



Corporate Governance Report  
**2014**



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## APPROVAL OF THE CORPORATE GOVERNANCE REPORT

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**CORPORATE  
GOVERNANCE  
REPORT**



# I. MISSION, OBJECTIVES AND POLICIES

## 1. MISSION, VISION AND VALUES GUIDING THE COMPANY

### Mission

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

### Vision

TAP 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;
- TAP, in line with the pursuit of its Vision, develops its activity according to the following **Values**:
- // Compliance with best Corporate Governance practices, namely with respect to the principles of independence and transparency;
  - // Commitment to society, providing services that respect and value internationally recognised human rights;
  - // Adoption of practices that contribute to the preservation of the Environment, within the scope of the activity that is conducted and global environmental concerns;
  - // Foster professional development, remuneration levels and work conditions compatible with legitimate labour expectations and market requirements.

## 2. POLICIES AND LINES OF ACTION UNDER THE DEFINED STRATEGY

The operation of 2014 was conditioned by a number of endogenous and exogenous factors that influenced the results attained by TAP, namely: i) the reduction of the yield, which had a direct impact on the profitability of the Company; ii) the high number of non-recurring events during the Summer campaign; iii) lower efficiency of equipment due to its age; iv) the need to compete with airline counterparts on cost-cutting efforts, so as not to compromise its competitiveness; and v) the need to adapt TAP's commercial model to a new reality in the Industry.

As a result, at the end of 2014, TAP began preparing a Strategic Plan within the context of the reprivatisation process underway.

### MAIN DEVELOPMENTS IN 2014

Over the course of 2014, TAP continued its growth programme and sought to strengthen its position as a reference company between Europe and the South Atlantic.

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

The introduction of new aircraft enabled the expansion of the Network, with the launch of eleven new destinations, as well as the consolidation of the current network through an increase of frequencies to destinations characterised by high demand. In 2014, seven new destinations were launched in Europe – S. Petersburg in Russia, Belgrade in Serbia, Tallinn in Estonia, Gothenburg in Sweden, Oviedo in Spain, Hannover in Germany and Nantes in France –, two new destinations in Brazil – Manaus and Belém –, together with the two first destinations of TAP in Latin America – Bogotá in Colombia and Panama City in Panama.

#### Renewal of capacity aimed at maintaining unit cost gains

TAP, seeking to exploit the business opportunities that enable the continuous growth of the Network and consolidation of the current markets, introduced six new aircraft in its fleet in the second half of the year: two new A330, two new A320 and two new A319. However, although there was a reduction in unitary cost relative to 2013, the impact on efficiency resulting from the introduction of these new aircraft was limited, due to the increase in costs associated with aircraft charters, compensation for passengers, landing charges, catering and variable remunerations.

### **Commercial performance orientation to improve unit revenue**

In 2014, the integration and consolidation of the new Revenue Management system PROS O&D II was completed, enabling TAP to make better use of the Network by differentiating the availability of seats for sale in flights by origin/destination and by point of sale (POS). The completion of the integration of this system made it possible to provide the selection of booking acceptance using a more diversified range of choice criteria, enabling a dynamic fine-tuning in real time of the provision of price and increasing the parity between demand and supply developments. As a result, the new system has already had a positive effect on the performance of TAP in 2014.

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

In 2014, in spite of the reduction in unit 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, prevented unit cost, in terms of total costs per kilometre flown, from registering a more significant decrease in 2014. As a result, a permanent focus on cost cutting in the Company was maintained.

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

Although there was notable growth in 2014 relative to 2013, it was characterised more by cyclical rather than structural factors, with significant pressure being maintained by customers for service providers to assume greater risks at lower prices. In 2014, the market trend towards the establishment of large MRO service provision networks continued, led by both large MRO groups and by manufacturers. As a result, the difficulties felt by smaller traditional MRO providers, such as TAP-Maintenance and Engineering, in renewing their portfolios of services on offer have increased. In order not to miss the opportunity to take part in these strategies, it is fundamental to maintain high levels of management and technical competence in order to guarantee flexibility, efficiency and capacity to meet customer expectations. Therefore, in the area of third-party works, in spite of the remarkable improvement relative to 2013, difficulties continued to be felt in returning to the revenue figures in the engine maintenance, repair and overhaul (MRO) business registered previously. Based on the efforts undertaken in 2014 and the results achieved,

TAP- Maintenance and Engineering Portugal reached a contributory margin to the overall result of TAP of about three times more than the value budgeted.

In addition, with the entry in March of the new General Director of Maintenance and Engineering, a restructuring process based on a logic of three key strategic axes – Organisation, People and Systems – was initiated, in order to reinforce the attribution of duties relative to macro processes, alignment with other TAP structures and the importance of creating a new Department structure for TAP- Maintenance and Engineering.

### **Achieve the complete turnaround of TAP-Maintenance and Engineering Brazil**

TAP-Maintenance and Engineering Brazil took another significant step in 2014 towards achieving operating equilibrium. Operating income, in spite of still negative, registered a trend toward improvement. The growth of the portfolio of products and services and the interest shown by OEMs and MROs – which are world references – in establishing long-term partnerships, is noteworthy. On the one hand, these partnerships will allow TAP-Maintenance and Engineering Brazil to increase, in a sustainable manner, its revenue and, on the other, they will offer these reference organisations a door through which to enter the Brazilian market, via a reference partner in the local MRO market, namely TAP-Maintenance and Engineering Brazil. Lastly, it is important to highlight the work that has been undertaken to eliminate contingencies which have weighed on the company and constrained its activity. Furthermore, the company managed to eliminate approximately 75.0 million Brazilian Reais of contingencies in 2014, and initiated a number of court proceedings in favour of TAP.

## II. CAPITAL STRUCTURE

### 1. CAPITAL STRUCTURE

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

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

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

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

### 3. SHAREHOLDERS' AGREEMENTS

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

## III. SHARES AND BONDS HELD

### 1. SHAREHOLDERS

Company	Shareholders		% share capital held		% Voting rights
			2014	2013	
TAP-Transportes Aéreos Portugueses, SGPS, S.A.	Lisbon	Parpública	100.00%	100.00%	100.00%
Transportes Aéreos Portugueses, S.A.	Lisbon	TAP SGPS	100.00%	100.00%	100.00%
TAPGER-Sociedade de Gestão e Serviços, S.A. ("TAPGER")	Lisbon	TAP SGPS	100.00%	100.00%	100.00%
Portugália-Companhia Portuguesa de Transportes Aéreos, S.A. ("Portugália")	Lisbon	TAP SGPS	100.00%	100.00%	100.00%
Cateringpor-Catering de Portugal, S.A. ("Cateringpor")	Lisbon	TAPGER	51.00%	51.00%	51.00%
L.F.P.-Lojas Francas de Portugal, S.A. ("LFP")	Lisbon	TAPGER	51.00%	51.00%	51.00%
Megasis-Soc. de Serviços e Engenharia Informática, S.A. ("Megasis")	Lisbon	TAPGER	100.00%	100.00%	100.00%
U.C.S.-Cuidados Integrados de Saúde, S.A. ("UCS")	Lisbon	TAPGER	100.00%	100.00%	100.00%
Aeropar, Participações, Lda. ("Aeropar")	Brazil	TAP SGPS	99.00%	99.00%	99.00%
		Portugália	1.00%	1.00%	1.00%
TAP-Manutenção e Engenharia Brasil, S.A. (ex-VEM) ("TAP M&E Brazil")	Brazil	Aeropar	47.64%	47.64%	47.64%
		TAP SGPS	51.00%	51.00%	51.00%
SPdH-Serviços Portugueses de Handling, S.A. ("SPdH")	Lisbon	TAP SGPS	43.90%	43.90%	43.90%
		Portugália	6.00%	6.00%	6.00%

### 2. ACQUISITION AND DIVESTMENT OF SHARES

In 2014 there were no acquisitions or divestment of shares.

# IV. GOVERNING BODIES AND COMMISSIONS

## A. BOARD OF THE GENERAL MEETING

### Composition of the board of the general meeting

Mandate (Start – End)	Position	Name	Annual Remuneration	
			Fixed <sup>(1)</sup>	Gross <sup>(2)</sup>
2009-2011 <sup>(*)</sup>	Chairman	Paulo Manuel Marques Fernandes	640 €	1,280 €
	Vice-Chairman	António Lorena de Sêves	400 €	800 €
	Secretary	Orlanda do Céu Silva Sampaio Pimenta d'Aguar	330 €	660 €

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

## B. ADMINISTRATION AND SUPERVISION

### 1. GOVERNANCE MODEL

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

Regarding the composition of the Executive Board of Directors, this Body (which at the end of 2013 was made up of only 5 members due to the resignation of one of its members) has functioned since April 2014 with 4 members, due to the resignation submitted by Michael Conolly. On 2 December 2014, Luís Rodrigues resigned from his position and Maria Teresa Silva Lopes was appointed Executive Director, with effect from 3 December 2014.

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

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

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

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

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

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

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

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

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

#### TAP, SGPS

Mandate (Start – End)	Position	Name	Appointment		Mandates held in the company	
			Doc.	Date	Number	Date of 1 <sup>st</sup> appointment
<b>Executive Board of Directors</b>						
2009-2011 <sup>(*)</sup>	Executive Chairman	Fernando Pinto	General Meeting	02.Jun.2009	2	05.Dec.2006
	Executive Director	Luiz Mór	General Meeting	02.Jun.2009	2	05.Dec.2006
	Executive Director	Luís Rodrigues <sup>(2)</sup>	General Meeting	02.Jun.2009	1	02.Jun.2009
	Executive Director	Manoel Torres	General Meeting	02.Jun.2009	2	05.Dec.2006
	Executive Director	Maria Teresa Lopes <sup>(3)</sup>	Cooptation	03.Dec.2014	1	03.Dec.2014
	Executive Director	Michael Conolly <sup>(1)</sup>	General Meeting	02.Jun.2009	2	05.Dec.2006
<b>General and Supervisory Board (GSB)</b>						
2009-2011 <sup>(*)</sup>	Chairman	Manuel Pinto Barbosa	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Carlos Veiga Anjos	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	João Borges de Assunção	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Luís Patrão	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Maria do Rosário Vítor	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Rui Azevedo Silva	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Vítor Cabrita Neto	General Meeting	02.Jun.2009	2	05.Dec.2006

Caption: (\*) see number 4 of article 391 of the Companies Code; (1) Requested termination, taking effect on 31 March 2014; (2) Requested termination, taking effect on 2 December 2014; (3) Appointed with effect from 3 December 2014

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

As at 31/12/2014, the Executive Board of Directors, appointed by the GM for the 2009-2011 mandate which remains in force see number 4 of article 391 of CSC, is made up of 4 members. The shareholder's decision is pending.

Under the terms of number 1 of article 21 of the Articles of Association of TAP, SGPS, the General and Supervisory Board is made up of no less than 7 (seven) members.

The General and Supervisory Board appointed by the GM for the 2009-2011 mandate which remains in force see number 4 of article 391 of CSC, is made up of 7 members.

#### TAP, S.A.

Mandate (Start – End)	Position	Name	Appointment		Mandates held in the company	
			Doc.	Date	Number	Date of 1 <sup>st</sup> appointment
<b>Executive Board of Directors</b>						
2009-2011 <sup>(*)</sup>	Executive Chairman	Fernando Pinto	General Meeting	02.Jun.2009	2	05.Dec.2006
	Executive Director	Luiz Mór	General Meeting	02.Jun.2009	2	05.Dec.2006
	Executive Director	Luís Rodrigues <sup>(2)</sup>	General Meeting	02.Jun.2009	1	02.Jun.2009
	Executive Director	Manoel Torres	General Meeting	02.Jun.2009	2	05.Dec.2006
	Executive Director	Maria Teresa Lopes <sup>(3)</sup>	Cooptation	03.Dec.2014	1	03.Dec.2014
	Executive Director	Michael Conolly <sup>(1)</sup>	General Meeting	02.Jun.2009	2	05.Dec.2006
<b>General and Supervisory Board (GSB)</b>						
2009-2011 <sup>(*)</sup>	Chairman	Manuel Pinto Barbosa	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Carlos Veiga Anjos	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	João Borges de Assunção	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Luís Patrão	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Maria do Rosário Vítor	General Meeting	02.Jun.2009	2	05.Dec.2006
	Member of the GSB	Rui Azevedo Silva	General Meeting	02.Jun.2009	2	05.Dec.2006
Member of the GSB	Vítor Cabrita Neto	General Meeting	02.Jun.2009	2	05.Dec.2006	

Caption: (\*) see number 4 of article 391 of the Companies Code; (1) Requested termination, taking effect on 31 March 2014; (2) Requested termination, taking effect on 2 December 2014; (3) Appointed with effect from 3 December 2014

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

As at 31/12/2014, the Executive Board of Directors, appointed by the GM for the 2009-2011 mandate which remains in force see number 4 of article 391 of CSC, is made up of 4 members. The shareholder's decision is pending.

Under the terms of number 1 of article 17 of the Articles of Association of TAP, S.A., the General and Supervisory Board is made up of 7 (seven) members.

The General and Supervisory Board appointed by the GM for the 2009-2011 mandate which remains in force see number 4 of article 391 of CSC, is made up of 7 members.

## 4. EXECUTIVE MEMBERS AND MEMBERS CONSIDERED INDEPENDENT

Name	Executive and Non-Executive Members of the Executive Board of Directors and independent members of the General and Supervisory Board as at 31 Dec 2014
<b>Executive Board of Directors</b>	
Fernando Pinto	Executive
Luiz Mór	Executive
Manoel Torres	Executive
Maria Teresa Lopes	Executive
<b>General and Supervisory Board</b>	
Manuel Pinto Barbosa	Independent
Carlos Veiga Anjos	Independent
João Borges de Assunção	Independent
Luís Patrão	Independent
Maria do Rosário Vitor	Independent
Rui Azevedo Silva	Independent
Vitor Cabrita Neto	Independent

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

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

#### Manuel Pinto Barbosa

Nationality: Portuguese | Date of birth: May 1944

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

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

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

**Other Activities:** Teaching and scientific research – Director of graduation and post-graduation courses and seminars (in the areas of Macroeconomics, Monetary Theory and Policy, Commerce and

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

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

#### Carlos Alberto Veiga Anjos

Nationality: Portuguese | Date of birth: September 1942

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

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

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

### João Borges de Assunção

Nationality: Portuguese | Data of birth: July 1962

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

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

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

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

### Luís Manuel dos Santos Silva Patrão

Nationality: Portuguese | Data of birth: December 1954

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

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

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

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

### Maria do Rosário Mattos

Nationality: Portuguese | Data of birth: October 1960

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

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

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

**Rui Manuel de Azevedo Pereira da Silva**

Nationality: Portuguese | Date of birth: June 1956

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

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

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

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

**Vítor José Cabrita Neto**

Nationality: Portuguese | Date of birth: July 1943

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

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

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

| Holds academic background in Management.

**Main curricular elements and professional activities undertaken by the Members of the Management Body Executive Board of Directors****Fernando Abs da Cruz Souza Pinto**

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

Appointed Executive Chairman/CEO, at TAP (October 2000–December 2006); President of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (December 2006). Also performs duties as the Chairman of the Board of Directors of the following Companies of the TAP Group: Portugalia–Companhia Portuguesa de Transportes Aéreos, S.A. and TAPGER–Sociedade de Gestão e Serviços, S.A. and (since 3 December 2014) Chairman of the Board of Directors in the following TAP Group companies: MEGASIS–Sociedade de Serviços e Engenharia Informática, S.A. and U.C.S.–Cuidados Integrados de Saúde, S.A..

**Management duties (since 3 December 2014) in the following areas:** TAP Services Business Unit; Responsibilities in TAP Group: Human Resources, Labour Relations, Logistics, Legal Services, Administration and Management of Physical Resources, Planning/Business Portfolio and Performance, Audit, Information Technologies (IT).

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

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

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

**Luiz da Gama Mór**

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

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

**Management Duties in the following areas:** TAP Air Transport Business Unit: Marketing, Communications and Public Relations, Commercial, Cargo and Mail and, also (since 1 April 2014) Customer Service and Talk to Us.

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

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

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

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

#### **Luís Manuel da Silva Rodrigues**

Nationality: Portuguese | Date of birth: January 1965

Appointed Member of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (June 2009). Also performs duties in the following Companies of the TAP Group: TAP–Maintenance and Engineering Brazil, S.A. as the Chairman of the Board of Directors, and at the company SPdH–Serviços Portugueses de Handling, S.A. as Non-Executive Director and (from 1 April 2014 to 2 December 2014) at TAPGER–Sociedade de Gestão e Serviços, S.A. as Non-executive Director; and (from 1 April 2014 to 2 December 2014) in the companies MEGASIS–Sociedade de Serviços e Engenharia Informática, S.A. and U.C.S.–Cuidados Integrados de Saúde, S.A. as Chairman of the Board of Directors.

**Management Duties in the following areas:** TAP Services Business Unit; Responsibilities in TAP Group: Finance, Human Resources, Labour

Relations, Logistics, Legal Services, Administration and Management of Physical Resources, Planning/Business Portfolio and Performance, Audit, Information Technologies (from 1 April to 2 December 2014), Air Transport Business Unit: Customer Service, Foreign Stop-overs and Talk to Us (until 31 March 2014), Restructuring and Cost Reduction (until 2 December 2014).

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

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

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

#### **Manoel José Fontes Torres**

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

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

**Management Duties in the following areas:** TAP Air Transport Business Unit: Flight Operations, Fleet Planning, Network and Planning, Operational Control, International Relations and Alliances, Information Technologies (up to 31 January 2014), Compliance, Safety Management System, and Emergency Planning.

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

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

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

**Maria Teresa Silva Lopes**

Nationality: Portuguese | Date of birth: November 1962

Appointed Member of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (December 2014). She also performs duties in the following TAP Group companies: at the company TAP–Maintenance and Engineering Brazil as Member of the Board of Directors and (since 3 December 2014) at the company TAPGER–Sociedade de Gestão e Serviços, S.A. as Non-executive Director.

**Management Duties in the following area:** Responsibilities in TAP Group: Finance (since 3 December 2014).

**Professional Activity:** General Director of Finance (July 1999–December 2014) at TAP, S.A., with a few months break in 2010 | Assistant General Director of Finance (1997–99) at TAP, S.A. | Director of Treasury Management (1991–97) at TAP, S.A. | Responsible for the area of Studies of the Studies Office and Financial Planning (1991–93) at TAP, S.A. | Economist holding functions in the Financial Department (1986–91) at TAP, S.A., after a brief stint in an audit firm.

| Licenciature’s Degree in Business Organisation and Management from ISCTE (Instituto de Ciências do Trabalho e da Empresa) | Languages: Portuguese, English and French.

**Michael Anthony Conolly**

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

Appointed Vice-Executive Chairman of TAP, S.A. (October 2000–December 2006); Member of the Executive Board of Directors of TAP, SGPS, S.A. and TAP, S.A. (December 2006). Also performs duties in the following Companies of the TAP Group: Portugal–Companhia Portuguesa de Transportes Aéreos, S.A. and TAPGER–Sociedade de Gestão e Serviços, S.A. as Non-Executive Director, and in the Companies MEGASIS–Sociedade de Serviços e Engenharia Informática, S.A. and U.C.S.–Cuidados Integrados de Saúde, S.A. as Chairman of the Board of Directors (up to 31 March 2014). Performance, in Brazil, of functions to support the operations of TAP Group in Latin America.

**Management Duties in the following areas:** TAP Serviços Business Unit; Responsibilities in the TAP Group: Finance, Human Resources, Labour Relations, Logistics, Legal, Administration and Physical Resources Management, Planning/Business Portfolio and Performance, Audit, Information Technologies (up to 31 March 2014).

**Professional Activity:** Chief Financial Officer of VARIG, S.A. (Viação Aérea Rio-Grandense) | Worldwide Controller of Bunge Internacional (agroindustrial group with activities in South, Central and North America, Europe, Oceania and Asia) | President of MCS Trading (Brazilian import and export company that also has retail operations in the following main markets: Brazil, United States of America, Europe

and Asia | Controller for Latin America of Alcoa (Aluminium Co. of America, largest manufacturer of aluminium in the world).

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

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

**6. STATEMENT FROM EACH MEMBER OF THE MANAGEMENT BODY OF SHAREHOLDINGS THEY HOLD IN THE COMPANY, AS WELL AS ANY RELATIONS WITH SUPPLIERS, CUSTOMERS, FINANCIAL INSTITUTIONS OR OTHER BUSINESS PARTNERS**

As required in article 52 of Decree-Law number 155/2013 of 3 October, the members of the Executive Board of Directors, at the start of the mandate/ performance of duties, submitted a statement declaring that they do not hold any shareholdings in the Company, nor have any relations with its suppliers, customers, financial institutions or any other business partners, which may lead to conflicts of interest.

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

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

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

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

### Competence of the General Meeting

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

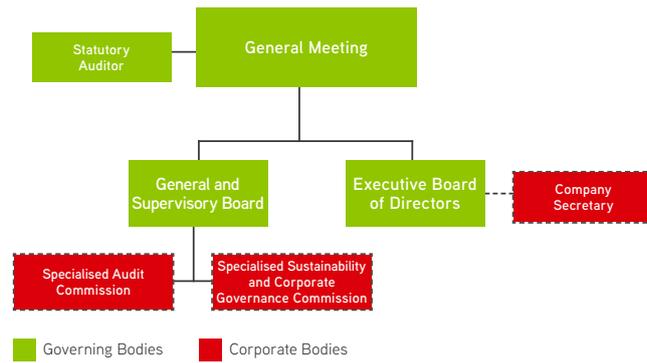
Under the terms of article 11 of the Statutes of TAP, SGPS, the General Meeting is responsible in particular for the following:

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

### Competence of the General and Supervisory Board

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

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



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

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

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

#### **Competence of the Executive Board of Directors**

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

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

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

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

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

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

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

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

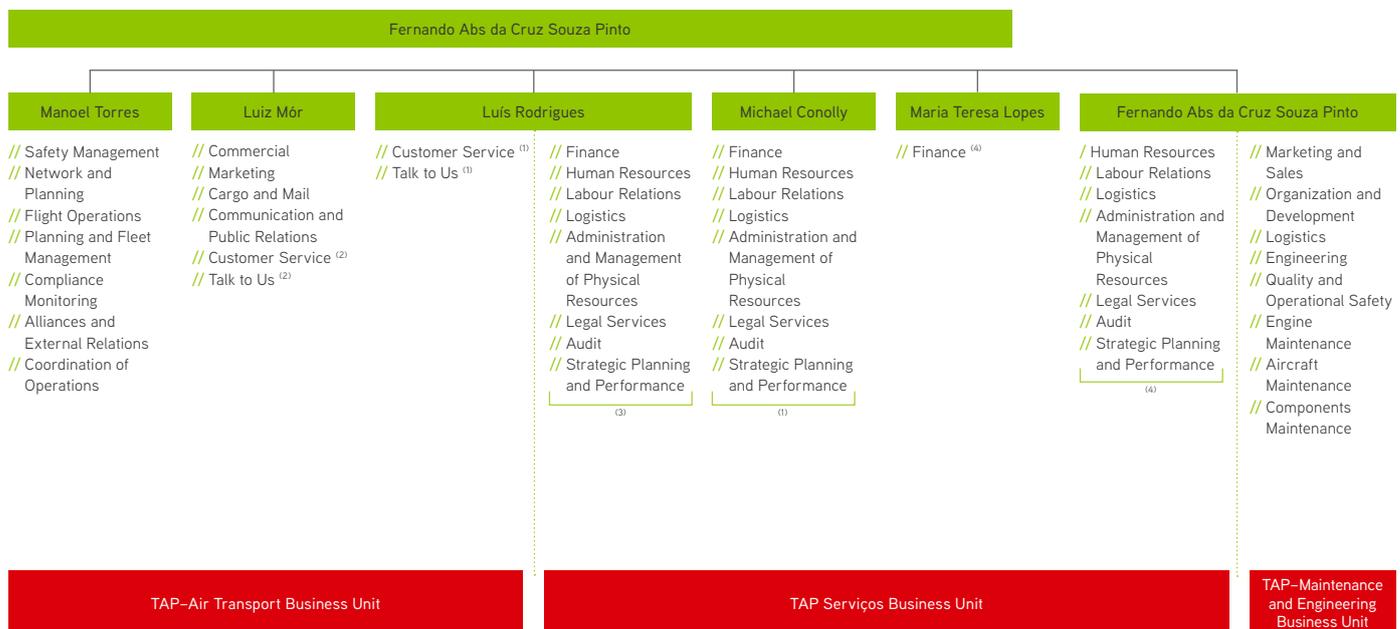
Under the terms of article 18 of the Statutes, the Chairman of the Executive Board of Directors is entrusted with the following duties:

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

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

Apart from positions held simultaneously in other companies within the TAP Group, as referred to in item IV.B.9. b), up to 31 December 2014, the Executive Board of Directors of TAP, S.A. was organized according to the following management areas.

### Executive Board of Directors of TAP, S.A.



Caption: (1) Until 31 March 2014; (2) Since 1 April 2014; (3) From 1 April to 2 December 2014; (4) Since 3 December 2014.

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

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

Business Unit TAP–Air Transport	Business Unit TAP–Maintenance and Engineering	Business Unit TAP Serviços
<p>// The main mission of the <b>Safety Management</b> area is to provide specialised knowledge to all the operating departments of TAP Portugal, contributing to the achievement of the operational safety objectives (in the Safety area) defined by the Executive Board and act as a centralising element for issues in this area.</p> <p>// The main mission of the <b>Network and Planning</b> area is to coordinate and define the Network of routes to be operated by TAP, the respective operating programmes and to control their execution, ensuring the availability of the means necessary and the constant adaptation to the market in order to maximise results. Define the pricing policy and carry out the management of flights in order to maximise route revenue. Participate in the preparation of the Strategic Air Transport Plan and coordinate the performance of the business, as well as produce management information.</p> <p>// The main mission of the <b>Flight Operations</b> area is to offer a quality flight service, with a high operational safety standard, according to the policies and directives defined by TAP.</p> <p>// The main mission of the <b>Planning and Fleet Management</b> area is to define the TAP/PGA Fleet Management policies and promote their updating, including the actions relative to the definition, acquisition and/or leasing of aircraft according to the commercial strategy of the company and market developments, guaranteeing high standards of safety, reliability, quality and economy.</p> <p>// The main mission of the <b>Compliance Monitoring</b> area is to guarantee that the TAP Portugal operator complies with the legal requirements of applicable Aeronautical Legislation and with best practice of the Civil Aviation Industry applicable to Air Transport.</p> <p>// The main mission of the <b>Alliances and External Relations</b> area is to coordinate and control the activities of commercial cooperation – namely with respect to relations with counterparts, negotiation of commercial agreements, partnerships and strategic alliances –, as well as external relations of the company at the institutional level (with official/governmental supervisory regulators and entities) and with associations of the sector.</p> <p>// The main mission of the <b>Commercial</b> area is to make the passenger transport activity profitable through the promotion and sale of the TAP product and the implementation of promotional and sale policies adjusted to the reality of each market/segment, in order to maximise the quality of the service provided to the customer and the market share in the different markets.</p> <p>// The main mission of the <b>Marketing</b> area is to reinforce Customer orientation, focusing on innovation and service quality and creating factors of differentiation relative to the competition. Focus on the communication and digital relations with the Customer, attracting new customers and building customer loyalty in all segments, with particular emphasis on premium customers.</p> <p>// The main mission of the <b>Cargo and Mail</b> area is to provide a reliable service of collection, transport and delivery of goods and parcels on TAP's aircraft and that of its partners, in a timely and appropriate manner for its Customers' needs and at competitive prices, maximising the contributory margin of the business.</p> <p>// The main mission of the <b>Communication and Public Relations</b> area is to define, coordinate and execute the activities within the scope of the communication and institutional relations of TAP Group, defining and implementing the internal and external communication plans, in accordance with the strategic orientations of the Group.</p> <p>// The mission of the <b>Customer Service</b> area is to ensure the provision of ground handling services, in all airports of the TAP network, with high commercial and operational quality standards, in order to ensure Customer satisfaction.</p> <p>// The mission of the <b>Talk to Us</b> area is to facilitate communication between Customers and TAP, making it closer, quicker, more direct and effective with regards to complaints, suggestions and clarification requests.</p> <p>// The main mission of the <b>Coordination of Operations</b> area is to control the Air Transport operation during the defined intervention period (72 hours prior to the operation), ensuring its execution, reliability and stability defined in the commercial planning of TAP, in terms of regularity and punctuality, anticipating and minimising the number of irregularities and its impacts, coordinating the operational support structure, equipment and human resources allocated and the reformulation of the network when necessary, in order to optimise the operation, contributing towards the safeguarding of the good image of the Group.</p>	<p>// The mission of the <b>Marketing and Sales</b> area is to define the commercial strategic objectives of the Business Unit (Portugal and Brazil), coordinating the sales activities of the aircraft, engine and component maintenance and engineering services, implementing the marketing and communication strategy, boosting the exploration of new business opportunities, the definition and negotiation of commercial proposals, monitoring the commercial relationship and market analysis, in order to meet the revenue, receipt and margin objectives established in the budget.</p> <p>// The main mission of the <b>Organisation and Development</b> area is to support the activity of the Business Unit (Portugal), as well as ensure and develop the transversal connections of the Business Unit to the corporate services of TAP (TAP Services), as well as to the other Group companies (Megasis and UCS). This area includes the following sub-areas: Finance and Accounting, Processes and Continuous Improvement, Human Resources, Information Technologies and Equipment and Facilities.</p> <p>// The mission of the <b>Engineering</b> area is to define the TAP fleet and Customer maintenance policy through the design of the flight material maintenance programmes, guarantee the control of the process of continuity of its aeronavigability, ensure the implementation of the corrective actions deemed necessary to improve operational reliability, carry out modifications and repairs under the DOA certification and manage the information and inherent technical documentation, according to the national and international rules and procedures.</p> <p>// The main mission of the <b>Quality and Operational Safety</b> area is to manage the Quality, Operational Safety and Environment systems of the Business Unit, manage the continuity of the aeronavigability of the TAP Portugal operator, and manage the businesses of calibrations, non-destructive tests and physical/chemical tests, through the definition of plans, policies and targets, in articulation with the aeronautical authorities and the accreditation organisations, respecting the applicable legal impositions and the strategic guidelines.</p> <p>// The main mission of the <b>Aircraft Maintenance</b> area is to manage and execute the provision of Aircraft Maintenance and Engineering services to the fleet of TAP Group and of Customers, maintaining a high degree of quality, meeting the objectives in terms of deadlines, costs and quality, fully respecting national and international legislation as applicable, in order to guarantee the achievement of the production objectives, contributing towards the maintenance of the high levels of safety of the aeronautical industry, the safeguard of the conditions of safety of people and goods and towards environmental protection, in order to maximise Customer satisfaction and the profitability of the Business Unit.</p> <p>// The main mission of the <b>Engine Maintenance</b> area is to manage and execute the provision of inspection, repair and overhaul services to fleet engines of TAP Group and of other Customer airline companies, maintaining a high degree of quality, meeting the objectives in terms of deadlines, costs and quality, fully respecting national and international legislation as applicable, in order to guarantee the achievement of the production objectives, contributing towards the maintenance of the high levels of safety of the aeronautical industry, the safeguard of the conditions of safety of people and goods and towards environmental protection, in order to maximise Customer satisfaction and the profitability of the Business Unit.</p> <p>// The main mission of the <b>Component Maintenance</b> area is to manage and execute the provision of aircraft component maintenance services to the fleet of TAP and to external customers, maintaining a high degree of quality, meeting the objectives in terms of deadlines, availability of stock, costs and quality, fully respecting national and international legislation as applicable, in order to guarantee the achievement of the production objectives, contributing towards the maintenance of the high levels of safety of the aeronautical industry, the safeguard of the conditions of safety of people and goods and towards environmental protection, in order to maximise Customer satisfaction and the profitability of the Business Unit.</p> <p>// The main mission of the <b>Logistics</b> area is to define, negotiate, plan, coordinate and control the acquisition, reception, storage, distribution and availability of consumption material, rotational components, products, equipment, tools and raw materials, necessary for the aeronautical maintenance activity (maintenance of engines, components and aircraft), according to the maintenance plans and stocks, systems and components policy, in order to guarantee the availability of the products at the lowest cost, and at the quality and safety standards in the periods established, for both the TAP fleet and for Customers.</p>	<p>// The main mission of the <b>Finance</b> area is to define a financial and accounting management model and adopt procedures that assure the integrity and availability of the information to the entire organisation, as well as compliance with the legal obligations.</p> <p>// The mission of the <b>Human Resources</b> area is to assure the effective management of the Group's Human Resources, fostering the development of the technical and social skills of all workers, and define common policies and instruments that enable controlling the implementation of the processes of human resources.</p> <p>// The main mission of the <b>Labour Relations</b> area is: to assure the TAP Group's institutional relations in the labour sphere, particularly with bodies of the Labour Administration, Syndicates and Workers Commissions; assure legal and labour advisory services to TAP Group companies; Assure the representation of TAP Group companies at Labour Courts and Collective Labour Agreements, as well as the preparatory inquiry, including legal counsel, in all judicial or administrative offense proceedings in which Group companies are involved; assure compliance with the legal and conventional rules on labour matters, preparing and disseminating regulations and guidelines on these issues and assure the preparatory inquiry of investigative and disciplinary procedures.</p> <p>// The main mission of the <b>Logistics</b> area is to conduct the procurement process, providing products and services to the entire TAP Group, with the best cost-quality ratio.</p> <p>// The main mission of the <b>Administration and Management of Physical Resources</b> area is to define and assure the provision of support services to the governing bodies; assure the effective management of the facilities and equipment, security and safety, environment, insurance, documentation and general support services, required for the Group's activity, assuring its profitability in conformity with the legal and business requirements.</p> <p>// The main mission of the <b>Legal Services</b> area is to assure the study, follow-up and legal counsel of legal issues, in line with the legal framework and guideline principles of the Organisation.</p> <p>// The main mission of the <b>Audit</b> area is to care for the Group's business through an approach of systematic and disciplined auditing, involving the planning, development and implementation of activities that assure the good operation of the internal control systems and promote the compliance of the Group's management and governance.</p> <p>// The main mission of the <b>Strategic Planning and Performance</b> area is: to provide support in the definition of the Group's business strategy and guidelines, participating in the preparation of the Strategic Plan; support TAP Serviços, managing its Customer relations, developing the Performance measurement system and Costing Model/System, Pricing and Invoicing, and collaborating in the functional analysis of projects to change processes and systems.</p>

## 9. OPERATION OF THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS

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

#### TAP, SGPS

Corporate Governing Bodies	No. of Meetings	N.º of Attendance								
		PF	LS	OS	FP	MC <sup>(1)</sup>	MT	LM	LR <sup>(2)</sup>	TL <sup>(3)</sup>
<b>Members<sup>(*)</sup></b>										
General Meeting	1	1	1	1						
<b>Members<sup>(*)</sup></b>										
Executive Board of Directors	23	23	5	21	21	18	2			
<b>Members<sup>(*)</sup></b>										
General and Supervisory Board	11	11	11	11	10	7	10	10		
<b>Members<sup>(*)</sup></b>										
Specialised Sustainability and Corporate Governance Commission	8	8	8	8	8	6	8	8		
<b>Members<sup>(*)</sup></b>										
Specialised Audit Commission	8	8	8	8						

Meetings held at the head office of the Company.

#### TAP, S.A.

Corporate Governing Bodies	No. of Meetings	N.º of Attendance								
		PF	LS	OS	FP	MC <sup>(1)</sup>	MT	LM	LR <sup>(2)</sup>	TL <sup>(3)</sup>
<b>Members<sup>(*)</sup></b>										
General Meeting	1	1	1	1						
Unanimous Board Decision in Writing	1	-	-	-						
<b>Members<sup>(*)</sup></b>										
Executive Board of Directors	26	26	5	24	23	21	4			
<b>Members<sup>(*)</sup></b>										
General and Supervisory Board	10	10	10	10	10	6	10	10		
<b>Members<sup>(*)</sup></b>										
Specialised Sustainability and Corporate Governance Commission	4	4	4	4	4	3	4	4		
<b>Members<sup>(*)</sup></b>										
Specialised Audit Commission	10	10	10	10						

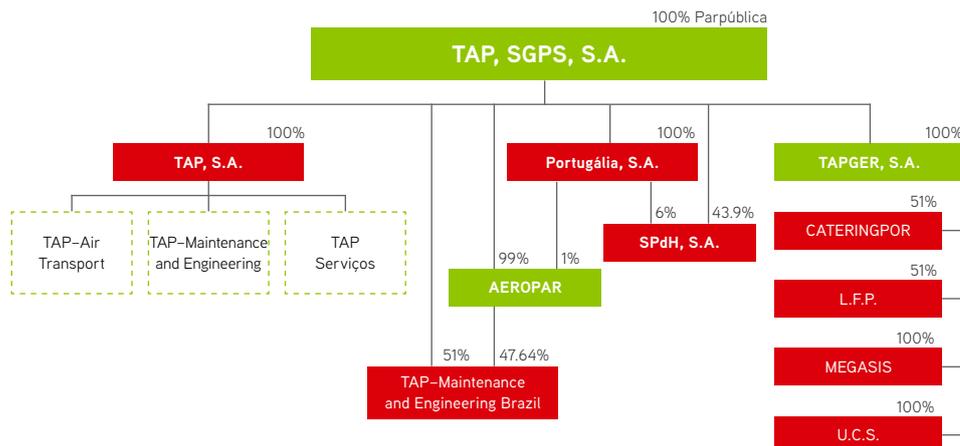
Meetings held at the head office of the Company.

(1) Until 31 March 2014; (2) Until 2 December 2014; (3) Since 3 December 2014

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

#### Positions held by members of the Executive Board of Directors

The Group of companies that were part of the consolidation perimeter of the TAP holding at the end of 2014 was composed of TAP-Transportes Aéreos Portugueses, SGPS, S.A. and its subsidiaries, according to the organisation represented in the diagram, where the members of the Executive Board of Directors held the following positions.



<sup>(\*)</sup> Caption

Members of the Board of the General Meeting	
PF	Chairman – Paulo Manuel Marques Fernandes
LS	Deputy-Chairman – António Lorena de Sêves
OS	Secretary – Orlanda do Céu S. Sampaio Pimenta d' Aguiar
Members of the Executive Board of Directors	
FP	Fernando Abs da Cruz Souza Pinto
LM	Luiz da Gama Mór
LR	Luís Manuel da Silva Rodrigues <sup>(2)</sup>
MT	Manoel José Fontes Torres
TL	Maria Teresa Silva Lopes <sup>(3)</sup>
MC	Michael Anthony Conolly <sup>(1)</sup>
Members of the General and Supervisory Board	
Members of the Specialised Audit Commission (only those marked with <sup>(*)</sup> )	
Members of the Specialised Sustainability and Corporate Governance Commission	
PB	Manuel Soares Pinto Barbosa <sup>(*)</sup>
VA	Carlos Alberto Veiga Anjos
BA	João Luís Traça Borges de Assunção <sup>(*)</sup>
LP	Luís Manuel dos Santos Silva Patrão
RV	Maria do Rosário Miranda Andrade Ribeiro Vítor
RA	Rui Manuel de Azevedo Pereira da Silva <sup>(*)</sup>
CN	Vítor José Cabrita Neto

31 December 2014	Fernando Abs da Cruz Souza Pinto	Luiz da Gama Mór	Manoel José Fontes Torres	Maria Teresa Lopes
TAP, S.A.	PCA	AE	AE	AE
TAPGER–Sociedade de Gestão e Serviços, S.A.	PCA	-	-	ANE
Portugália–Companhia Portuguesa de Transportes Aéreos, S.A. (PGA)	PCA	-	ANE	-
SPdH–Serviços Portugueses de Handling, S.A.	-	-	-	-
TAP–Manutenção e Engenharia Brasil, S.A.	-	-	-	ANE
CATERINGPOR–Catering de Portugal, S.A.	-	PCA	-	-
L.F.P.–Lojas Francas de Portugal, S.A.	-	PCA	-	-
U.C.S.–Cuidados Integrados de Saúde, S.A.	PCA	-	-	-
MEGASIS–Sociedade de Serviços e Engenharia Informática, S.A.	PCA	-	-	-
<b>Positions held in other companies outside the TAP Group</b>				
LIDE, Portugal	-	MCGEST	-	-
Confederação do Turismo Português	-	MCD	-	-
Turismo de Lisboa	-	MD	-	-
Conselho Setorial do Turismo Português da CIP	-	VP	-	-
ELO – Associação Portuguesa para o Desenvolvimento Económico e a Cooperação	-	MCG	-	-

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

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

### Positions held by members of the General and Supervisory Board

31 December 2014	Manuel Pinto Barbosa	Carlos Veiga Anjos	João Borges de Assunção	Luís Patrão	Maria do Rosário Vítor	Rui Azevedo Silva	Vítor Cabrita Neto
Nova Fórum	PCA	-	-	-	-	-	-
Cimpor	PCFR	-	-	-	-	-	-
Millennium BCP	MCRP	-	-	-	-	-	-
Eurocash, S.A. (Polónia)	-	-	MICCGS	-	-	-	-
Casa Civil da Presidência da República	-	-	C	-	-	-	-
Oceano XXI, Cluster do Conhecimento e da Economia do Mar	-	-	-	-	-	DE	-
Faculdade de Engenharia da Universidade do Porto	-	-	-	-	-	PAC	-
Universidade Lusófona do Porto	-	-	-	-	-	MCC	-
Instituto Politécnico de Viana do Castelo	-	-	-	-	-	MCG	-
Instituto Marques da Silva	-	-	-	-	-	VD	-
Estabelecimentos Teófilo Fontainhas Neto, Comércio e Indústria S.A.	-	-	-	-	-	-	PCA
Direção Geral do Consumidor	-	-	-	TSJ	-	-	-
EMEL, S.A.	-	-	-	PAG	-	-	-

PCA – Chairman of the Board of Directors; PCFR – Chairman of the Remunerations Commission; MCRP – Member of the Remunerations and Welfare Board; MICCGS – Independent Member and Chairman of the General and Supervisory Board; C – Consultant; DE – Executive Director; VD – Member of the Board of Directors; PAC – Guest Assistant Professor; MCC – Member of the Governing Board; MCG – Member of the General Board; TSJ – Senior Technician/Lawyer; PAG – Chairman of the General Meeting

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

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

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

**d) Commissions, composition, competence and summary of the activities developed by the existing commissions in the supervisory body**

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

**Specialised Audit Commission**

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

**Competence**

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

- a) Providing support to the General and Supervisory Board and the Executive Board of Directors regarding:
  - aa) Quality and integrity of the financial information shown in the documents presenting the accounts;
  - bb) Qualification and independence of the external auditors, namely regarding their contracting and authorisation of other external services;
  - cc) Discussion with the external auditors on the disclosure of annual and quarterly, financial and market information and with analysts in general, including the policies on accounting and presentation of financial statements;
  - dd) Quality, integrity and effectiveness of the internal control system;
  - ee) Duties performed by the External Auditors and internal audit of the company, namely regarding their composition, responsibilities, budget, annual activity plan and appointment of the director responsible for internal audits;
  - ff) Compliance with the legal and regulatory provisions, recommendations and guidelines issued by the competent entities;
  - gg) Contracting of people to work with the external auditors.
- b) Preparing reports, providing support in the definition of policies and guidelines and in the implementation of procedures, producing recommendations and carrying out measures that, under their duties, are deemed necessary for their good operation;
- c) Meeting, whenever necessary, but at least once a quarter, with the certified accountant and external auditor, to appraise their activity and monitoring of the company's activity under their attributed duties;
- d) Providing the general and supervisory board and the executive board of directors, through regular communication, advice and/or assistance under their attributed duties, as well as performing any other duties or responsibilities that are entrusted to them;

- e) Identifying significant potential risks of financial, operational, safety and security related, legal and/or social nature that could produce relevant direct or indirect losses. Also being entrusted to define measures and mechanisms that might mitigate these losses, which should be disclosed to the General and Supervisory Board and, through this body, the Executive Board of Directors, for implementation;
- f) Issuing an opinion on the company's risk manual and respective updates, upon proposal of the executive board of directors which is responsible for its preparation.

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

**Specialised Sustainability and Corporate Governance Commission**

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

**Competence**

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

- a) Assuring that the executive board of directors creates the necessary conditions for the sustained growth of the Company, in the economic, environmental and social areas (triple bottom line);
- b) Supervising the strategy of sustained development and social responsibility as well as its correct implementation by the executive board of directors;
- c) Supervising the preparation and submitting the company's corporate governance and sustainability reports to the general and supervisory board;
- d) Assuring the application, at least annually, of national and international benchmarks on the company's corporate governance policy;
- e) Supervising the identification of the real needs of measures to be implemented, assuring the existence of a correct corporate governance model;
- f) Actively ensuring the correct implementation of the corporate governance model established by the executive body;
- g) Promoting the implementation of all the practices defined in the corporate governance model;
- h) Providing support to the supervisory body in the definition of conflicts of interests and business conduct policies;
- i) Assessing/controlling the existence of conflict of interests in conformity with the business conduct code and other relevant policies;
- j) Identifying and resolving situations of conflict of interests, as they arise;
- l) Assuring the implementation of the company's code of ethics and good conduct.

The summary of activities undertaken by the Specialised Audit Commission and the Specialised Sustainability and Corporate Governance Commission is included in the 2014 General and Supervisory Board Report, in points 4., 5. and 6., the content of which is presented below.

“.....

4. During 2014, eleven meetings of the General and Supervisory Board were held. The supervision of the activity of TAP undertaken over this period by the General and Supervisory Board covered the universe of associated companies of the Group, with particular emphasis on TAP, S.A., due to the importance of this company within the Group. The scrutiny of the General and Supervisory Board was conducted in close collaboration with the work of the Specialised Audit and Sustainability and Corporate Governance Commissions, which assisted the Board on matters within their remit and namely those involving the verification of compliance with the articles of association and applicable legal precepts. On matters of remuneration policy and management performance assessment, the General and Supervisory Board received the usual collaboration of an ad-hoc work group appointed for the purpose.
5. The Specialised Audit Commission held eight ordinary meetings during the year. In addition to the members of the Specialised Audit Commission, the Director responsible for financial affairs and, whenever the items on the agenda called for it, the Statutory Auditor, the External Auditor and the Internal Audit Department also participated in these meetings. In the exercise of its statutory duties, the Specialised Audit Commission placed emphasis on financial supervision, dedicating special attention to the evolution of the profit and loss account, the treasury situation and indebtedness. The Executive Board of Directors maintained the Specialised Audit Commission informed of pending matters relative to the repatriation of TAP balances in Venezuela and in Angola, as well as the efforts undertaken to resolve the issue. The Specialised Audit Commission analysed the implications of the situation on the treasury, having also been informed of the adoption by TAP of precautionary measures in the drawing up of its commercial policy, with the objective of reducing the exposure to liquidity risk.
6. In the eight ordinary meetings held in 2014, the Sustainability and Corporate Governance Commission monitored the evolution of the performance of the various business units of TAP, from the viewpoint of the impact on the sustainability of the Group. In sessions dedicated separately to each one, the Sustainability and Corporate Governance Commission debated with the responsible directors the evolution of the activity, the business guidelines, as well as the more relevant issues, in the economic, social and environmental areas, facing its sustainable development. The Sustainability and Corporate Governance Commission monitored the preparatory work conducted for the Sustainability Report, which, in accordance with the Articles of Association, the Commission submitted to the General and Supervisory Board for approval.

.....”

## C. SUPERVISION

### 1. IDENTIFICATION OF THE SUPERVISORY BODY

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

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

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

## D. CERTIFIED ACCOUNTANT (ROC)

### 1. ROC, SROC

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

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

## 2. LEGAL LIMITATIONS

In compliance with the provisions in Decree-Law 487/99, of 16 November, as drawn up by Decree-Law 224/2008, of 20 November, and under the terms of number 2 of article 54 of the latter, for entities of public interest (pursuant to subparagraph 1) of article 2 of Decree-Law 225/2008, of 20 November), the maximum period for performance of audit duties by the partner responsible for the direction or direct implementation of the legal review of accounts is seven years, counted as of his appointment, where he may be newly appointed after a minimum period of two years.

### TAP, SGPS, S.A.

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

Mandate (Start – End)	Position	Name	Annual Remuneration	
			Fixed <sup>(1) (3)</sup>	Gross Paid <sup>(2) (4)</sup>
2009-2011 <sup>(*)</sup>	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis	13,800.00 €	15,616.08 €

Caption: (\*) see number 4 of article 391 of the Companies Code; (1) value set, before remuneration cuts; (2) includes salary reduction by application until 31 May 2014, of Law 83-C/2013 of 31 December; from 1 June 2014 to 12 September 2014, salary reductions were suspended, by virtue of Ruling number 413/2014, of 30 May 2014 of the Constitutional Court; from 13 September 2014 onwards, the salary reduction provided for in Law 75/2014 of 12 September was applied; (3) subject to VAT at the legal rate in force; (4) includes VAT at the legal rate in force

### TAP, S.A.

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

Mandate (Start – End)	Position	Name	Annual Remuneration	
			Fixed <sup>(1) (3)</sup>	Gross Paid <sup>(2) (4)</sup>
2009-2011 <sup>(*)</sup>	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis (until 4 Dec 2013) Oliveira, Reis & Associados, represented by Joaquim Oliveira de Jesus (as of 5 Dec 2013)	32,100.00 €	36,324.36 €

Caption: (\*) see number 4 of article 391 of the Companies Code; (1) value set, before remuneration cuts; (2) includes salary reduction by application until 31 May 2014, of Law 83-C/2013 of 31 December; from 1 June 2014 to 12 September 2014, salary reductions were suspended, by virtue of Ruling number 413/2014, of 30 May 2014 of the Constitutional Court; from 13 September 2014 onwards, the salary reduction provided for in Law 75/2014 of 12 September was applied; (3) subject to VAT at the legal rate in force; (4) includes VAT at the legal rate in force

## E. EXTERNAL AUDITOR

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

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

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

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

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

### 3. ANNUAL REMUNERATION

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

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

# V. INTERNAL ORGANISATION

## A. STATUTES AND COMMUNICATIONS

### 1. AMENDMENT OF THE COMPANY'S STATUTES

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

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

**"Amendment of the statutes**

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

### 2. COMMUNICATION OF IRREGULARITIES

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

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

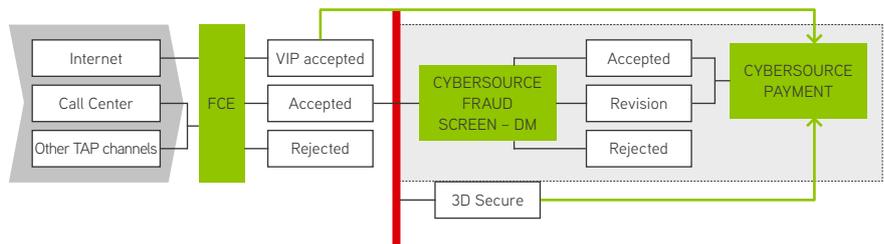
- // Senior Staff Direct Communication;
- // Communication of the Head of the Area;
- // Communication to Internal Audit;
- // Communication to the Executive Board of Directors and the Audit Commission (General and Supervisory Board), where this body is responsible (see subparagraph w) of number 1 of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

### 3. ANTI-FRAUD POLICIES

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

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

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



## B. INTERNAL CONTROL AND RISK MANAGEMENT

### 1. INTERNAL CONTROL SYSTEM (SCI)

In TAP Group, the internal control and risk management process has been duly supervised by management and coordinated with the activities of Internal Audit. In terms of best practices, the company has implemented an operating risk management and control system that permits anticipating and minimising the risks inherent to the activity carried out. The transversal risk monitoring and analysis process is currently under development.

With the objective of an effective management of risk, it is crucial to align the exposure to risk within the organisation and the perception of risks to which the Company is exposed. For this reason, the definition of the exposure to risk of the organisation and the approval of a risk policy by senior management are critical factors for the successful implementation of the risk management process.

The clarification of the roles and responsibilities of each function involved in the risk management process is essential to ensure that the process is effective. The Board of Directors of the Company has been defining the guidelines for the establishment of the Company's risk profile, approving and deciding on the implementation of risk management policies and high level controls to be observed.

Internal Audit of TAP Group is organised according to the 3 Lines of Defence model: Operating Management; Risk Management and Compliance Functions; Internal Audit.

The 1<sup>st</sup> and 2<sup>nd</sup> Lines of Defence are responsible for internal risk control, according to the rules and procedures defined internally and/or legislation and regulations of the external environment.

The purpose of the 3<sup>rd</sup> Line of Defence is to identify potential deficiencies/improvement opportunities in implemented controls and issue recommendations with a view to their correction/improvement of processes, thus assisting the Board of Directors in the definition, review, monitoring and constant improvement of the Internal Control System.

The Risk Management and Compliance process ensures the comprehension of the nature and materiality of overall risks, and the Compliance plan ensures the fulfilment of the obligations and duties that the Company is subject to, namely conformity to the laws, regulations, professional rules, and applicable codes of ethics and conduct.

### 2. RESPONSIBILITY FOR THE INTERNAL AUDIT AND INTERNAL CONTROL SYSTEM

In TAP Group, the Internal Audit has been active in perceiving and recommending actions in line with the organisation's policy and initiatives and the identified and related risks. The Audit Activities Plan stems from a vertical assessment of risks, based on the contributions of different interlocutors, from heads of Group companies to managers of Business Units and members of the Board of Directors, seeking to remain aligned with stakeholders' expectations.

The Internal Audit contributes, in a coordinated manner, to the risk management efforts, using the outputs of the 2<sup>nd</sup> line of defence, providing ideas for the general risk management process and directing its audit process and procedure efforts to the areas with the highest risk levels, thus contributing through its actions to the mitigation of those risks.

The communications and meetings with stakeholders and the functional dependence of the Audit Commission play an important role in the alignment of the procedures of Internal Audit and the relevance of their actions in areas of risk and of more significant importance for the core business of the Group.

With the objective of emphasising the most relevant conclusions for senior management, the Internal Audit reports contain concise executive summaries, related to the corresponding business risks, identifying topics and trends common to the whole organisation in order to permit the mitigation of the risk of the identified non-conformities.

### 3. MAIN MEASURES ADOPTED IN RISK POLICY

In TAP Group the importance given to risk management is increasingly important. The constant dialogue between stakeholders and audit is essential to guarantee the alignment and articulation of the internal audit activities.

The Internal Audit of TAP Group uses the information provided by the first and second line of defence, conducting risk assessments and monitoring. The process requires commitment and dedication to cover the shortcomings related to the viewpoints of stakeholders and obtain alignment, but the result is an audit plan that directs resources to the areas of greatest risk and highest return for the organisation.

### 4. RELATIONS OF HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCE



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

## Model of Three Lines of Defence

1<sup>st</sup> Line of Defence: Operational Management

2<sup>nd</sup> Line of Defence: Risk Management and Compliance Functions

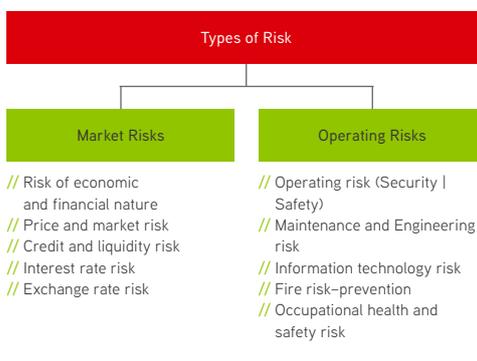
3<sup>rd</sup> Line of Defence: Internal Audit

## 5. OTHER FUNCTIONAL AREAS WITH COMPETENCE IN RISK CONTROL

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

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

## 6. PRINCIPAL TYPES OF RISKS



### Risks of economic and financial nature

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

### Operational risk (Security | Safety)

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

### Information technology risk

Systems used by organisations to identify weaknesses and threats.

### Fire risk-prevention

Risk management system for Fire, Explosion and Spillage of Chemical Products. The 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.

### Maintenance and Engineering risk

At TAP-Maintenance and Engineering, risk management is inherent and integrated in the responsibilities defined in the context of the aeronautical certifications and accreditations held [EASA Parte 145 (Maintenance Organisations); EASA Part M (Continued Aeronavigability); NP EN ISO 9001:2008 (Quality Management Systems), among others] which are compulsory to guarantee the continuity of its activity.

### Occupational health and safety risk

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.

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

### Model used at the Company – Three Lines of Defence

#### 1<sup>st</sup> Line of Defence: Operational Management –

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

#### 2<sup>nd</sup> Line of Defence: Risk Management and Compliance Functions –

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

- // Support the management policies, define roles and responsibilities and establish goals for implementation;
- // Provide risk management structures;
- // Identify current and emerging issues;
- // Identify changes to the implicit risk of the organisation;
- // Assist the management to develop processes and controls to administer risks;
- // Provide guidelines and training on risk management processes;
- // Facilitate and monitor the implementation of effective risk management practices by the operational management;
- // Advise the operational management of emerging issues and changes in the regulatory and risk environment;

// Monitor the adequacy and efficacy of the internal control, reporting accuracy and integrity, compliance with laws and regulations and the timely resolution of any failings.

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

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

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

### Management of audit actions

#### Planning

The planning of audit actions is based on the definition of an audit strategy, considering:

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

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

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

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

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

The information is then collected where the Internal Audit compiles, confirms and extends all the knowledge to the Organisation and Sector, in its various aspects, namely, through studying the appropriate documentation and assessing the quality of the information, accounting and internal control

systems in force. Baseline information on the activities to be audited should be collected and analysed in order to verify potential impacts in the audit, where this information covers the following aspects:

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

## C. REGULATIONS AND CODES

### 1. APPLICABLE INTERNAL REGULATIONS AND EXTERNAL REGULATIONS

#### Company internal regulations

The Company continues to apply and update all the Internal Regulations, in order to maintain the Best practice parameters, in accordance with the Codes of Ethics. The highlights of major importance are the following:

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

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

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

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

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

#### External regulations

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

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

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

## 2. CODE OF ETHICS

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

The Procurement and Sales Manual was revised and updated according to the new external regulatory requirements and internal organisation. The adoption of best practices was thus continued, through the transparency and standardisation of criteria, through the efficiency and rationalisation of resources, respecting in every phase of the processes the compliance with strict ethical and professional criteria, seeking to establish a solid relationship of confidence with the external agents and the promotion of the identity of TAP.

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

### 3. PREVENTION OF INTERNAL AND EXTERNAL FRAUDS

The Company remains concerned with the actions of its employees, regulating what it considers to be appropriate practices and disclosing said practices. A Code of Ethics is available on the Company's intranet site. Within the scope of its Audit Plan, the Internal Audit verifies compliance with the applicable internal and external regulations and rules. The regulations set out, which play a key role in daily operations, represent a reference in the undertaking of Conformity Audits, such as procedures to prevent the practice of non-conforming actions and/or frauds. Whenever these practices are detected, the procedures defined by senior management are followed, with the initiation of investigatory procedures and possible disciplinary proceedings. If applicable, the Competent Bodies – Audit Commission and Executive Board of Directors – determine whether or not said practices are to be communicated to the competent external investigatory bodies.

### D. SPECIAL INFORMATION DUTIES

Law number 91/2001 – Budgetary Framework Law, defines the universe of entities included in the State Budget.

As of 2015, under the European System of National and Regional Accounts, TAP SGPS, S.A. is considered a Reclassified Public Entity and is included in the last sectorial accounts published by the national statistics authority (INE).

The Reclassified Public Entities are treated as Autonomous Funds and Services, according to the Budgetary Framework Law, being included in the universe of the State Budget, in the competent Ministry. This integration had consequences, namely at the level of preparation of the 2015 State Budget and obligations relative to the reporting of information to the Directorate-General for the Budget. These obligations took effect with the publication on the page of the Directorate-General for the Budget ([www.gdo.pt](http://www.gdo.pt)) of Circular number 1376 – Instructions for the preparation of the state budget for 2015.

In 2014, in compliance with this Circular, the General and Supervisory Board issued a positive opinion on the Budget Project for 2015 TAP SGPS, S.A. that included the following documentation submitted to the Directorate-General for the Budget: Expenditure and income budget, Explanatory Statement of the State Budget/2015, Statement of the Financial Position, Income Statement and Provisional Analytical Trial Balance for 2015 and respective Declaration of Conformity (Annex XI of Circular 1376 of the Directorate-General for the Budget). In 2015, the special information duties will be included in a Circular for the implementation of the budget for 2015. These duties have not yet been published. Until then, the duties included in Circular number 1375 – Additional instructions to the Decree-Law of Budget Execution of the Directorate-General for the Budget shall be complied with.

### E. WEBSITE

The following information is available on the TAP Group's website [www.flytap.com](http://www.flytap.com):

a) Head office and other elements mentioned in article 171 of the Companies Code (<http://www.tapportugal.com/Info/en/about-tap/our-company/institutional-information>);

b) Statutes and operating regulations of bodies and/or commissions (<http://www.tapportugal.com/Info/en/about-tap/our-company/institutional-information/tap-statutes>);

c) Identification of the members of the governing bodies and other statutory bodies and their curricular elements, as well as respective remunerations earned in 2014 (<http://www.tapportugal.com/Info/en/about-tap/our-company/institutional-information/governing-bodies>) (<http://www.tapportugal.com/Info/en/about-tap/our-company/institutional-information/remunerations>);

d) Documents presenting the annual accounts relating to the last five years (<http://www.tapportugal.com/Info/en/about-tap/tap-group/annual-reports>);

e) Public service obligations that the company is subject to and the contractual terms of the public service provision (<http://www.tapportugal.com/Info/en/about-tap/tap-group/annual-reports>);

f) Underlying financing model and the financial support received from the State over the last three financial years (<http://www.tapportugal.com/Info/en/about-tap/tap-group/annual-reports>).

### F. PUBLIC SERVICE OR GENERAL INTEREST SERVICE PROVISION

#### 1. CONTRACT CELEBRATED WITH THE PUBLIC ENTITY

The provision by TAP of public service obligations legally established by the State and reflected in *Commission Communication 2010/C 283/06*, is formalised through the presentation – by TAP to INAC (*Instituto Nacional de Aviação Civil, I. P.*) – of a proposal containing the annual operating programme of the routes in conformity with the established obligations, and approval of the mentioned proposal by INAC. The operating costs arising from the provision of the mentioned public service obligations by TAP are compensated through the provision of compensatory allowances whose appropriations are included in the State Budget for the year under consideration.

#### 2. PROPOSALS FOR THE CONTRACTING OF PUBLIC SERVICE PROVISION

TAP, either as a service carrier within the Public Service Obligations or as a mere service supplier, undertakes to respect at all times the relevant regulations and standards in force, which stipulate these Obligations, as is the case of the *Commission Communication 2010/C 283/06*. This communication was published on TAP website (<http://www.tapportugal.com/Info/en/about-tap/tap-group/annual-reports>).

# VI. REMUNERATIONS

## A. COMPETENCE FOR DETERMINATION

### 1. COMPETENT BODY TO SET REMUNERATION

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

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

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

The defined remuneration status was affected by reductions arising from the application of Law number 12-A/2010 of 30 June, Law 83-C/2013 of 31 December and Law 75/2014 of 12 September.

### 2. PREVENTION OF THE EXISTENCE OF CONFLICTS OF INTEREST

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

## B. STRUCTURE OF REMUNERATIONS

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

Thus, the remuneration status applicable to TAP's Governing Bodies during 2014, to which the amendments of Law number 12-A/2010 of 30 June, Law 83-C/2013 of 31 December and Law 75/2014 of 12 September were enforced, is disclosed in point VI. C. of this Report, as well as on TAP's website (<http://www.tapportugal.com/Info/en/about-tap/our-company/institutional-information/remunerations>).

## C. DISCLOSURE OF REMUNERATIONS

### Board of the General Meeting

Mandate (Start – End)	Position	Name	Annual Remuneration	
			Fixed <sup>(1)</sup>	Gross <sup>(2)</sup>
2009-2011 <sup>(*)</sup>	Chairman	Paulo Manuel Marques Fernandes	640 €	1,280 €
	Vice-Chairman	António Lorena de Sêves	400 €	800 €
	Secretary	Orlanda do Céu Silva Sampaio Pimenta d'Aguiar	330 €	660 €

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

### General and Supervisory Board

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

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

Name	Annual Remuneration <sup>(**)</sup>						
	Variable	Fixed <sup>(*)</sup>	Other	Reduction Law 12-A/2010	Reduction (State Budget Law)	Reduction Law 75/2014	Gross after Reductions
Manuel Pinto Barbosa	n.a.	126,000.00 €	–	3,815.00 €	5,740.63 €	3,526.30 €	112,918.07 €
Carlos Veiga Anjos	n.a.	98,000.00 €	–	2,975.00 €	4,464.93 €	2,734.89 €	87,825.18 €
João Borges de Assunção	n.a.	98,000.00 €	–	2,975.00 €	4,464.93 €	2,734.89 €	87,825.18 €
Luís Patrão	n.a.	98,000.00 €	–	2,975.00 €	4,464.93 €	2,734.89 €	87,825.18 €
Maria do Rosário Vítor	n.a.	98,000.00 €	–	2,975.00 €	4,464.93 €	2,734.89 €	87,825.18 €
Rui Azevedo Silva	n.a.	98,000.00 €	–	2,975.00 €	4,464.93 €	2,734.89 €	87,825.18 €
Vítor Cabrita Neto	n.a.	98,000.00 €	–	2,975.00 €	4,464.93 €	2,734.89 €	87,825.18 €

Caption: (\*) Only for remuneration, with there being no entitlement to representation expenses (\*\*) Includes supplementary remuneration for effective participation in the Specialised Audit, Sustainability and Corporate Governance Commissions

Name	Meal Allowance	Social Benefits				
		Social Protection Scheme		Health Insurance	Life Insurance	Personal Accident Insurance
		Identify	Value			
Manuel Pinto Barbosa	n.a.	Social Security	12,420.98 €	n.a.	n.a.	n.a.
Carlos Veiga Anjos	n.a.	(*)	–	n.a.	n.a.	n.a.
João Borges de Assunção	n.a.	Social Security	9,660.77 €	n.a.	n.a.	n.a.
Luís Patrão	n.a.	Social Security	9,660.77 €	n.a.	n.a.	n.a.
Maria do Rosário Vítor	n.a.	Lawyers and Solicitors Welfare Fund		n.a.	n.a.	n.a.
Rui Azevedo Silva	n.a.	Social Security	9,660.77 €	n.a.	n.a.	n.a.
Vítor Cabrita Neto	n.a.	Social Security	9,660.77 €	n.a.	n.a.	n.a.

Caption: (\*) Retired

## Board of Directors

Mandate (Start – End)	Position	Name	Appointment	
			Doc.	Date
2009-2011 <sup>(*)</sup>	Executive Chairman	Fernando Pinto	General Meeting	02.Jun.2009
	Executive Director	Luiz Mór	General Meeting	02.Jun.2009
	Executive Director	Luís Rodrigues <sup>(2)</sup>	General Meeting	02.Jun.2009
	Executive Director	Manoel Torres	General Meeting	02.Jun.2009
	Executive Director	Maria Teresa Lopes <sup>(3)</sup>	<sup>(3)</sup>	03.Dec.2014
	Executive Director	Michael Conolly <sup>(1)</sup>	General Meeting	02.Jun.2009

Caption: (\*) See number 4 of article 391 of the Companies Code; (1) Requested termination, taking effect on 31 March 2014; (2) Requested termination, taking effect on 2 December 2014; (3) Appointed with effect from 3 December 2014, under the terms of sub-paragraph f) of number 1 of article 23 of the Articles of Association of TAP, SGPS

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

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

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

Name	Annual Remuneration						
	Variable	Fixed (*)	Other	Reduction Law 12-A/2010	Reduction (State Budget Law)	Reduction Law 75/2014	Gross after Reductions
Fernando Pinto	-	420,000.00 €	-	16,500.00 €	17,635.38 €	9,470.95 €	376,393.67 €
Luiz Mór	-	280,000.00 €	-	11,000.00 €	11,756.95 €	6,313.97 €	250,929.08 €
Luís Rodrigues	-	299,398.91 €	-	11,970.00 €	11,756.95 €	8,156.84 €	267,515.12 €
Manoel Torres	-	280,000.00 €	-	11,000.00 €	11,756.95 €	6,313.97 €	250,929.08 €
Maria Teresa Lopes	-	30,698.54 €	-	1,535.00 €	0.00 €	2,909.33 €	26,254.21 €
Michael Conolly	-	64,931.51 €	-	9,318.13 €	1,330.65 €	0.00 €	54,282.73 €

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

Name	Meal Allowance	Social Benefits					Other	
		Social Protection Scheme		Health Insurance	Life Insurance	Personal Accident Insurance	Identify	Value
		Identify	Value					
Fernando Pinto	1,099.80 €	Social Security	50,816.40 €	1,037.91 €	20,236.00 €	1,096.00 €	Accommodation expenses in Portugal – gross value	85,205.76 €
Luiz Mór	987.48 €	Social Security	37,093.35 €	1,037.91 €	15,243.00 €	1,096.00 €	Accommodation expenses in Portugal – gross value	85,205.76 €
Luís Rodrigues	1,043.64 €	Social Security	29,536.48 €	1,037.91 €	4,709.00 €	1,096.00 €	At the termination of the mandate – net value	75,000.00 €
Manoel Torres	1,057.68 €	Social Security	37,014.21 €	1,037.91 €	30,567.00 €	1,096.00 €	Accommodation expenses in Portugal – gross value	85,205.76 €
Maria Teresa Lopes	88.92 €	Social Security	2,950.92 €	1,037.91 €	0.00 €	0.00 €	-	-
Michael Conolly	219.96 €	Social Security	8,320.10 €	1,037.91 €	13,306.00 €	360.00 €	Accommodation expenses in Portugal – gross value	21,301.44 €

Name	Mobile Communication Expenses		
	Defined Annual Ceiling	Annual Value	Comments
Fernando Pinto	9,000.00 €	6,006.30 €	
Luiz Mór	9,000.00 €	8,387.47 €	
Luís Rodrigues	9,000.00 €	4,891.35 €	includes expenses related to internet
Manoel Torres	9,000.00 €	2,721.41 €	
Maria Teresa Lopes	9,000.00 €	67.04 €	
Michael Conolly	9,000.00 €	540.70 €	

Costs related to Vehicles								
Vehicle fleet for use by the Executive Board of Directors and general support services of the Governing Bodies	Conclusion of individual contracts for use of vehicles	Reference value of the vehicle	Mode	Starting Year	End Year	No. of Instalments	Value of the Monthly Rent <sup>(a) (b)</sup>	Annual Value <sup>(a) (b)</sup>
12-ND-38	N	53,899.53 €	Renting	2012	2016	48	1,059.44 €	12,713.40 €
88-NC-57	N			2012	2016	48	1,145.22 €	13,742.64 €
21-EM-43	N	51,027.65 €	Acquisition	2007	n.a.	n.a.	n.a.	n.a.
68-EJ-82	N			2007	n.a.	n.a.	n.a.	n.a.
14-IM-45	N			2009	n.a.	n.a.	n.a.	n.a.

Caption: (a) Value of insurance € 98.62/month, included in the monthly instalment; (b) includes VAT at the legal rate in force

Name	Defined annual Plafond for fuel of the vehicle fleet allocated to the Governing Bodies	Annual costs of the vehicle fleet allocated to the Governing Bodies		
		Fuel	Tolls	Insurance
Fernando Pinto	24,000.00 €	16,474.40 €	6,377.20 €	€ 1,183.44 for rented vehicles (value included in the rent); from € 803.65 to € 1,112.29 for vehicles owned by TAP
Luiz Mór				
Luís Rodrigues				
Manoel Torres				
Maria Teresa Lopes				
Michael Conolly				

Name	Annual costs related to Work Travel				Total travel cost (Σ)
	Accommodation cost	Daily allowances	Other		
			Identify	Value	
Fernando Pinto	1,211.56 €	1,056.90 €	Transport	474.11 €	2,742.57 €
Luiz Mór	0.00 €	3,347.50 €	Transport	220.00 €	3,567.50 €
Luís Rodrigues	3,256.76 €	3,133.65 €	Transport	586.29 €	6,976.70 €
Manoel Torres	1,249.00 €	998.40 €	Transport	392.37 €	2,639.77 €
Maria Teresa Lopes	-	-	Transport	-	-
Michael Conolly	88.04 €	156.00 €	Transport	0.00 €	244.04 €

## Supervision and Audit

### TAP, SGPS

Mandate (Start - End)	Position	SROC identification		Appointment		Remuneration		No. of mandates held in the company
		Name	Number	Doc.	Date	Fixed <sup>(1) (3)</sup>	Gross Paid <sup>(2) (4)</sup>	
2009-2011 <sup>(*)</sup>	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis	359	General Meeting	2.Jun.2009	13,800.00 €	15,616.08 €	2
2009-2011 <sup>(*)</sup>	Certified Accountant Alternate	Fernando Marques Oliveira	207	General Meeting	2.Jun.2009	-	-	2

Caption: (\*) see number 4 of article 391 of the Companies Code; (1) value set, before remuneration cuts; (2) includes salary reduction by application, until 31 May 2014, of Law 83-C/2013 of 31 December; from 1 June 2014 to 12 September 2014, salary reductions were suspended, by virtue of Ruling number 413/2014, of 30 May 2014 of the Constitutional Court; from 13 September 2014 onwards, the salary reduction provided for in Law 75/2014 of 12 September was applied; (3) subject to VAT at the legal rate in force; (4) includes VAT at the legal rate in force

### TAP, S.A.

Mandate (Start - End)	Position	SROC identification		Appointment		Remuneration		No. of mandates held in the company
		Name	Number	Doc.	Date	Fixed <sup>(1) (3)</sup>	Gross Paid <sup>(2) (4)</sup>	
2009-2011 <sup>(*)</sup>	Certified Accountant	Oliveira, Reis & Associados, represented by José Vieira dos Reis (until 4 Dec 2013)	359	General Meeting	2.Jun.2009	32,100.00 €	36,324.36 €	2
		Oliveira, Reis & Associados, represented by Joaquim Oliveira de Jesus (as of 5 Dec 2013)	1056					
2009-2011 <sup>(*)</sup>	Certified Accountant Alternate	Fernando Marques Oliveira	207	General Meeting	2.Jun.2009	-	-	2

Caption: (\*) see number 4 of article 391 of the Companies Code; (1) value set, before remuneration cuts; (2) includes salary reduction by application, until 31 May 2014, of Law 83-C/2013 of 31 December; from 1 June 2014 to 12 September 2014, salary reductions were suspended, by virtue of Ruling number 413/2014, of 30 May 2014 of the Constitutional Court; from 13 September 2014 onwards, the salary reduction provided for in Law 75/2014 of 12 September was applied; (3) subject to VAT at the legal rate in force; (4) includes VAT at the legal rate in force

# VII. TRANSACTIONS WITH RELATED PARTIES AND OTHERS

## 1. MECHANISMS IMPLEMENTED TO CONTROL TRANSACTIONS WITH RELATED PARTIES

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

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

## 2. INFORMATION ON OTHER TRANSACTIONS

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

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

- // Manual of Procurement and Sales;
- // Manual of Financial Guidelines (Head Office and Representations);
- // Deliberation 2574.04 – Delegation of Competence, taken at the meeting of the Executive Board of Directors of TAP, S.A. on 24 April 2007;
- // Supporting information systems (Central Information System/LOG, SCORPIUS and DENE);
- // Procedures for monitoring of contractual practices, within the scope of Continuous Audit.

### In the procurement and sales functions

With a view to establishing internal procedures that cut across the various acquisitions of goods and services and sales in the core business of the companies whose capital is wholly owned by TAP Group, a new Procurement and Sales Manual was approved at the meeting of the Executive Board of Directors of TAP, SGPS, S.A., of 12 July 2014.

### PILLARS UNDERLYING THE NEW MODEL

1. Adoption of best practices in terms of processes of purchase and sale of goods and services
2. Transparency and standardisation of practices and criteria, internally and in the market
3. Efficiency and rationalisation, aimed at creating value for the Group
4. Adaptation of procedures to the needs and current reality of the Group
5. Compliance with strict ethical and professional criteria, aiming to establish a solid relationship of confidence with external agents and the promotion of the identity of TAP
6. Compliance with ethical and transparency principles, during the purchase and sale processes
7. Control and auditability of each process, maintaining the process items and other documents considered relevant in a specific dossier.
8. Respect for the environment and social responsibility
9. Compliance with legislation and specific regulations
10. Alignment with the code of ethics and the internal regulations of the Company

In this context, in the area of the purchase and sale functions, the following principles were safeguarded:

- // Competition – Assurance of the greatest access;
- // Transparency – Definition, prior to the opening of the procedure, of the requirements and the essential characteristics of the contract, which must be made available to all suppliers;
- // Loyalty – Prevalence of the interests of the Company, safeguarding its image;
- // Efficiency and results orientation – Continuous improvement of the cost/benefit process and analysis, with the exception of cases in which operational safety is placed at risk;
- // Responsibility – Assured compliance with the law, regulations and internal rules; consideration of economic and social development in the different markets in which it operates;
- // Confidentiality – Treatment of information with confidentiality.

### In relations with suppliers and customers

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

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

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

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

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

Suppliers		
PETROGAL-PETRÓLEOS DE PORTUGAL	297,640,874 €	15%
ANA-AEROPORTOS DE PORTUGAL, S.A.	124,421,808 €	6%
EUROCONTROL-UE	103,531,972 €	5%
PETROBRAS DISTRIBUIDORA S.A.	99,247,224 €	5%

# VIII. ASSESSMENT OF CORPORATE GOVERNANCE

## Compliance with Recommendations

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

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

Corporate Governance Report	Identification		Disclosure		Page	Comments
	YES	NO	YES	NO		
<b>I. Mission, Objectives and Policies</b>						
I.1.	Indication of the mission and how it is pursued, as well as the vision and values that guide the company.	✓		✓	6	I.1.
I.2.	Policies and lines of action developed under the defined strategy.	✓		✓	6	I.2.
I.2.a)	Indication of the objectives and their compliance level, as well as justification of any deviations observed and correction measures which have, or will be, applied.	✓		✓		The financial objectives of the Group and its participated companies are approved in the context of the Annual Activity Plan approved by the Company's Governing Bodies, which is disclosed to the Shareholder. The Sustainability Report contains a table presenting the level of compliance with the objectives in a triple bottom line perspective.
I.2.b)						
I.3.	Indication of the key factors underlying the company's results.	✓		✓	6	I.2.
I.4.	Guidelines laid down by the sectorial ministries.	✓		✓		See Annual Report for 2014
<b>II. Capital structure</b>						
II.1.	Capital structure.	✓		✓	8	II.1.
II.2.	Any limitations to the holding and/or transfer of shares.	✓		✓	8	II.2.
II.3.	Shareholders' agreements.	✓		✓	8	II.3.
<b>III. Shares and Bonds held</b>						
III.1.	Identification of natural persons (governing bodies) and/or legal persons (Company) which, directly or indirectly, hold stakes in other entities, with detailed indication of the percentage share capital and voting rights.	✓		✓	9	III.1.
III.2.	The acquisition and divestment of shareholdings, as well as holdings in any associations, foundations or similar entities.	✓		✓	9	III.2.
III.3.	Indication of the number of shares and bonds held by members of the administration and supervisory bodies.					Not applicable
III.4.	Information on the existence of significant business relations between holders of shares and the company.					Not applicable
<b>IV. Governing Bodies and Commissions</b>						
<b>IV.A. Board of the General Meeting</b>						
IV.A.1.	Composition of the board of the general meeting, mandate and remuneration.	✓		✓	10	IV.A.
IV.A.2.	Identification of shareholder deliberations.					Not applicable
<b>IV.B. Administration and Supervision</b>						
IV.B.1.	Adopted governance model.	✓		✓	10	IV.B.1.
IV.B.2.	Statutory rules on procedures applicable to the appointment and replacement of members.	✓		✓	10	IV.B.2.
IV.B.3.	Composition, duration of the mandate and number of permanent members.	✓		✓	11	IV.B.3.
IV.B.4.	Identification of the executive and non-executive members of the Board of Directors and independent members of the General and Supervisory board.	✓		✓	12	IV.B.4.
IV.B.5.	Relevant curricular data of each member.	✓		✓	12	IV.B.5.
IV.B.6.	Statement from each member of the management body of shareholdings they hold in the company, as well as any relations with suppliers, customers, financial institutions or other business partners.	✓		✓	16	IV.B.6.
IV.B.7.	Habitual and significant family, professional or business relations of members with shareholders to whom a qualifying stake above 2% of the voting rights is imputable.	✓		✓	16	IV.B.7.
IV.B.8.	Organisational charts relative to the distribution of duties among the different governing bodies.	✓		✓	17	IV.B.8.
IV.B.9.	Operation of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors.	✓		✓	21	IV.B.9.
<b>IV.C. Supervision</b>						
IV.C.1.	Identification of the supervisory body corresponding to the adopted model and composition, indication of the minimum and maximum statutory number of members, duration of the mandate and number of permanent and alternate members.	✓		✓	24	IV.C.1.
IV.C.2.	Identification of members of the supervisory body.	✓		✓	24	IV.C.2.
IV.C.3.	Relevant curricular data of each member.	✓		✓	12	IV.B.5.
IV.C.4.	Operation of the supervision.	✓		✓	21	IV.B.9.
<b>IV.D. Certified Accountant</b>						
IV.D.1.	Identification of the certified accountant (ROC) and/or audit firm (SROC).	✓		✓	24	IV.D.1.

Corporate Governance Report		Identification		Disclosure		Page	Comments
		YES	NO	YES	NO		
IV.D.2.	Indication of legal limitations.	✓		✓		25	IV.D.2.
IV.D.3.	Indication of the number of years that the audit firm (SROC) and/or certified accountant (ROC) has performed duties consecutively at the company/group.	✓		✓		24	IV.D.1.
IV.D.4.	Description of other services provided by the audit firm (SROC) to the company.						Not applicable
<b>IV.E.</b>	<b>External Auditor</b>						
IV.E.1.	Identification.	✓		✓		26	IV.E.1.
IV.E.2.	Rotation policy and frequency.	✓		✓		26	IV.E.2.
IV.E.3.	Identification of work conducted, other than related to audit.	✓		✓			Not applicable
IV.E.4.	Indication of the amount of the annual remuneration paid.	✓		✓		26	IV.E.3.
<b>V.</b>	<b>Internal Organisation</b>						
<b>V.A.</b>	<b>Statutes and Communications</b>						
V.A.1.	Amendment of the company's statutes – applicable rules.	✓		✓		27	V.A.1.
V.A.2.	Communication of irregularities.	✓		✓		27	V.A.2.
V.A.3.	Indication of anti-fraud policies.	✓		✓		27	V.A.3.
<b>V.B.</b>	<b>Internal control and risk management</b>						
V.B.1.	Information on the existence of an internal control system (SCI).	✓		✓		28	V.B.1.
V.B.2.	People, bodies or commissions responsible for the internal audit and/or internal control system.	✓		✓		28	V.B.2.
V.B.3.	Main measures adopted in risk policy.	✓		✓		28	V.B.3.
V.B.4.	Relations of hierarchical and/or functional dependence.	✓		✓		28	V.B.4.
V.B.5.	Other functional areas with competence in risk control.	✓		✓		29	V.B.5.
V.B.6.	Identification of the main types of risks.	✓		✓		29	V.B.6.
V.B.7.	Description of the process of identification, assessment, monitoring, control, management and mitigation of risks.	✓		✓		29	V.B.7.
V.B.8.	Elements of the internal control and risk management systems implemented in the company.	✓		✓		30	V.B.8.
<b>V.C.</b>	<b>Regulations and Codes</b>						
V.C.1.	Applicable internal regulations and external regulations.	✓		✓		30	V.C.1.
V.C.2.	Codes of Conduct and Ethics.	✓		✓		31	V.C.2.
V.C.3.	Prevention of internal and external frauds.	✓		✓		32	V.C.3.
<b>V.D.</b>	<b>Special Information Duties</b>						
V.D.1.	Economic and financial information.	✓		✓		32	V.D.
V.D.2.	Mission, level of achievement, objectives, social responsibility policy and sustainable development.	✓		✓		32	V.D.
<b>V.E.</b>	<b>Website</b>						
V.E.	Indication of address(es) and disclosure of information provided.	✓		✓		32	V.E.
<b>V.F.</b>	<b>Public Service or General Interest Service Provision</b>						
V.F.1.	Contract celebrated with the public entity.	✓		✓		32	V.F.1
V.F.2.	Proposals for the contracting of public service provision.	✓		✓		32	V.F.2
<b>VI.</b>	<b>Remunerations</b>						
<b>VI.A.</b>	<b>Competence for Determination</b>						
VI.A.1.	Indication of the competent body to establish remuneration.	✓		✓		33	VI.A.1
VI.A.2.	Identification of mechanisms adopted to prevent the existence of conflicts of interest.	✓		✓		33	VI.A.2
VI.A.3.	Statement of the members of the management body of non-interference in decisions involving their own interests.	✓		✓		33	VI.A.2
<b>VI.B.</b>	<b>Remunerations Commission</b>						
VI.B.	Composition.						Not applicable
<b>VI.C.</b>	<b>Structure of Remunerations</b>						
VI.C.1.	Remuneration policy for the administration and supervisory bodies.	✓		✓		33	VI.B.
VI.C.2.	Information on how the remuneration is structured.	✓		✓		33	VI.B.
VI.C.3.	Variable component of remuneration and attribution criteria.	✓		✓		33	VI.B.
VI.C.4.	Deferral of payment of the variable component.						Not applicable
VI.C.5.	Parameters and grounds for bonus attribution.	✓		✓		33	VI.B.
VI.C.6.	Supplementary pensions schemes.						Not applicable
<b>VI.D.</b>	<b>Disclosure of Remunerations</b>						
VI.D.1.	Indication of the annual amount of the remuneration earned.	✓		✓		34	VI.C.
VI.D.2.	Amounts paid by other companies in controlling or group relations.	✓		✓		34	VI.C.
VI.D.3.	Remuneration in the form of profit-sharing and/or bonuses.	✓		✓		34	VI.C.
VI.D.4.	Indemnities paid to former executive directors.	✓		✓		34	VI.C.
VI.D.5.	Indication of the annual amount of the remuneration earned by members of the company's supervisory body.	✓		✓		34	VI.C.
VI.D.6.	Indication of the annual remuneration of the board of the general meeting.	✓		✓		34	VI.C.
<b>VII.</b>	<b>Transactions with Related Parties and Others</b>						
VII.1.	Mechanisms implemented to control transactions with related parties.	✓		✓		37	VII.1.
VII.2.	Information on other transactions.	✓		✓		37	VII.2.

Corporate Governance Report		Identification		Disclosure		Page	Comments
		YES	NO	YES	NO		
<b>VIII.</b>	<b>Analysis of the Company's sustainability in the economic, social and environmental areas</b>						
VIII.1.	Strategies adopted and level of achievement of the established goals.	✓		✓			See Sustainability Report for 2014
VIII.2.	Policies pursued.	✓		✓			See Sustainability Report for 2014
VIII.3.	Form of compliance with the principles inherent to appropriate business.	✓		✓			See Sustainability Report for 2014
<b>IX.</b>	<b>Assessment of Corporate Governance</b>						
IX.1.	Compliance with recommendations.	✓		✓		39	VIII.
IX.2.	Other information.						Not applicable



**APPROVAL OF  
THE CORPORATE  
GOVERNANCE  
REPORT**

Approved by the General and Supervisory Board (under the terms of subparagraph o) of number 1 of article 23 of the Statutes), as proposed by the Specialised Sustainability and Corporate Governance Commission of TAP, SGPS, at the meeting of 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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July 2015





**TAP** TAP PORTUGAL  
de braços abertos *with arms wide open*  
A STAR ALLIANCE MEMBER 

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