americas, 21 in Africa, and 8 in the Middle East/Asia;
- Transported 11.4 million Passengers and 85.1 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 12 gateways in Brazil: Manaus in the North; Belém, 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 38.4% of the Company's activity (in RPK).

Tickets Sales by Geographic Area



- 23.0% Portugal
- 39.4% Europe
- 7.1% Africa
- 4.0% North Atlantic
- 4.3% Mid Atlantic
- 21.6% South Atlantic
- 0.1% Rest of the World
- 0.5% Other

Complementing the above, TAP provided Maintenance and Engineering services, with the following in this activity being noteworthy:

- The scale of the Customer base: 37 Customers worldwide, 78% of which 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;
- The offer of services to Third Party Customers involves an extensive geographical area, covering the Americas, Africa, the Middle East and Europe, with the latter being the most significant market, corresponding to approximately 64% of the revenue generated;
- TAP-Maintenance and Engineering supplies all the supporting services for the maintenance of TAP's fleet. Its long experience constitutes a competitive advantage in the approach it makes to Third Party Customers, a segment which has become an important part of its activity, currently corresponding to about 30% of the number of work hours performed;
- In 2014, the *Care² Customer* programme was launched, as part of the *Care² Quality* motto, aimed at strengthening customer relations over the long-term;
- Regarding works carried out for Third Party Customers, revenue grew by 23.7% (17.6 million euros) in 2014, with the phase-in of two A330 in the TAP fleet having contributed positively to this result.

In the air transport operations, a fleet composed of 77 aircraft, 61 of which are prepared for medium and long-haul operations, was used. With the acquisition of Portugália in 2007, TAP now has an additional availability of 16 aircraft 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 2014:

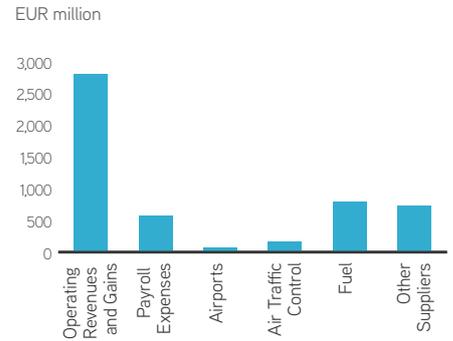
- The Group's turnover increased by 1% (26.8 million euros more than in 2013);
- In 2014, revenue generated in external markets recorded a new increase of 26.6 million euros (+1.1%), reaching 2,400.9 million euros. This value confers TAP Group the distinction of the national company with the greatest 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 2014, within the TAP Group, the value invested in tangible fixed assets reached 19 million euros. This amount is essentially related to investments in basic equipment with the acquisition of spare parts and engine equipment for the air fleets, as well as the acquisition of tools and utensils, maintenance equipment, catering, transport and administrative equipment, with a focus, in this case, on investment in data processing equipment and buildings and other constructions;
- The total amount paid to the State, including taxes, came to 287 million euros;
- Payments to Suppliers, a total of 1,580 million euros, increased by 6.5%, 96 million euros more than in 2013.

It is worth noting that facing 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 continued its sustainability promoting strategy, guaranteeing a consistent focus on unitary cost, having promoted the continuous growth of awareness. In 2014, in spite of the notable reduction in unitary fuel costs, total fuel cost increased relative to 2013 due to an expansion of the operation via the introduction of new aircraft in the fleet, and the consequent launch of 11 new routes. In addition, the increase observed in various cost items, as previously mentioned, contributed to unitary cost in 2014, in terms of total costs per kilometre flown, not having registered a more significant decrease. As a result, a permanent focus on cost cutting in the Company was maintained.

CREATION OF VALUE FOR STAKEHOLDERS

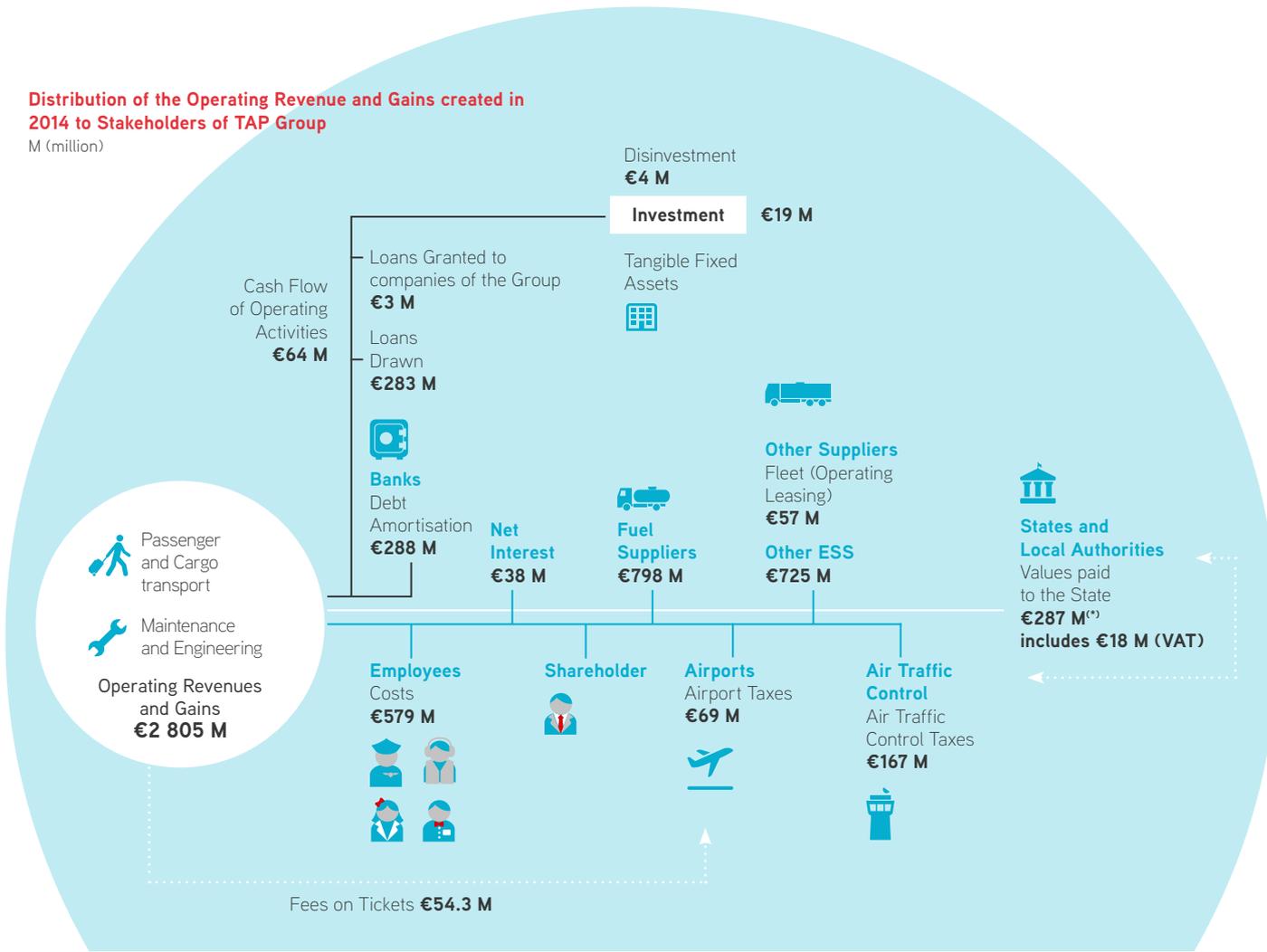
The consequent economic results have benefited various groups of Stakeholders which contribute to the value chain of the services rendered by TAP Group

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.



Distribution of the Operating Revenue and Gains created in 2014 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 2014, the overall value of these taxes reached 54.3 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

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 of 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.

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.

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.

An important role in promoting changes in society, a commitment towards sustainable development

Promoting an attitude of differentiation, innovation and proximity

Praise for the safety video of TAP

Distinction attributed by the Commission for Equality and Against Racial Discrimination, presided by the High Commissioner for Migrations, for the safety video shown on board TAP aircraft, for the way in which the safety rules in force are disclosed, portraying them through age, gender, origin, skin tone and accent diversity in our Country, thus contributing to the mission of defence of the principle of equal treatment and fight against racism and xenophobia.



FLYTAP expedition expedition takes Portugal to the Brazil of the World Cup



TP449: The flight of the *Cante Alentejano*

Representatives of the *Cante Alentejano*, Intangible Cultural Heritage of Humanity, awarded by UNESCO, on the TAP flight from Paris to Lisbon



Management committed to the development of the community

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.

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 2014 of the social solidarity actions, projects and programmes directed at different groups.

Solidarity Fair of *Voluntários com Asas*

Company's General Canteen



Solidarity Vending Project

First delivery of Fruit at the Facilities of CATT (*Tercena Temporary Accommodation Centre*)

Graffiti Workshop – Fantasy Garden

Offered by TAP to the children of CATT (*Tercena Temporary Accommodation Centre*)



Most indicators of the matrix of commitments recorded a positive evolution

In 2014, 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 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 internships 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 encouraging voluntary action (blood donation).

Indicators Representing the Company's Objectives from a Social Perspective

Objectives	Indicators	Scope	2012	2013	2014	Variation 2013/2012	Variation 2014/2013
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.	324,026	284,876	449,500	-12.1%	57.8%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	770,234	777,068	822,952	0.9%	5.9%
	Number of participations in training actions over the total number of Employees ⁽²⁾	TAP, S.A.	3.06	3.29	3.24	7.7%	-1.7%
Promote involvement with the Company	Number of hours of training per Employee ⁽²⁾	TAP, S.A.	46.99	41.40	62.84	-11.9%	51.8%
	Rate of Absenteeism ⁽³⁾	TAP, S.A.	9.48%	9.76%	10.54%	0.3 p.p.	0.8 p.p.
	Absenteeism related to pregnancy		3.83%	3.89%	4.12%	0.1 p.p.	0.2 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		5.65%	5.87%	6.42%	0.2 p.p.	0.5 p.p.
	Percentage of Gym users who are Company Employees ⁽⁴⁾	TAP Group	82.7%	86.0%	86.2%	3.3 p.p.	0.2 p.p.
	Number of children using the nursery ⁽⁴⁾	TAP Group	335	358	384	6.9%	7.3%
Promote and support initiatives of a social character	Number of beneficiaries of the Group's Health-care Insurance ⁽⁴⁾	TAP Group	20,872	21,334	22,903	2.2%	7.4%
	Realisation of Traineeships at the Company ⁽²⁾	TAP, S.A.	93	110	110	18.3%	0.0%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	134	180	201	34.3%	11.7%
Contribute to ensuring the safety of operations, finance, people and assets	Portugal no Coração programme ⁽²⁾ (number of beneficiary Portuguese emigrants)	TAP, S.A.	15	14	15	-6.7%	7.1%
	TAP Victoria for a better world ⁽²⁾ (number of miles donated)	TAP, S.A.	2,250,000	16,500,000	23,615,514	633.3%	43.1%
	Encouragement of Voluntary Efforts ⁽⁵⁾ - Blood Donation - Blood donated (ml)	TAP Group	74,000	65,000	45,000	-12.2%	-30.8%
Comply with the Code of Ethics	Number of services covered by the Risk System ⁽¹⁾	TAP Group (Operational Areas)	63	82	82	30.2%	0.0%
	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.
Assure the reliability of the information on the Company's activity and its communication to the stakeholders and community	Number of audits carried out to Tenders/Contracts ⁽⁶⁾		409	435	531	6.4%	22.1%
	Annual Report, Sustainability Report and Corporate Governance Report available on TAP's Website	TAP Group	Jul-2013	Jul-2014	Jul-2015	-	-

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 the current economic and social climate, 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

13 268

TAP Group Staff
31 December

7 323

TAP, S.A. Staff

7% 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)



Type of contract and function							
Abroad	TAP	Portugália	Groundforce	Cateringpor	Lojas Francas	Megasis	UCS
Ground Staff	526						
Permanent contract	501	-	-	-	-	-	-
Fixed-term contract	25	-	-	-	-	-	-
Variable-term contract	-	-	-	-	-	-	-
Portugal							
Ground Staff	3,290	192	2,255	501	420	174	88
Permanent contract	3,065	182	1,976	356	300	174	86
Fixed-term contract	222	9	269	145	71	-	-
Variable-term contract	3	1	10	-	49	-	2
Cabin Crew	2,589	221					
Permanent contract	2,131	207	-	-	-	-	-
Fixed-term contract	458	14	-	-	-	-	-
Flight Deck Crew	918	152					
Permanent contract	918	141	-	-	-	-	-
Fixed-term contract	0	11	-	-	-	-	-
TOTAL	7,323	565	2,255	501	420	174	88

Seniority and average age by function							
Portugal	TAP	Portugália	Groundforce	Cateringpor	Lojas Francas	Megasis	UCS
Ground Staff	3,290	192	2,255	501	420	174	88
Seniority	15	10	14	10	9	14	15
Age	41	39	39	39	39	43	44
Cabin Crew	2,589	221					
Seniority	16	12	-	-	-	-	-
Age	42	37	-	-	-	-	-
Flight Deck Crew	918	152					
Seniority	16	10	-	-	-	-	-
Age	41	42	-	-	-	-	-
TOTAL	6,797	565	2,255	501	420	174	88

Employees by Gender



● 41% Female
● 59% Male

Employees by Contract of Type



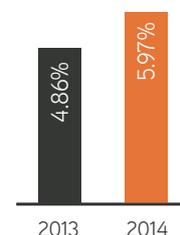
● 88.6% Permanent contract
● 10.8% Fixed-term contract
● 0.6% Variable-term contract

Employees by Function



● 65.7% Ground Staff
● 24.8% Cabin Crew
● 9.5% Flight Deck Crew

Rate of Employee Turnover



HUMAN CAPITAL MANAGEMENT – LABOUR PRACTICES

Connected to the World through People

Claiming to be *The Best Company to Work For*, TAP seeks, within the scope of its strategic vision, to maximise the impact of the activity of all its Employees and, in this way, reinforce its sustainable development based on a model of participatory management and of social recognition, through their improved performance and greater contribution towards competitiveness and results.

In the attainment of the global objectives of the Company and in order to promote the credibility of the TAP brand, the Human Resources practices are aligned with the Organisation's strategy.

A specialised and competent human capital is the most valuable asset of a company, such that TAP's Human Resources strategy is geared towards greater enhancement of the value, motivation and recognition of its employees.

TAP recognises the duality of objectives that converge in the niches of organisational activity – personal and organisational – and, as a result, the need for their alignment, in order to promote the professional success of Employees and, at the same time, lead the organisation towards excellence, competitiveness and sustainability.

Promoting merit

One of the main ways for TAP to recognise the merit of its Employees consists in the use of the *Performance Assessment System*, enabling the follow-up of the professional progression of the Employee and to assess his/her contribution to the Company, according to the objectives set at an individual level and within the scope of the respective department, whose strategy reflects the global objectives of the organisation.

The *Management of Compensation Policy* is, in this way, supported at an individual level, by the Performance and Potential Assessment System, seeking to follow the external competitiveness and internal equity of the remunerations as a guideline. The remuneration and benefit policies are, in principle, aligned with the specific aspects of the Company's business areas, always giving priority to the internal equity, performance and market value of functions. To this end, the Human Resources use an *Analysis and Qualification of Functions* methodology which, as a method of factorial comparison, compares the relative importance of functions, even if of a different nature, specifying the differences, assessing



the relative fairness of the compensation within the Company (internal equity) and of its level of external competitiveness.

TAP encourages management practices and processes that contribute to the recognition, satisfaction and commitment of Employees to achieve the Company's objectives. As a result, motivational programmes and programmes that promote merit as in the case of the *Reconhecer* Programme, the *Simpatia* Programme and the event *My 20 years of TAP* have emerged.

The purpose of the *Reconhecer* Programme, through a solemn ceremony attended by the Board of Directors, is to pay tribute to those Employees who, due to their contribution in achieving the best results, solving problems, creativity, Customer-focused attitude and outstanding actions, can serve as a model for TAP. This programme celebrated 11 years of existence and over this period 12 ceremonies were held and more than 700 people were recognised. In addition to highlighting the merit, dedication, spirit of initiative and high levels of customer care, it promotes a positive organisational culture, focused on working well and with the correct attitude. TAP employees are thus encouraged to perform better, based on the most favourable attitude to obtain results: enthusiasm; creativity; attention to external and internal customers; determination; flexibility and initiative in resolving problems through joint efforts.

Differentiation through attitude



In 2014, another edition of the *Simpatia* Programme, which has been running in the Company for more than 10 years, was held in which a record 657 congeniality cards were offered to Employees by passengers, reflecting TAP customers' recognition of the TAP attitude and personality. This programme consists in sending *congeniality cards* to the residence of the main Customers (passengers), who can then offer them to Company Employees whose friendly manner, courtesy and thoughtful assistance is worth highlighting. These Employees are invited to participate in a solemn ceremony attended by the Board of Directors, which symbolises the commitment to quality of the TAP brand, seeking to distinguish those Employees who most stand out in conveying this value. In distinguishing the politeness, courtesy and professionalism of TAP Employees, the passengers help the Company improve the quality of its customer service.



Also within the scope of the motivational and recognition programmes, TAP resumed the *My 20 Years of TAP* event, which intends to pay tribute to those that have helped build the Company and thank them for their 20 years of dedication to the Company. This event is commemorated annually, in a solemn ceremony, in which presents symbolising the effort and dedication shown over that period are distributed.



Promoting individual development
Personal and Professional Development

Believing in the potential of all Employees, TAP invests heavily in the training and the development of its people. In line with the internal development policy of Human Resources, TAP is committed to the training of its Employees as a key element for the success of the Company, in which the definition of personal development plans guides training, according to individual needs and the Company.

TAP thus plays the role of creating commitment, competence and contribution for the Organisation, while simultaneously enhancing the personal and professional development of those who work here.

TAP has invested in Training since its foundation, and has a Professional Training Centre in a building specifically for this purpose, comprising fully equipped Training Classrooms, Workshops, Laboratories, Technical Training Classrooms, a Distance Training Classroom (e-learning), Mock-ups and Flight Simulators.

Certified by DGERT, TAP's Professional Training favours the use of internal trainers, with specialised know-how and qualified for aeronautical activity who, in addition to being instructors, also perform the role of mentors and coaches of the younger Employees. With a multidisciplinary team of specialised and certified professionals, TAP provides tailored professional training that is being constantly updated and covers various areas of competence: Specific technical training (initial and continuous) and transversal training – the first is directed at the performance of duties in each area of the Company, corresponding to any needs encountered and compliance with national or international rules for Commercial Aviation; and transversal training which seeks to add value to those it is directed at, based on various formats of action, methodologies, pedagogical techniques and differentiating approaches.

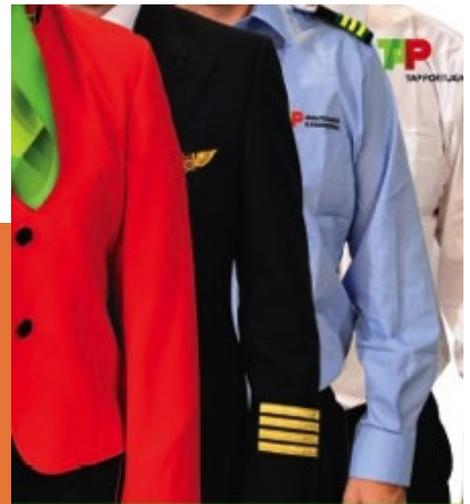
It is important to mention that in 2014 TAP commemorated 26 years of training ab initio Aircraft Maintenance Technicians, totalling 773 young people, and distributed over 18 already completed courses. In Portugal, TAP is the first company recognised by the National Aviation Entity (INAC) as a Maintenance Training Organisation, which is an important reference in the quality of TAP's training. In this context, the senior TMAs are charged with the responsibility of acting as mentors and coaches of the younger trainees, following up on their training on a daily basis and helping them develop.

In the same year, TAP also continued to invest heavily in e-learning training, considered a success both internally and externally, due to the quality and diversity of the contents and tools developed, as well as due to the multidisciplinary character of the team of specialists.

In 2014, it is worth mentioning the launch of the new TAP Training catalogue for 2014-2016, aimed at strengthening a culture of knowledge creation and sharing, in which new topics and innovative training products are presented, as well as the entire transversal training offer (classroom and e-learning).

From the viewpoint of the development of TAP people, the benefit of internal mobility between the different areas and functions provided by TAP should also be highlighted. Within the context of the integration of TAP in STAR Alliance, the internal dissemination of the existing job vacancies in the alliance is part of the celebrated protocol. Furthermore, within this alliance, mobility programmes are offered, enabling Employees to acquire new skills and experience, an asset for their personal development and career path at TAP.

To summarise, with regard to the personal and professional development of its Employees, TAP provides a Training volume and development programmes aimed at the acquisition of additional skills to improve the performance of their functions, while at the same time contributing to their personal development and adding value to the business.



Under the continuous training programme for Employees, aimed at improving qualification levels, 5,750 Training Actions were conducted, covering a total of 822,952 Hours.

Number of Training Actions



- 3,020 – TAP, S.A.
- 59 – UCS
- 11 – MEGASIS
- 1,984 – GROUNDFORCE
- 156 – LFP
- 420 – PGA
- 100 – CATERINGPOR

Type of Training TAP, S.A.



- 5% e-learning
- 95% Physical attendance

SAFEGUARD

Promoting health and a healthy 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 –, with about 200 professionals, represent an important support to reconcile family/work life, enabling TAP Employees to have access to health care with convenience due to proximity to the work place.

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. A total of 52 thousand Customers are registered, among Company Employees and their relatives. The UCS offers 18 Medical Specialties, supported by complementary diagnostic tests in various fields and physiotherapy. In addition, there is also a Dentistry team, composed of Dentists and Dental Hygienists, among other professionals. TAP offers free dental hygiene to all of its Employees, once a year, for free. Outside the regular working hours of the UCS, TAP has hired a domestic medical assistance service (EcoSalva) for Employees, extensible to relatives.



In addition to occupational medicine, the promotion of a healthy life is conducted under the *Saúde +* Programme, recognised and supported by the Portuguese Health Authority, which includes awareness, prevention and early diagnosis initiatives, free screenings, as well as pregnancy tracking plans and preparation courses for childbirth.

As part of the initiatives of the *Saúde +* 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.



Within this context, it is also important to mention the *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.

Occupational safety and health



Safe Attitude

New campaign of TAP–Maintenance and Engineering, launched in January 2014, seeking to raise the awareness of employees to the adoption of a safe attitude in terms of Occupational Safety and Health. The main message is: **Safety is a question of attitude.** Its main objective is to, with this **new attitude**, promote the appropriate use of collective and individual protection equipment and strive for the safety of everyone, as a means of preventing occupational accidents.



Promotion of a Safety Culture

The activation, at TAP, of a new structure, a Safety Manager, entrusted with implementing and maintaining the Safety Management System (SMS) is noteworthy.

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 at the TAP–Maintenance and Engineering Campus for paper reporting and exclusive access to the Safety Office.

SYSTEMS THAT ASSURE WELL-BEING

The Employees of the company 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 equal opportunities

In all of its actions, TAP seeks to strengthen its commitment to citizenship and social responsibility, having been awarded, in 2014, a commendation from the **Commission for Equality and Against Racial Discrimination**. Regarding its Employees, TAP has also focused on promoting inclusion in the workplace. Under the premise of equity and equality of conditions and opportunities, regardless of gender, age, race, religion, disability and/or sexual orientation of each one, TAP promotes various actions to foment the organisation's non-discrimination and diversity. In this sense, and with regard to its destinations and passengers, TAP promotes multiculturalism – about 100 people of 20 different nationalities work in Portugal.

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 employees and trainee from these institutions, employing in Portugal about 85 Employees with a degree of incapacity / disability.

Within the scope of **gender equality**, even in those functions that are usually performed by men (mechanics, pilots, engineers, Aircraft Maintenance Technicians), TAP has favoured gender diversity – as an example, it should be mentioned that the total staff of TAP is composed of a total of 34 female pilots, of which 10 are commanders; of the 448 people with functions that require higher education (Specialists, Engineering, Lawyers, Economists) 213 are female; regarding Aircraft Maintenance Technicians, 30 are female; in terms of hierarchical levels, it should be mentioned that 30% of TAP directors are female, and of the 400 with middle management/supervisory functions, 100 are women.

Balance between Personal and Professional Life

The policies of the TAP Group are designed to *Identify, Develop, Train and Support People*, while at the same time seeking to reconcile the performance and competitiveness of the business with the well-being and balance of the Employee. To this end, the policies and practices developed are simultaneously focused on the creation of value for the business and on the promotion of well-being and balance between personal and professional life. This objective is achieved through various initiatives and actions, namely:

Remote work, reinforcing its commitment towards citizenship and social responsibility, in areas where it is technologically feasible, TAP has supported working from home, which ensures the desired productivity levels and enables greater support to the family. In 2014, 9 employees already enjoy the flexibility of this work regime;

Flexitime, possibility of a flexible timetable up to 20% of the working time, applicable to the majority of employees, with the exception of the operating areas or shift work;

Bus transport, TAP provides free bus transport, from its facilities to the city centre, during periods outside the normal schedule of public transport, thus facilitating travel to and from the work place for employees that work in shifts;



Associations, thinking about those who, throughout their lives dedicated themselves to the Company, TAP continues to support the Social Solidarity and Support Association of TAP Staff – ASAS TAP –, a private social solidarity institution founded 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;

Cycle of HR Conferences, an initiative aimed at sharing and creating knowledge, exposing Employees to unusual themes within their technical context of work, thus fomenting the out-of-the-box spirit, motivation, resilience and personal/professional development;

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 the permanent pursuit to involve Employees in the most varied areas of action of the organisation, the TAP TV programme *Se eu fosse* emerged in 2014, which promotes knowledge on the various existing functions in the Company, enabling the transversal involvement of Employees, benefitting both the individual and the organisation. In this initiative a specific function is performed, for a day, by an Employee from another area. The employee's impressions are recorded, as well as what he/she liked doing the most or the main difficulties encountered.

Balance between personal and professional life

TAP is a Company committed to the following three pillars:

BEST COMPANY TO
TRAVEL
WORK
INVEST



Employees by Gender



41% Female
59% Male

June 2011, TAP TV, the company's internal television channel, began being broadcast



On 14 March 2014, TAP noted the date of its foundation, being only one year away from completing 70 years of existence and commemorating the effort and dedication of tens of thousands of Employees who, over many decades, contributed to its development and affirmation within the framework of a fiercely competitive industry, transforming it into one of the most emblematic national brands.

As a result, in anticipation of its 70th Anniversary, to be celebrated in 2015, TAP created a commission during 2014, composed of Employees, to organise the commemorations. With this programme, TAP intends to promote the involvement of people, who are essentially the protagonists of these 70 years of the Company, and foment a reflection and internal participation in the presentation of ideas, showing how proud they feel to work at the Company.

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> , <i>Clube TAP</i> , 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

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

Voluntary Action and Social Responsibility

The promotion of the pool of volunteers is 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.

TAP CARE TEAM

Assistance team (Crisis management unit, coordinating actions in potential situations of emergency).

In the context of Community support, there is a group of volunteers, the CARE Team, 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* (Volunteers with Wings), is an initiative of a group of workers, the Founding Member Group (GD), whose mission consists in disseminating and implementing 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.

In 2014, a new image was created, seeking to broaden partnerships and create new synergies with the objective of bringing the community closer to those that the VCA are strongly involved with – workers, partner institutions, suppliers and the community.

The following initiatives were defined as priorities:



Food collection campaign

In partnership with hypermarket, the VCA launched (October 2014), at the TAP Campus, the *Solidarity Vending Project*. An innovative activity, which promotes the vending of fresh fruit, whereby 5% of the monthly sales (converted into fruit) is donated by TAP to the Tercena Temporary Accommodation Centre (CATT). The result translated into the donation of 3,100 pieces of fruit to the 48 children of CATT.

Support to socio-cultural initiatives

The improvement action in the exterior playground of the children that reside in CATT (31 October and 2 November) consisted in cleaning the exterior space, primer painting of the delimiting wall and decorative painting of the same through a graffiti workshop offered by TAP. The topic launched by the children of CATT for the creative development of this action was the *Garden of Fantasy*.

Enhance the fight against waste

Under the *DAR MAIS* Programme, implemented in 2013, 1,000 blankets were donated to the Red Cross of Cape Verde for the population that was driven from their homes by the Volcano on Fogo Island and, in addition, about 15,000 meals and lunches were donated to partner institutions with the support of the canteen and vending suppliers.

Alignment of institutional solidarity strategies

The *DONATE MILES* Programme (TAP Victoria for a better world) enabled TAP's passenger Customers to donate 23.6 million solidarity miles to partner institutions of the VCA. These miles allowed the institutions which took part in this programme to boost their activity in proximity to the communities. The following partner institutions took part in this programme: AID GLOBAL; *Grupo Dançando com a Diferença* (Group Dancing with Difference); *Operação Nariz Vermelho* (Red Nose Operation) and *Um Pequeno Gesto* (A Little Gesture).

Promotion of institutions with incentive purposes

Holding of the *Voluntários com Asas* (Volunteers with Wings) Solidarity Fair (3 and 4 December). Twenty-one partner institutions gathered together in the Company's General Canteen. Initiative aimed at promoting the sharing of experiences between partner institutions, as well as enable funds to be raised.

Initiatives directed at different population groups

Community Support Actions

- Professional integration of people with disabilities
Number of people in the TAP Group: 24
- The *Portugal no Coração* Programme enabled a visit to Portugal to Portuguese emigrants resident outside Europe, aged over 60 years old, who had not visited the Country in the last 10 years due to lack of financial means.
- The *Ganhar Asas* Programme for the treatment of flight phobia, undertaken by TAP in partnership with UCS, open to external and internal customers.

School / Company Actions

Trainee placements

Total number of Trainees in the TAP Group: 201, in TAP, S.A.: 110

Aware of the current economic and social climate and given the challenges facing today's society, TAP has been investing in internships of various types, seeking to promote and integrate, in the Company, unemployed young people. In this regard, various Employer Branding actions/initiatives have been conducted, namely trainee placements, professional internships (employment internship programme, promoted by IIEFP), summer courses directed at university students which, in more than 50% of cases, results in the integration of these young people in the Company. Protocols with different entities have also been established which resulted in trainee placements and professional internships that, in this way, enable the integration of young people in the labour market.

Study visits to TAP premises

Number of participants: 935
Within the scope of the School/Company Relationship, TAP offers young people from different universities and under different entities, other initiatives directed at this population segment, enabling its professional growth and development:

- Participation in Fairs – Directed at a young audience, seeking (or not) their first job. These are defined as a platform of contact between the academic world and companies. They are also key events for companies to reveal their recruitment, development and training strategies, namely: 26th JobShop of IST, JobFest 2014 of UNL/FCT and 6th Edition of ExpoCarreiras 2013 of UCP/FCH;
- Study Visits to Academic Institutions.

Other initiatives

- Other initiatives were also developed, with the following being worthy of mention:
- Participation in the Summer Course in collaboration with ISEGI, at the University of Pardubice (Czech Republic). The topic is Sustainability Management in the Air Passenger Transport Sector;
 - Cycle of TAP testimonials issued by TSF;
 - Collaboration in the *Junior Academy* 2014 initiative of the Catholic University of Portugal/ Faculty of Human Sciences;
 - Collaboration in the *My first experience in the World of Work* initiative at Valsassina College.
 - Collaboration of the LFP with the SOS villages: one day outside where Employees developed various activities in the SOS Children village of Bicesse; placement of acrylic boxes at all Portuguese airports for the collection of donations, partnership within the scope of the active citizenship programme designated as *young entrepreneurs with future*, with the objective of supporting the employability and inclusion of those young people under the programme.

ENVIRONMENTAL PERSPECTIVE

**RESPONSIBLE
MANAGEMENT
COMMITTED TO THE
ENVIRONMENT**

The TAP Group is aware of its important role in the protection of the environment, in relation to the use of resources, the 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 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).

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.

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.

In 2014, TAP was considered by IATA, following the assessment of the Fuel Efficiency Gap Analysis (FEGA) Team, as the world's most efficient company, based on the results of the specialised audit of its energy efficiency measures.

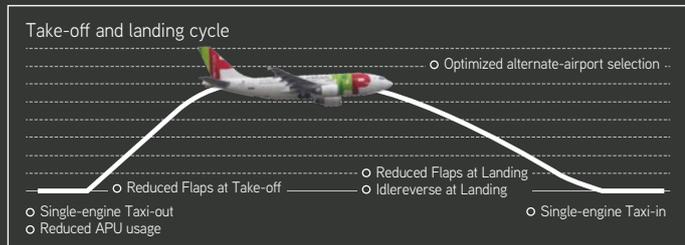
Projects aimed at improving energy efficiency for implementation over the next few years

- 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%. Installation in the first aircraft is planned to take place in November 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



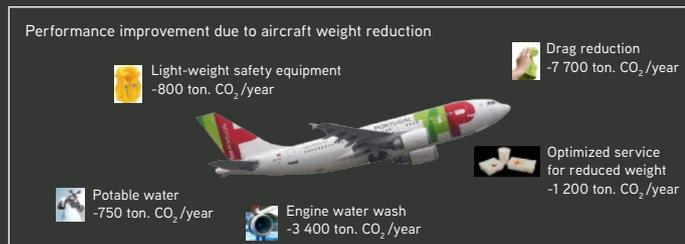
- Optimised operation, with reformulation of procedures enabling better performance and intensive capacity use;
- Optimised flight plan system for more efficient operations combined with piloting techniques to reduce fuel consumption;
- Completion of the introduction of the Electronic Flight Bag (EFB) 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);
- Start of gradual replacement of traditional trolleys used in the in-flight catering service with latest-generation of lightweight trolleys;
- 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.



LED Lamps, Engine Workshop



New Painting Cabin, Engine Component Maintenance

AT TAP-MAINTENANCE AND ENGINEERING

ENVIRONMENTAL STRATEGY

The environmental strategy of TAP-Maintenance and Engineering is based on its Environmental Policy, which was defined, signed and announced in 2014, and is operated through 4 missions – Waste Mission, Green Hangar Mission, Savings Mission and + Environment Mission –, defined in previous years and complemented with training on environmental matters for Employees.

The **Savings Mission** achieved results that reflect everyone's level of commitment towards Sustainability. The established reduction target was thus achieved, with significant reductions recorded in all of the considered sources, electricity, natural gas and Jet Fuel. The second biennium of the Energy Consumption Rationalisation Plan was concluded, with annual reductions in total energy consumed in the areas covered by the Environmental License. This plan, essentially aimed at improving illumination and thermal boiler efficiency, has presented consistent results and consumption reductions above projections.

The **+ Environment Mission** and the **Green Hangar Mission** have sought to raise the environmental awareness of Employees. In this regard, some tests with industrial washing equipment were conducted, namely in the Component Maintenance area, aimed at lowering the environmental impact of these activities, by reducing liquid effluents and achieving economic gains in terms of time spent.

Under the **Waste Mission**, the works aimed at developing a Waste Management Plan for the TAP Campus were started, with clear benefits for Maintenance and Engineering, which is the major producer of industrial waste. It is important to mention the development of a new tool aimed at controlling chemical products, which brings together a vast body of information on the materials used at TAP-Maintenance and Engineering, with benefits both in terms of production, which acquires a new and expeditious manner of accessing the safety information of those materials, and in terms of Environmental Management, enabling better control of the quantities of hazardous substances stored and consumed in the Business Unit.

During the year, the new Environmental License of TAP-Maintenance and Engineering was also issued, valid until September 2022. This document, in spite of not including any significant changes relative to the previous document, recommends the monitoring of a higher number of chimneys and a change in the frequency with which the liquid effluents from the WWTP are monitored. It is worth to mention the production of the Environmental Performance Plan 2014-2022, in which the actions to be implemented will be scheduled in order to comply with the requirements set out in the Environmental License, with delivery date until March 2015.

INFRASTRUCTURES

In 2014, a number of works were awarded and conducted aimed at improving/increasing the production capacity of the areas, assuring compliance with the best environmental practices applicable to these processes.

- Substitution and repair of the covers of the Annexes of Hangar 6 – installation of sandwich panels;
- Reinforcement and substitution of the pavement of the cleaning sector and NDT of the Engine Workshop and substitution of the respective nets steam and condensate of the vats;
- Construction of a Mezzanine at the northern top of Hangar 6, to accommodate the chairs removed from aircraft under inspection in the center lines at that location;
- Installation of the LED side projectors in the Engine Workshop;
- Substitution of the gas networks of the plasma sector of the Engine Workshop;
- Substitution of the N₂ and CO₂ networks of the Emergency Equipment Workshop;
- Start of the project to acquire and install new preparation/repair cabins and to apply resins through a spray gun in the Cabin Interior Workshop.

ELECTROLYTIC TREATMENT WORKSHOP

The treatment of industrial effluents from the Electrolytic Treatment Workshop and the Engine Workshop, carried out at the WWTP of the Business Unit, reached a total of 1,488 m³ of effluents in 2014. The quality of the final effluent is assessed internally whenever there are discharges and, since the end of 2014, on a monthly basis through monitoring in accordance with the new Environmental License in force. In 2014, no situations of non-compliance were identified relative to the discharge limits set out in the Environmental License. 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.

The obtaining of results consistently lower than the respective emission limits led to a review of the previously defined monitoring frequency for gas emissions from fixed sources, having changed to tri-annual monitoring in three specific cases. Regarding the fixed source associated to the degreasing process at the Electrolytic Treatment Workshop, requiring more frequent monitoring, the internally defined preventive pollution measure comprising 4 annual monitoring campaigns, two of which are not mandatory, was maintained, to monitor emissions on a frequent basis. The energy consumption of the Electrolytic Treatment Workshop maintained a downward trend, having decreased by 1% relative to 2013.



Air Pollution Control Equipment, Engine Maintenance



Industrial Waste Separation Area, Component Maintenance

The objectives have been exceeded, almost in the overall set of indicators

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

The efforts to minimise these environmental impacts achieved visible progress in 2014, with the objectives established for this year having been surpassed in all indicators, with the exception of the waste produced indicator.

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 exceeded by 61% the ambitious goals set for the year (10,000 tons of CO₂).

On the other hand, regarding noise control, it is worth noting that TAP's fleet operates with a significant safety margin regarding 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	2012	2013	2014	Variation 2013/2012	Variation 2014/2013
Promote voluntary compensation by passengers Air Transport	Carbon offset ⁽³⁾ (ton CO ₂)	TAP, S.A.	9,579	15,037	16,076	57.0%	6.9%
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.	45.44	43.01	40.95	-5.4%	-4.8%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	90.96	88.70	85.13	-2.5%	-4.0%
Reduce water consumption Ground Operations	Total water consumption over turnover ⁽¹⁾	TAP, S.A.	61.80	52.50	49.28	-15.1%	-6.1%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	101.70	93.17	85.14	-8.4%	-8.6%
Reduce paper consumption Ground Operations	Paper consumption over turnover ⁽⁵⁾	TAP, S.A.	0.021	0.020	0.019	-7.3%	-3.4%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	0.043	0.040	0.038	-7.6%	-3.3%
Reduce waste production Ground Operations	Quantity of waste produced over turnover ⁽²⁾	TAP, S.A.	1.74	1.21	1.27	-30.5%	4.9%
		TAP Group (except TAP-Maintenance and Engineering Brazil)	3.31	2.93	3.05	-11.5%	4.1%

Objectives	Indicators	Scope	2012	2013	2014	Variation 2009/2013	Variation 2009/2014
Increase Energy Efficiency Improve fuel efficiency by 1.5%/year up to 2020 Air Transport	Jet A1 consumption per passenger ⁽⁴⁾ (litres/100 RPK)	TAP, S.A.	4.305	4.307	4.139	-2.7%	-3.0%
Reduce CO ₂ emissions Improve environmental performance by 1.5%/ year up to 2020 Air Transport	CO ₂ emissions per passenger ⁽⁴⁾ (kg/100 RPK)	TAP, S.A.	10.849	10.854	10.431	-2.7%	-3.0%

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

The results achieved in 2014 in the environmental performance indicators, relative to ground support operations, reflect the investment made by the Company in its search for savings solutions and measures in combination with employee awareness raising actions, whether through internal training or communication campaigns.



-2.9%
Ground
Facilities
TAP Group



-7.6%
Public and Underground
Network
TAP Group



+2.2%
Waste sent
for valuation
TAP Group

Water

Water consumption maintained its downward trend, having registered a decrease of 7.6% and 5.6%, for the TAP Group and TAP, S.A. respectively.

According to the climate overview of the Portuguese Ocean and Atmosphere Institute (IPMA), 2014 was the rainiest of the last 25 years in Portugal, which contributed significantly to the 16% reduction in groundwater consumption at the TAP Campus. Collected groundwater at the TAP Campus is mostly used to water green spaces and wash pavements.

Energy

In 2014, TAP Group reduced the energy consumption in ground facilities by 2.9%, in spite of the general increase in the activity of Maintenance and Engineering.

These results were achieved through the implementation of various measures with a significant potential to reduce consumptions, namely: replacement of old illumination systems with LED systems, alteration of some air-conditioning equipment for more efficient systems.

Waste

In an integrated resource saving strategy, TAP has over the years sought to implement measures that promote the sending of its waste for valuation rather than disposal.

In 2014, the success of the programme was due to the close collaboration of all the intervenients in the waste separation process: employees, internal service providers and waste management operators.

As a result, in 2014 there was an increase of 2.2% in waste sent for valuation at the TAP Group, relative to 2013.

Considering that the waste of food is an unnecessary consumption of raw materials, water, energy and increased waste production, it is important to mention the continuation of the donation of meals/snacks programme. Within the scope of the *DAR MAIS* Programme and through the involvement of TAP stakeholders, it was possible to donate more than 18,000 food items to social solidarity institutions.

-30%
Waste treatment costs
TAP, S.A.

-97%
Waste sent to landfills
TAP, S.A.

-4.9%
Paper consumption
TAP Group

-1.3%
Electricity consumption
TAP, S.A.

REDUCTION OF CO₂ EMISSIONS

CARBON OFFSET

CO₂ Emissions Compensation Programme

The CO₂ Emissions Compensation Programme of TAP (*Carbon Offset*) achieved, for the 6th consecutive year, the best result since its launch in June 2009. In 2014, TAP's passengers voluntarily offset over 16 thousand tons of carbon dioxide, exceeding by 61% the objective of 10 thousand tons established for the year, a value which, it is important to mention, is double the target of 2013.

The CO₂ emissions calculation programme and methodology are annually assessed and accredited by an independent entity that ensures the high standard of quality for emissions compensation, the Quality Assurance Standard.

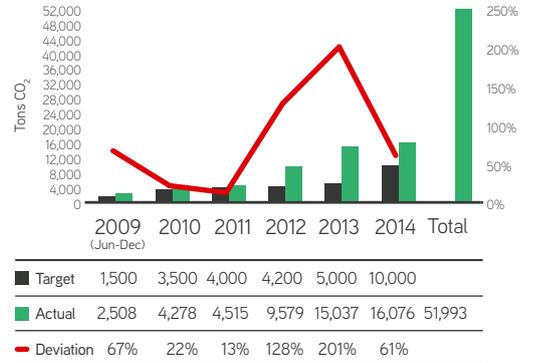
This programme of TAP, launched in partnership with IATA (International Air Transport Association) and recognised by UNESCO with the Planet Earth 2010 award, enables Passengers who book through TAP's portal, www.flytap.com, to voluntarily offset the CO₂ emissions associated to their flights, thus contributing to emissions reduction projects in developing countries.



Quality Assurance Standard
<http://qascarbonneutral.com/>
<http://www.iata.org/whatwedo/environment/Pages/carbon-offset.aspx>

Passenger Participation

Programme CO₂ Emissions Offset Carbon Offset



In 2014 ...



Capacity equivalent to 251 Airbus A340

The equivalent number of TAP passengers that voluntarily compensated the CO₂ emissions of their respective flights



+ 61%

than the established objective of 10,000 tons offset

3 979

times around the Earth

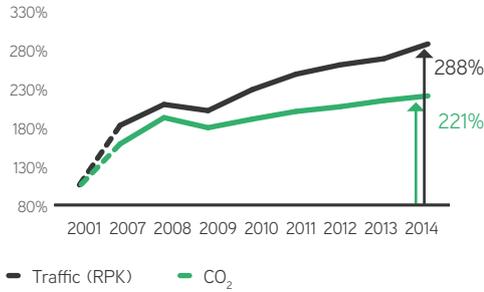
The number of kilometres flown, for which CO₂ emissions were compensated



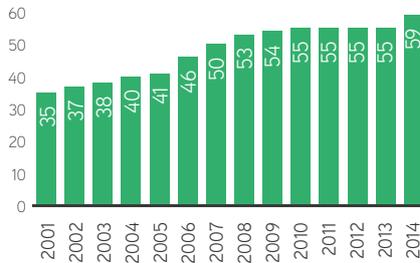
Lisbon-Paris (Only)

Route that registered the highest value of CO₂ emissions compensation

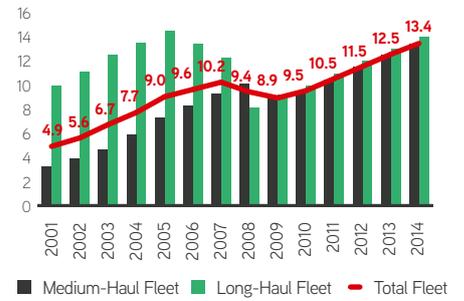
Energy Efficiency



Average number of Aircraft of TAP's Fleet (PGA aircraft not included)



Average Age of TAP's Fleet (PGA aircraft not included)



Energy and Environmental Efficiency

TAP's fleet (not including PGA aircrafts), composed of 61 aircraft (43 medium-haul and 18 long-haul), had in 2014 an approximate average age of 13 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.

TAP Group fleet noise

TAP Group 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 14.7 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).

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.

Fonte: www.iata.org

Performance Indicator	2001	2007	2008	2009	2010	2011	2012	2013	2014
RPK (million)	10,449	19,135	21,908	21,076	23,944	25,970	27,226	28,152	30,119
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	1,246.67
CO ₂ Emissions (million tons)	1.424	2,260	2,748	2,557	2,717	2,859	2,954	3,056	3,142
CO ₂ Emissions per passenger (kg/100 RPK)	13.620	11.830	12.540	12.130	11.346	11.011	10.849	10.854	10.431
Jet A1 consumption per passenger (litres/100 RPK)	5.410	4.690	4.980	4.810	4.502	4.369	4.305	4.307	4.139

-2.0%

TAP achieved a 2.0% improvement in the Energy Efficiency and Environmental Performance indicators – Fuel Consumption (Jet A1) per Passenger and CO₂ Emissions per Passenger between 2001 and 2014.

ENVIRONMENTAL RESPONSIBILITY

The reinforcement of the environmental awareness raising and communication actions represented one of the objectives established for 2014.

Over the course of the year, TAP's Environment area promoted a number of initiatives through various internal communication means.

World Environment Day – 5 June

World Environment Day – 5 June, was marked by the Environment area through initiatives that disseminated the main environmental performance indicators to Employees of TAP Group companies.



Environmental quiz on the intranet

Through a pop-up with a quiz placed on TAP's intranet, Employees were able to select the environmental topic that they considered most important for TAP – Water, Energy, or Waste. In this *environmental barometer*, employees elected the topic of Energy as the most important for the Company.

Action to disseminate the environmental indicators at TAP's Canteen

At the Company's canteen, an action to disseminate the good results achieved in 2013 in the majority of environmental performance indicators of the TAP Group was promoted. The indicators were included in an infographic, using messages and fun analogies that raised the curiosity of employees, such as: *the quantity of organic waste destined for compost production in 2013 by the TAP Group had an equivalent weight of 53.5 adult elephants.*



Action to disseminate the carbon dioxide (CO₂) emissions compensation programme

For Passenger Customers to contribute to the protection of the environment, in line with TAP's mission and objectives, campaigns to disseminate the CO₂ emissions compensation programme were developed on TAP's website (www.flytap.com) and social networks (Facebook).



Participation in IATA's Environmental Communication Campaign

TAP joined the environmental communication campaign launched by IATA (International Air Transport Association), in the month in which the *United Nations Climate Summit* was held in New York.

Between 17 and 27 September, on TAP Lisbon/New York and New York/Lisbon flights an information flyer was distributed on the environmental challenges that face the air transport sector, the objectives and targets established by the sector to reduce its environmental impact and the measures that have been implemented to achieve those objectives.

The September edition of the UP Magazine (TAP's in-flight magazine) included the article *Facing Climate Change and Promoting Sustainable Development with TAP*, in connection with the Climate Summit, which revealed that TAP continues aligned with the global environmental objectives and targets established for the Industry.



European Mobility Week – sustainable mobility

During the European Mobility Week (16 to 22 September), the Environment area of TAP conducted a survey at the TAP Campus about cycle mobility to characterise the means used by Employees to travel from their residence to the TAP Campus.

The participation of Employees in this initiative was significant. The survey revealed that *3 in 100 women and 15 in 100 men come or are thinking of coming by bicycle.*

Although the majority of people travel to work by private car, there is at least one factor where TAP's intervention could have a positive impact on travelling by bicycle, with a consequent reduction of the associated environmental impact – the creation of specific bicycle terminals.

In 2015, this aspect will be considered within the scope of the *Master Plan of the TAP Campus*.



TAP GROUP COMPANIES

LFP

Lojas Francas de Portugal

Over the course of 2014, LFP continued to develop initiatives aimed at preserving the environment:

- Awareness raising campaigns for:
 - Employees – on the rationalisation of paper consumption, the separation of card, plastic and other waste materials;
 - Entity providing cleaning services – deposit of the waste collected.
- Thermal insulation improvement measures.

Collaboration of the LFP with the SOS villages: one day outside where Employees developed various activities in the SOS Children village of Bicesse; placement of acrylic boxes at all Portuguese airports for the collection of donations, partnership within the scope of the active citizenship programme designated as *young entrepreneurs with a future*, with the objective of supporting the employability and inclusion of those young people covered by the programme.

CATERINGPOR

Catering de Portugal

The acquisition of the monitoring system for the pantry machines enabled a remarkable improvement in the operation of the equipment to be achieved, having resulted in a decrease in water consumption by about 10%.

Within the scope of the measures recommended by the energy audit, an electrical energy consumption monitoring system was installed, which resulted in the adoption of several measures, namely the improvement of the insulation of doors and ducts of the cold stores, and the change of the operating hours of the HVAC, which enabled a reduction of consumption per meal.

PGA

Portugália

The environmental management programme of Portugália (PGA) is aligned with the environmental guiding principles of the TAP Group.

The participation in environmental projects, involving the establishment of protocols with companies specialised in the collection and treatment of waste, is an example of the company's environmental awareness.

As in previous years, PGA and TAP joined the 6th National Collection of Used Batteries (between 20 November and 31 December), whose objective was to contribute to the acquisition of a treatment device, for patients of the Portuguese Institute of Oncology (IPO), to be offered by Ecopilhas.

Some good practices in the environmental energy efficiency area were also developed, namely:

- Minimising energy consumption;
- Programming computer monitors to switch to Standby mode;
- Maintain air-conditioning systems only when employees are in the office;
- Always use, whenever possible, recycled paper (each ton of this type of paper avoids the cutting of 15 to 20 trees, saves 400 m³ of water and 500 kWh of electricity);
- Paperless: elimination of paper and forms.

Maintenance and Engineering / Flight Operations

Fuel is one of the Cost Drivers of aviation.

In view of this, PGA manages its Fuel Conservation project internally, through the coordinated work of the Maintenance and Engineering and Flight Operations Departments. There are a number of fuel consumption optimisation measures, which have been fine-tuned and improved year after year. In this context, the measures already implemented in previous years continued to be followed in 2014:

- Efficient practices in aircraft operation;
- Programme of periodic washing of aircraft;
- Weight reduction (new painting, windshield connection elements – titanium *versus* stainless steel); renewal of thermal blankets;
- Concordance of panels and polishing of fan blades; reduction of pressurisation leaks in the cell.

These measure avoided the emission of 6 tons of CO₂. For 2015, the aim is to continue to promote continuous improvement and the refinement of the measures already implemented, which are estimated to represent cost savings of approximately 1%, relative to the estimated value for 2015. Regarding CO₂ emissions, a reduction of approximately 13 tons year-on-year is forecasted.

UCS

Unidade de Cuidados de Saúde

The production of hospital waste is inherent to the clinical activity conducted by UCS, Cuidados Integrados de Saúde, S.A., as the entity that provides health care for the TAP Group.

The hospital waste management policy at UCS is in accordance with the provisions of the law, namely Decree-Law no. 178/2006, of 5 September and Order no. 242/96 of 13 August, having been revised and updated during 2014, within the scope of the Accreditation process of the company undertaken by the Portuguese Health Authority, in order to comply with recent recommendations of good practices issued by official entities.

UCS priority objective is to guarantee that the production, collection, storage and subsequent transport by an accredited entity is undertaken in such a manner as to ensure the protection of human health and of the environment.

Hospital waste with a hazard level is classified under current legislation in group III, hospital waste with biological risk, and in group IV, specific hospital waste, and are subject to treatment and elimination in conformity with the technical solutions recommended by the official entities of the Country.

In 2014, there was an increase of 11.5% in the production of waste of group III and of 9.2% in the production of waste of Group IV, which is related to the updating of the technical requirements as referred to above, as well as the positive evolution of the activity of UCS, specifically with respect to the carrying out of complementary diagnostic tests, the main producers of hospital waste in the company.

Regarding the general environmental performance indicators, there was also an increase in paper consumption in 2014, which is directly related to the obligation to print prescriptions and complementary diagnostic tests, following the implementation of the electronic prescription within the scope of the National Health Service, by order of the Ministry of Health.

UCS maintains the ongoing programme of continuous improvement of the rationalisation and control of the production of waste and consolidation of good practices, through the definition of internal procedures and rules, included in the Procedures Manual for Hazardous Hospital Waste Management of UCS, process monitoring and control actions, as well as the holding of information and continuous training actions for its professionals.

PRESERVATION OF BIODIVERSITY

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.

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



TAP Cargo accompanies special transport

TAP transported on flight TP752, Lisbon-Copenhagen, a baby fish-moon. This species is the largest known finfish, which can reach up to 3 metres.

The fish-moon inhabits the temperate and warm waters of the Atlantic and Pacific Oceans and feeds on zooplankton and small fish. This moon-fish was captured off the coast of Olhão and travelled in TAP to Copenhagen.

From departure in the Algarve, until boarding in Lisbon, the moon-fish was monitored by the technicians of Flying Sharks, which is dedicated to promoting the sustainable use of the oceans, working for institutions with a focus on Education and Research on the marine environment.

Following its arrival at the airport, the fish was placed in another tank with new sea water. The water of the tank is oversaturated with medicinal oxygen with the aid of aeration stones so that the ideal conditions are maintained throughout the entire flight. Without commercial interest for the food industry, the specimens that are captured serve essentially to promote the species in aquariums and oceanariums.

The Ludo Seal

TAP Cargo transported a special passenger on one of its most recent flights.

Flight TP362 of 5 August transported Ludo, a marine seal which had been at the Zoomarine for 7 months, in Albufeira, undergoing rehabilitation. This species inhabits the southern and eastern coasts of the British Isles and the northern coasts of France and Holland.

The Ludo seal was washed up onto the beach of Mareta (Sagres), in January 2014 and was taken in by the Zoomarine with only 18kg. After 7 months of recovery and with almost 50kg, the animal was transported, with all due care, to the sanctuary of seals in Cornwall, in England, where it will remain under observation until it is returned to the sea, its natural habitat.

Ludo travelled in the flight cabin of TAP to Heathrow, which required the TAP Cargo, TAP-Maintenance and Engineering and Groundforce's ground handling teams to work together on adapting the cabin of the A320, including the entire flight crew, so that the seal could travel with its team of rehabilitators.





COMMITMENTS

Door connected to alarm system
Only to be used in case of emergency
Improper use could lead to prosecution

DEGREE OF COVERAGE IN 2014 AND OBJECTIVES FOR 2015

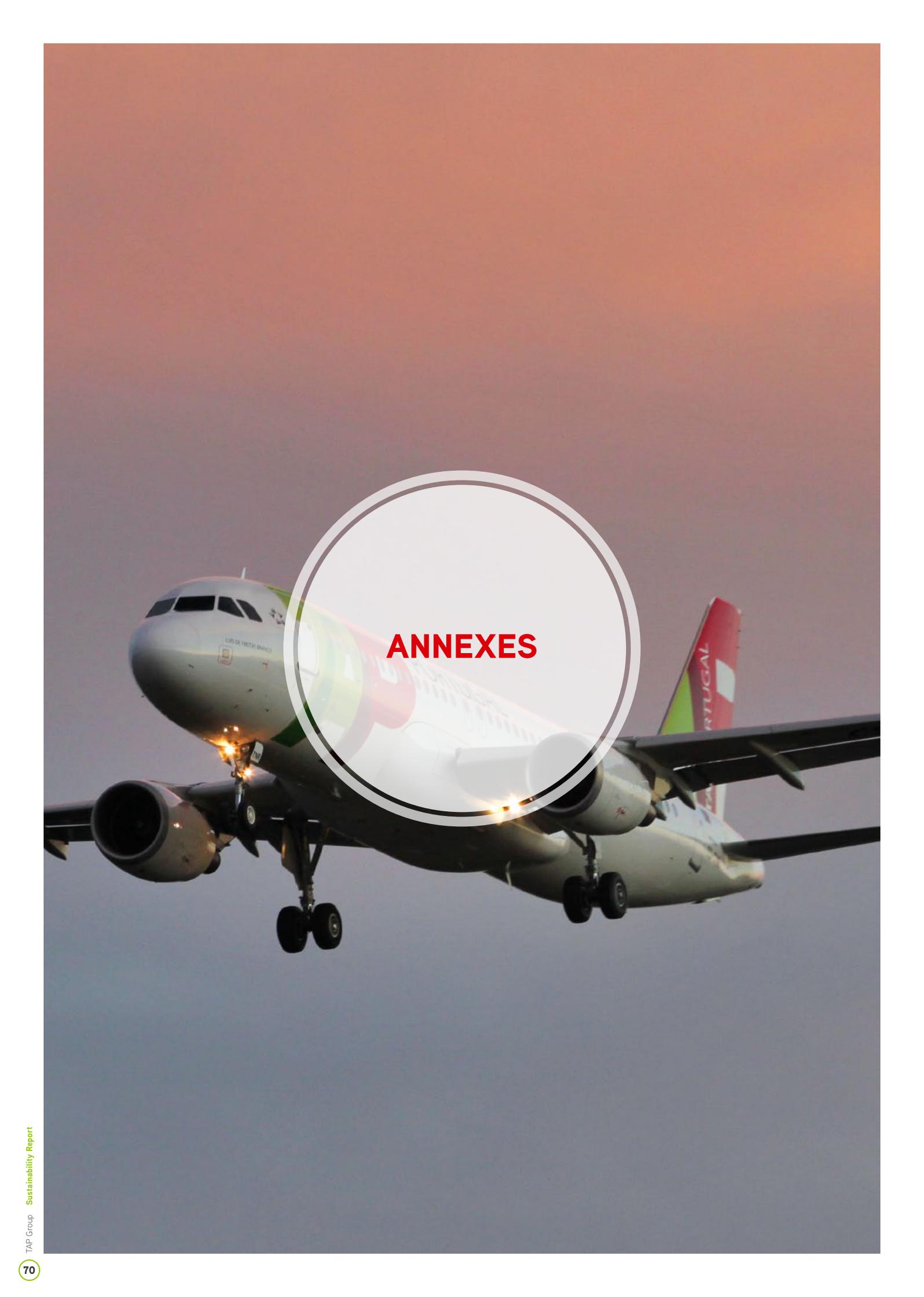
● Exceeded ● Achieved ● Not Achieved

Commitments	Objectives	Key Figures	Scope	2013 Actual(A)	2014 Target (T)	2014 Actual(A)	Degree of coverage	2015 Target (T)	Variation 2015(T)/2014(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.	10.7	10.9	11.4	●	12.0	5.0%	
	Increase productivity	ASK (000)/employee Air Transport Business Unit (B.U.)	TAP, S.A. (Air Transport B.U.)	7,813	7,640	7,759	●	8,001	3.1%	
	Create employment	Number of jobs created (net)	TAP, S.A.	52	500	434	●	243	-	
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	87	88	●	85	-3.4%	
		MADEIRA and the AZORES		6	6	6	●	5	-16.7%	
		Number of code-sharing destinations offered	TAP, S.A.	123	140	126	●	147	16.7%	
		Number of Services (flights)	TAP, S.A.	106,994	110,134	109,139	●	117,365	7.5%	
	Improve the punctuality index of TAP flights	Flight punctuality index	TAP, S.A.							
		HUB		72%	78%	64%	●	85%	21.4 p.p.	
		NETWORK		74%	77%	66%	●	80%	14.0 p.p.	
	Assure improved handling service level in terms of baggage delivery	Percentage of baggage left behind (by 1,000 Passengers)	TAP, S.A.							
		HUB		15.6	15.0	16.6	●	13.0	-21.7%	
		NETWORK		10.0	9.7	10.6	●	8.5	-19.8%	
Guarantee improved Passenger Customer satisfaction	Number of complaints per carried passenger	TAP, S.A.	0.0026	0.0026	0.0067	●	0.0027	-59.7%		
Promote passenger loyalty through distinctive service	Evaluation of TAP passenger satisfaction (Overall) Classification: 1 (very unsatisfied) to 10 (very satisfied)	TAP, S.A.	7.95	7.95	7.67	●	-	-		
	TAP passenger satisfaction index (Ground Service) (number of replies – satisfactory in total replies obtained)	TAP, S.A.	64.3%	68.0%	63.8%	●	68.0%	4.2 p.p.		
	Number of Victoria Programme members	TAP, S.A.	1,400,000	1,500,000	1,600,000	●	2,000,000	25.0%		
Guarantee an effective service level for Cargo and Mail transport	Costs due to lost or damaged cargo relative to total revenue	TAP, S.A.	0.07%	0.08%	0.10%	●	0.07%	-0.04 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	34	34	●	34	0.0%	
	Number of connections with South America (Brazil) (average number of flights per week)		67	71	71	●	71	0.0%		
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.	284,876	[300,000 a 315,000]	449,500	●	[300,000 a 315,000]	-	
		Number of participations in training actions over the total number of Employees	TAP, S.A.	3.29	[3.02 a 3.29]	3.24	●	[2.92 a 3.18]	-	
		Number of hours of training per Employee	TAP, S.A.	41.40	[41.74 a 43.23]	62.84	●	[39.77 a 41.76]	-	
	Promote the involvement with the Company	Rate of Absenteeism	TAP, S.A.	9.8%	5%	10.5%	●	5%	-5.5 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	86.0%	80.0%	86.2%	●	80.0%	-6.2 p.p.	
		Number of children using the nursery	TAP Group	358	375	384	●	390	1.6%	
Number of beneficiaries of the Group's Health-care Insurance		TAP Group	21,334	21,761	22,903	●	23,361	2.0%		

● Exceeded ● Achieved ● Not Achieved

Commitments	Objectives	Key Figures	Scope	2013 Actual(A)	2014 Target (T)	2014 Actual(A)	Degree of coverage	2015 Target (T)	Variation 2015(T)/2014(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	82	All services are currently covered by the risk management system	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.	110	[100 a 120]	110	●	[100 a 120]	-
		<i>Portugal no Coração</i> Programme (number of Portuguese emigrant beneficiaries)	TAP, S.A.	14	14	15	●	[15 a 20]	-
		TAP Victoria for a better world (Number of miles donated)	TAP, S.A.	16,500,000	16,500,000	23,615,514	●	25,000,000	5.9%
		Encouragement of Voluntary efforts – Donation Blood (ml)	TAP Group	65,000	90,000	45,000	●	50,000	11.1%
	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.	4.307	Improve fuel efficiency by 1.5%/year up to 2020	4.139	●	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.	10.854	Improve environmental performance by 1.5%/year up to 2020	10.431	●	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.	15,037	10,000	16,076	●	15,000	-6.7%
	Reduce energy consumption (electricity, natural gas, petrol and diesel) Ground Operations	Energy consumption (electricity, natural gas, petrol and diesel) over turnover	TAP, S.A.	43.01	< 43.01	40.95	●	< 40.95	-
	Reduce water consumption Ground Operations	Total water consumption over turnover	TAP, S.A.	52.50	< 52.50	49.28	●	< 49.28	-
	Reduce paper consumption Ground Operations	Paper consumption over turnover	TAP, S.A.	0.020	< 0.020	0.019	●	< 0.019	-
Reduce waste produced Ground Operations	Quantity of waste produced over turnover	TAP, S.A.	1.21	< 1.21	1.27	●	< 1.27	-	
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%	0.0 p.p.
		Number of persons admitted through open tender over the total number of persons admitted	TAP Group	100%	100%	100%	●	100%	0.0 p.p.
		Number of audits carried out to Tenders/Contracts	TAP Group	435	457	531	●	547	3.0%
	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 (Except TAP-ME Brazil, LFP, Cateringpor and SPdH)	25	Ensure convergence of the Average Time of Payment with the invoice due dates	24	●	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, Sustainability Report and Corporate Governance Report available on TAP's Website	TAP Group	Jul-2014	Jul-2015	Jul-2015	●	Jul-2016	-	

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



ANNEXES

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AR2014 – TAP Group Annual Report, available on TAP's website <http://www.tapportugal.com/Info/en/about-tap/tap-group/annual-reports>

CGR2014 – 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	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾⁽³⁾	2013 ⁽¹⁾	2014 ⁽¹⁾	2014/13
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)	2,180.7	2,272.6	2,435.7	2,479.6	2,489.4	0.4%
		Operating Net Income (EUR million)	103.3	41.1	53.0	51.7	-6.5	-58.20 ⁽⁴⁾
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	24.8%	22.3%	22.3%	22.3%	22.3%	0.0 p.p.
		National Minimum Salary (EUR) Source: http://www.dgerl.mtss.gov.pt/Trabalho/rendimentos/evolucao_smn.htm	6,650	6,790	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	8,302	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)	7.29	7.17	6.84	6.36	6.36	0.0%
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	50.6%	51.4%	48.9%	48.9%	47.9%	-1.0 p.p.
		Rest of the European Union	30.4%	28.9%	26.5%	28.9%	31.9%	3.0 p.p.
		United States	5.5%	4.5%	6.4%	4.3%	4.4%	0.1 p.p.
		Other Countries	13.6%	15.2%	18.3%	17.9%	15.8%	-2.1 p.p.
		Proportion of purchases made by TAP, S.A., by market, with leasing:						
		Portugal	48.2%	50.4%	47.4%	48.2%	47.9%	-0.3 p.p.
		Rest of the European Union	29.7%	29.1%	27.8%	29.1%	31.7%	2.6 p.p.
		United States	5.1%	4.3%	6.4%	4.7%	5.0%	0.2 p.p.
Other Countries	17.0%	16.3%	18.4%	18.0%	15.5%	-2.6 p.p.		
EC9	Additional	Identification and description of significant indirect economic impacts, including the extent of impacts						
		Net Income (EUR million)	62.3	3.1	23.8	34.0	-46.4	-80.36 ⁽⁴⁾

GRI Indicators – Economic Perspective			TAP Group					
Code	Type	Indicator Description	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾⁽³⁾	2013 ⁽¹⁾	2014 ⁽¹⁾	2014/13
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)	2,351.1	2,478.6	2,682.4	2,722.9	2,805.0	3.0%
		Operating Net Income (EUR million)	-0.4	-18.1	40.8	44.1	2.6	-41.49 ⁽⁴⁾
EC2	Core	Financial implications and other risks and opportunities for the organisation's activities due to climate change	AR 33	AR 35	AR 33	AR 29	AR 27	-
EC3	Core	Coverage of the organisation's defined benefit plan obligations	AR 150-154	AR 168-173	AR 160-165	AR 152-158	AR 149-155	-
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 32-33	AR 34-35	AR 32-33	AR 28-29	AR 26-27	-
EC9	Additional	Identification and description of significant indirect economic impacts, including the extent of impacts						
		Analysis of the National and International Economic Climate	AR 42-44	AR 44-46	AR 42-44	AR 38-40	AR 36-38	-
		Performance Breakdown	AR 38-41	AR 40-43	AR 38-41	AR 34-37	AR 32-35	-
		Net Income (EUR million)	-57.1	-76.8	-25.5	-5.9	-85.1	-79.23 ⁽⁴⁾
		GVA per Employee ⁽²⁾ (EUR)	54,819	50,160	56,569	62,795	54,797	-12.7%

Caption:

⁽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	2010	2011	2012	2013	2014	2014/13
EN1	Core	Materials (paper) consumption, itemised by weight (tons)	51.7	48.4	50.8	48.1	46.7	-2.8%
		White A4 paper – 75g	48.4	47.7	49.6	47.2	46.2	-2.0%
		White A4 paper – 80g	2.4	0.02	0.04	0.2	0.0	-100.0%
		White A3 paper – 80g	0.9	0.6	1.2	0.7	0.5	-31.0%
EN3	Core	Direct energy consumption, itemised by primary energy source (GJ)	36,800,735	38,797,749	40,037,077	40,272,035	42,716,211	6.1%
		Flight Operations						
		Jet Fuel consumption (flight operations)	36,720,907	38,729,714	39,967,322	40,192,108	42,654,898	6.1%
		Ground Operations						
		Jet Fuel consumption (maintenance and test)	26,346	18,125	16,356	29,904	14,980	-49.9%
		Natural Gas consumption	48,839	44,368	47,113	44,363	40,251	-9.3%
		Petrol consumption (vehicles at the service of TAP)	468.3	242.1	540	278	232	-16.5%
Diesel consumption (vehicles at the service of TAP)	4,175	5,299	5,746	5,382	5,849	8.7%		
EN4	Core	Indirect energy consumption, itemised by primary energy source - Electricity (GJ) ⁽³⁾	58,118	54,435	54,033	54,087	53,360	-1.3%
EN8	Core	Water consumption, itemised by source (m ³)						
		Total Water consumption	149,571	154,945	146,496	127,086	119,963	-5.6%
		Total Groundwater consumption	50,880	62,559	55,368	43,727	36,853	-15.7%
		Total Mains Supply Water consumption	98,691	92,386	91,128	83,359	83,110	-0.3%
EN16	Core	Total greenhouse gas emissions (tons of CO ₂)	2,526,820	2,663,196	2,747,991	2,764,091	2,931,442	6.1%
		Flight Operations						
		Direct CO ₂ emissions – TP Flights	2,514,584	2,652,143	2,736,893	2,752,286	2,920,933	6.1%
		Ground Operations						
		Direct CO ₂ emissions – Fixed Sources ⁽¹⁾	4,307	3,537	3,544	4,326	3,093	-28.5%
		Direct CO ₂ emissions – Mobile Sources ⁽²⁾	342	409	463	418	449	7.5%
		Indirect CO ₂ emissions ⁽⁴⁾	7,588	7,107	7,092	7,061	6,967	-1.3%
EN22	Core	Total quantity of waste by type and method of elimination (tons)	4,776.59	4,426.84	4,129.70	2,932.81	3,094.33	5.5%
		Physical/chemical treatment	433.15	495.01	124.05	56.37	172.03	205.2%
		Recovery	45.86	22.57	27.25	16.89	9.78	-42.1%
		Regeneration	125.21	85.16	74.22	90.54	71.13	-21.4%
		Recycling	410.93	403.15	496.91	556.60	561.49	0.9%
		Landfill	73.72	0.00	522.56	0.82	0.00	-
		Industrial waste landfill	3.22	1.35	5.84	7.01	0.21	-97.0%
		Energy recycling – incineration	2,120.9	2,010.0	1,445.20	1,485.46	1,464.49	-1.4%
		Organic recycling	1,545.00	1,400.00	1,400.00	676.42	676.42	0.0%
		Temporary storage at a licensed operator	18.65	9.59	33.67	42.70	138.78	225.0%
EN24	Additional	Treated hazardous waste by final destination (tons)	290.98	375.85	178.44	200.68	187.33	-6.7%
		Physical/chemical treatment	127.65	263.45	66.15	44.91	52.89	17.8%
		Recovery	18.57	0.73	1.00	0.12	0.00	-
		Regeneration	125.21	85.16	74.22	90.54	68.92	-23.9%
		Recycling	18.46	22.48	14.35	19.94	3.35	-83.2%
		Temporary storage at a licensed operator	0.14	3.09	16.88	38.14	17.30	-54.6%
		Industrial waste landfill	0.95	0.94	5.84	7.01	0.21	-97.0%
		Energy recycling – incineration				0.02	44.66	-
EN30	Additional	Total environmental protection investments and expenditures, by type (€)	268,137	265,272	344,357.3	312,878.8	184,584	-41.0%
		Waste Management	240,943	247,219	284,957.9	229,963.9	161,163.9	-29.9%
		Monitoring of emissions	7,869	7,602	6,524.5	4,134.5	6,547.6	58.4%
		Consultancy, audit and certification	-	-	-	4,861.0	2,720.0	-44.0%
		Environmental awareness-raising	-	-	-	3,258.4	355.0	-89.1%
		Minimisation/mitigation measures	19,325	10,451	52,874.9	70,661.0	13,797.0	-80.5%

Caption:

⁽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	2010	2011	2012	2013	2014	2014/13
EN1	Core	Materials (paper) consumption, itemised by weight (tons)	137.6	104.8	109.2	105.8⁽¹⁾	100.6	-4.9%
		White A4 paper – 75g	60.4	61.3	89.9	84.9 ⁽¹⁾	82.7	-2.6%
		White A4 paper – 80g	75.0	42.6	18.0	18.9	17.3	-8.1%
		White A3 paper – 80g	2.2	0.9	1.4	2.0 ⁽¹⁾	0.5	-74.9%
EN3	Core	Direct energy consumption, itemised by primary energy source (GJ)	39,822,979.4	41,892,103.5	43,269,393.2	44,769,909.2⁽²⁾	46,001,422.7	2.8%
		Flight Operations						
		Jet Fuel consumption (flight operations)	39,671,533.9	41,757,725.9	43,135,142.8	44,623,431.9	45,877,475.7	2.8%
		Ground Operations						
		Jet Fuel consumption (maintenance and test)	26,345.8	18,125.5	16,356.5	29,904.0	14,980.4	-49.9%
		Natural Gas consumption	56,946.5	51,525.2	55,721.8	54,539.6	49,318.9	-9.6%
		Petrol consumption (vehicles at the service of TAP)	1,093.4	433.1	629.7	367.1	408.5	11.3%
		Diesel consumption (vehicles at the service of TAP)	67,059.9	64,293.9	61,542.3	61,666.5 ⁽¹⁾	59,239.3	-3.9%
EN4	Core	Indirect energy consumption, itemised by primary energy source - Electricity (GJ) ⁽³⁾	113,536	113,534	114,048	113,950	114,854	0.8%
EN8	Core	Water consumption, itemised by source (m ³)						
		Total Water consumption	248,087	261,239	259,328	242,145	223,847	-7.6%
		Total Groundwater consumption	50,880	62,559	55,368	43,727	36,853	-15.7%
		Total Mains Supply Water consumption	197,207	198,680	203,960	198,418	186,994	-5.8%
EN16	Core	Total greenhouse gas emissions (tons of CO ₂)	2,741,221.5	2,882,965.2	2,977,300.6	3,080,027.1	3,164,575.7	2.7%
		Flight Operations						
		Direct CO ₂ emissions – TP Flights	2,716,637.6	2,859,496.4	2,953,819.6	3,055,735.0	3,141,609.7	2.8%
		Ground Operations						
		Direct CO ₂ emissions – Fixed Sources ⁽¹⁾	4,722.4	3,879.8	3,986.4	4,848.5	3,558.5	-26.6%
		Direct CO ₂ emissions – Mobile Sources ⁽²⁾	5,038.8	4,766.4	4,597.7	4,566.7	4,412.6	-3.4%
		Indirect CO ₂ emissions ⁽⁴⁾	14,822.7	14,822.5	14,897.0	14,876.8	14,994.9	0.8%
EN22	Core	Total quantity of waste by type and method of elimination (tons)	8,329.6	8,459.7	8,443.2	7,612.6	8,017.8	5.3%
		Physical/chemical treatment	446.4	631.1	309.9	301.9	418.1	38.5%
		Recovery	172.1	250.6	44.0	16.9	9.8	-42.1%
		Regeneration	149.0	102.1	95.6	112.9	89.3	-20.9%
		Recycling	694.7	675.1	816.9	892.1	902.6	1.2%
		Landfill	74.4	11.9	522.6	0.8	4.6	-
		Industrial waste landfill	3.2	1.4	6.4	7.4	0.2	-97.2%
		Energy recycling – incineration	5,217.3	5,324.1	5,073.2	5,363.5	5,540.0	3.3%
		Organic recycling	1,548.0	1,402.0	1,402.0	693.9	693.9	0.0%
		Temporary storage at a licensed operator	21.7	58.9	170.4	220.8	356.6	61.5%
		Group III – hospital waste of biological risk	1.6	2.3	2.1	2.2	2.5	11.4%
		Group IV – specific hospital waste	1.3	0.3	0.2	0.2	0.3	8.3%
EN24	Additional	Treated hazardous waste by final destination (tons)	349.2	498.5	246.1	243.7	243.4	-0.1%
		Physical/chemical treatment	132.6	279.0	72.3	48.1	54.7	13.7%
		Recovery	41.8	83.0	1.0	0.1	0.0	-
		Regeneration	149	102.1	95.6	112.9	87.1	-22.8%
		Recycling	21.4	26.4	21.1	20.6	9.5	-53.7%
		Temporary storage at a licensed operator	3.5	7.1	49.7	54.7	42.6	-22.0%
		Industrial waste landfill	1.1	0.9	6.4	7.4	0.2	-97.2%
		Energy recycling – incineration				0.02	49.28	-
EN30	Additional	Total environmental protection investments and expenditures, by type (€)	424,891.8	469,126.2	563,412.0	585,513.7⁽⁵⁾	404,904.7	-30.8%
		Waste Management	393,937.2	402,919.5	484,388.2	433,130.8	307,286.6	-29.1%
		Monitoring of emissions	11,629.4	15,169.0	8,747.7	7,287.5	9,666.2	32.6%
		Consultancy, audit and certification	0.0	28,585.2	7,572.3	30,647.2	26,438.1	-13.7%
		Environmental awareness-raising	-	-	2,482.7	3,258.4	355.0	-89.1%
		Minimisation/mitigation measures	19,325.2	22,452.5	60,221.2	111,189.8 ⁽⁶⁾	61,158.8	-45.0%

Caption:

⁽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 and Engineering Brazil (Includes: TAP, S.A; PORTUGÁLIA; SPdH; CATERINGPOR; LFP; MEGASIS; UCS);

⁽⁶⁾ Restated.

GRI Indicators – Social Perspective

TAP, S.A.

Code	Type	Indicator Description	2010	2011	2012	2013	2014	2014/13	
LA1	Core	Employees by type of employment							
		Ground Staff	3,934	3,835	3,779	3,758	3,816	1.5%	
		Flight Staff	3,121	3,099	3,058	3,131	3,507	12.0%	
		Total Employees	7,055	6,934	6,837	6,889	7,323	6.3%	
		Average Seniority (years)	13.32	13.58	13.46	14.12	13.85	-1.9%	
		Average Age (years)	39.14	39.46	39.42	39.99	39.79	-0.5%	
LA1	Core	Employees by type of employment contract							
		Permanent contract	6,400	6,665	6,497	6,537	6,615	1.2%	
		Fixed-term contract	645	269	335	339	705	108.0%	
		Variable-term contract	10	0	5	13	3	-76.9%	
LA1	Core	Employees by Region							
		Portugal	6,487	6,388	6,291	6,360	6,797	6.9%	
		Europe	266	253	247	240	230	-4.2%	
		Africa	94	89	95	91	90	-1.1%	
		Americas	208	204	204	198	206	4.0%	
LA2	Core	Rate of Employee turnover	5.04%	4.81%	5.48%	2.78%	5.91%	3.1 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 premises during the daytime period and ticket benefits						
LA4	Core	Percentage of employees covered by collective negotiation agreements	67.81%	67.69%	60.25%	60.69%	60.24%	-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	1,001	1,148	1,121	1,135	1,249	-	
		Number of Days Lost	17,318	15,699	15,684	16,850	20,107	-	
		Hours of Occupational Illness	158	-	1,073	13,928	1,838	-	
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	2,492	2,825	2,864	2,932	3,020	3.0%	
		Number of Trainees	17,672	18,078	21,076	22,649	23,145	2.2%	
		Training Volume in Person-Hours	303,688	297,564	324,026	284,876	449,500	57.8%	
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%	87%	80%	-7.0 p.p.	
LA13	Core	Equal opportunities							
		Women	2,973	2,918	2,874	2,920	3,142	7.6%	
		Men	4,082	4,016	3,963	3,969	4,181	5.3%	
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	2010	2011	2012	2013	2014	2014/13
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					
SO2	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.
SO4	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	2010	2011	2012	2013	2014	2014/13
LA1	Core	Employees by type of employment						
		Ground Staff	7,642	7,068	7,158	7,383	7,446	0.9%
		Flight Staff	3,483	3,472	3,424	3,496	3,880	11.0%
		Total Employees	11,125	10,540	10,582	10,879	11,326	4.1%
		Average Seniority (years)	12.6	12.91	12.95	13.26	13.36	0.7%
		Average Age (years)	39.13	38.69	39.35	39.76	39.71	0.1%
LA1	Core	Employees by type of employment contract						
		Permanent contract	10,097	9,963	9,893	9,956	10,037	0.8%
		Fixed-term contract	996	565	658	888	1,224	37.8%
		Variable-term contract	32	12	31	35	65	85.7%
LA1	Core	Employees by Region						
		Portugal	10,557	9,994	10,036	10,350	10,800	4.3%
		Europe	266	253	247	240	230	-4.2%
		Africa	94	89	95	91	90	-1.1%
		Americas	208	204	204	198	206	4.0%
LA2	Core	Rate of Employee turnover	7.29%	7.72%	6.33%	4.86%	5.97%	1.1 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 premises during the daytime period and ticket benefits					
LA4	Core	Percentage of employees covered by collective negotiation agreements	63.9%	62.7%	54.8%	54.6%	55.6%	1.0 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	77.3%	98.6%	99.2%	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	1,542	1,637	1,611	1,713	1,912	-
		Number of Days Lost	30,801	26,088	27,440	30,322	39,168	-
		Hours of Occupational Illness	6,275	2,184	2,625	17,143	4,305	-
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	5,009	5,236	5,753	5,360	5,750	7.3%
		Number of Trainees	32,944	35,848	38,171	36,495	36,213	-0.8%
		Training Volume in Person-Hours	669,667	800,250	770,234	777,068	822,952	5.9%
LA12	Additional	Percentage of employees receiving regular performance and career development reviews	95.4%	95.2%	95.8%	90.9%	67.3%	-23.6 p.p.
LA13	Core	Equal opportunities						
		Women	4,549	4,349	4,331	4,439	4,656	4.9%
		Men	6,576	6,191	6,251	6,440	6,670	3.6%
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					
SO2	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.
SO4	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					

Caption:

⁽¹⁾ TAP Group except TAP-Maintenance and 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.



Partidas Departures

Balcão Check-in	Observações Remarks	Hora Time	Voo Flight	Destino/Via To/Via	Balcão Check-in	Observações Remarks
51	Delayed 14:10	14:10	TK 1700	Istanbul/Ataturk	42 -43	Gate
	Final Call	14:10	TP 704	Pamplona	08	
	Terminal 2	14:20	TP 410	Marseille	08	
	Final Call	14:20	TP 926	Zurich	65 -74	
	Boarding	14:30	TP 614	Brussels	65 -74	New
		14:30	TP 804	Milan/Malpensa	65 -74	
16 -17		14:30	TP 422	Toulouse	08	
de Gaulle	Delayed 14:30	14:40	TP 356	London/Heathrow	11 -12	
08	Boarding	14:50	TP 440	Paris/Orly	65 -74	
65 -74	Boarding	15:00	TP 1833	Madeira		Term
	Boarding	15:00	TP 464	Nice	08	

**APPROVAL OF
THE SUSTAINABILITY
REPORT**

Portas de Embarque
Boarding Gates

Check
14 a to

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 18 June 2015.

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 Abs da Cruz Souza Pinto
Member	Luiz da Gama Mór
Member	Manoel José Fontes Torres
Member	Maria Teresa Silva Lopes

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TAP PORTUGAL

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July 2015

