



Corporate Governance and Sustainability Report **2012**





This is the seventh Sustainability Report of TAP Group

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

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



Also available on TAP's website

www.tapportugal.com/Info/pt/SobreaTAP/GrupoTAP/Relatorios





Index

- 4 Opening Note
- 6 Message from the Chairman of the Executive Board of Directors
- 8 Main Sustainability Indicators

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

- 12 Profile
- 16 Corporate Governance
- 17 Management Model
- 19 Risk Management
- 26 Innovation and Development
- 28 Relationship with Stakeholders
- 29 Shareholder
- 30 Customers
- 33 Quality Certification
- 34 Regulatory and Supervisory Entities
- 36 Suppliers

39 ECONOMIC PERSPECTIVE

- 40 [Importance of Air Transport for Economic Development](#)
- 44 Activity
- 45 Creation of Value for Stakeholders

47 SOCIAL PERSPECTIVE

- 48 [Respect for human value](#)
- 51 Social responsibility performance in-house
- 56 Influencing external social responsibility in society

61 ENVIRONMENTAL PERSPECTIVE

- 62 [Guaranteeing environmental efficiency](#)
- 65 Reducing waste and energy consumption
- 66 Reducing CO₂ emissions
- 68 Promoting environmental responsibility
- 69 Preserving Biodiversity
- 69 Using resources rationally

71 COMMITMENTS

- 72 Degree of Coverage in 2012 and Objectives for 2013

74 ANNEXES

- 75 GRI Correspondence Table (Global Reporting Initiative)
- 76 Global Reporting Initiative (GRI) Indicators
- 83 Abbreviations and Glossary

84 APPROVAL OF THE CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT



Main aspects of this Report

Opening Note

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

Scope

The present document refers to the calendar year of 2012 and mainly contains information relative to TAP, S.A., the company dedicated to the development of the core activity of TAP Group, and the other companies of TAP Group, with the exception of TAP–Maintenance and Engineering Brazil.

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

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

Approval

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



Structure

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

The report is composed of four sections and a body of annexes. The aim of the first two sections is to describe the general framework of TAP within the context of the sector in which it develops its activity. In this regard, the first section includes the message of the Chairman of the Executive Board of Directors, in addition to the evolution of the Key Sustainability Indicators. The second section describes

the Company Profile, with reference being made to the main Events of the year, as well as the Awards and Distinctions received, followed by the presentation of the Governance and Management Models, from the viewpoint of the sustainability strategy designed by the organisation, as well as the respective Sustainability Commitments and Objectives. The section continues with a description of the Risk Management process in the Group, followed by reference to the main developments carried out within the scope of Innovation and Development. The section concludes with a reference to the Relationship processes with the main Stakeholders, as well as the commitments made by the Company towards said Stakeholders. Throughout the third section, the positioning of TAP relative to each of the following three perspectives are described: Economic, Social

and Environmental, with each of these sub-chapters beginning with the table of the respective indicators and continuing with reference to the main developments achieved over the course of the financial year. In the fourth section, the degree of compliance in the financial year relative to the indicators of the matrix of Commitments, as well as future targets, is mentioned. Finally, the body of annexes includes the GRI Correspondence Table with explanations on the limitations and omissions relative to the same, as well as the historical series for the indicators of the Tables (GRI).

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



Message from the Chairman of the Executive Board of Directors

Following the strategic direction underlying the Company's governance, and in line with the ethical and social responsibility principles that characterise the activity of TAP in the markets where it operates and within the Community in a wider sense, we hereby publish the Corporate Governance and Sustainability Report for 2012.

Carrying out its activity within an extremely competitive industry and in a strongly regulated environment, as well as in the day-to-day management of its business, TAP never loses sight of the creation of economic and social value for its shareholder and the Country and the satisfaction and anticipation of the expectations of its customers, in addition to ensuring the best conditions for professional affirmation and progress of its employees.

Associated with this corporate objective – which involves the entire TAP Group –, are other key priorities, such as respect and the unwavering commitment of the Organisation towards the sustainability of its operations within society, as well as the defence and preservation of the environment and the planet.

As a result, the management model we have adopted gives privilege to a culture solidly supported by values such as security, transparency and accountability, with a view towards not only the economic feasibility and prosperity of the Group, but also social justice and the protection of environmental quality.

Underpinned by these three pillars, TAP conducted its activity meticulously in 2012, having obtained balanced and positive results, an overall improvement of its performance, the strengthening of competitive advantages in main markets, the reaffirmation of its brand and notoriety at a national and international level and the achievement of the targets outlined for the year in the ethical and social responsibility area.

I would, therefore, like to highlight some areas, explained further ahead in this report, in which TAP made successful strides over the course of the year, promoting the sense of citizenship of its universe of work through the development of solidarity initiatives among various population groups, and reinforcing the best corporate practices, always bearing in mind the good relations with and expectations of its various stakeholders: customers, shareholder, employees, society, suppliers and regulatory and supervisory entities.

The management model we have adopted gives privilege to a culture solidly supported by values such as security, transparency and accountability, with a view towards not only the economic feasibility and prosperity of the Group, but also social justice and the protection of environmental quality.

Along the same lines, I would also like to highlight other extremely significant advances for our activity, such as the enhancement of the technical and professional training and development of our employees, the changes to safety policy, a core value of TAP, and risk management from an operational and economic and financial viewpoint, as well as in the areas of Information Technologies, health and safety in the workplace and prevention.

Also noteworthy is the overall evolution and improvement of customer service, supported by innovation and new technologies used intensively, which was reflected in the distinction of TAP, by Socialbakers.com, as the *Provider of the best customer service on Facebook* (among the top socially devoted brands).

Still within the context of the distinctions attributed, it is important to mention the recognition of TAP's policy in favour of the balance between family and professional life, with the *Company with the best balance between professional and personal life* award, the nomination as the *Best national company in the Tourism area* and the prize for *Best European Airline*, by *Global Traveller* magazine, of the USA, in addition to the renewal of the titles of *World Leading Company for Southern America* and *World Leading Company for Africa* by the *World Travel Awards*, among others.

To conclude, one last reference to the outstanding contribution of TAP to the growth of the Tourism & Travel industry and complementary areas of activity, as well as to the impetus provided to the Portuguese economy this year, as it continues to be one of the largest national exporters and generator of direct and indirect employment on a large scale.

At the same time, TAP has reaffirmed itself internationally among the leading companies in its sector of activity, and also reinforced the name and image of the Country, not only as an instrument of excellence in establishing ties and bringing the Portuguese-speaking world closer, covering and uniting Europe with Africa and with South America, but also using its brand as a vehicle to promote genuine Portuguese products of high quality and prestige.

Fernando Pinto

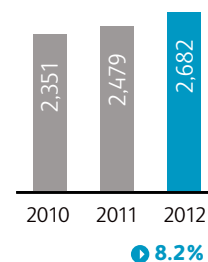
Chairman of the Executive
Board of Directors

Main Sustainability Indicators

Economic Perspective



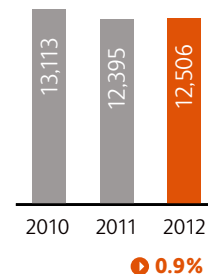
Operating Revenues and Gains of TAP Group
EUR million



Social Perspective



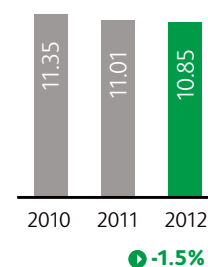
Total Employees of TAP Group
(31 December)



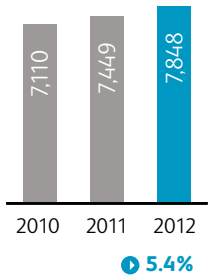
Environmental Perspective



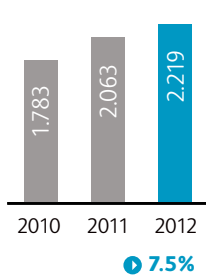
CO₂ Emissions per Passenger
(kg/100 RPK)



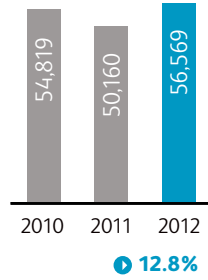
Air Transport Productivity
Thousand ASKs per Employee



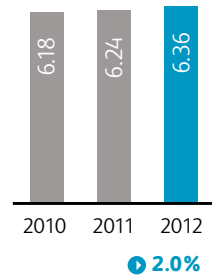
Value of the Services Rendered
Abroad of TAP Group
EUR billion



GVA per Employee of TAP Group
EUR

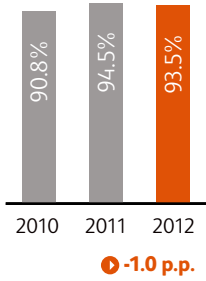


Air Transport Revenue per
Available Seat-Kilometre
EUR cents per ASK

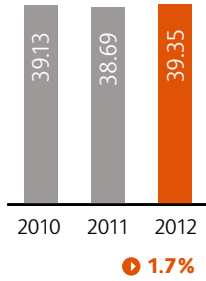


Values in IFRS (International Financial Reporting Standards)

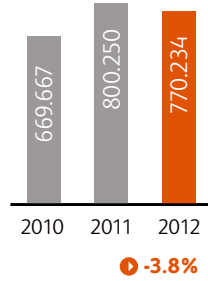
Permanent Contracts
Percentage ⁽¹⁾



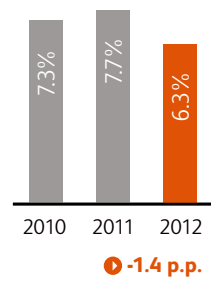
Average Age
of Employees ⁽¹⁾



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

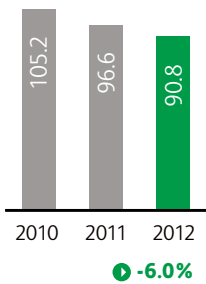


Rate of Employee Turnover ⁽¹⁾

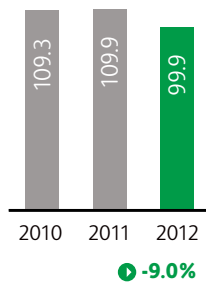


⁽¹⁾ TAP Group indicators (except TAP-Maintenance and Engineering Brazil)

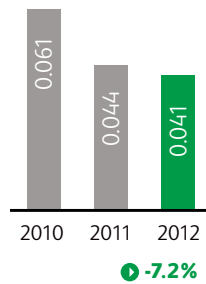
Energy consumption
over turnover ⁽¹⁾



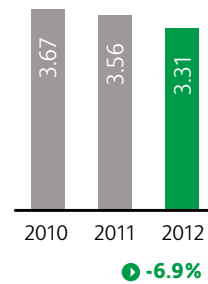
Total water consumption
over turnover ⁽¹⁾



Paper consumption
over turnover ⁽¹⁾



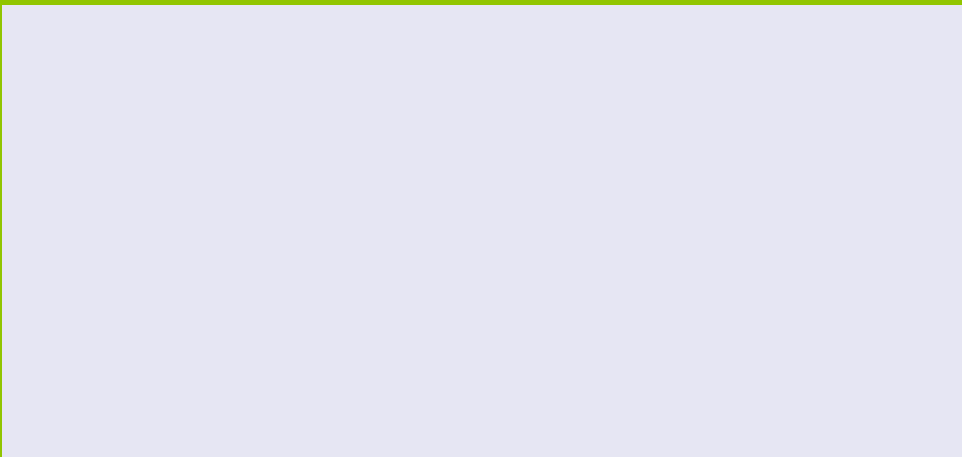
Quantities of waste produced
over turnover ⁽¹⁾



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



Commitment to contribute to economic and social development and to the preservation of the environment



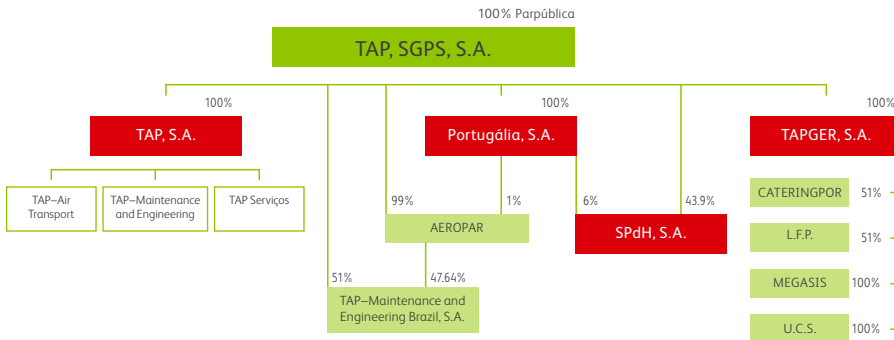
Profile

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

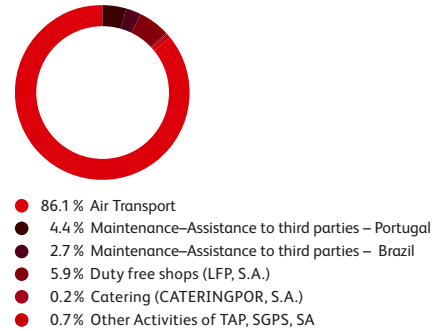
Included in the TAP Group the company TAP—Transportes Aéreos Portugueses, S.A. (TAP Portugal), whose core activity is the air transport of passengers and cargo. The Company also participates in the aeronautical maintenance business and other activities linked to the core business of the Group.

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

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



TAP Group Turnover



Vision

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

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

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.

Mission

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

Ethics

The Company has defined, as one of its critical success factors, compliance with its Code of Ethics and commitment to a culture of values upheld by this code. Since this is a dynamic process, the text of the Code of Ethics of the TAP Group was adjusted in 2011 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.

Furthermore, in compliance with the principles laid down in the Code of Ethics, note should be made of the Company's encouragement, amongst its Employees and the Community in general, of socio-environmental values, the reconciliation of family and work, transparency and respect for the rules governing good commercial practices, as well as relations with shareholders and stakeholders.



10.2 million
Carried Passengers

196 destinations
108 Europe (10 Portugal)
62 Americas
19 Africa;
7 Other Continents

83.7 thousand
Tons of Cargo transported

71 aircraft
(55 TAP; 16 PGA)

12 506 employees
TAP Group on 31st December

Principal Milestones

Chronological Record

- 2002** Voluntary Commitment to Passenger Rights
- 2004** Signing of the UN Global Compact
- 2005** Application of (EC) regulation number 61/2004 on compensation and assistance to passengers in the case of refusal of boarding or flight cancellation

- 2006** First Sustainability Report
- 2008** Adherence to the National Social Responsibility Network of Organisations (RSOPT)
- 2009** Implementation, as a pioneer company, of the Carbon Dioxide (CO₂) Emissions Compensation Programme, launched by IATA
- 2012** Implementation of the Safety Management System throughout the whole organisation and promotion of a Safety culture

Main Sustainability Achievements

Innovations in products and services

- ▶ Knowing better the Customers' profile, with reinforcement of the analytical capability
- ▶ Planning and control of catering
- ▶ Optimisation of the processes of detection, classification and reparation of aircraft cabin interiors
- ▶ Relationship with Employees
- ◆ For more information, please see pp. 26-27



Creation of value

- ▶ Reinforcing its contribution to the volume of national exports
- ▶ Enhancing the effort to attract tourism to Portugal, reinforcing the strategic importance of the Lisbon hub
- ◆ For more information, please see pp. 40; 42

Respect for human value

- ▶ Reinforcing Company values with a Safety Culture
- ▶ Promoting balance between personal and professional life
- ◆ For more information, please see pp. 53; 54

New operational safety structure









- ▶ Implemented the Safety Management System – SMS in order to endow it, as an airline operator, with a Corporate Safety, which is transversal to all of TAP's operational areas.
- ◆ For more information, please see pp. 17;19;21

Guarantee environmental efficiency

- ▶ Reducing CO₂ emissions
- ▶ Promoting environmental responsibility
- ▶ Preserving Biodiversity
- ◆ For more information, please see pp. 66-69



Main Events in 2012

| |  Economic Perspective |  Social Perspective |  Environmental Perspective | |
|-----|--|--|---|---|
| Jan | Dissemination of good environmental practices of TAP in five <i>Minuto Verde</i> programmes  | Participation of TAP in the <i>National Study on Hypertension and Salt Consumption</i>  | | Full Content agreement between TAP and TravelPort to access TAP's flight portfolio  RFID at TAP–Maintenance and Engineering, the first system integrated in an MRO  |
| Feb | TAP honours Africa in BTL via the UP magazine  | | | |
| Mar | TAP–Maintenance and Engineering showcased on the television programme <i>Falar Global</i> regarding aeronautical safety  | There's only one way of being TAP. With Arms Wide Open – internal communication campaign for the 67th birthday of TAP, with the Employees as protagonists  | | Extension of free applications to Android devices  TAP Values – campaign with the Employees There's only one way of being TAP. With Arms Wide Open in TAP youtube   |
| Mar | Mobile Check-in – check-in via mobile phone – in most European stopovers  | | | |
| Apr | TAP joins the Paper for Food campaign of the Food Bank against hunger   | Implementation of the Safety Management System (SMS)  | | New edition of the <i>Simpatia</i> (Congeniality) Programme – There's only one way to receive a <i>Simpatia</i> card. With Arms Wide Open  |
| Mai | TAP with on-board connectivity in flights between Europe and North/South America, with the OnAir WiFi service  | Culture of Safety – Employee Survey to become part of a set of proactive measures within SMS  | | Promotion of TAP Safety Policy (Safety as a core value) – within SMS  <i>Ganhar Asas</i> Programme in Facebook – for flight phobia treatment, by UCS in partnership with TAP   |
| May | TAP innovates by accepting Reservations from mobile devices (smartphones and tablets)  | Promotion of TAP Safety/Security Policy  | | Women's Race against breast cancer, supported by TAP for the 7th time  |
| Jun | Start of operations to Turin, Berlin and Bucharest  | World Children's Day celebrated with 41 Flight Baptisms  | | Launch of the <i>Prevenir</i> Programme  TAP ON AIR – first CarbonoZero® in-flight sales magazine  |
| Jun | New flight revenue management software selected  | Special conditions for University and ERASMUS Students  | | 1st Youth Gain Wings Course, promoted by TAP and UCS  Conclusion of the purchase and sale contract of the company SPdH  Launch Flip & Flap communication with youth  |
| Jul | FlyTAP reaches 50 markets and is available in 23 languages  | Cateringpor received Halal certification (as per the principles prescribed by Islamic Law)  | | Creation of the School Books Bank, an initiative of TAP and <i>Voluntários com Asas</i> (Volunteers with Wings)  |
| Aug | Approval of the reprivatisation operation of TAP by the Council of Ministers  | Maintenance management software implemented in PGA  | | |
| Oct | Cleaning and conservation action of the Botanical Garden by TAP and <i>Voluntários com Asas</i>  | Online check-in strengthened and tele check-in decommissioned, for additional convenience  | | |
| Nov | Launch of – flipflap.flytap.com – site dedicated to children  | <i>Site Mobile</i> – new TAP mobile platform for the mobile devices market  | | An even better Executive Class, in comfort, quality and with contemporary Portuguese cuisine  Celebration by TAP–Maintenance and Engineering of 25 years promoting <i>ab initio</i> courses for Aircraft Maintenance Technicians   |
| Dec | Solidarity fair for fundraising – an initiative of <i>Voluntários com Asas</i> (Volunteers with Wings)  | Christmas Concert for children, organised by TAP at Lisbon Airport  | | TAP's very first 10th Million Passenger  Conclusion of the reprivatisation process of TAP, as determined by the Government  |

Awards and Distinctions in 2012

March

CSS Awards 2012

UP website upmagazine-tap.com/, TAP in-flight magazine, nominated for CSS Awards 2012, in the Lifestyle category. This award elects the world's best websites developed with CSS (Cascading Style Sheets) language.

The UP magazine distributed on board TAP's aircraft also has an online version, thus constituting an excellent vehicle for the dissemination and promotion of both the Company and Portugal.



Portuguese Institute of Engineers – 75 years

Award granted to TAP-Maintenance and Engineering by the Materials Engineering College, for the significant integration of specialists in this area.

May

Best national company in the Tourism area (MARKETEER)

TAP was elected the *best national company in the Tourism area* by the Marketeer Awards, an initiative that selects the best performances in the marketing, advertising and communication areas. The Marketeer award marks the Company's significant contribution to the promotion of Portugal, which has helped strengthen Tourism, an activity sector whose importance is increasingly decisive for the national economy.



July

Best Customer Service in Facebook – TOP socially devoted brands (SOCIALBAKERS.COM)

Recognition by *Socialbakers.com*, the world's most cited source of global data on Facebook use, which attributed to TAP the best Customer Service in this social network, with a significant edge on the other companies comprising the TOP socially devoted brands in Portugal.

The Customer Service provided by the Company via its fan page, as well as all the information, promotions, quizzes and other functionalities made available to fans, has reinforced TAP's positioning as an international case study on the good use of social networks.

August

TOP 10 airline websites in Brazil – www.flytap.com (EXPERIAN HITWISE)

Recognition of TAP's website, www.flytap.com, as one of the most popular websites as per the ranking prepared by Experian Hitwise. The inclusion of TAP in this ranking, dominated by the Brazilian carriers, reflects the improvements in online sales.



SimpliFlying Awards for Excellence in Social Media (SIMPLIFYING.COM)

TAP was one of the seven finalists to the *Best Use of Social Media for Customer Support award of the SimpliFlying Awards for Excellence in Social Media*. SimpliFlying.com is considered one of the most important blogs on aviation, and its *twitter* account on airlines is one of the most influential, with more than 10,000 followers.

September

Best Airline Company (PUBLITURIS)

TAP was elected the Best Airline Company operating in Portugal, according to the *Publituris* newspaper readers and the jury of *Publituris* Travel Awards comprising a group of personalities in the Tourism sector. An honour that represents the recognition of the Company's efforts, continually considered as a reference company in Portugal and other markets.

October

Recognition for the contribution to the growth of the International Airport of Maputo

An honour that confirms the efforts and the work conducted by the Company in that market with a view to reinforce its presence, participating in the promotion of this route of significant importance for TAP.

November

Portuguese Wines served by TAP awarded in Poland (BUSINESS TRAVELLER POLAND)

Three Portuguese wines served on board by TAP received the *Cellars in the Sky 2012* awards in Poland, a recognition that evidences TAP's significant contribution to the international dissemination and promotion of Portuguese winemaking.

Best Retail Company (EXAME MAGAZINE)

Recognition in the 2011 edition of the 500 Largest and Best Companies of the TAP Group company LFP–Lojas Francas de Portugal, considered for the third time in a row as the Best Retail Company, for the highest sales volume per employee, and also for the highest turnover per square meter.

Company with best balance between professional and personal life (HUMAN RESOURCES PORTUGAL)

TAP was distinguished as the *Company with the best balance between professional and personal/family life*.

This award recognises the value of the Company's policy in reconciling professional and personal/family life, which the Company has always supported, namely by providing a nursery for employees' children 365 days a year, 24 hours a day.



December

World Leading Company for Southern America (WORLD TRAVEL AWARDS)

Award granted at the grand final gala ceremony of the World Travel Awards (WTA), of the North American Global Traveler Magazine. This honour, along with the recognition by the Global Traveler Magazine, is among the two most important awards granted by the Travel and Tourism industry, recognising TAP's international prestige and notoriety. This testifies to the Company's leadership in South America, resulting from the intense commitment made over the years, particularly in Brazil, one of the fastest growing worldwide markets, and where TAP is a recognised leader.



World Leading Airline Company for Africa (WORLD TRAVEL AWARDS)

Award granted by the World Travel Awards (WTA) for the 2nd time in a row, confirming TAP's leadership in this market of significant importance for the Company.

Best European Airline (GLOBAL TRAVELER MAGAZINE)

Award granted to TAP in the USA based on a survey with Frequent Passengers and Executive Passengers. This honour reflects the Company's commitment in the competitive North American market, particularly in the corporate segment, and recognises the high quality of the TAP product, and the potential of the Company's Lisbon hub as a strategic platform for the connections between North America and Europe.

Best Air Cargo Company (TRANSPORTES & NEGÓCIOS)

TAP Cargo was once again recognised as the company with highest number of awards, winning in three categories: *Best Air Cargo Company for Europe, Africa and the Americas*.

Corporate Governance

Among the corporate governance activities during 2012, the efforts in treasury management, as a result of the economic climate in Portugal and in the euro zone, as well as the uncertainty that the reprivatisation process underway during the second half of 2012 represented for the Company in terms of access to bank credit, are noteworthy.

The adverse context for TAP's activities in the year of 2012 was further exacerbated by escalating fuel prices and the need to preserve social peace, resulting from the changes introduced to the Labour Code and the imposition of more restrictive salary conditions for workers and respective tax burden increases. Corporate Governance has guaranteed, with care and prudence, the necessary stability that has kept the Company within its sustained growth path.

The Executive Board of Directors was called to intervene in TAP's due diligence process and Preliminary Hearing related with the reprivatisation process of TAP (cf. Art. 13 of the Tender Specifications that regulated the terms and conditions of the direct sale of shares representing 95% of the share capital of TAP, SGPS), a process that was completed without reaching the necessary conditions to fulfill said sale,

according to the Council of Ministers Resolution no. 111-b/2012 of 28 December. The General and Supervisory Board also articulated a position with the Executive Board of Directors to prepare the Opinion conveyed to the Parpública Shareholder, based on the documentation received from Parpública, exclusively on the strategic aspect of the Binding Technical Proposal of Group Synergy.

Within the scope of the reprivatisation process, Corporate Governance has recognised the quality and amount of work conducted by the employees of the TAP Group's Companies, in the aggregation and treatment of the information required for the stakeholders' consultation procedure. Once again, the ability of the Company and its employees to respond with a high degree of professionalism and commitment to the challenges faced has been demonstrated.

Meetings

| TAP, SGPS, S.A. | | |
|--|--------------|-----------------|
| Corporate Governing Bodies | N.º meetings | % participation |
| General Meeting Committee | 2 | 100% |
| Executive Board of Directors | 16 | 92% |
| General and Supervisory Board | 11 | 93% |
| Specialised Sustainability and Corporate Governance Commission | 6 | 90% |
| Specialised Audit Commission | 7 | 95% |

| TAP, S.A. | | |
|--|--------------|-----------------|
| Corporate Governing Bodies | N.º meetings | % participation |
| General Meeting Committee | 1 | 100% |
| Executive Board of Directors | 20 | 93% |
| General and Supervisory Board | 9 | 94% |
| Specialised Sustainability and Corporate Governance Commission | 4 | 93% |
| Specialised Audit Commission | 7 | 95% |

Governing Bodies

TAP—Transportes Aéreos Portugueses, SGPS, S.A.
TAP, S.A.

Through deliberation at the General Meeting of 2nd June 2009, for the three year period 2009–2011

General Meeting Committee

Chairman Paulo Manuel Marques Fernandes
Vice-Chairman António Lorena de Sêves
Company Secretary Orlanda do Céu S. Sampaio Pimenta d'Aguilar

Structure of the Executive Board of Directors, the General and Supervisory Board and the Specialised Commissions

Executive Board of Directors

Chairman Fernando Abs da Cruz Souza Pinto
Member Fernando Jorge Alves Sobral
Member Luís Manuel da Silva Rodrigues
Member Luiz da Gama Mór
Member Manoel José Fontes Torres
Member Michael Anthony Conolly

General and Supervisory Board

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

Specialised Commissions

Specialised Audit Commission

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

Specialised Sustainability and Corporate Governance Commission

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

Management Model

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

Under the General and Supervisory Board, which is responsible for supervising the Company's activity,

two commissions operate: the Specialised Audit Commission and the Specialised Sustainability and Corporate Governance Commission.

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

| TAP Group | |
|--|---|
| <p>Executive Board of Directors</p> <ul style="list-style-type: none"> ▶ Defines the management objectives and policies of the Company ▶ Elaborates the activity plans and budgets, and promotes the participation of the Company's services in the elaboration of the corporate governance and sustainability report ▶ Prepares the Strategic Plan of the company | <p>General and Supervisory Board</p> <ul style="list-style-type: none"> ▶ Monitors the activity of the Board of Directors of the company and participated companies, namely in regard to strategy, sustainability, achievement of objectives and compliance with applicable standards and principles <p>Specialised Sustainability and Corporate Governance Commission</p> <ul style="list-style-type: none"> ▶ Ensures the conditions for sustained growth of the Company in the economic, environmental and social (triple bottom line) areas and supervises the sustainable development and social responsibility strategy ▶ Supervises the elaboration of and submits to the approval of the General and Supervisory Board the corporate governance and sustainability reports of the Company, which communicate the respective performance relative to the social responsibility of the organisation <p>Specialised Audit Commission</p> <ul style="list-style-type: none"> ▶ Supports the General and Supervisory Board in terms of the quality, integrity and effectiveness of the internal control system, among other aspects ▶ Identifies potential significant risks of a financial, operational, safety, legal and/or social nature, which may cause significant direct or indirect losses. Defines measures and mechanisms conducive to the reduction of said losses ▶ Issues an opinion on the Company's risk manual |

| TAP Group Companies | | | | | | | | |
|---|---|---|----------------------------|--|---|--|--|---|
| <p>TAP, S.A.</p> <p>General and Supervisory Board</p> <ul style="list-style-type: none"> ▶ Monitors the activity of the Board of Directors of the company and participated companies, namely in regard to strategy, sustainability, achievement of objectives and compliance with applicable standards and principles, through two existing commissions: the Specialised Sustainability and Corporate Governance Commission and the Specialised Audit Commission <p>Executive Board of Directors</p> <ul style="list-style-type: none"> ▶ Elaborates the activity plans and budgets, and promotes the participation of the Company services in the elaboration of the sustainability report <table border="1"> <tr> <td>Air Transport Business Unit</td> <td>Maintenance and Engineering Business Unit</td> <td>TAP Serviços Business Unit</td> </tr> </table> <table border="1"> <tr> <td> <p>Operational Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health </td> <td> <p>Corporate Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health ▶ Specific Human Resources Policies ▶ Specific Labour Relations Policies </td> </tr> </table> | Air Transport Business Unit | Maintenance and Engineering Business Unit | TAP Serviços Business Unit | <p>Operational Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health | <p>Corporate Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health ▶ Specific Human Resources Policies ▶ Specific Labour Relations Policies | <p>Other TAP Group companies</p> <p>Executive Board of Directors</p> <ul style="list-style-type: none"> ▶ Elaborates the activity plans and budgets, and promotes the participation of the Company services in the elaboration of the sustainability report <table border="1"> <tr> <td> <p>Operational Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health </td> <td> <p>Corporate Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health ▶ Specific Human Resources Policies ▶ Specific Labour Relations Policies </td> </tr> </table> | <p>Operational Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health | <p>Corporate Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health ▶ Specific Human Resources Policies ▶ Specific Labour Relations Policies |
| Air Transport Business Unit | Maintenance and Engineering Business Unit | TAP Serviços Business Unit | | | | | | |
| <p>Operational Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health | <p>Corporate Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health ▶ Specific Human Resources Policies ▶ Specific Labour Relations Policies | | | | | | | |
| <p>Operational Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health | <p>Corporate Units</p> <ul style="list-style-type: none"> ▶ Safety ▶ Quality ▶ Environment ▶ Safety, hygiene and health ▶ Specific Human Resources Policies ▶ Specific Labour Relations Policies | | | | | | | |

New operational safety structure

In accordance with Safety legislation, in 2012 TAP implemented the Safety Management System—SMS, so as to endow the Company, as an airline operator, with a Corporate Safety, a body that cuts across all of the Company's operational areas. This system implies an organised, proactive and integrated approach to operations safety management, and required the

implementation of a specific organisational structure that resulted in the adaptation of the previous Air Transport Safety structure to the new reality. Among the main objectives of SMS, the development of an organisational culture that reflects the Operations Safety policy and procedures, as well as the associated responsibilities, is noteworthy. The

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



The Management Model of TAP Group seeks to promote sustainable development in the context of economic prosperity, social justice and environmental quality

Hence, with a view to ensuring the achievement of the chosen objectives, the model is supported by instruments aimed at the different perspectives, driven by the creation of value.

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

Risk Management

Two risk management approaches: one predominantly operational, and the other focusing on financial information

The operational risk aspect requires a specific focus per business, in which those directly responsible for managing the risk are the business managers in charge of defining the most appropriate monitoring methodologies and the respective management strategies.

Safety Manager – a new Operational Safety structure

From the viewpoint of operational safety, the introduction of SMS (Safety Management System) is noteworthy, an initiative that represents one of the most significant changes at the regulatory level in the last few years, contributing to the raising of Safety levels in Aviation. Operational Safety is seen today as a continuous risk management process, whose effectiveness is dependent on its application throughout the entire Company, covering all of the operating areas, and seeking the involvement of all employees (including the non-operating areas) whose activity may somehow impact Operational Safety. Thus, in April 2012, a new structure was activated in TAP – the Safety Management Department – reporting directly to the Executive Board of Directors, with the mission of implementing and maintaining the Safety Management System (SMS). Following the creation of this risk management and continuous improvement system, the number of Company areas monitored for safety increased from two – Flight Operations and Cabin Operations – to seven, with the inclusion of the Flight Dispatch, Aircraft Maintenance Engineering, Ground Handling, Cargo Operations and Security areas.

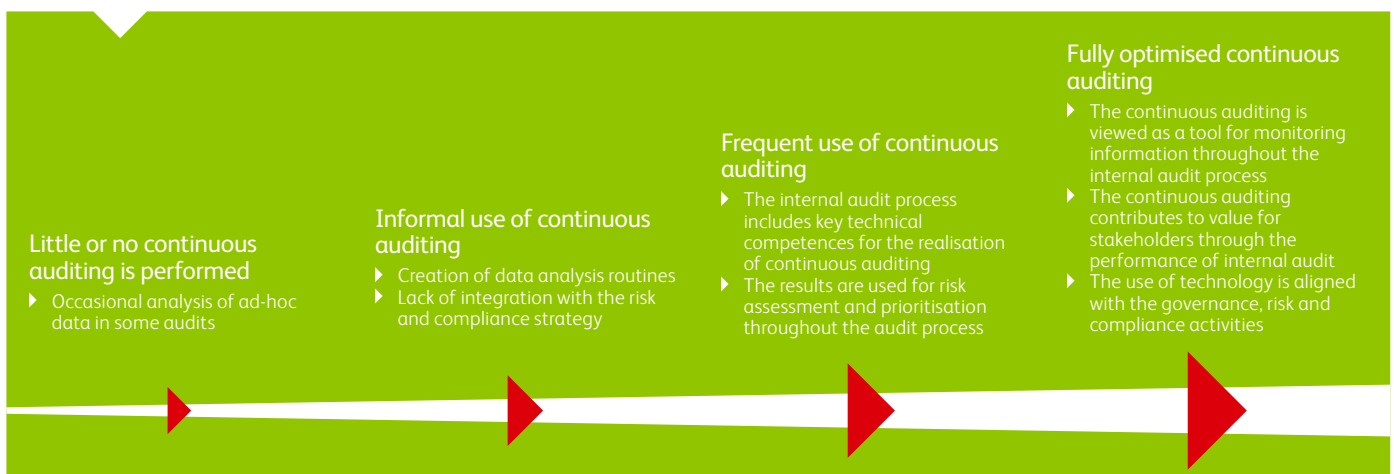
Promoting a Safety Culture

Concurrently, TAP adjusted its Safety Policy by, among other aspects, clarifying and further elaborating some concepts, such as the just culture of events reporting, under the assumption that a healthy Reporting Culture actively contributes to the taking of appropriate risk mitigation actions. The promotion of a Safety Culture reflects the senior management's commitment to a set of enduring values related to Operational Safety, shared by all within a top-down organisational dynamic.

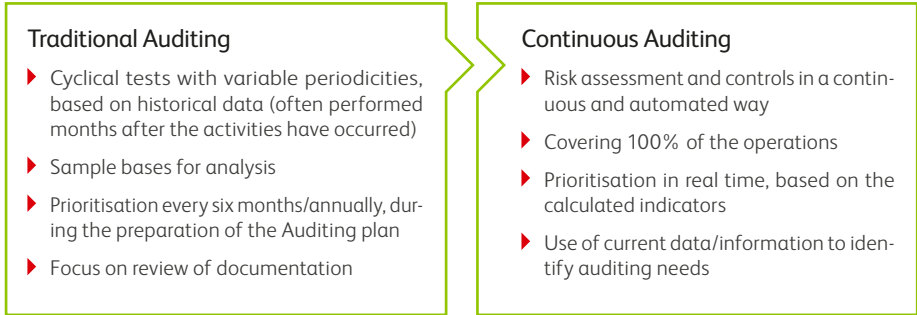
Continuous financial auditing

With the purpose of increasing reliability in the preparation and dissemination of financial information, both internally and to the market, in accordance with regulations, procedures and adopted policies, the Company has intensified preventive Audits focused on risk, and started using Continuous Auditing as a basic analytical instrument. Continuous Auditing consists in the collection of materially relevant indicators and evidence, by an internal or external auditor, from Information Technology systems, processes, transactions and controls on a frequent (with a pre-defined periodicity) or continuous basis, during a specific time period, with recourse to information technology being a crucial factor for its implementation.

In order to leverage the Audit resources, TAP has been following the developments deemed as appropriate by the Institute of Internal Auditors, as shown in the table.

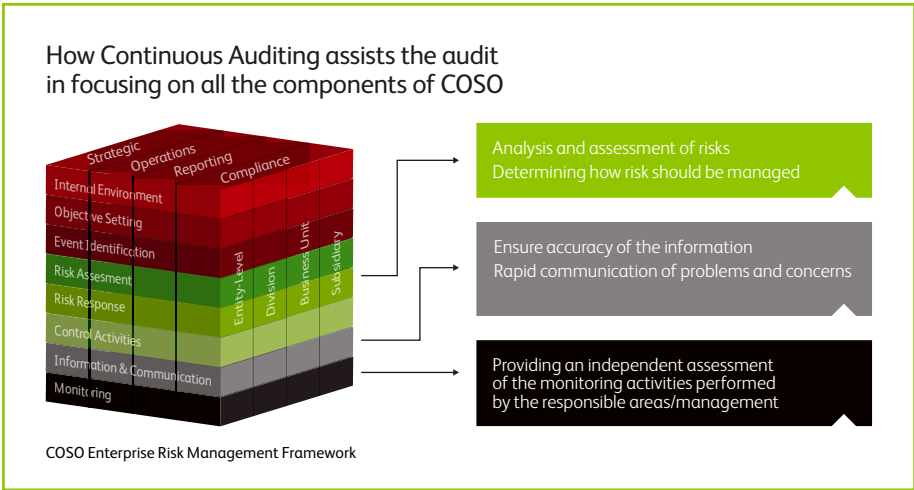


Main differences between Continuous Auditing and the traditional Auditing concept



In summary, the ultimate objective pursued is the improvement of the organisation's operational efficiency, by effectively identifying and assessing risks, and providing critical information on a timely basis for better decision making.

The basic work instrument of Continuous Auditing, as a fundamental support element, is risk management.



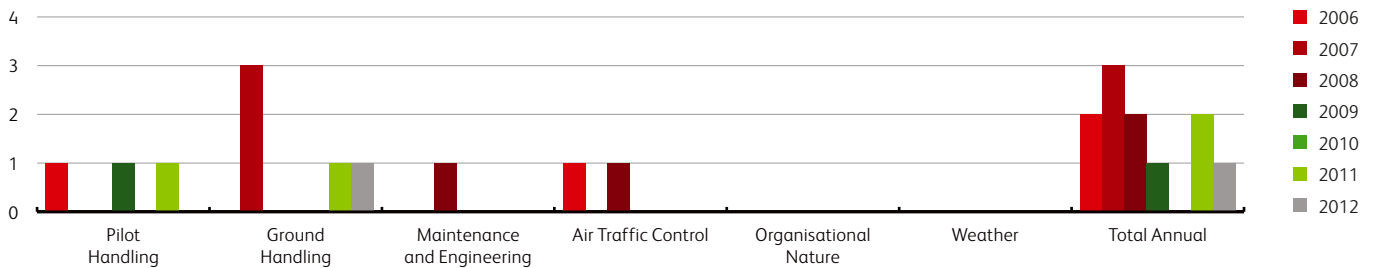
Application of the COSO Model (Committee of Sponsoring Organisations of the Treadway Commission)

Risk Analysis of specific aspects

| Entity | Scope |
|--|---|
| TAP, S.A./Air Transport Business Unit | Physical Counting TAP Warehouses Reservation class versus Issuance Class and versus Flown Class |
| TAP, S.A./Maintenance and Engineering Business Unit | Physical Counting Warehouses |
| CATERINGPOR—Catering de Portugal, S.A. | Security of information systems Reliability of system information Monitoring of warehouse internal processes, security of information systems and information reliability |
| L.F.P.—Lojas Francas de Portugal, S.A. | Warehouses/Procurement/Contractualisation with LSG LFP stock control and Physical Counting of Warehouses and Stores |
| MEGASIS—Sociedade de Serviços e Engenharia Informática, S.A. | Warehouses and contractualisation Business Continuity/Disaster Recovery Plans Physical Counting of IT Warehouse |
| U.C.S.—Cuidados Integrados de Saúde, S.A. | Warehouses, Contractualisation and Suppliers Invoicing Control |
| PORTUGÁLIA—Companhia Portuguesa de Transportes Aéreos, S.A. | Risk issues in various aspects under analysis (Human Resources, Warehouses, Contractualisation) Physical Counting Uniforms |
| TAP—Maintenance and Engineering Brazil, S.A. | Invoicing, Sales issues and Procurement Process Inventory Procedures for Services Contracting by TAP—Maintenance and Engineering Brazil Inventory Process TAP—Maintenance and Engineering Brazil |
| SPdH—Serviços Portugueses de Handling, S.A. | Suppliers Compliance Analysis, as a basis for the maintenance of the ISO 9001 Certification Check-in, loading and unloading Compliance Analysis Physical Counting Warehouses Equipment Maintenance and stationery |

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

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



Risk level

Ratio of occurrences per number of services rendered

| | TAP, S.A. | Portugália |
|-------------|-----------|------------|
| SEVERE | - | - |
| HIGH | 0.001% | - |
| SIGNIFICANT | 0.056% | - |
| MEDIUM | 1.026% | 0.126% |
| LOW | 0.875% | 0.563% |

No SEVERE level occurrences were reported at TAP and Portugália in 2012. However, since each company has its own classification criterion on the risk level of the occurrences, it won't be possible to compare the values reported by both companies.

| Type of Risk | Developments Objectives |
|---|--|
| Operational (Safety) Safety – Model of action whereby the possibility of damage, to people and goods, is minimised or eliminated through a continuous process of identification of situations of potential danger and the management of the respective associated risk. | Developments 2012 TAP, S.A. <ul style="list-style-type: none"> ▶ IOSA auditing process successfully conducted, the Operator was granted a SMS Base Line certification; ▶ Phasing into production of an application that aggregates all Safety information channels implemented in the Safety areas of the Company, which now include the Flight (FLT) Cabin (CAB) Operational Dispatch (DSP) Ground Handling (GRH) Cargo (CGO) Security (SEC) Maintenance (MNNT) * (EASA part M) areas; ▶ According to the LOW, MEDIUM, SIGNIFICANT, HIGH, and SEVERE risk levels classifications, among the operational occurrences reported in 2012, only the first four were assigned risk classifications. One occurrence in the Ground Handling area (as per the table above) was reported with HIGH risk classification; ▶ Consolidation of the use of SPIs (Safety Performance Indicators) to assess the safety performance and implementation of a criterion of <i>traffic light</i> alerts to take action in line with the recommendations in ICAO DOC 9859; ▶ Initiation of projects to qualify the technological infrastructure, endowing the Safety area with the ability to perform proactively (and in the future, predictively); ▶ In line with what was established for 2012, the processes that integrate TAP's SMS are being improved, as well as the alignment of processes to the recently published ICAO DOC 9859 Adv.Ed.3. PORTUGÁLIA–Companhia Portuguesa de Transportes Aéreos, S.A. <ul style="list-style-type: none"> ▶ Stabilisation of the Flight Data Monitoring Fokker 100 programme, and continuity of the Embraer 145 FDM development; ▶ Continued implementation of the SMS programme. Objectives 2013 TAP, S.A. <ul style="list-style-type: none"> ▶ Review of the Safety Policy to consolidate TAP's Core Values; ▶ Continued to develop the technological infrastructure to support the Safety activities (Data Collation Tool, Hazard Library, Safety Portal and Risk Management Tool); ▶ Continued training/awareness on <i>Safety</i> concepts for all of the Company's Employees. PORTUGÁLIA–Companhia Portuguesa de Transportes Aéreos, S.A. <ul style="list-style-type: none"> ▶ Continued SMS implementation with strong focus on the 2013 transversal training programme, covering all of the Company's Employees. |

| Type of Risk | Developments Objectives |
|---|--|
| <p>Health and Safety at Work</p> <p>Risk management system linked to the professional activity, based on a systematic programme of identification and assessment of the risks to health and safety at work, their respective valuation, as well as the implementation of control measures, in order to improve health and safety at work in the Company.</p> | <p>Developments 2012</p> <ul style="list-style-type: none"> ▶ Continued implementation of the plans to continuously assess the occupational health and safety conditions, and ergonomics to identify and quantify the risks related to the professional activity, in accordance with the internal and legal regulations in effect, and to make recommendations on the preventive/corrective control measures, as applicable; ▶ Analysis of occupational accidents to determine their causes, thus contributing to the reduction of accident rates; ▶ Preparation of Manuals to Identify and Assess Professional Risks, and of the Personal Protection Equipment Manuals, an update covering 369 jobs; ▶ Completion of the continuous improvement project - <i>Zero accidents</i> - at the engine service machines workshop, and start of the same project at the structures area of TAP-Maintenance and Engineering Portugal; ▶ Training actions on prevention of professional risks, promotion of health and first aid training for ground staff and flight crew, in compliance with the IATA international standards and national legislation; ▶ Health monitoring tests to evaluate physical and psychological aptitude for the professional activity, as well as pre-admission and return-to-work tests after a disease or occupational accident, according to legislation. <p>Objectives 2013</p> <ul style="list-style-type: none"> ▶ Implement the necessary measures to meet the national legislation in force and the international standards that regulate occupational health, hygiene and safety in aeronautical and/or related activities; ▶ Continue to develop the established actions of health promotion and prevention of occupational accidents and work-related diseases, via the intervention of the Health and Safety at Work multidisciplinary team; ▶ Continue to prepare and permanently update the Manual to Identify and Assess Professional Risks, and the Personal Protection Equipment Manual for all Company areas; ▶ To implement, in TAP Maintenance and Engineering, the Health and Safety at Work +SST Prevention Programme via the continuous improvement project <i>Zero accidents</i> and start the <i>5' of safety</i> project in the Major Maintenance area; ▶ Reinforce awareness actions, namely in e-Learning format, on the promotion of health, prevention of professional risks and occupational accidents among flight crew members. |
| <p>Economic and Financial</p> <p>Risk monitoring and control systems, and consequent impacts, arising from the behaviour of the financial markets and of the economy in general.</p> | <p>Developments 2012</p> <p>Fuel and Emissions</p> <ul style="list-style-type: none"> ▶ Monitoring markets within a context of persistently high costs – but reduced volatility and, hence, limited opportunities – and reduced availability of credit from counterparts; ▶ Contracting of fuel hedging operations for the entire year, at a higher percentage than the consumption for the 2nd half of 2012, and start of operations in 2013; ▶ Opening of a CO₂ emission allowances account, and preparation to participate in the market for emission allowances; ▶ Forward purchase of emission allowances to partially offset – in conservative terms given the perspective of regulatory changes – of the estimated deficit. <p>Financing and Liquidity</p> <ul style="list-style-type: none"> ▶ Study and evaluation of financing alternatives based on non-aircraft assets; ▶ Contracting of simultaneous sales and operating leasing operations, involving several spare engines; ▶ Renegotiation of financial leasing operations involving 3 aircraft; ▶ Maintenance of short term credit lines for treasury support; ▶ Maintenance of treasury management flexibility and streamlining mechanisms; ▶ Diversification of counterpart entities, within the scope of hedging. <p>Objectives 2013</p> <ul style="list-style-type: none"> ▶ Enhancing the monitoring and potential reinforcement of the hedging of fuel; ▶ Adjustment of the actions, and identification of the amounts to transact in the emissions market, within the context of the regulatory changes underway in the EU Emissions Trading Scheme; ▶ Resuming the negotiation of new financing operations suspended due to the privatisation process. |

| Type of Risk | Developments Objectives |
|--|--|
| <p>Information Technologies</p> <p>Systems used by organisations to identify weaknesses and threats.</p> | <p>Developments 2012</p> <ul style="list-style-type: none"> ▶ Conducted system and network security audits, namely within the scope of the EFB–Electronic Flight Bag system; ▶ Actions conducted to define and prepare requirements within the scope of user management processes, unification of internal authentication and enterprise single sign-on; ▶ Preparation and review of IT security policies and procedures, based on the recommendations of the ISO27000 standards; ▶ Continued implementation of virtualisation technologies within the system infrastructures, with the consequent increase in the level of system scalability, reliability, recovery and security; ▶ Increased use of data replication between Processing Centres to increase the security of stored information and systems recovery in the event of a disaster. <hr/> <p>Objectives 2013</p> <ul style="list-style-type: none"> ▶ To implement an integrated monitoring system, BSM–Business Service Manager which, by correlating the services rendered to the business and the technologies that support them, will allow the definition of metrics, and increase the security and quality control of the services rendered; ▶ To implement the new IT Service Management system, in line with the good practices of the ITIL methodology, in order to improve the quality of IT services and minimise the risk of non-compliance for the service levels agreed upon; ▶ Continue to align the technological infrastructure with the PCI-DSS standards (Payment Card Industry-Data Security Standards); ▶ To improve the analysis processes of Internet use data, with particular emphasis on the security-related aspects; ▶ To study the implementation of event correlation systems, commonly named IPS/IDS–Intrusion Prevention Systems/Intrusion Detection Systems; ▶ To implement software licensing control processes. |
| <p>Fire – Prevention</p> <p>Risk management system for fire, explosion and spillage of chemical products. Includes the Internal Security Plans, continuous training of Employees, the manuals for protection against explosive atmospheres (ATEX Manuals), Simulation Drills based on risk scenarios, and an internal audit plan.</p> | <p>Developments 2012</p> <ul style="list-style-type: none"> ▶ Preparation and publication of the Internal Security Plan for the TAP Campus, a document whose purpose is to prevent risks of fire, explosion and spillage of chemicals in TAP’s common spaces and pathways, to protect people and goods, as well as to ensure the continuity of the activity; ▶ 33% increase in the number of emergency drills conducted in 2011; ▶ Training extended to the service providers residing at the TAP Campus, via the theoretical and practical training actions provided by TPS/ARF/Fire Prevention, in order to ensure widespread knowledge on fire safety organisation, as well as the procedures to adopt in an emergency. In 2012 a total of 580 people took part in the training, including TAP employees and service providers; ▶ The periodic audits plan now includes the fire prevention and security equipment maintenance service providers, seeking to guarantee the quality and improvement of the services rendered. <hr/> <p>Objectives 2013</p> <ul style="list-style-type: none"> ▶ Improvement of the fire prevention security communication, to consolidate the prevention culture; ▶ Fire emergency drills with full evacuation of buildings; ▶ On job training actions conducted. |

| Type of Risk | Developments Objectives |
|---|---|
| <p data-bbox="100 349 555 479">Maintenance and Engineering</p> <p data-bbox="100 383 555 479">Risk Management is inherent and integrated in the responsibilities defined in the context of the aeronautical certifications and accreditations held⁽¹⁾ which are compulsory to guarantee the continuity of its activity.</p> <p data-bbox="100 517 376 539">TAP–Maintenance and Engineering</p> | <p data-bbox="571 349 762 371">Developments 2012</p> <ul style="list-style-type: none"> <li data-bbox="571 389 1102 412">▶ INAC and EASA audits (EASA standards Part M, 145, 147 and 21); <li data-bbox="571 412 1442 479">▶ Preparing the transition from ISO 9001 and AS 9110 standards to the new standards, with updates of the respective procedures and manuals, particularly the new Configuration Management and Risk Management processes; <li data-bbox="571 483 1206 506">▶ Audit to renew <i>Bureau Veritas</i> certification (ISO 9001 and EN 9110 standards); <li data-bbox="571 510 1466 555">▶ IPAC (<i>Instituto Português de Acreditação</i>) audit of the Calibrations Laboratory, as part of the certification under the NP EN ISO / IEC 17025:2005 Standard; <li data-bbox="571 560 1450 649">▶ Implementation of the EU-US Bilateral Agreement: annual quality audit to renew the FAA (Federal Aviation Administration) 14 CFR Part 145 certification conducted by INAC, and approval of the new FAA Supplement (Special Conditions), with the new Quality and Safety procedures required to renew the approval certificate as an FAA Repair Station; <li data-bbox="571 654 1410 698">▶ Implementation of the EU-Canada Bilateral Agreement: approval by INAC of the new TCCA Supplement (Transport Canada), to renew the acceptance by TCCA of the EASA Part 145 certification; <li data-bbox="571 703 1422 748">▶ IOSA audit (IATA Operational Safety Audit) which attested that TAP–Maintenance and Engineering has a standalone and mature SMS, which contributes to TAP’s SMS; <li data-bbox="571 752 1410 819">▶ Implementation of the Operational Safety Management System (SMS–Safety Management System) of TAP–Maintenance and Engineering, which represents an evolution of the concepts of Safety and Quality management, as compared to the traditional QMS (Quality Management System); <li data-bbox="571 824 1410 869">▶ Continuation of the Safety Training and Safety Promotion training actions; preparation of new posters to promote good voluntary reporting and risk management practices; <li data-bbox="571 873 1410 918">▶ Reformulation of the electronic communication channels on Safety, namely, the automation of voluntary reporting via intranet, as well as of the Campus of the Business Unit; <li data-bbox="571 922 1469 990">▶ Use of the means available on the intranet to disseminate information on Safety, namely via MSB (Maintenance Safety Bulletin), a biweekly publication, and the permanent page in the TAP Newspaper dedicated to promoting the SMS of TAP–Maintenance and Engineering; <li data-bbox="571 994 1458 1039">▶ Creation and launch, by the Safety Office ME, of the booklet <i>The Mission of the Leader in SMS</i>, highlighting the decisive role of the leaderships, in general, for a successful SMS implementation; <li data-bbox="571 1043 1437 1133">▶ Within the scope of the investigation of occurrences, the members of MIP (Maintenance Investigators Pool) – currently comprised by 18 investigators selected by TAP–Maintenance and Engineering –, held 9 Safety investigations, and their discussion at the ERG (Event Review Group), a body presided by the Management of this Business Unit; <li data-bbox="571 1137 1458 1249">▶ The work involved in preparing the publication of the initial version of the SMS Manual for TAP–Maintenance and Engineering is, after a period of approximately two years, nearing its conclusion. Publication, for the first time also, of the annual MSR (Maintenance Safety Report) for the Business Unit, followed by the first meeting of its SRB (Safety Review Board), where the Safety Policy was reconfirmed, and the Safety objectives, indicators and goals (SPI–Safety Performance Indicators) for 2012 were defined; <li data-bbox="571 1254 1469 1442">▶ Creation of the structures, definition of responsibilities and establishment of the interactions for the operational groups that support the SMS of TAP–Maintenance and Engineering, namely: <ul style="list-style-type: none"> <li data-bbox="647 1299 807 1321">▶ Safety Office ME; <li data-bbox="647 1326 884 1348">▶ SAG (Safety Action Group); <li data-bbox="647 1352 884 1375">▶ SRB (Safety Review Board); <li data-bbox="647 1379 970 1402">▶ MIP (Maintenance Investigators Pool); <li data-bbox="647 1406 884 1429">▶ ERG (Event Review Group); <li data-bbox="647 1433 932 1456">▶ SPOT (Safety Operational Team). <li data-bbox="571 1447 1453 1514">▶ Within Safety Assurance, the first Safety Audit was conducted by the auditors of the Audit Office of TAP–Maintenance and Engineering. This pioneering action within TAP only addressed opportunities to improve the SMS of TAP–Maintenance and Engineering; <p data-bbox="571 1529 727 1552">Objectives 2013</p> <ul style="list-style-type: none"> <li data-bbox="571 1570 1453 1637">▶ Publication of revision 1 of the SMS Manual of TAP–Maintenance and Engineering, publication of MSR (Maintenance Safety Report), regarding the Safety activities conducted in 2012, followed by the annual SRB (Safety Review Board) meeting involving the definition of the Safety objectives, indicators and goals for 2013; <li data-bbox="571 1641 1442 1686">▶ Implementation, in the short term, of an integrated Risk Management IT platform in TAP–Maintenance and Engineering; <li data-bbox="571 1691 1374 1803">▶ Start of new phases of SMS implementation for the Business Unit, within Safety Assurance, namely: <ul style="list-style-type: none"> <li data-bbox="647 1713 775 1736">▶ Safety Audit; <li data-bbox="647 1740 959 1762">▶ IEP–Internal Evaluation Programme; <li data-bbox="647 1767 871 1789">▶ Management of Change; <li data-bbox="647 1794 1342 1816">▶ Adaptation of the Internal Audit Programme to a Risk Management-based philosophy. <li data-bbox="571 1807 1458 1874">▶ The ERP (Emergency Response Plan) procedures for the Business Unit could not be updated in 2012 as planned, in line with the respective TAP plan, as well as the development of the specific processes to be used in emergency and contingency situations typical of maintenance and airworthiness management activities. |

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

| Type of Risk | Developments Objectives |
|--|---|
| <p>PORTUGÁLIA—Companhia Portuguesa de Transportes Aéreos, S.A.</p> | <p>Developments 2012</p> <ul style="list-style-type: none"> ▶ Certification Part M subpart I; ▶ Increased training capacity of Aircraft Maintenance Technicians (TMA—<i>Técnicos de Manutenção de Aeronaves</i>); ▶ Implementation of the AMOS software and transfer of the entire airworthiness management and maintenance dataset to the new system; ▶ Creation of Maintenance Quality Assurance (GQM—<i>Garantia de Qualidade da Manutenção</i>). <hr/> <p>Objectives 2013</p> <ul style="list-style-type: none"> ▶ Full review of the document structure for the Maintenance and Engineering Department (MED), seeking to reflect the processes modified by the introduction of the new maintenance software; ▶ PGA Certification as entity part 147 (MTO); ▶ Implementation of quality assurance processes in the AMOS software; ▶ Document and process changes, as required by ISM revision 6 of IOSA; ▶ Review of the MED training process. |



Innovation and Development

Innovation is recognised as an essential factor to ensure the Company's competitiveness. Today innovation is part of the corporate and business strategies, being supported in a structured way by the Management of TAP. The year of 2012 once again evidences the enterprising and innovative culture of the Company, of which some outstanding examples are provided hereunder:

Increased efficiency and relationship levels, via the progressive training of employees to work with new technologies

Seen as an active party, in 2012 the employees continued to be involved in the decentralisation strategy and improvement of the Human Resources management processes started in previous years.

The training of Employees to work with new technologies which allow and facilitate the integration and availability of information and processes, in addition to the efficiency induced, allows the Company to pursue the objective of improving its relationship with Employees, reflected in their increased satisfaction and feeling of belonging to the team.

Good examples of this strategy are the services provided, in 2012, as self-service within FlySTAFF, such as the payment of tickets with credit card and access to ticketing facilities via mobile (Tablets and Smartphones).

In a clear option for the improvement of management processes and development of Employees, the development and implementation of a set of strategic tools to identify and manage human resources and capital was continued, being the following initiatives the most relevant:

- ▶ Development of individualised career management systems;
- ▶ Management of the technical curriculum;
- ▶ Performance management per function;
- ▶ Competences management;
- ▶ Benefits.

Using these tools, both the Employees and the Human Resources managers are now able to recognise in advance and measure the competences and the functional requirements that must be developed or met, in order to fulfil the missions and challenges they are faced with.

FlySTAFF



The ability to act proactively according to the Customer's profile as a consumer

TAP's loyalty programme started about 20 years ago, and along its course of evolution it has acquired characteristics that classify it among the Industry leaders, frequently nominated and many times awarded at international level.

With the objective of consolidating this strategy, promoting continuous improvement and the adaptation to new realities, TAP has adopted a new loyalty platform that, in addition to optimising the support to business processes, allows for the integration with other solutions of the Group, and consequently the availability of information and functionalities in different systems and channels.

Dashboards produced by the exploitation of the ATHOS system, promoting Customer profile analysis

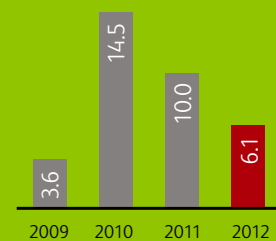


This evolution reinforced the capacity for analysis of the information of the loyalty programme, materialised in the ATHOS proprietary information system, resulting from the investment made over the past few years by TAP to consolidate the information processed by its operations, which today integrates rather diversified information on customers, flights, sales, reservations or boarding.

This information infrastructure provided, as from 2012, a better knowledge not only of passenger profiles, evaluating their position within a social-demographic perspective, but also their habits as frequent passengers, and the respective responses to marketing campaigns. TAP's marketing team started to have a more structured historical knowledge on the Customer, with the ability to analyse and segment their profile in terms of passengers, consumption habits and use frequency of the different channels. This analytical capacity is a competitive advantage that allows us to forecast the future travel needs of each passenger, and naturally, to act proactively according to his/her profile as a consumer.

Innovation at TAP materialises in the search and detection of opportunities that allow the Company to set itself apart from the competition, while at the same time preserving intact the efficiency goals continually pursued. Innovations introduced in products, services, processes, competences and organisational structures are means to ensure the Company's adaptability and survival in the market.

Investment in Innovation TAP, S.A.
EUR million



Innovative technological solution for the optimisation of the processes to detect, classify and repair aircraft cabin interior elements

TAP's passenger is more and more demanding regarding the quality of the in-flight services rendered. Generally speaking, and particularly in executive class, the comfort and services provided are becoming increasingly important, and are a distinctive factor in the choice of an airline while planning a trip. This reality led TAP to bolster a programme of optimisation of the processes to detect, classify and repair aircraft cabin interior elements that require intervention, such as seats, carpets or restrooms. Focused on this goal, the Maintenance and Engineering Unit implemented a periodic inspection process of aircraft cabins, and also streamlined all of the support activities, providing more and better information to the teams involved, and guaranteeing the portability and up-to-dateness of this information. This process is supported by an innovative technological solution which guarantees the integration and consistence of operational information, from aircraft inspections to components repair, ensuring integration with the logistics process as well.

ICIP – Maintenance and Engineering System



Invoicing among airlines, a critical process that underwent significant technological innovation

Invoicing among airlines is a critical process, requiring careful attention by the financial departments of the companies, in all of their instances, from the remittance terms to the strict control and verification of invoicing data. For this reason, the process underwent significant technological and functional innovations, with the creation of a new automated solution compatible with the new IATA regulations, which includes all of the related businesses (passenger and cargo). The new solution simplifies the invoicing process among the airlines that intend to adhere to it, however they need to make changes in the IT applications that support or are related with the invoicing process.

TAP has early adhered to the process, and in 2012 developed the procedural and technological adaptations required for full integration with the first phase of this new solution.

More effective control of fuel costs

Jet fuel is one of the most relevant costs that airlines must bear, and is therefore a significant challenge for the consumption management and control tools. Over the past few years TAP has conducted different initiatives in the operational areas, leading to significant reductions of this cost as a result of the operational improvements introduced. Additionally, in 2012 the Company developed and implemented, in the central IT system, an innovative Jet fuel Contracts Management solution to integrate operational and financial information, automating and facilitating the entire invoice validation process and allowing for a more effective control of fuel costs.

Transmission of operational messages among airlines based on an innovative system

The transmission of operational messages among airlines plays a paramount role in the commercial aviation industry, particularly in important areas such as reservations, passenger boarding and flight management. Over the years, the need to integrate more entities, such as Handling Agent or other technologies, into this huge message exchange system, has driven companies to develop IT systems which are complex, costly and difficult to maintain.

In 2012 TAP developed an innovative message exchange system based on new system development technologies, less costly and easier to maintain, which allows integrating new communication technologies such as the Internet-based ones.

This system, internally named as B_BOX, is today one of the components of the TAP Integration Platform, a central structure in the integration strategy and innovative architecture of services-oriented systems.

Monitoring the activity of aviation catering

The need to monitor production planning and control and the logistics processes that comprise the *aviation catering* activities, along with the option to progressively increase the potential integration and/or complementary information with the Customers, drove Cateringpor to design a plan to modernise the company's IT operations.

The inexistence in the market of satisfactory specific products for this activity, and the high cost to adapt the existing ones, justified the modular development of an application, from the base IT platform in use by the industry and in logistics.

Implemented Modules

Recipes & Proposals

- ▶ Recipes of the menus defined by the Customers and prices as a basis for production planning and control and the budget process

Complaints

- ▶ Record of Customer Complaints and follow up – shared with the Customer from reporting through to conclusion

Operations

- ▶ Electronic integration of the communications with the main Customer
- ▶ Cargo plans
- ▶ Online flight control
- ▶ Safety reports

Suppliers

- ▶ Procedure to request market quotes, and select/accept proposals from suppliers (in the test phase)

Modules under development / implementation

Production

- ▶ Planning and control of the productive process, for stock and immediate delivery

Invoicing

- ▶ Invoicing per menu element – provides the Customer with a new instrument to manage the cost and composition of meals

Relationship with Stakeholders

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

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

| Stakeholders | In the development of its objectives, the company assumes the following positioning | Communication channels |
|----------------------------------|---|---|
| Customers | Provide a quality product through the best and easiest solutions for their journeys and increasingly adding additional value to the product offered to them; Actively contributing to uphold the high levels of safety, demanded by the Aeronautical Industry, to ensure safe conditions for people and goods. | <p>Customers Passengers</p> Call Centres; Talk to Us; Victoria Frequent Flyer Programme; TAP Website; Invoice; In-Flight Magazine; In-Flight Video; Executive Lounge; iPhone; iPad, Social Networks (Facebook, Twitter). <p>Customers Cargo and Mail</p> Cargospot Cargo System; Cargo Call Center; Website GF-X booking engine; Website TAP Cargo; Must Go products; Freighter Services. <p>Customers Maintenance and Engineering</p> TAP–Maintenance and Engineering Website; Customer Managers; Customer Satisfaction Survey; Advertising Campaigns; <p>Internal Customer Business Units and Group companies</p> Satisfaction Portal of TAP Serviços; Disclosure of the evolution of operating performance in Business Unit areas of TAP Serviços. |
| Shareholder | Always endeavouring to achieve the best results in a sustained manner. | General Meeting; General and Supervisory Board; Annual Reports; Meetings; TAP Website. |
| Employees | Provision of conditions for professional development and employability of its Employees, the establishment of a relationship with the Employees and respective representative organisations according to ethical principles and principles of mutual respect and the promotion of balance between family and professional life. | Corporate Intranet; TAP Newspaper and Information Flash; Corporate Agreement; Meetings with Workers' Committee and Workers' representative structures; Survey on Organisational Climate; Performance Evaluation feedback Meetings; Training; Welcome Programme for new Employees; <i>Reconhecer</i> Programme; Ceremony of 20 years of service in TAP. |
| Society | Be identified with principles of transparency, in following its social responsibility commitment to Society. Assume an important role in promoting changes in society and, in this way, contribute to greater development and social cohesion. | TAP Website; Museum; Visits to the premises. |
| Suppliers | Continue to invest in the relationship with Suppliers, in a manner that is transparent and that guarantees the applicability of the sustainability principles throughout the value chain, with TAP considering that the advantage of its services is, in part, determined by the quality of Suppliers. | TAP Website; Supplier Portal; Events to mark notable moments in Supplier relations (Workshop with parts manufacturers and the Industry Steering Committee (ISC) of the A320 Family held in Lisbon); |
| Regulatory and Auditing Entities | Transparent and continuous communication and the rigorous fulfilment of rules established by regulatory and auditing entities is considered an essential condition for carrying out TAP's activity. | Opinions, Comments and Reports for INAC, GPERI/MEE (Strategic Planning and International Relations Office of the Ministry of Economy and Employment), MNE/DGATE (Directorate-General for Technical and Economic Issues of the Ministry of Foreign Affairs), Directorates-General of the European Commission (DG Mobility and Transport, DG Environment, DG Competition), among others; Periodic meetings with all the above mentioned entities and European and International Bodies directly related to Industry (AEA, ERA, IATA, ICAO); Observation of negotiations of Air Transport Agreements between the Portuguese State or the European Commission and Non-EU States; Assessment of the impact of proposals for legislation in Industry. |

Shareholder

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

On 31 December 2012, the nominal capital of the Group, in the amount of EUR 15,000 thousand was constituted of 1,500,00 nominal shares of EUR 10 each.

Remuneration of Shareholders

In 2012, no dividends were attributed to shareholders, with total net income having been transferred to retained earnings, in accordance with current legislation and the Company's Statutes.

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

Most relevant facts announced during the financial year 2012

March

Accounts for 2011.

General and Supervisory Board report on the 2011 financial year.

May

TAP Group's Corporate Governance and Sustainability Report 2011.

Annual General Meeting of TAP, SGPS.

June

Purchase and Sale Agreement of Shares representing 50.1% of the share capital of SPdH.

August

Strategic Plan 2012-2016.

Consolidated Financial Statements for the First Half of 2012.

Unanimous Decision in Writing by the single shareholder Parpública (SGPS), S.A. whereby specific guidelines are issued for the management of TAP, SGPS and TAP Group during the reprivatization process.

Communication to the single shareholder Parpública (SGPS), S.A. on the negotiations to set up a transaction involving spare engines for the A320, A330 and A340 fleets.

September

Publication in the *Diário da República* (Official Gazette) of Decree-Law no. 210/2012, approving the 3rd and 4th phases of the indirect reprivatization process of the share capital of TAP, S.A., to take place following the reprivatization of the share capital of TAP, SGPS.

October

Publication in the *Diário da República* of Council of Ministers Resolution no. 88-A/2012, approving the tender specifications for the direct sale to be conducted within the 3rd phase of the indirect reprivatization process of TAP, S.A.

November

Approval by the Executive Board of Directors of the Activities Plan and Budget for 2013.

Approval by the General and Supervisory Board of the Activities Plan and Budget for 2013.

December

Preliminary Hearing of TAP, as per art. 13 of the Tender Specifications that regulate the terms and conditions of the direct sale of shares representing 95% of the share capital of TAP, SGPS, within the third phase of the reprivatization process.

Publication in the *Diário da República* of the Council of Ministers Resolution no. 111-B/2012 that determines the completion of the direct sale process with the rejection of the binding proposal submitted by Synergy Aerospace-Corporation for the acquisition of shares representing the share capital of TAP, SGPS, within the third phase of reprivatization.

Customers

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

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

Principles of transparency

TAP's policy focuses on operating with the greatest transparency possible, providing its Customers with clear and detailed information, enabling informed choices. TAP communicates the total price of the air transport, indicating the values of the ticket according to the chosen destination (single or return), airport or other taxes and applicable service charges. Customers are informed of the restrictions relative to the conditions of the chosen ticket and that it is subject to the number of seats available by booking class. Through its sales channels, TAP offers the lowest available air fare for the intended date, flight and booking class, including information on possible price differences, according to the sales channel used.

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

It should be noted that, at the end of 2012, the Facebook of TAP – in the markets of Portugal and Brazil –, totaled more than 330 thousand fans, representing an increase of 150 thousand fans relative to 2011, and in the official profile of the page of Portugal, an average of 12 to 13 thousand new fans/month.

According to the information on this page, Portugal, Brazil and the United Kingdom represent the three main markets, from which TAP fans come from. In addition, according to Socialbakers.com – the most cited worldwide source regarding global data on the use of Facebook –, TAP has the best Customer service in this social network in Portugal, standing out significantly from the other companies that make up the TOP socially devoted brands.

Creation of value for the Portuguese economy and society

TAP, S.A., together with its partners, has offered its passengers and cargo customers connections to 196 cities, transported 10.2 million Passengers (+4.5%) and 83.7 thousand tons of cargo and mail.

The contribution of TAP Group to the volume of national exports, EUR 2,219 million in sales and services rendered in markets abroad, has strengthened its positioning, representing 7.5% more than the value of 2011.

Total operating income and gains per job have increased by approximately 10.3% for the TAP Group as a whole, with the company TAP, S.A. having increased by 9%.

Regarding its contribution to job creation, TAP Group recorded an increase in jobs, with an 18% increase in the company TAP, S.A..

During 2012, TAP–Maintenance and Engineering Portugal provided services to over 53 Customers worldwide, of which approximately 66% are airline companies, always ensuring compliance with its commitments, namely with respect to the maintenance of the high standards of security inherent to the aeronautical industry, and protection of the environment.

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



- ▶ Attract and earn the loyalty of Customers through the value and quality of services offered by the Group.
- ▶ Promote innovative and flexible solutions, be recognised as a strategic partner and fulfil expectations consistently.
- ▶ Encourage a frequent and transparent relationship with Customers to enable the identification of opportunities to satisfy their expectations in relation to the services offered by the Company.
- ▶ Attract and earn the loyalty of Customers by offering a trustworthy goods transport service.
- ▶ Promote new innovative and diversified products, in line with different needs.
- ▶ Modernise contact processes with Customers, enabling greater effectiveness and speed of response.

Safety of people and assets

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

Pursuant to IOSA/IATA regulations, for possible use in the case of in-flight medical emergencies, UCS prepares first aid kits and places them on board all TAP aircraft, for use by the cabin crew. In 2012, approximately 30,800 of these kits were prepared and refilled.

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

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

During 2012, there was a 57.5% increase, relative to 2011, in the number of services covered by the risk system.

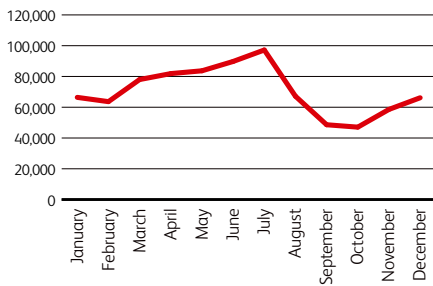
Management committed to the development of the community and the environment

The growth and improvement of the Lisbon hub and of the second operating hub, in Porto, continued through the increased connectivity between Europe, Brazil and Africa, which is an important factor in boosting economic growth. In turn, in order to promote inter-connectivity in the Portuguese-speaking world, there was an increase in the number of connections, with the objective for the year having been reached.

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

In the CO₂ emissions compensation (*Carbon Offset*) programme, the defined objective was surpassed by 128%. It should be recalled that TAP was the first airline company in the world to launch this programme, which allows passengers to compensate the effect of the carbon footprint left by their travel. With the objective of reaching, by 2020, a growth rate in the CO₂ emissions volume indicator and in the fuel consumption indicator that is 50% below the growth of activity. In 2012 it was observed that the growth of these indicators represented 68.2% of the evolution of activity. The reduction of energy, water, paper and waste produced also represented a transversal concern, with initiatives having been developed in different activities of the companies of TAP Group.

Youtube Pageviews 2012

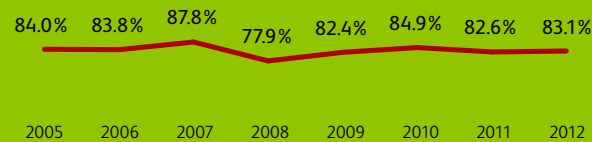


Global Satisfaction Air Transport – TAP Passengers



The effort made to offer a distinctive service was reflected in an increase in the satisfaction level of passengers who are TAP customers (+1.2%).

Global Satisfaction TAP – Maintenance and Engineering Portugal



Customer Satisfaction for TAP – Maintenance and Engineering Portugal shows an improvement trend, having been possible to capture their attention, by raising awareness of the importance of their participation, reaching a response rate of 65%.

Global Satisfaction TAP Serviços



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



Providing a quality service

In order to offer diversified services, 3 new destinations were launched in the European region. The number of flights has grown (+3.3%), and at the same time there has been an increase in the number of destinations served directly by TAP (+5.2%) for Lisbon, Porto, Faro and the Autonomous Regions as a whole.

TAP has continued to offer the model based on differentiation through quality and price, according to individual travel motivation – five ways to travel and five classes of service: tap I executive; tap I plus; tap I classic; tap I basic and tap I discount.

In order to improve the quality of on board service, entertainment systems, and seating comfort in class Y for the long-haul fleet, the entire entertainment equipment of A340 aircraft was replaced with the IFE (In-flight Entertainment) interactive system throughout the aircraft.

Equally, the on board service for the executive class (TAP I Executive) was revamped, with the new concept offering a more comfortable ambiance, sophisticated service ware and creative menus.

The efforts towards a distinctive service resulted in an increased number of members of the Victoria Programme (+1.9%), an increase in the satisfaction level of TAP passengers (Global) (+1.2%) and in the satisfaction level of TAP passengers (Ground Services) (1.1 p.p.).

The comfort and safety of its passengers are fundamental to TAP, which also offers its Customers services in the area of health care and well-being in relation to air travel. In close collaboration with the health unit of TAP Group (UCS), TAP offers its Customers access to medical authorisations for boarding of sick or disabled passengers (MEDIF), according to the international regulations (IATA), creating safe transport conditions that may involve special care, such as medical equipment on board, care by a health technician or transport on a stretcher.

TAP and UCS offer the public the *Ganhar Asas* programme, targeting passengers with a fear of flying, aimed at overcoming this fear. The Traveller Services offered by UCS at the Lisbon airport is specially focused on destinations accessible by air and on TAP passengers, being sought for varied reasons such as leisure and business trips, including travellers with extended delay at their destinations, who leave to work or study in less developed areas of the world, particularly Africa, Asia and South America. UCS provides a complete service with medical evaluation and preventive recommendations by specialised nurses, administration of vaccines, prescription of prophylactic medication (for ex.: malaria) and availability for recommendations and evaluation during and after travel, reducing to a minimum the health risks associated to travelling. The health unit of TAP Group is one of the country's specialised centres that work in close cooperation with the Portuguese Health Authority and Institute of Hygiene and Tropical Medicine on international vaccination.

Quality Certification

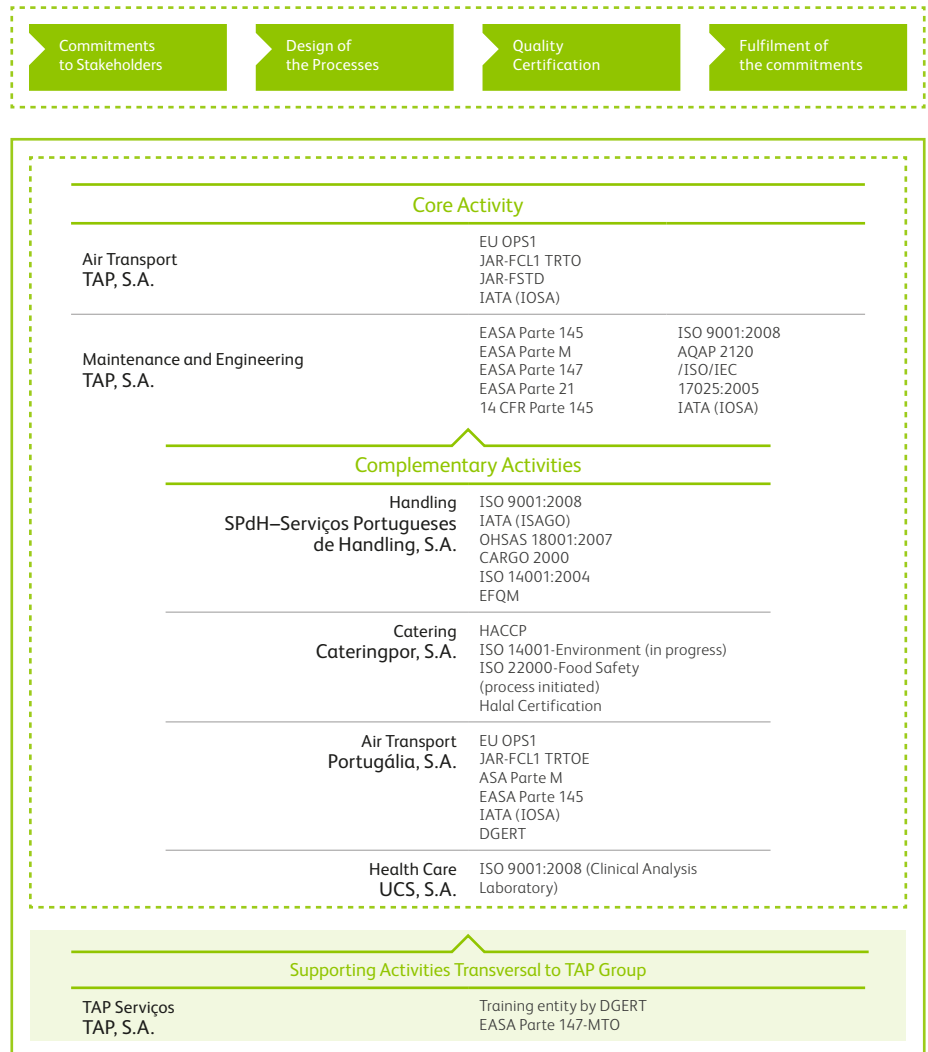
Quality is perceived by TAP as a strategic factor

The various certifications constitute an integral part in the designed processes, at each of the Group companies, with a view to corresponding to the expectations of its Stakeholders.

TAP established a decentralised Quality Management system, involving the entire organisation and maintaining an appropriate level of the decision-making process closer to critical areas, contributing to the involvement of all Employees and Suppliers with a view to achieving the objectives of the Quality Policy.

In the operational area, the Operating Quality Management System of TAP Portugal is established in accordance with the EASA, JAA and IOSA requisites and is based on a continuous cycle of *Planning, Implementation, Verification and Correction*, with responsibilities defined transversally throughout the entire organisation. The Operating Quality Policy defines Safety and Security, Punctuality, In-flight Comfort and Improvement in Quality performance as the objectives to be met by all the Employees of the organisation, basing its air activity on compulsory compliance with the operating requisites issued by INAC, JAA, EASA, FAA, IATA and by the Company itself.

Safety is the priority defined by the Senior Management, applicable to the entire operation of the Company.



To be involved in an aircraft accident it would be necessary to fly once per day during **13,699 consecutive years**

TAP Portugal considers Safety as a critical element of air activity, requiring the constant involvement of all of the organisation's Employees. In 2012, the Statistics of IATA show that this was the best year in the history of commercial aviation, with a ratio of accidents involving the total destruction of jet aircraft of western construction of 0.2%, that is, one serious accident per 5 million take-offs. This result represents an improvement of 46% over the previous year, the year that the rate registered 0.37%, representing one accident for every 2.7 million take-offs. Comparatively, in the last decade, a reduction of 34% was achieved relative to 2001, for the same type of aircraft of western construction.

| Developments in 2012 | |
|---------------------------------|---|
| ISAGO | ▶ IATA's audit of TAP in May |
| Safety | ▶ Documentation and implementation of the Safety Management System (SMS) at TAP |
| INAC Audit (JAR-STD scope) | ▶ Audit of TAP's simulators and Quality System |
| Auditoria INAC (EU-OPS 1 scope) | ▶ Audit of TAP for the renewal of the Air Operator Certificate (AOC) |
| Objectives for 2013 | |
| INAC Audit (JAR-STD scope) | ▶ Audit of TAP's simulators and Quality System |
| INAC Audit (EU-OPS 1 scope) | ▶ Audit of TAP for the renewal of the Air Operator Certificate (AOC) |
| INAC Audit (JAR-FCL scope) | ▶ INAC Audit – Audit of TAP for the renewal of the TRTO organisation Implementation of the Compliance Monitoring System at the TRTO organisation |

Regulatory and Supervisory Entities

The regulatory entities are empowered to ensure compliance with the rules, sanctioning anti-competitive practices and offences, and to correct certain behaviour. Its functions are performed by entities independent of Governments or, at least, with some degree of freedom in relation to the management on which it directly or indirectly depends.

Activities resulting from the action of these Entities

As definer and monitor of the rules for access and performance of Air Transport activities, the Regulator should base its decision making and actions on basic principles such as transparency, proportionality, uniform application criteria, non-discrimination and active involvement of stakeholders. This is the only way to provide a healthy environment that promotes business sustainability, under clear rules, easily interpreted that ensure among the economic agents a level playing field.

Following this line of action, and sensible to the signs, aspirations and needs of stakeholders, TAP has continued to act on the preparation and reviews of agreements, conventions and legislation on external relationships, competition, airport and traffic management infrastructures, protection of the environment and of passengers' rights, and flight safety, among others, via participation in and contribution with industry organisations (IATA, AEA, ERA) or the regulatory and legislative instances and bodies at national and community levels.

TAP is permanently aware and tries to anticipate the dynamics, trends and signs of market change, getting ready and acting proactively to best adapt or influence, in advance and positively, the regulatory framework and conditions that shape and support its business. Simultaneously, and since Air Transport is a global scale industry and, in particular, a catalyst of the economy and well-being of communities, regions and countries, TAP deems indispensable and works so that the different regulatory entities (national and supranational) coordinate and reconcile their policies and actions to create and maintain a harmonised regulatory framework, avoiding to the maximum possible extent any overlapping, contradiction, disparity or retaliation of measures among jurisdictions which could potentially erode value for all of the involved stakeholders. TAP promotes among the different legislative and regulatory instances a holistic, integrated, balanced and long-term vision for the Aviation industry that maximises the benefits the sector can produce for the well-being of the communities, and the progress of the countries that rely on it as a cluster that leverages their economies.

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

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

Europe

European Commission

The European Commission, the primary executive institution of the EU, is empowered to propose legislation and ensures that EU policies are applied correctly.



EASA – European Aviation Safety Agency

Its mission consists in promoting the highest common rules on safety and environmental protection in the civil aviation sector.



ECAC – European Civil Aviation Conference

An intergovernmental organisation the objective of which is to promote the sustained, safe and efficient development of the European air transport system. This entity functions in close coordination with ICAO and in active cooperation with other institutions of the European Union.



National

INAC – Instituto Nacional de Aviação Civil, I.P.

Its mission involves the regulation and supervision of the civil aviation sector and of the activities developed in this sector (Ministry of Public Works, Transport and Telecommunications).



Competition Authority

Its main mission is to ensure compliance with the competition defence legislation, encourage the adoption of practices promoting competition and contribute to the dissemination of a competition culture and policy (Ministry of Economics and Innovation).

International

ICAO – International Civil Aviation Organization

This is a specialised institution of the United Nations, with the objective of promoting international cooperation in civil aviation.



Other National Civil Aviation Authorities (of the EU and of non-EU countries)

Its mission, as is the case of the Portuguese aeronautical authority, consists in regulating and supervising the civil aviation sector.

Looking back at 2012

Relationship between the European Union and other States

Under the multilateral relations framework, the European Union has executed Global Air Transport Agreements with the following States:

- ▶ State of Israel, on 30 July;
- ▶ Republic of Moldavia, on 26 June.

Relationship between Portugal and other States

Under the bilateral relations framework, Portugal has executed Air Transport Agreements with the following States:

- ▶ the Dominican Republic, on 2 March;
- ▶ the Republic of Colombia, on 10 August.

| Legislation | Summary |
|--|---|
| <p>Commission Regulation (EU) no. 965/2012, of 5 October relative to: Establishment of technical requirements and administrative procedures for air operations, to create conditions to guarantee the safe use of aircraft;</p> | <p>Establishment of detailed rules for commercial air transport operations using aircraft and helicopters, namely, to inspect parked aircraft owned by operators under the safety supervision of another State, when landed in aerodromes located within the territory covered by the terms of the Treaty;</p> |
| <p>Commission Implementing Regulation (EU) no. 923/2012, of 26 September relative to: Establishment of common air rules and operational provisions related to air traffic services and procedures applicable to air traffic in general under Regulation (EC) no. 551/2004</p> | <p>Definition of the execution rules, so as to adopt appropriate provisions within the air rules domain based on the standards and practices recommended by the International Organisation for Civil Aviation (OACI), as well as to harmonise the implementation of the OACI air space classification, in order to ensure perfect, safe and efficient air traffic services under the single European sky;</p> |
| <p>Decree-Law no. 116/2012, of 29 May relative to: Establishment of the legal regime of market access and the exercise of traffic rights within regular air transport to countries outside the European Union</p> | <p>Creation of a regime that clarifies and defines the conditions and procedures with regards to the assignment of traffic rights, namely in situations of a quantitative limitation of use of the available rights within regular air transport activities to countries outside the European Union;</p> |
| <p>Law no. 19/2012, of 8 May relative to: Approval of the new legal competition regime applicable to all economic activities</p> | <p>Intended to align the Portuguese fair competition framework with the European rights, and welcome the jurisprudence and experience obtained by the Competition Authority. This is an extremely important law for companies, as it creates conditions for a more demanding stage in the application of the competition rules in Portugal.</p> |

Outlook for 2013

Relationship between the European Union and other States

Under the multilateral relations framework, the European Union is expected to execute Global Air Transport Agreements with the following States:

- ▶ the Republic of Azerbaijan;
- ▶ the Federative Republic of Brazil;
- ▶ the Republic of Turkey.

The negotiation process is also expected to be resumed with a view to establishing a Global Air Transport Agreement with the following State:

- ▶ Australia.

Relationship between Portugal and other States

Under the bilateral relations framework, Portugal is expected to execute Air Transport Agreements with the following States:

- ▶ the Republic of Peru;
- ▶ the Republic of India;
- ▶ the Russian Federation.

| Legislation | Summary |
|--|--|
| <p>Council Directive 96/67 (Revision) relative to: Ground handling services at European Union airports</p> | <p>Aimed at enhancing the efficiency and overall quality of ground handling services for users (airlines) and end users (passengers and freight forwarders) at EU airports;</p> |
| <p>Regulation (EC) no. 95/93 (Revision) relative to: Common rules for the allocation of slots at airports of the European Union</p> | <p>Aimed at guaranteeing the optimal allocation and use of the slots at congested airports;</p> |
| <p>Directive 2002/30/EC of the European Parliament and of the Council (Revision) relative to: Establishment of rules and procedures with regard to the introduction of noise-related operating restrictions at European Union airports as part of a balanced approach</p> | <p>Establishment of rules concerning the standardised introduction of noise related operating restrictions at each airport, in order to improve the noise climate and limit or reduce the number of people affected by the harmful effects of the noise emission of aircraft;</p> |
| <p>Regulation (EC) no. 261/2004 of the European Parliament and of the Council (Revision) relative to: Establishment of common rules on compensation and assistance to air passengers in the event of being denied boarding and of cancellation or long delay of flights</p> | <p>The rights of passengers in the event of disturbance to circulation or damage to/loss of baggage seem to be insufficiently protected and, on the other hand, the airlines face an additional financial weight, as well as legal uncertainty when extraordinary circumstances occur;</p> |
| <p>Application of article 16 of Directive 2003/87/EC (Decision on temporary derogation) relative to: Aviation activities for airports outside the EU</p> | <p>Aims, in practice, to ensure that the CO₂ emissions in 2012 covered by the Directive are limited to those within the intra-EU space, so that OACI is more likely to find a global solution until the General Meeting is held in September;</p> |
| <p>Directive 2003/87/EC (possible Decision with a view to its amendment) relative to: Clarification of the provisions regarding the calendar for the auctions of licenses for the emission of greenhouse gases</p> | <p>The European Commission (EC) intends to reduce the number of CO₂ emission licenses available in the market within the period 2013-2015, moving part of the offer to the period 2019-2020. This intervention in the carbon market will increase considerably the cost of CO₂ emission licenses in 2013-2015.</p> |

Suppliers

A strategic partnership on the path to sustainability

Sustainability is a concept that is strongly embedded in TAP's culture, and which the Company permanently seeks to integrate in its relationship with the different supplier chains. In this sense, as a leading company in the civil aviation market, TAP Portugal seeks to act as a catalyst among its suppliers, by supporting and stimulating them in their quest for continuous improvement of social and environmental performance. Not limited to results, the performance of the Company also includes how these results are achieved, considering as decisive the constant search for balance between the business needs and the demands inherent to a sustainable development, and whose results are regularly submitted to analysis with regards to the progress achieved.

To meet these goals, TAP places a significant focus on the partnership with suppliers and service providers, considering it as fundamental not only from a short term viewpoint but also from a medium and long term perspective, in terms of its growth strategy. Thus, as TAP seeks maximum Customer satisfaction, an objective that involves offering the best Services on the ground and onboard, the quality of the services rendered to external and internal Customers is directly dependent on the quality of the products and services rendered by its suppliers and service providers.

Therefore, for the development of this strategic partnership, the effectiveness and innovation invested result in added value that are subsequently reflected in the services the Company provides to the end Customers. One the other hand, the visibility to Customers, made possible by the scale and scope of the air transport business, provides national and international suppliers and service providers with unique opportunities. This is why TAP stimulates its partners to keep on the path towards innovation, efficiency and sustainability, leveraging the price/quality binomial; at the same time, the development of this process requires sharing the same vision by all parties involved – Internal customers, procurement area, and suppliers/service providers.

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

Risk assessment

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

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

Meeting with Maintenance and Engineering Suppliers

In 2012, TAP tried to establish partnerships with national companies for the supply of goods and services, stimulating their competitiveness in different international markets. Given the high standards required by the aeronautical industry regarding certifications, there is some difficulty in finding domestic market suppliers that meet such strict criteria. However, aware of the environmental, economic and social benefits, TAP–Maintenance and Engineering challenged national companies to become its partner, promoting in 2012 a meeting with about 100 representatives of the Portuguese Aeronautical Industry Association.



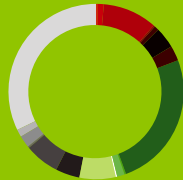
Characterisation of Suppliers

Profile of the base of suppliers TAP Group (except TAP–Maintenance and Engineering Brazil)

Total Suppliers

8 904

Distribution among National and Foreign markets



- 0.4% Angola
- 1.5% Netherlands
- 1.2% Belgium
- 0.3% Norway
- 9.8% Brazil
- 6.7% Others
- 0.5% Cape Verde
- 4.2% United Kingdom
- 0.7% Denmark
- 6.5% United States
- 3.8% France
- 0.2% Singapore
- 2.8% Germany
- 2.3% Spain
- 25.3% Italy
- 1.5% Switzerland
- 0.3% Mozambique
- 32.0% Portugal



The integration of sustainability

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

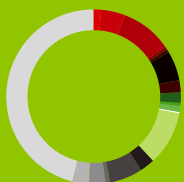
It is worth noting, in this case, the following initiatives by TAP–Maintenance and Engineering:

- ▶ Generic questionnaire sent to suppliers, inviting them to provide information on different legal and technical aspects, and also related to their sustainability policy, namely compliance with the EU REACH regulations on chemicals.
- ▶ Under the REACH regulations, TAP tries to get supplies from suppliers that have already recorded the substances that comprise the products to be procured, thus benefiting from the authorisations previously granted to those suppliers, either manufacturers or formulators, positioned as *downstream users* in the distribution chain.
- ▶ When negotiating with suppliers, the Business Unit tries to ensure that the supply materials are located as near as possible to the logistics centre (Lisbon), thus reducing distances, mileage travelled, and consequently CO₂ emissions.
- ▶ Launch, in 2012, of a project for the massive replacement of rescue vests in the medium-haul fleet, with the objective of reducing airborne weight, which obtained a reduction of 1.3 tons for the total fleet, with consequent benefits for the ecological footprint.
- ▶ TAP’s environmental concerns regarding its supply chain are related to the warranty that all of the acquired products are received with the respective Safety Data Sheets, listing the environmental information on the products in question.

Total invoices recorded

2 497 EUR million

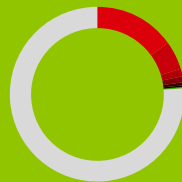
46% of Suppliers are from National market



| | |
|-------------------|-----------------------|
| ● 1.4% Angola | ● 1.0% Netherlands |
| ● 4.5% Belgium | ● 0.5% Norway |
| ● 9.5% Brazil | ● 9.9% Others |
| ● 0.5% Cape Verde | ● 2.9% United Kingdom |
| ● 0.5% Denmark | ● 6.1% United States |
| ● 5.8% France | ● 0.8% Singapore |
| ● 2.0% Germany | ● 3.0% Spain |
| ● 2.0% Italy | ● 45.9% Portugal |
| ● 0.6% Mozambique | |

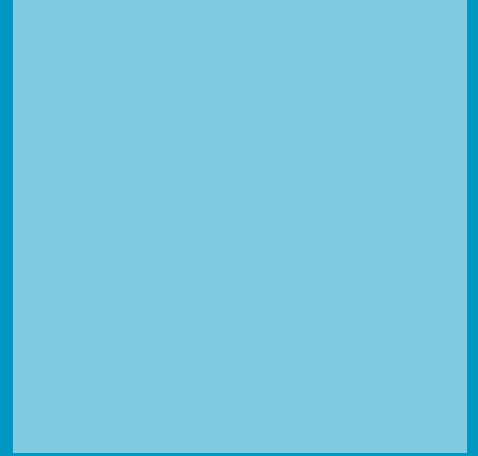
Adjudications per purchase areas TAP Serviços

Included: TAP, S.A. (except TAP–Maintenance and Engineering); Megasis; Portugalía ; Groundforce

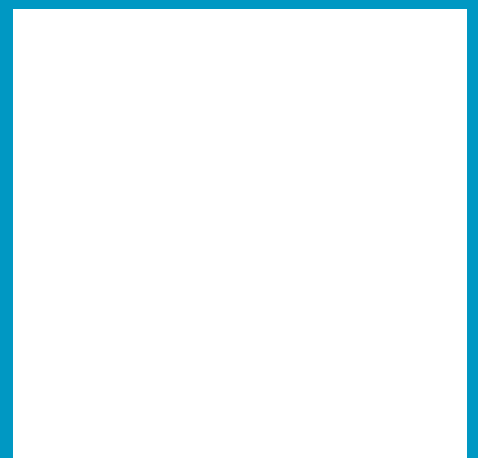
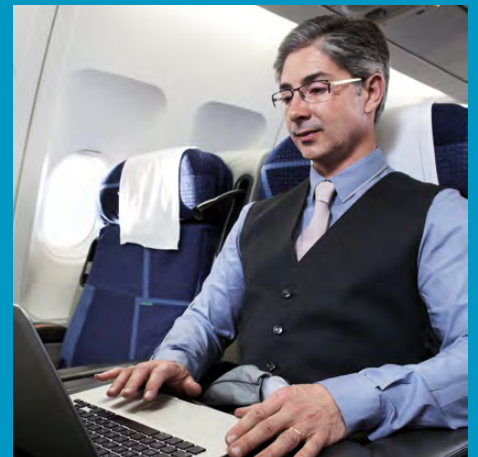
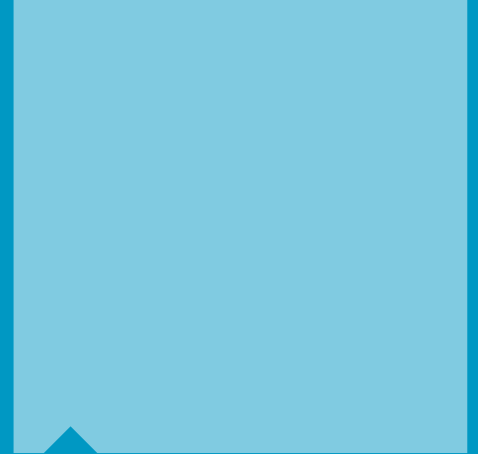


| | |
|------------------------------|-----------------------|
| ● 76.369% Jet Fuel | ● 0.108% Media |
| ● 14.932% Handling | ● 0.087% Computers |
| ● 5.111% Catering | ● 0.068% Stationery |
| ● 1.608% Hotels | ● 0.003% Furniture |
| ● 1.125% In-flight | ● 0.003% Vehicles |
| ● 0.460% Irreg. (Hotels+Pva) | ● 0.002% Out of Stock |
| ● 0.124% Uniforms | |

At TAP, as a Group of companies dealing with air transport services, the acquisition of products and services includes a broad spectrum, representing acquisitions that totalled, in 2012, EUR 2,497 million from 8,904 suppliers.



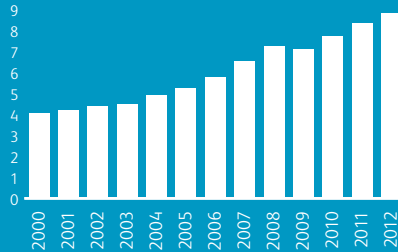
Economic Perspective



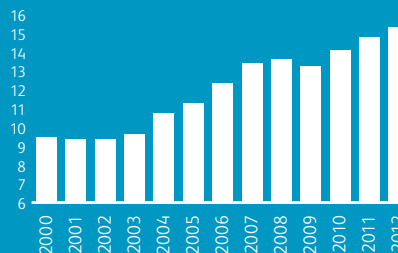
Air transport is an inductor of a diversified spectrum of activities and economic benefits, measured by its contribution to GDP. However, the value generated exceeds this aspect, with the main benefits accruing to its Customers – passengers and customers of the air transport of cargo.

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

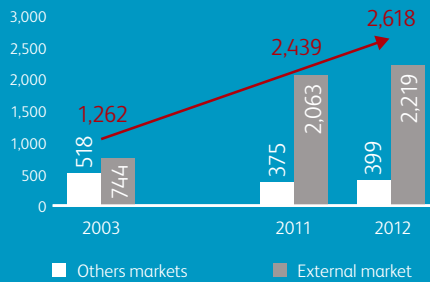
TAP Total
Passengers carried – Lisbon hub



Total Volume
Passengers carried – Lisbon hub



Sales and Services Rendered
EUR million



Importance of Air Transport for economic development

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

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

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

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

Vision

Support the design of its strategy based on sustainability criteria, aimed at the creation of value, also taking into account the dimension of its contribution to the country's economic development via its prominent positioning as a national exporter.



Increase the activity level of the Company

- ▶ 10,186,366 Passengers transported, a 4.5% increase compared with 2011, representing 434,071 more passengers carried.

Assure diversity of destinations and frequencies to TAP Customers

- ▶ 102 destinations served from Portugal, 5.2% more than in 2011;
- ▶ 105,733 flights, a 3.3% increase;
- ▶ Access to 196 cities: 108 located in Europe (10 in Portugal), 62 in the Americas, 19 in Africa, and 7 in the Middle East/Asia.

Promote passenger loyalty through a distinctive service

- ▶ 1,307,000 members of the Victoria Programme, a 1.9% increase over 2011, corresponding to 24 thousand more members;
- ▶ Increased Satisfaction of TAP Passengers – Global (+1.2%) and with Ground Services (+1.1 p.p.).

Assure improved handling service level in terms of baggage delivery

- ▶ Reduction in the percentage of baggage left behind or damaged – at the Lisbon hub (-25.2%) and in the Network (-22.1%).

Enhance productivity

- ▶ Increased ratio of Operating Revenue and Gains per job (+9% at TAP, S.A. and 10% for TAP Group).

Given the particular exposure to an adverse European context caused by the economic recession, remarkably accentuated in the domestic market, where the combined effects of the restatement of a high public deficit and increasing public and private debts led to the implementation of measures with unavoidable contractionary effects, and with the Company also facing rising price levels of aircraft fuel, TAP, seeking to explore all business opportunities, has continued its strategy to promote sustainability.

In this sense, the implementation of a Network growth policy, with the reinforcement of long-haul flights and the consolidation of the current markets, the successful implementation of an adequate programme to reduce costs and maximise revenues, combined with a considerable recovery of the maintenance business are measures that already show visible results, particularly at the company TAP, S.A..

Commitment

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

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

The results achieved by TAP, S.A. show a considerable evolution, and reflect the strong ability of the Company to respond with flexibility, within the range of services and at the cost level, to the multiple challenges continually faced. The Company has thus shown a positive performance regarding the creation of value, a performance which was not, however, possible to identify in terms of the Group's consolidated net income.

It is worth noting the role played by the Company, in 2012, as a provider of information and explanations required within the scope of the reprivatisation of the share capital of TAP–Transportes Aéreos Portugueses, SGPS, S.A., a process whose conclusion would be determined by the Government following the assessment of the binding proposal that was presented, considered as not including elements to allow a conclusive judgement. In spite of the strong involvement of the Company in this process, the development within the Group of a set of initiatives that affect the sustainability line, and progressively evidence its impact, has continued.

Particular note should be made of the significant weight of the exports of services in the Company's total sales and services, of approximately 85%, that is, 0.1 p.p. more than in 2011, enabling the strengthening of the positioning of its contribution to total

national exports. On the other hand, through the extension of its offer and the launch of new destinations, TAP has enhanced the effort to attract tourism to Portugal, coordinating air transport policies with Tourism objectives, and strengthening the strategic importance of the Lisbon hub. It is worth noting that Tourism, as one of the sectors showing significant growth worldwide, is currently of particular importance for the economic structure of Portugal, either through the expressive volume of jobs created, or through the multiplying effects induced in different areas of the national economic activities.

Following an innovation policy, in spite of some moderation evidenced in the expression of the respective investment, TAP, S.A. continued to develop a modernisation and simplification strategy, by monitoring the technology trends that are able to change business models. With the purpose of reducing complexity throughout the service chain and improve convenience for passengers, the Company has continued to identify opportunities to set itself apart, meeting the efficiency goals continually pursued. Regarding product quality indicators, the recorded performance, although not fully meeting the proposed objectives, has shown a positive evolution in terms of global passenger satisfaction, as well as the fulfilment of the established goal.

To summarise, the established objectives were practically achieved, or even exceeded, in relation to the following indicators: Increased productivity (ASK 000/employee); number of destinations served directly by the Company; number of destinations served in code-share; percentage of baggage left behind or damaged; evaluation of global passenger satisfaction; average time of payment to suppliers; and number of connections to the different geographical areas (Portuguese speaking world). The goals for number of carried passengers, number of jobs created in TAP, S.A., number of services rendered, flight punctuality index, number of complaints per transported passenger, index of satisfaction for ground services, as well as the number of Victoria Programme members were not met. It is also worth noting that in spite of the decrease in the number of cargo irregularities, the higher costs due to lost or damaged cargo reflects, on the one hand, a stricter accounting for these values, and on the other hand, an increasing efficiency in the Company's financial response to compensate its Customers for irregularities occurred.

Indicators Representing the Company's objectives from an Economic Perspective

| Objectives | Key Figures | Scope | 2010 | 2011 | 2012 | Variation 2011/2010 | Variation 2012/2011 |
|--|--|-----------|---------|---------|----------------|-----------------------|----------------------------|
| Increase its contribution to national GVA | GVA ⁽¹⁾ (EUR thousand) | TAP Group | 723,469 | 635,580 | 703,602 | -12.1% | 10.7% |
| Achieve positive net results in a sustainable manner | Net Income ⁽⁹⁾ (EUR million) | TAP Group | -57.1 | -76.8 | -30.8 | -19.70 ⁽¹⁾ | 46.01⁽¹⁾ |
| | | TAP, S.A. | 62.3 | 3.1 | 21.4 | -59.21 ⁽¹⁾ | 18.25⁽¹⁾ |
| Increase the activity level of the Company | Number of carried passengers ⁽⁴⁾ (Passengers million) | TAP, S.A. | 9.1 | 9.8 | 10.2 | 7.3% | 4.5% |
| Promote the export of services | Value of the services rendered abroad (Sales and Services Rendered) ⁽⁹⁾ (EUR billion) | TAP Group | 1.8 | 2.1 | 2.2 | 15.7% | 7.5% |
| | Percentage of service exports (Sales and Services Rendered Abroad) in Total TAP Sales and Services Rendered ⁽⁹⁾ | TAP Group | 77.0% | 84.6% | 84.7% | 7.6 p.p. | 0.1 p.p. |
| | Exports – Imports ⁽⁹⁾ (EUR million) | TAP Group | 1,089 | 949 | 942 | -12.9% | -0.7% |

⁽¹⁾ Absolute value

| Objectives | Key Figures | Scope | 2010 | 2011 | 2012 | Variation 2011/2010 | Variation 2012/2011 | |
|--|---|--|-----------|-----------|-------------------|---------------------|---------------------|--------|
| Increase productivity | Operating Revenues and Gains/employee ⁽¹⁴⁾ (EUR thousand) | TAP Group | 178.2 | 195.6 | 215.7 | 9.8% | 10.3% | |
| | | TAP, S.A. | 310.7 | 324.2 | 353.3 | 4.3% | 9.0% | |
| | ASK (000)/employee ⁽⁹⁾ (Air Transport Business Unit) | TAP, S.A. (Air Transport Business Unit) | 7,110 | 7,449 | 7,848 | 4.8% | 5.4% | |
| Create employment | Number of jobs created ⁽⁵⁾ (net) | TAP, S.A. | 69 | -121 | -99 | -275.4% | 18.2% | |
| | | TAP Group | -284 | -718 | 111 | -152.8% | 115.5% | |
| Foster innovation | Investment in Innovation ^{(1) (2)} (EUR thousand) | TAP, S.A. | 14,494.4 | 10,044.7 | 6,097.6 | -30.7% | -39.3% | |
| Assure diversity of Destinations and Frequencies to TAP Customers | Number of destinations served directly by TAP ⁽⁴⁾ : | | | | | | | |
| | | PORTO | 18 | 18 | 18 | 0.0% | 0.0% | |
| | | FARO | 1 | 1 | 1 | 0.0% | 0.0% | |
| | | LISBON | 64 | 74 | 77 | 15.6% | 4.1% | |
| | | MADEIRA and the AZORES | 4 | 4 | 6 | 0.0% | 50.0% | |
| | | Number of code-sharing destinations offered ⁽⁹⁾ | TAP, S.A. | 160 | 195 | 150 | 21.9% | -23.1% |
| Improve the punctuality index of TAP flights | Flight punctuality index ⁽⁴⁾ | TAP, S.A. | | | | | | |
| | | HUB | 68% | 73% | 69% | 5.1 p.p. | -4.0 p.p. | |
| | | NETWORK | 71% | 76% | 71% | 4.9 p.p. | -5.0 p.p. | |
| Assure improved handling service level in terms of baggage delivery | Percentage of baggage left behind or damaged ⁽⁷⁾ (by 1,000 Passengers) | TAP, S.A. | | | | | | |
| | | HUB | 25.5 | 24.2 | 18.1 | -5.1% | -25.2% | |
| | NETWORK | | 15.2 | 14.5 | 11.3 | -4.6% | -22.1% | |
| Guarantee improved Passenger Customer satisfaction | Number of complaints per carried passenger ⁽¹⁰⁾ | TAP, S.A. | 0.0034 | 0.0028 | 0.0029 | -17.6% | 4.9% | |
| Promote passenger loyalty through distinctive service | Evaluation of TAP passenger satisfaction (Overall) ⁽¹²⁾ Classification: 1 (very unsatisfied) to 10 (very satisfied) | | TAP, S.A. | 7.80 | 7.70 | 7.79 | -1.3% | 1.2% |
| | TAP passenger satisfaction index (Ground service) ⁽⁸⁾ (number of replies – satisfactory Ground service in total replies obtained) | TAP, S.A. | 61% | 64% | 65% | 3.0 p.p. | 1.1 p.p. | |
| | Number of Victoria Programme members ⁽⁶⁾ | TAP, S.A. | 1,096,465 | 1,282,651 | 1,307,000 | 17.0% | 1.9% | |
| Guarantee an effective service level for Cargo and Mail transport | Cargo and Mail Revenue ⁽³⁾ (EUR million) | TAP, S.A. | 124.871 | 130.235 | 126.895 | 4.3% | -2.6% | |
| | Costs due to lost or damaged cargo relative to total revenue ⁽³⁾ | TAP, S.A. | 0.08% | 0.07% | 0.24% | -0.01 p.p. | 0.17 p.p. | |
| Provide connections within the Portuguese speaking world | Number of connections with Africa ⁽⁴⁾ (average number of flights per week) | TAP, S.A. | 30.2 | 29.1 | 30.1 | -3.5% | 3.3% | |
| | Number of connections with South America (Brazil) ⁽⁴⁾ (average number of flights per week) | | 62.5 | 67.4 | 68.1 | 7.7% | 1.1% | |
| Ensure convergence of the Average Time of Payment with the invoice due dates | Average Time of Payment (ATP) to Suppliers ⁽¹³⁾ (number of days) | TAP Group | 48 | 35 | 25 ^(*) | -27.1% | -28.6% | |
| | | TAP, S.A. | 47 | 33 | 24 | -29.8% | -27.3% | |

(*) Absolute value

(**) TAP Group without SPdH

Means of verification

(1) Information supplied to GPEARI (IPCTN07)

(2) Internal document

(3) Budget Control

(4) Traffic and Operations Statistics

(5) Intranet

(6) Victoria Programme

(7) Departure Punctuality and IRR Bag

(8) Passenger survey

(9) Annual Report

(10) Talk to Us Report

(11) Corporate Governance and Sustainability Report

(12) Summary of the Customer Satisfaction Study

(13) Central Data Processing System

(14) Management Report

Activity

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

Together with its partners, in 2012, TAP:

- ▶ Offered its Passengers and Cargo Customers access to 196 cities, 77 in its own aircraft, of which 108 are located in Europe, 10 in Portugal, 62 in the Americas, 19 in Africa, and 7 in the Middle East/Asia;
- ▶ Transported 10.2 million Passengers and 83.7 thousand tons of cargo and mail.

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

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

- ▶ The scale of the Customer base: approximately 53 Third Party Customers, of which 35 are airline companies;
- ▶ The offer of services to third party customers involves an extensive geographical zone, covering the Americas, Africa, the Middle East and Europe, with the latter being the most significant market, corresponding to approximately 65% of the revenue generated;
- ▶ TAP–Maintenance and Engineering supplies all the supporting services for the maintenance of TAP's fleet. Its long-standing experience constitutes a competitive advantage in its approach by the Business Unit to Third Party Customers, a segment which has become an important part of its activity;
- ▶ The revenue obtained in 2012 reflects a pick-up in the activity of this segment, of about 2.1%. It is important to mention that this improvement occurs at a time when maintenance activity is starting to feel strong competition, due to the entrance of manufacturers in this market.

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

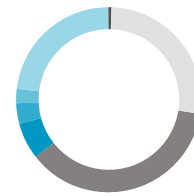
Also noteworthy is the Company's important contribution to the country's sustained growth, in performing a fundamental role in the effort to integrate Portugal in the global economy, through the significant economic impact arising from the development of its direct activities, as well as via the catalytic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

On this issue, it should be noted that by the end of 2012:

- ▶ The Group's turnover, in a European context of economic contraction, and particularly in Portugal, increased by 7.3% (EUR 179 million more than in 2011);
- ▶ In 2012, revenue generated in external markets recorded a new increase of EUR 155.2 million (+7.5%), reaching EUR 2,218.7 million. This value confers TAP Group the distinction of the national company with the greatest penetration in the external market. This position records a sustained growth since 2000, due to the consolidation of the Company's hub strategy consistently implemented over the past few years;
- ▶ In 2012, within TAP Group, the total payments related to tangible fixed assets reached EUR 41 million. This amount is essentially related to investments in the acquisition of spare parts – rotary engines and engine equipment for the aircraft fleet –, as well as the acquisition of the A319/320 simulator, and maintenance, catering, transport and administrative equipment. Also noteworthy is the investment in data processing equipment, equipment for duty free stores, and kitchen ware for Cateringpor.
- ▶ The total of values paid to the State, including taxes, amounted to EUR 179 million;
- ▶ Payments to Suppliers, totalling EUR 1,555 million, increased by 8%, corresponding to EUR 119 million more than in 2011.

It is worth noting that facing an adverse European macroeconomic scenario, particularly severe in Portugal in the wake of the financial readjustment and rehabilitation process underway in the country, the Company continued its sustainability promoting strategy, maintaining incisive action on all costs possible, through a suitable cost-cutting and revenue optimisation programme which included a diversified series of measures, to be enforced until 2012, with transversal effect on all companies of TAP Group. Under this programme, developed exclusively with the Company's resources, with a strong focus on improving performance, the total savings in TAP, S.A. reached about EUR 294 million by the end of the period 2009-2012.

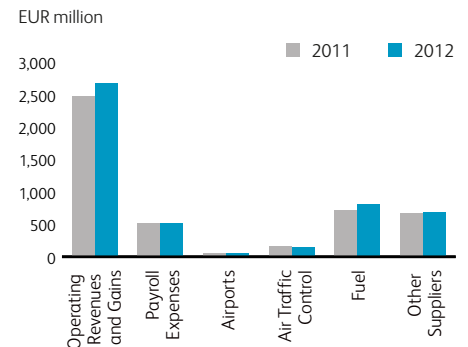
Ticket Sales by Geographic Area – 2012



Creation of Value for Stakeholders

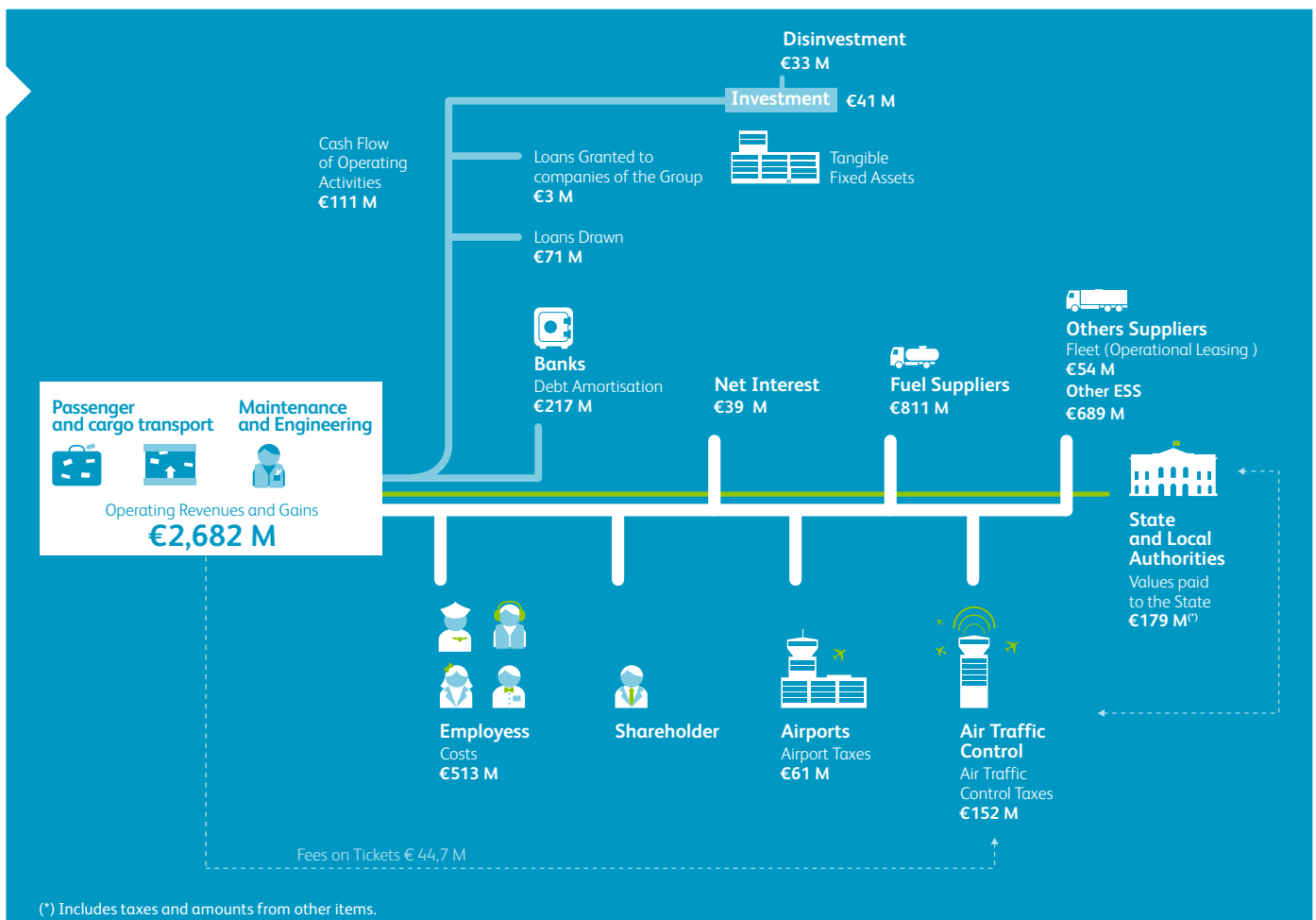
TAP Group, in the course of its activities, has directed its management initiatives to a readjustment of the investment policy, an increased streamlining of operating activity costs, sales, support and logistics, automating and simplifying, through greater integration of information systems in business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

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



Distribution of the Operating Revenue and Gains Created in 2012 to Stakeholders of TAP Group

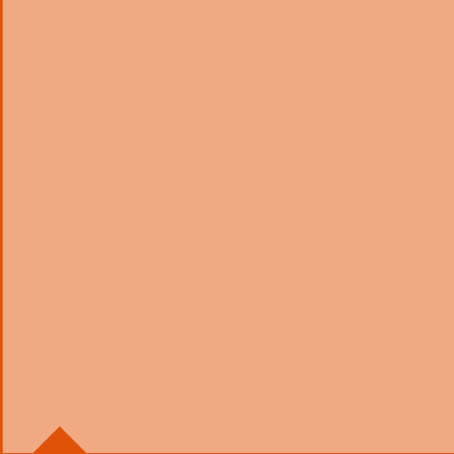
M (million)



Furthermore, it should also be noted that in addition to the price paid for the ticket, Customers (passengers and cargo customers) also pay a number of taxes collected by the airline companies on behalf of the State, security agencies or airports. In 2012, the overall value of these taxes reached EUR 44.7 million, for the financing of government agencies related to the regulation and supervision of air transport, including costs related to security measures and airport development, amongst others. There are also other taxes, such as the solidarity fee in France, aimed at contributing to overall solidarity and development.



Social Perspective



Investment in the progression of People

The distinction granted to TAP as the *company with the best balance between professional and personal/family life*, within the scope of the award *As empresas mais*, promoted by the Human Resources Portugal magazine, represents a recognition of the work conducted by the Company in the Human Resources area to accomplish this mission



“Be one of the best companies to travel, invest and work.”

Promoting an attitude of innovation and proximity

Believing that in an ever growing competitive environment, attitude is more and more the way towards differentiation, TAP has adopted as market positioning, the slogan

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

The adjustment of the graphic universe to this new slogan represented the reflection of the Company's positioning in the market (a brand *off/for* the Customer). In this context, the *safety video* was created – representing an essential communication piece on board is noteworthy –, wherein the Customer performed as active participant in the Company's communication, with TAP investing in the relationship with its Customers, in an innovative attitude of proximity.



Respect for human value

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

Supporting 57 million jobs worldwide, the activities of the Air Transport Industry today faces multiple challenges. The progressive uncertainty of the macroeconomic context, the strong volatility and constant rise in fuel prices, in addition to an increasingly competitive environment, demand quick responses, and a solid and growing preparedness of the Human Resources team contributes to that.

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

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

It is also worth noting, within the same context, the application of a set of values in the human rights (Principles 1 and 2 of UN Global Compact) and labour standards (Principles 3 to 6 of UN Global Compact) areas, fundamental vectors of the corporate personality that TAP supports and champions within its sphere of action and influence.

Vision

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



Consolidation of the commitment to sustainable development, and TAP's social concerns with the Community wherein it is located

Pursuant to its commitment to citizenship, TAP underlined its social attitude and ethical principles. Conscious that attention to the other begins within the organisation and extends outwards, social responsibility was undertaken as an integral part of the Company's strategy and culture, having continued in 2012 to intensify the actions for the Community wherein it is located.

In a project followed by the Company's group of volunteers – *Voluntários com Asas* –, TAP promoted in December 2012 a Christmas concert at the check-in area of the airport of Lisbon, played by *Orquestra Geração* (a youth group created by the National Conservatory's School of Music, the Amadora City Hall and the Calouste Gulbenkian Foundation).

The objective is to contribute, through music, to a more harmonious development of the children raised in areas with poor economic and social conditions, attending primary and secondary schools.

With the adhesion, in 2004, to the principles set forth by the United Nations' UN Global Compact, TAP has testified to and experienced the concerns related to human rights and labour practices, including them in its values.

UN Global Compact

Human Rights

- ▶ Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights;
- ▶ Principle 2 – Make sure they are not complicit in human rights abuses.

Labour Practices

- ▶ Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- ▶ Principle 4 – The elimination of all forms of forced and compulsory labour;
- ▶ Principle 5 – The effective abolition of child labour;
- ▶ Principle 6 – The elimination of discrimination in respect of employment and occupation.

Commitment

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

Policy to guarantee that its social responsibilities are met

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

- ▶ Providing professional development and employability conditions to its Employees;
- ▶ Maintaining relations with Employees and respective representative organisations, based on ethical principles and mutual respect;
- ▶ Promoting balance between family and professional life;

- ▶ Adopt transparent principles in the Company's management and its relations with society;
- ▶ Respect the fundamental principles of Human Rights and Labour Practices set forth by the UN Global Compact.

In 2012, most indicators of the matrix of commitments of TAP, S.A. recorded a positive evolution relative to previous years. The proposed objectives were met, in particular for the indicators related with the commitment to promote the professional development of Employees and quality at work, with exception of the absenteeism rate, including the objectives defined for the indicators on the commitment to safeguard operational, financial, personal and property safety, and the commitment to transparency in the management of the Company and in relations with society.

With the exception of the internships at the Company, whose goal was met, it was not possible to fully meet the proposed objectives for the indicators associated to the promotion of social initiatives, namely for the *Portugal no Coração* programme, the TAP Victoria programme *for a better world*, as well as the encouragement of voluntary work (blood donations).

Indicators Representing the Company's objectives from a Social Perspective

| Objectives | Key Figures | Scope | 2010 | 2011 | 2012 | Variation 2011/2010 | Variation 2012/2011 |
|---|---|---|---|-----------|-----------|---------------------|---------------------|
| Promote the continuous training of the Employees and improve their qualification levels | Number of hours of training carried out by Company Employees ⁽²⁾ | TAP, S.A. | 303,688 | 297,564 | 324,026 | -2.0% | 8.9% |
| | | TAP Group (except TAP-Maintenance and Engineering Brazil) | 669,667 | 800,250 | 770,234 | 19.5% | -3.8% |
| | Number of participations in training actions over the total number of Employees ⁽²⁾ | TAP, S.A. | 2.52 | 2.58 | 3.06 | 2.4% | 18.5% |
| | Number of hours of training per Employee ⁽²⁾ | TAP, S.A. | 43.27 | 42.45 | 46.99 | -1.9% | 10.7% |
| Promote the involvement with the Company | Rate of Absenteeism ⁽³⁾ | TAP, S.A. | 8.81% | 9.24% | 9.48% | 0.4 p.p. | 0.2 p.p. |
| Provide services and support of a social and cultural nature to the Employees, which contribute to improving their working conditions and facilitate the reconciliation of professional and personal life | Percentage of Gymnasium users who are Company Employees ⁽⁴⁾ | TAP Group | 65.0% | 87.5% | 82.7% | 22.5 p.p. | -4.8 p.p. |
| | Number of children using the nursery ⁽⁴⁾ | TAP Group | 257 | 326 | 335 | 26.8% | 2.8% |
| | Number of beneficiaries of the Group's Health-care Insurance ⁽⁴⁾ | TAP Group | 20,795 | 20,263 | 20,872 | -2.6% | 3.0% |
| Promote and support initiatives of a social character | Realisation of Traineeships at the Company ⁽²⁾ | TAP, S.A. | 82 | 88 | 93 | 7.3% | 5.7% |
| | | TAP Group (except TAP-Maintenance and Engineering Brazil) | 143 | 151 | 134 | 5.6% | -11.3% |
| | <i>Portugal no Coração</i> Programme ⁽²⁾ (Number of Portuguese emigrant beneficiaries) | TAP, S.A. | 44 | 39 | 15 | -11.4% | -61.5% |
| | TAP Victoria for a better world ⁽²⁾ (Number of miles donated) | TAP, S.A. | 5,285,651 | 3,652,505 | 2,250,000 | -30.9% | -38.4% |
| | Encouragement of Voluntary efforts ⁽⁵⁾ (Donation Blood (ml)) | TAP Group | 81,000 | 93,500 | 74,000 | 15.4 % | -20.9% |
| Contribute to ensuring conditions for the operational and financial safety of people and assets | Number of services covered by the Risk System ⁽¹⁾ | TAP Group (Operational Areas) | 35 | 40 | 63 | 14.3% | 57.5% |
| Comply with the Code of Ethics | Number of acquisitions through tender over the total number of acquisitions ⁽³⁾ | TAP Group | As a rule, all acquisitions are made based on a tender or under a contract which, in turn, was signed following a tender. | | | - | - |
| | Number of persons admitted through open tender over the total number of persons admitted ⁽³⁾ | | 100% | 100% | 100% | 0.0 p.p. | 0.0 p.p. |
| | Number of audits carried out to Tenders/ Contracts ⁽⁶⁾ | | 326 | 364 | 409 | 11.7% | 12.4% |
| Assure the reliability of the information on the Company's activity and its communication to the stakeholders and community | Annual Report and Corporate Governance and Sustainability Report available on TAP's website | TAP Group | Aug-2011 | Aug-2012 | Jul-2013 | - | - |

Means of verification

⁽¹⁾ Minutes of the Working Group Meetings on the implementation of the risk system

⁽²⁾ Various Internal Reports

⁽³⁾ Internal document

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

⁽⁵⁾ Information on the Blood Donor Group

⁽⁶⁾ Audit Activity Report

Social responsibility performance in-house

Employees

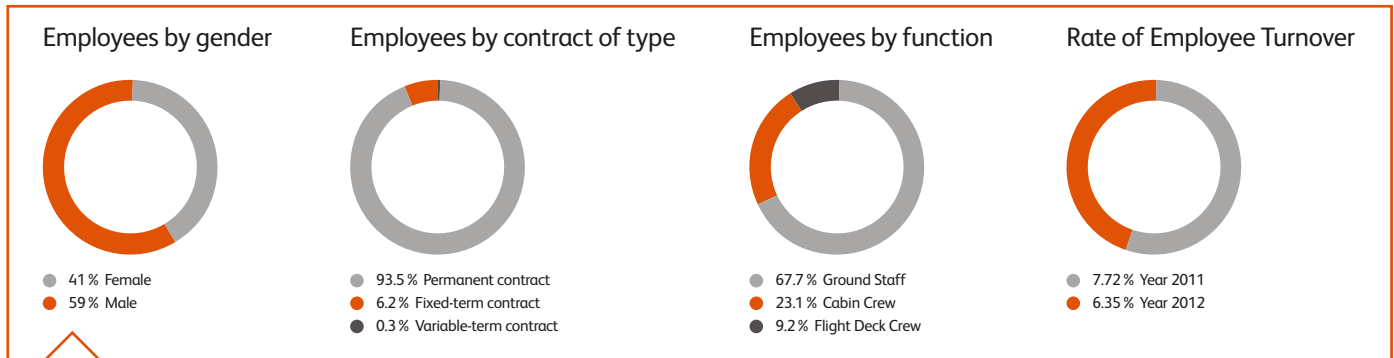
In an environment of permanent and challenging changes in the economic climate, the survival of businesses relies above all on the organisations' Personnel and their ability to secure the competitiveness and quality levels essential for the creation of value.

In this ever growing competitive environment, TAP believes it can continue to set itself apart by the attitude of its Employees, seeking to permanently provide them with an appropriate integration into the organisation, and with conditions that enable them to perform, in the best possible way, their respective functions.

12 506 TAP Group Staff
on December 31, 2012

6 837 TAP, S.A.
8% of the Employees distributed among
the markets where the Company operates
– Europe, Africa and America

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



Stability of Employment Contracts

93.5% of the Employees of TAP Group (except TAP – Maintenance and Engineering Brazil) have permanent contracts

Type of contract and function

| Abroad | TAP | Portugália | Groundforce | Cateringpor | Lojas Francas | Megasis | UCS |
|-------------------------|--------------|------------|--------------|-------------|---------------|------------|-----------|
| Ground Staff | 546 | | | | | | |
| Permanent contract | 507 | – | – | – | – | – | – |
| Fixed-term contract | 37 | – | – | – | – | – | – |
| Variable-term contract | 2 | – | – | – | – | – | – |
| Portugal | TAP | Portugália | Groundforce | Cateringpor | Lojas Francas | Megasis | UCS |
| Ground Staff | 3,233 | 184 | 2,031 | 509 | 393 | 174 | 88 |
| Permanent contract | 3,010 | 152 | 1,991 | 360 | 292 | 173 | 86 |
| Fixed-term contract | 220 | 32 | 29 | 149 | 87 | 1 | 1 |
| Variable-term contract | 3 | 0 | 11 | – | 14 | – | 1 |
| Cabin Crew | 2,236 | 212 | | | | | |
| Permanent contract | 2,158 | 9 | – | – | – | – | – |
| Fixed-term contract | 78 | 203 | – | – | – | – | – |
| Flight Deck Crew | 822 | 154 | | | | | |
| Permanent contract | 822 | 139 | – | – | – | – | – |
| Fixed-term contract | 0 | 15 | – | – | – | – | – |
| TOTAL | 6,837 | 550 | 2,031 | 509 | 393 | 174 | 88 |

Seniority and average age by function

| Portugal | TAP | Portugália | Groundforce | Cateringpor | Lojas Francas | Megasis | UCS |
|-------------------------|--------------|------------|--------------|-------------|---------------|------------|-----------|
| Ground Staff | 3,233 | 184 | 2,031 | 509 | 393 | 174 | 88 |
| Seniority | 14 | 10 | 14 | 9 | 8 | 12 | 13 |
| Age | 40 | 39 | 39 | 41 | 37 | 40 | 43 |
| Cabin Crew | 2,236 | 212 | | | | | |
| Seniority | 13 | 12 | – | – | – | – | – |
| Age | 38 | 35 | – | – | – | – | – |
| Flight Deck Crew | 822 | 154 | | | | | |
| Seniority | 11 | 9 | – | – | – | – | – |
| Age | 40 | 42 | – | – | – | – | – |
| TOTAL | 6,291 | 550 | 2,031 | 509 | 393 | 174 | 88 |

Human Capital Management – labour practices

Creating value by the differentiation of attitude

Integrated human resources management

Providing continuity to the Human Resources (HR) policy, efforts to optimise resources, innovation, the use of scale synergies in HR Management and the search for coherence and continuity in practices were continued. The alignment of the HR policies with the organisation’s strategy has consolidated the role of HR as a business partner, generating competitive advantages that allow the global objectives to be met in line with the business, as well as contribute to the credibility of the TAP brand.

The Human Resources organisation is subdivided in three major areas:

- ▶ Transactional area – integrating Staff Administration and Remunerations, Travel Office and HR Management Information, has been progressively equipped with additional automation, and is providing faster responses, improving the quality of the services rendered at a more competitive cost.
- ▶ Transformational area – integrating Talent Management and Professional Training, has the mission of identifying, developing, training and supporting people to create value for the business.
- ▶ HR Business Partners – Closely connected to these two HR areas, is noteworthy the Human Resources in the Business, performing as an area under direct supervision of the HR directors of the different Business Units of the Company.



Talent management

The Talent Management area, with little more than one year of existence, has consolidated its objective of creating commitment, contribution and skills development for TAP’s Employees, investing in their talents, developing their technical, social and managerial competences to sustain a competitive edge.

Associated to other Human Resources initiatives, Talent Management contributes to the satisfaction, recognition and motivation of the Company’s personnel via different actions, such as internal and external recognition of people; continuous training for the development of each professional; intensification of leadership development actions; and the cycles of conferences and workshops, with a remarkable influence on the perception of the global nature of the business.

Training

Training in line with the Company’s strategy continues to be a priority in the current business context of TAP Group. As an instrument to increase the Company’s competitiveness, leveraging the internal know-how and workers’ ability to become more flexible and innovative, TAP understands that training contributes to added proactivity and dynamism, encourages professionals and is also a source of innovation. Believing that an increasingly diversified experience is decisive for the professional evolution of its personnel, the TAP Group has been investing in the promotion of international mobility, a practice that prepares them for added flexibility.

Managing and developing teams

Among all of the training actions, it is worth mentioning the course *Managing and Developing Teams*, whose purpose is to develop the team leaders of TAP—Maintenance and Engineering. Designed to meet the specific needs of that population, this initiative is an important landmark in the training and development of the competences of senior and middle management, enabling the transfer of general knowledge about different topics such as

commercial and financial awareness, team management techniques, social and labour law regulations, deeper *Quality and Safety* concepts, and continuous improvement processes. For this target group, this training action also allows for a more efficient management, as well as to explain, motivate and develop their Employees, contributing to meet the objectives of the organisation.

The promotion of merit

The recognition of merit, dedication, initiative and high service levels in TAP is an important pillar of the management process, contributing to encourage those that participate in the life of the Company, showing that TAP is attentive to their performance.

The following programmes are noteworthy *Reconhecer and Simpatia* which promote, respectively, actions considered as exceptional that the Company values and sees as a model and a culture of excellence in service.

The *Reconhecer* Programme, started in 2003, has already distinguished more than 500 Employees in 10 award ceremonies.

Social dialogue

TAP respects the rights of Employee regarding free association, trade union membership and collective negotiation. In this sense, the rights of Employees, Trade Unions and Staff Commissions to engage in trade union activities or forming associations inside the Company are recognised, with TAP having provided adequate infrastructures and means for this purpose. Labour agreements result from a collective negotiation process between TAP and Trade Union representatives. In addition to negotiation meetings, TAP maintains frequent contact with Trade Unions and the Workers’ Committee, an attitude aimed at effective communication, based on business loyalty and ethics, regarding matters of interest for both parties.



Safeguard

Promoting health and a healthy life

Quality of life

Health insurance for employees, extensible to their families, and the existence of a medical unit in the TAP Campus, the UCS – *Unidade de Cuidados de Saúde* – represent an important support to reconcile family/work life.

The UCS provides out-patient health-care, as well as aeronautical medical certification and occupational health, hygiene and safety services. The clinic is committed to the satisfaction of TAP's personnel via the health-care services provided in a personalised way. Provides health-care to about 50 thousand Customers, among Company Employees and their relatives, with convenience due to the proximity to the workplace.

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

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

Preventive measures

Prevenir Programme

Launched in 2012 by TAP via the Group's health-care provider company (UCS), the *Prevenir* Programme is intended to prevent and control the consumption of alcohol, drugs, tobacco, and help with tobacco withdrawal. TAP is concerned about the health and safety of its Employees, and this programme is intended to meet the highest safety standards of the aeronautical industry.

Occupational accidents prevention plan

Also, as part of the management initiatives for a continuous control of occupational accidents, as well as the number of related absence days, TAP-Maintenance and Engineering implemented an occupational accidents prevention plan with support from the Healthcare Unit of the TAP Group (UCS). This plan complements the different actions related to prevention, identifying any failures or omissions, and correcting behaviours.

It is worth mentioning the training provided to all professionals since their admission to the Company, the assessment of risks in the workplaces, as well as the adoption of measures aimed at their elimination or minimisation, besides the provision of protection equipment required by the labour activities. In addition to reducing the occupational accident rates and bodily injuries, this plan is intended to promote the use of collective (CPE) and individual (IPE) protection equipment, and from a social perspective, alert workers about compliance with their legal obligations, and making them accountable for not using, or for the incorrect use of tools, and safety and work equipment provided by TAP. The plan takes place along two different lines, namely the identification of situations which may potentially cause accidents via visits to the workplaces, and actions to undertake following their occurrence.

Promotion of a safety culture

Operational Safety is seen today as a continuous risk management process, whose effectiveness is dependent on its thorough application to the entire Company, including all of the operational areas, and seeking to involve all workers (including the non-operational areas) whose activity may somehow impact Operational Safety.

In April 2012, TAP implemented a new structure – Safety Manager –, whose mission is to implement and keep the Safety Management System (SMS). Concurrently, TAP has adjusted its Safety Policy by, among other aspects, clarifying and deepening some concepts, such as the culture of proper events reporting.

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

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



Circuitos pedonais TP



TP

POLÍTICA DE SEGURANÇA (SAFETY POLICY)

Segurança (Safety) é o valor nuclear da TAP Portugal apoiado por todos os níveis de gestão e por todos os trabalhadores, começando pelo Administrador Executivo, que deverá disponibilizar uma ambição equilibrada dos recursos necessários para a cumprimento do Sistema de Gestão da Segurança – Safety Management System (SMS).

O SMS é desenvolvido, implementado e continuamente melhorado, englobando as estratégias, processos e procedimentos necessários para garantir a mais elevado nível de segurança, com o objetivo de cumprir e ir além das normas nacionais e internacionais aplicáveis.

A Cultura de Segurança, um suporte essencial do SMS, é constantemente encorajada através da promoção de uma Cultura Junta de Reporte de Ocorrências.

A POLÍTICA DE SEGURANÇA BASEIA-SE NO NOSSO COMPROMISSO DE:

1. Atribuir e definir responsabilidades de segurança (Safety) a todo o quadro de pessoal, gestores e trabalhadores da mesma forma;
2. Cumprir os regulamentos, normas e procedimentos aplicáveis bem como as melhores práticas de Segurança (Safety), e, sempre que possível, ir mais além;
3. Assurar a existência dos recursos humanos necessários, qualificados e treinados, para implementar as estratégias e processos de Segurança (Safety);
4. Promover a sensibilização de todos para a questões de Segurança (Safety), através da divulgação de informação relevante;
5. Encorajar todos e cada trabalhador a reportar perigos e ocorrências suscetíveis de comprometer o desempenho de Segurança (Safety) da TAP Portugal;
6. Não tomar medidas punitivas ou de repressão, nem revelar a identidade de qualquer trabalhador que reporte voluntariamente qualquer risco que afete a segurança (Safety), a menos que esteja por sua própria negligência grosseira, conduta irresponsável, desvios intencionais e comportamentos operacionais inaceitáveis, não serão tolerados;
7. Identificar perigos e analisar o risco de forma sistemática a fim de o eliminar ou adaptar ações de mitigação que mantenham o risco tão baixo quanto razoavelmente possível e/ou atingível;
8. Garantir que os produtos e serviços fornecidos por entidades externas no suporte às nossas operações, são sempre cumprido com os nossos padrões de desempenho de Segurança (Safety);
9. Estabelecer e avaliar o nosso desempenho de segurança (Safety) em comparação com os indicadores de desempenho de segurança (Safety) e objetivos definidos;
10. Melhorar de forma contínua o nosso desempenho de segurança (Safety) através de processos de gestão, assegurando que as ações de segurança implementadas são relevantes e eficazes.

Systems that guarantee well-being

Developing, creating, supporting and promoting practices that increase the balance between personal and professional life.

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

TAP's Human Resources management policies seek the well-being of people via an integrated human resources management, leveraging the impact on all, and based on a participative and recognition management model.

It is important to communicate and convey to the Company's Employees what their role is in the Organisation, and what contribution is expected from each one, investing in training and professional development, and leveraging each one's commitment to the Company.

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

TAP is a Company committed to the three pillars:
the best company to travel, work and invest.

Diversity and equality of gender

Over the past few years, TAP has intensified initiatives to reconcile work-family life and equality of gender. TAP guarantees to all workers equal conditions, and equality of opportunities regardless of gender, age, race, religion, impairment, and/or sexual preferences of each one. It is worth mentioning that more than 30% of the Company's senior employees are female, guaranteeing alignment with the proportion of women in the Company. Even in professions usually exercised by males (such as mechanics, pilots) TAP has privileged the diversity of gender. The total staff of TAP and PGA is comprised of a total of 33 women pilots and 32 women as aircraft maintenance technicians, including one group leader.



Balance between personal and professional life

TAP created solutions in the organisation that promote emotional, and physical well-being that facilitate the balance between family/personal and professional life, impacting the internal social balance and the performance level. This means having people that are more available, more creative and *with an open arms* attitude, according to the spirit of the new slogan of the Company.

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

Among the different internal ways of supporting the family, such as the nursery within TAP facilities, and the remote work regime in areas where it is technologically feasible, are noteworthy. In 2012, and with a growth perspective, 7 employees already enjoy the flexibility of this work regime, a measure that also ensures productivity levels and allows for additional flexibility and support to the family.



Within the scope of the Human Resources policies, one of the Talent Management areas is the Social Service, whose mission is to support and advise employees in different day-by-day situations, helping them to optimise resources enabling them to overcome difficulties. These include issues related to the employee's personal life that affect his/her performance, including financial difficulties, and also covers programmes targeting quality of life, and preparation for retirement by the creation of quality of life and addiction prevention circles.

In addition to the Social Service, and thinking of those who devoted themselves to the Company over their entire life, TAP supports the Social Solidarity and Support Association of TAP Staff – ASAS TAP –, which has a social centre, and whose main objective is to contribute to support retired TAP Employees.

Communication

TAP TV: an in-house communication channel at the heart of our employees

TAP has a privileged communication channel with its employees, *TAP TV*, an in-house TV network with the purpose of providing useful information for employees' daily life, as well as news on the Company's activities.



With this means of communication, a wider and more practical dissemination is obtained, thus complementing the internal channels already existing and used, such as the intranet, the *Jornal TAP*, the *DOV Portal* and *Informação Flash*.

The contents of *TAP TV*, produced internally, are intended to reach the largest possible number of employees, and are therefore available via monitors placed throughout the Company.



Benefits

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

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

Influencing external social responsibility in society

Active participation in different initiatives, either promoted by the own Company, or sometimes in partnership with other entities, in a collective effort to promote social action.

The promotion of the pool of volunteers is also an attitude towards sustained social development, highlighting the cohesion of the Employees, attentive and determined to minimise the hardships of needy communities.

Volunteerism and social responsibility activities

The TAP Group is a social responsibility centre due to how it interacts with society. A space for professional accomplishment, it is also intended to be, more and more, a space for personal accomplishment, by promoting solidarity, and the civic and altruistic action of its Employees.



TAP CARE TEAM – Support Team

Crisis management unit to coordinate actions in potential emergency situations

Within the context of Community support, a group of volunteers exists – the CARE Team –, mainly composed of working TAP Employees or retirees. The mission of the CARE Team consists in accompanying and providing support to survivors and relatives of victims of an emergency situation of TAP or of a partner of a victim, such as an aviation accident, providing practical and emotional support, as well as gathering all the necessary information for the subsequent management of the entire process.

Voluntários com Asas

An initiative to minimise the hardships of needy communities

The TAP Group facilitates the pool of corporate volunteers named *Voluntários com Asas*, comprised by more than 400 volunteers, and these regular interactions promote the personal development and cohesion of Employees who are attentive and determined to minimise the hardships of needy communities. By joining the Company in actions that benefit society, the Employees generate a feeling of belonging, thus securing the attraction and retention of those that share the values of the Organisation.

Voluntários com Asas have an Internet blog to share information about their initiatives
[voluntarioscomasas.blogspot.com]
and their own address
[voluntarioscomasas@tap.pt]



The third year of activity of *Voluntários com Asas* (VCA) took place during a particularly difficult moment for the country. In such an adverse context for most of the population, and particularly for the social groups that are more fragile or hard hit by the crisis, activity focused on supporting the institutions that, being near the communities, more strongly felt the shortage of their resources, in view of an overpowering increase of needs they had and still have to mitigate.

Hence, the following initiatives were defined as a priority:

| | |
|---|--|
| Support to partner institutions | ▶ New partnerships (6 new institutions) |
| Promotion of fundraising and goods donation actions | ▶ Cooperation with a dozen institutions for fundraising purposes |
| Support to socio-cultural initiatives | <ul style="list-style-type: none"> ▶ Protocol signed with <i>Orquestra Geração</i>, which foresees a number of activities by TAP and VCA to support their work with children and youth ▶ Protocol signed with the Botanical Garden of Lisbon for the recovery of spaces under maintenance risk ▶ Donation of 100 tickets to the children of <i>Ludoteca Bom Pastor</i>, for TAP's Christmas Party organised with the support of the TAP Club |
| Promotion of institutions with incentive purposes | <ul style="list-style-type: none"> ▶ Promotion of the institutions and their objectives to Company staff, in order to stimulate adhesion and fundraising ▶ Holding of the Solidarity Fair, during one week in December, which involves the meeting of 16 institutions at the Company's General Canteen and the mobilisation of hundreds of employees |
| Enhance the fight against waste | ▶ Through different initiatives: adhesion to paper recycling campaigns (<i>Paper for Food</i>); donation of clothes and goods; creation of a pool of school books; food support to needy children and families, with about 43,000 meals and snacks having been granted during 2012 |
| Presence in portuguese speaking countries | ▶ Through diverse support, namely, sending books and school material to 4 institutions in Guinea, Mozambique and Angola |
| Support to retired TAP staff | ▶ Support to <i>Asas TAP</i> action, as well as to retired workers that sought support |
| Alignment of institutional solidarity strategies | ▶ Bringing the experience of VCA to the Company's Projects, as in the example of the integration of 5 VCA partner institutions in the <i>Donate Miles</i> Programme, and working in close cooperation. It was possible to clearly understand that by taking advantage of the organisation's synergies, it is possible to solve and support, more and with more quality, the requests TAP receives from different origins and with different purposes. Thus, joint actions to evaluate and organise solidarity actions were conducted, involving VCA, in close collaboration with the Marketing, Public Relations and Communication, Environment, Safety, Cargo, Canteen management support services, Nursery, TAP Club areas and many others, recognising the collaboration of the service providers that have always collaborated by fully sharing responsibilities with us, and involving them all as stakeholders |

The mission of the promoting group, *Voluntários com Asas*, is to disseminate and conduct actions to stimulate the creation of a Pool of Volunteers and a Pool of Institutions, allowing the development of initiatives and space to join the different solidarity projects and causes.

Social responsibility in TAP Group companies

Conducting different actions for the community, projects and programmes targeting different population groups.

Community support actions

- ▶ Professional integration of People with Disabilities, number of people in TAP Group: 24
- ▶ *Portugal no Coração* Programme has provided a visit to Portugal to Portuguese emigrants residing outside Portugal, aged over 60 years of age, who have not visited the country in the last 10 years for lack of financial means.

- ▶ *Batismo de Voo* Programme – opportunity to fly given whenever possible by the Company to children who would otherwise be unable to live this experience.

TAP provided on 1 June, World Children's Day, a Flight Baptism to 41 children from different schools of Porto (Torrinha Elementary School), the Azores (*Madalena* – Pico Secondary School) and Madeira.

- ▶ *Ganhar Asas* Programme to treat flight phobia, conducted by a team of trainers comprised by two psychologists with cognitive-behavioural training, a pilot, a flight assistant and an aircraft maintenance engineer. Held by TAP in partnership with UCS, this programme is open to external

and internal customers, with special conditions for TAP staff or their relatives who intend to take the courses. Thus, for the staff the course is free, and for their descendants or spouses the programme offers a 50% discount. During 2012, 5 courses were conducted with a high success rate [ganharasas@ucs.pt]

Partnerships

- ▶ Following the conclusion of the Agreement, in 2008, between TAP and the United Nations High Commissioner for Refugees (ACNUR), TAP promoted the initiatives that HELPIN – Portuguese Network for International Assistance to Refugees has developed in Portugal. Thus, besides transport support, TAP collaborated in the promotion of fundraising and awareness initiatives for the Human Rights and Refugees of the World causes. ACNUR was created by a United Nations resolution in December 1950, and was awarded the Nobel Peace Prize in 1954 and 1981.

- ▶ TAP has been a member of the Organisations' National Network of Social Responsibility (RSO PT Network) that encompasses different institutions and companies to promote social responsibility in organisations. Within the scope of this initiative, TAP collaborated and took part in reflection groups on themes that involve work and family, the social role of companies in the promotion of gender equality and business volunteerism activities, as well as environmental protection and management issues. The Company also collaborated with RSO PT'S survey on Social Responsibility of companies in Portugal, with TAP's practice thus contributing to the reflection that RSO PT's National Observatory promotes.

Women's Race

TAP supported the *Women's Race against breast cancer*.

For the sixth time in a row, TAP joined the *Women's Race*, an initiative of the *Maratona Clube de Portugal* intended to promote awareness on the fight against breast cancer. The objective of this edition was to raise funds for the *Liga Portuguesa contra o Cancro*, for the acquisition of screening equipment.



[www.corridadamulher.com/patrocinadores]



Batismo de Voo Programme
TAP provided on June 1, World Children's Day, a Flight Baptism to 41 children.



FLIP&FLAP –
Communication with youth

Will be present in all of TAP's contact points with youth, in TAP's communication slogan: There is only one way to travel – TAP Portugal with Arms Wide Open.

TAP Victoria for a better world

TAP allows Victoria Programme members to donate miles to three non-governmental organisations, partners of the Victoria Programme – Cruz Vermelha Portuguesa, AMI (Assistência Médica Internacional) and Terra dos Sonhos.



[www.tapvictoria.com/pt/Noticias/Noticias/980/AsSuasMilhasPorUmaBoaCausa/Det]

Actions under the school/ company

Trainee Placements

Total number of Trainees in TAP Group: 134

As part of an effective interaction with the Educational System and constituting an area of priority, from the viewpoint of an integrated and forward-looking strategy of TAP's Human Resources Management, the use of Internships has been a vital form of bringing closer together and connecting Academic/Training Institutions and the Company. In this context, Professional Training, in coordination with the different areas of the Company, develops and monitors the internships of young people from Academic/Training Institutions of different areas and education levels.

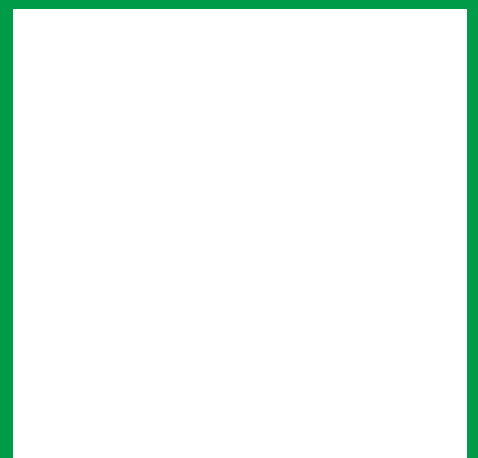
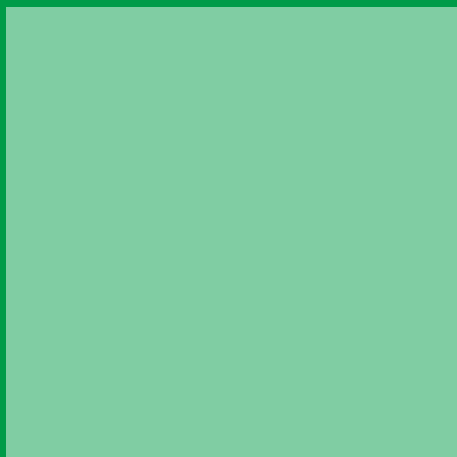
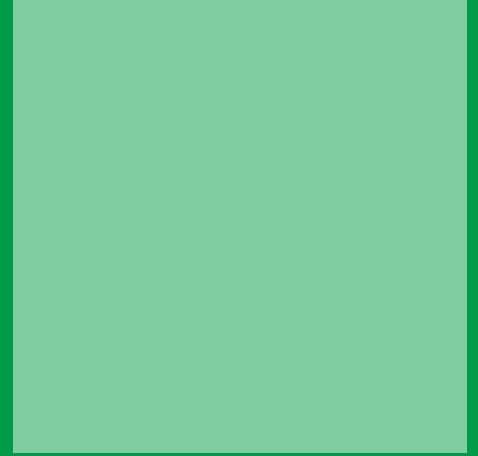
Study Visits to the Company Premises

Number of participants: 1,019

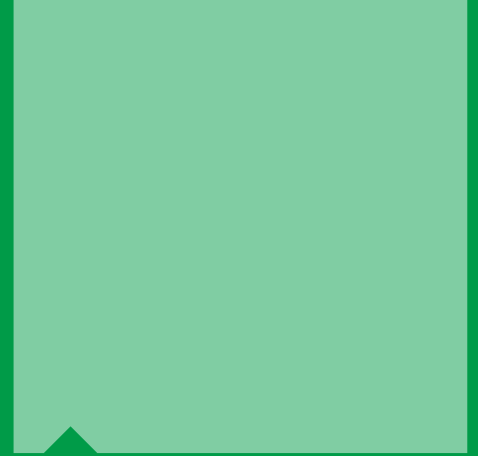
In addition, within the scope of the School/ Company relationship, TAP disseminates and promotes other exchange programmes, namely: Study Visits, Participation in Seminars / Conferences / Presentations, and also collaborating in the organisation of Educational/Training fairs.

Voo de Verão Programme

Whenever possible, TAP offers Employees' children an opportunity to get to know the Company, as well as commercial Aviation behind-the-scenes, in partnership with Lisbon Airport.



Environmental Perspective



In-Flight Procedures

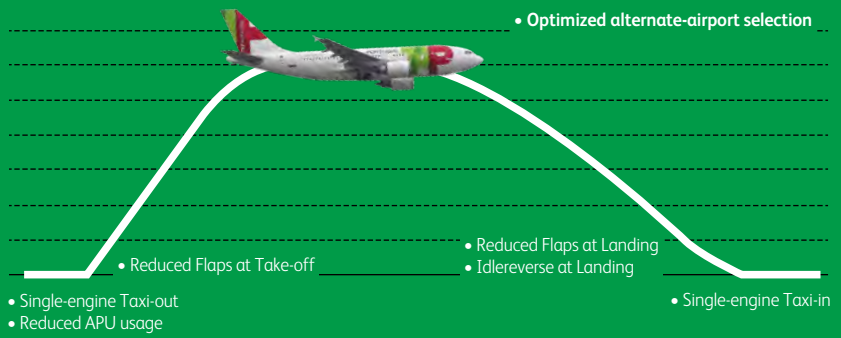
- ▶ Optimised operation, with streamlined procedures for better performance and intensive capacity use;
- ▶ Optimised flight plan system for more efficient operations combined with piloting techniques to reduce fuel consumption;
- ▶ Introduction of the Electronic Flight Bag (EFB) which in the future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

Performance improvement via the reduction of aircraft weight

Use of weight reduction policies in the aircraft throughout the Company, involving the Marketing, Handling and Maintenance and Engineering areas.

- ▶ Optimisation of the amount of water supplied, as well as the on board service, combined with the use of lighter, and in some cases recyclable materials in the on board service ware (glasses, supports, trays);
- ▶ Completion of the replacement of lifejackets with lighter ones with longer service life, allowing to reduce aircraft weight in the medium haul-fleet;
- ▶ Engine washing and aircraft surface cleaning policy, conducted by Maintenance and Engineering.

Take-off and landing cycle



Performance improvement due to aircraft weight reduction



Guaranteeing environmental efficiency

TAP Group, involving a group of companies that carry out activities in areas related to the Group's main business – Air Transport and Maintenance and Engineering –, is aware of the important role it plays regarding environmental protection, use of resources, emissions from its activities, as well as the impact of its contribution towards collective awareness.

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

By providing the fastest means of mobility, the Air Transport Industry is an important economic driver, playing a decisive role in global business and Tourism, particularly for developing countries. As a company with an active role in this context, and considering the current scenario of climatic changes, TAP has adopted an economic growth strategy to compete in the global market, integrating environmental

concerns and conducting actions in multiple scopes.

Thus, the Company actively participates in the Industry's collective effort to reduce CO₂ emissions – via its Carbon Offset programme, and initiatives to reduce the carbon footprint (Principle 9 of UN Global Compact) – by implementing a diversified set of measures for a rational use of resources, reducing waste and energy consumption from its activities (Principle 7 of UN Global Compact), and at the same time by promoting and driving the environmental responsibility commitment by Employees and Suppliers, as well as society awareness, and cooperates alongside stakeholders in environmental issues (Principle 8 of UN Global Compact).

Vision

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



In Maintenance and Engineering Procedures

4 green missions defining the environmental objectives – specific programs and goals

- ▶ **Waste Mission:** redefine the waste management procedures and establish more efficient methodologies for packaging and transport of bulk waste;
- ▶ **Green Hangar Mission:** search for the best products from the environmental standpoint, having replaced some products for others that are more ecological;
- ▶ **Savings Mission:** launch of campaigns supported by posters and the *Newsletter ambiente me*, to foster widespread behaviour to reduce consumption;
- ▶ **+Environment Mission:** promoting environmental awareness of staff by intensifying training efforts on environmental topics, and the publication of an environmental Newsletter.

At the Engine Workshop

- ▶ *Cost reduction effort via investments* to improve illumination efficiency, within the Energy Rationalisation Plan in effect;
- ▶ *Compliance with legislation on workshop chimneys was completed* in December, which determined a height increase for 12 chimneys, and the installation of sample collection points in the latter.

At the Electrolytic Treatment Workshop

- ▶ After a study on the most ecological parts degreasing solution, Trichloroethylene was replaced with Ensolv 5408, which has an equivalent performance and less environmental impact;

Under the Environmental License in effect:

- ▶ For the treatment of industrial effluents from this Workshop, as well as the Engine Workshop (1,331 m³) conducted at the ETAR of the Business Unit, the quality control of the final effluent is checked via monitoring on a quarterly basis;
- ▶ Two campaigns to monitor emissions from fixed sources were conducted (half-yearly periodicity). As a preventive measure, two additional monitoring campaigns were conducted, in addition to those foreseen by the Environmental License, on the fixed source associated to the parts degreasing process at the Electrolytic Treatment Workshop.

With the adherence, in 2004, to the principles set forth by the United Nations' UN Global Compact, TAP has witnessed and experienced the concerns related to the environment, including them in its values.

UN Global Compact

Environmental protection

- ▶ **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- ▶ **Principle 8:** Undertake initiatives to promote greater environmental responsibility;
- ▶ **Principle 9:** Encourage the development and diffusion of environmentally friendly technologies.

Similarly, by joining the global alliance STAR Alliance on March 14, 2005 and signing its important Environmental Commitment document, TAP has raised its commitment towards environmental protection. Thus, the Company shares with the other members of the alliance fundamental principles that represent a challenge involving the reduction of the environmental impact, and keeping a healthy balance between progress and environmental sustainability (→ for more information, see the Annual Report 2012/STAR Alliance, p. 66-67).

Commitment

TAP is committed to a responsible and engaged management, adopting the best environmental practices to rationalise the use of resources, and adapting its performance to guarantee environmental protection beyond the levels compatible with applicable regulations.

Policy to secure environmental efficiency

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

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

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

In 2012, the efforts to minimise these environmental impacts obtained visible progress, having exceeded the goals set in all of the indicators.

The Carbon offset programme, a contribution to reduce the carbon footprint via an option for TAP Customers to compensate the CO₂ emissions of their respective trips exceeded by 128% the goals set for the year (4,200 tons of CO₂).

The lack of evolution shown by the behaviour of the energy efficiency and CO₂ emissions indicators can be understood in light of the fact that, in part, TAP's fleet has been in operation for a number of years which does not make it efficient. The substitution of new aircraft shall contribute significantly to the improvement of efficiency measured by these indicators.

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

Indicators Representing the Company's objectives from an Environmental Perspective

| Objectives | Key figures | Scope | 2010 | 2011 | 2012 | Variation 2011/2010 | Variation 2012/2011 |
|--|--|---|--------|--------|--------------|---------------------|---------------------|
| Increase Energy Efficiency By 2020, reach a rate of growth 50% lower than the growth of activity, in the fuel consumption indicator <i>Air Transport</i> | Rate of variation of the fuel consumption indicator over the Rate of variation of Air Transport Activity ⁽⁴⁾ | TAP, S.A. | 46.0% | 62.1% | 68.2% | 16.2 p.p. | 6.1 p.p. |
| Reduce CO ₂ emissions By 2020, reach a rate of growth 50% lower than the growth of activity, in the CO ₂ emissions volume indicator <i>Air Transport</i> | Rate of variation of the volume of CO ₂ emissions over the Rate of variation of Air Transport Activity ⁽⁴⁾ | TAP, S.A. | 46.0% | 62.1% | 68.2% | 16.2 p.p. | 6.1 p.p. |
| Promote voluntary compensation by passengers <i>Air Transport</i> | Carbon offset ⁽³⁾ (ton CO ₂) | TAP, S.A. | 4,278 | 4,515 | 9,579 | 5.5% | 112.2% |
| Reduce energy consumption (electricity, natural gas, petrol and diesel) <i>Ground Operations</i> | Energy consumption (electricity, natural gas, petrol and diesel) over turnover ⁽¹⁾ | TAP, S.A. | 52.60 | 47.09 | 45.32 | -10.5% | -3.7% |
| | | TAP Group (except TAP-Maintenance and Engineering Brazil) | 105.18 | 96.62 | 90.82 | -8.1% | -6.0% |
| Reduce water consumption <i>Ground Operations</i> | Total water consumption over turnover ⁽¹⁾ | TAP, S.A. | 70.49 | 69.92 | 61.80 | -0.8% | -11.6% |
| | | TAP Group (except TAP-Maintenance and Engineering Brazil) | 109.35 | 109.85 | 99.95 | 0.5% | -9.0% |
| Reduce paper consumption <i>Ground Operations</i> | Paper consumption over turnover ⁽⁵⁾ | TAP, S.A. | 0.024 | 0.022 | 0.020 | -10.4% | -7.8% |
| | | TAP Group (except TAP-Maintenance and Engineering Brazil) | 0.061 | 0.044 | 0.041 | -27.3% | -7.2% |
| Reduce waste produced <i>Ground Operations</i> | Quantities of waste produced over turnover ⁽²⁾ | TAP, S.A. | 2.25 | 2.00 | 1.74 | -11.3% | -12.8% |
| | | TAP Group (except TAP-Maintenance and Engineering Brazil) | 3.67 | 3.56 | 3.31 | -3.1% | -6.9% |

Means of verification

⁽¹⁾ TAP Campus – Water and Energy Consumption

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

⁽³⁾ IATA Programme

⁽⁴⁾ Corporate Governance and Sustainability Report

⁽⁵⁾ Central Data Processing System

Reducing waste and energy consumption

Paper for foods campaign of the food bank against hunger

Through its Selective Collection of Paper/Cardboard Waste Programme, TAP joined the *Papel por alimentos* Campaign of the *Banco alimentar contra a fome*. Under this campaign, the financial return of the paper/cardboard collected at TAP is donated to the *Banco alimentar contra a fome* for the acquisition of food distributed to social solidarity institutions and needy individuals. This project was supported and coordinated by the TAP pool of volunteers – *Voluntários com Asas*.



Organic waste collection – zero waste!

At TAP the surplus meals made and served at the canteen and nursery are sent daily to Valorsul's Organic Treatment and Valorisation Station. At this station, the organic waste is transformed into compost for agricultural use, generating electric power from the biogas produced by the waste.

Additionally, through its pool of volunteers – *Voluntários com Asas*, TAP donates the meals not served at the canteen, as well as the products of the vending machines, to social solidarity institutions.

In 2012 41,334 snacks (sandwiches, yoghurts and milk) and 1,120 meals were donated.

Rationalisation of Energy Consumption

Continuing the Plan of Best Practices, Consumption Reduction and More Efficient Equipment, in 2012 the replacement of old illumination systems at the TAP Campus with LED-based systems was continued, with lower energy consumption and better lighting quality. The installation of LED-based illumination systems began at sites requiring better lighting quality, namely the Aircraft Engine Workshop, and in places where higher consumption reduction and faster return of the investment were possible. Thus, the sites that required artificial illumination over longer time periods and/or where two work shifts are held on a daily basis were selected.

Waste – Separation of Plastic Waste

Catergpor continued to separate glass and paper/cardboard waste, and now the procedure includes plastics, of which 17 tons were collected. Fat waste monitoring was continued and decantation and collection measures were adopted, reducing the impact of this pollutant according to the process started in the previous year.

Hazardous hospital waste

Procedures Manual for Managing Hazardous Hospital Waste

UCS – *Cuidados Integrados de Saúde, S.A.*, as the entity that provides health care for TAP Group, sees the differentiated management and treatment of the waste generated by its activities as a fundamental process to minimise the environmental and public health impact, along with the compliance of the safety requirements and legal regulations in effect.

Considering the specific environmental performance indicators of UCS's core activity, continuous control is undertaken to reduce, via appropriate screening, the production of waste. To consolidate these best practices and internal conduct guide, during 2012 a *Procedures Manual for Managing Hazardous Hospital Waste* was prepared at UCS. Also in this regard and during 2012, the continuous training programme for UCS health professionals was continued, with the objective of improving the rationalisation and control of their production.

Mais Valor Programme

Award certificate

As in the two previous years, the City Hall of Lisbon and Valorsul recognised the environmental awareness of PGA via an award and merit certificate, within the scope of participation in the *Mais Valor* Programme, involving the sending of organic waste from the Company canteen to Valorsul's Organic Treatment and Valorisation Plant.



Reducing CO₂ emissions

CO₂ Emissions Compensation Programme

Carbon offset

TAP's CO₂ Emissions Compensation Programme (Carbon Offset) obtained in 2012 the best results since its launch in June 2009. Available for reservations made via the TAP portal, www.flytap.com, this programme allows Passengers to voluntarily compensate the carbon dioxide emissions associated to their flights, thus contributing to the emissions reduction projects in developing countries.

The run-of-river Mini-Hydroelectric Power Plant

TAP is supporting a renewable energy project, the run-of-river Mini-Hydroelectric Power Plant, *Furnas do Segredo*, located in the city of Jaguari in the State of Rio Grande do Sul, Brazil. The project is recorded as a Clean Development Mechanism according to the United Nations Framework Convention on Climate Change.

Optimisation in the on board service also

The optimisation of the service on board TAP aircraft has allowed a significant improvement of the Company's environmental and energy performance due to a progressive weight reduction on board.

Matching the boarded quantities to the actual needs of each flight reducing aircraft weight, promotes fuel consumption, and consequently carbon dioxide emissions.

The same effect is obtained by replacing the materials used on board (trays, pitchers, glasses) with lighter and environment-friendly materials. The trolleys used in the aircraft are also permanently renewed by lighter equipment.

Fuel Conservation Project

PGA manages its Fuel Conservation project internally. To improve efficiency levels the company created the *fuel policy*, comprised by a set of optimisation measures including the following programmes:

- ▶ On board weight reduction programme: wind-shield connection elements – titanium vs. stainless steel and modifications in cabin interiors;
- ▶ Programme of periodic washing of aircraft.

The measures defined allow for lower fuel consumption and hence lower emissions of CO₂. In 2012, the PGA avoided the emission of 8 tons of CO₂.

In 2013, PGA intends to continue to promote continuous improvement and refinement of the measures already implemented, which in general terms may represent cost savings of about 0.7% compared to the revised value for 2013, and as a result, a reduction of CO₂ emissions of about 10 tons.

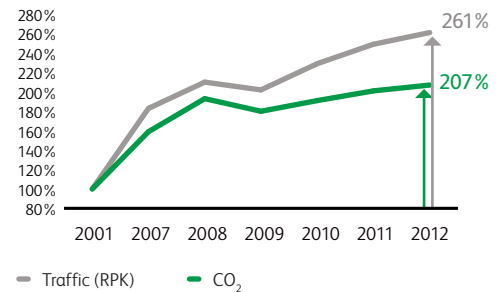
- ▶ **More than 20 thousand Passengers** voluntarily offset, in 2012, the carbon emissions resulting from their trip, comprising a total of 9,579 tons offset
- ▶ **+128%** than the set target of 4,200 tons offset

Passenger adhesion

CO₂ Emissions Compensation Programme



Energy Efficiency



Energy and environmental efficiency

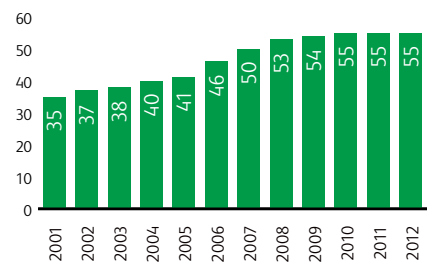
TAP's Fleet, comprised of 55 aircraft (39 medium-haul and 16 long-haul), had in 2012 an average age of 11.5 years.

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

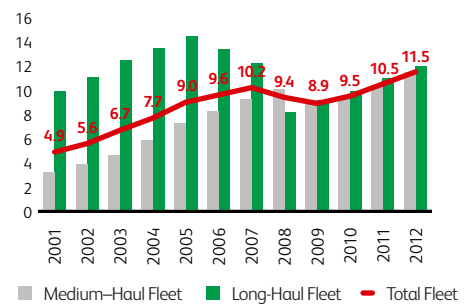
In 2012, TAP remained committed to the objective of improving energy and environmental efficiency in flight operations. In 2011, TAP achieved a 1.5% improvement in the energy efficiency and environmental performance of air transport indicators – Fuel Consumption (Jet A1) per passenger and CO₂ Emissions per passenger.

| Performance Indicator | 2001 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Variation |
|--|--------|--------|----------|----------|----------|----------|----------|-----------|
| RPK (million) | 10,449 | 19,135 | 21,908 | 21,076 | 23,944 | 25,970 | 27,226 | 4.8% |
| Jet fuel consumption (million litres) | 564.92 | 898.26 | 1,090.46 | 1,014.56 | 1,078.03 | 1,134.72 | 1,172.15 | 3.3% |
| CO ₂ Emissions (million tons) | 1,424 | 2,260 | 2,748 | 2,557 | 2,717 | 2,859 | 2,954 | 3.3% |
| CO ₂ Emissions per passenger (kg/100 RPK) | 13.62 | 11.83 | 12.54 | 12.13 | 11.35 | 11.01 | 10.85 | -1.5% |
| Jet A1 consumption per passenger (litres/100 RPK) | 5.41 | 4.69 | 4.98 | 4.81 | 4.50 | 4.37 | 4.31 | -1.5% |

Average number of Aircraft TAP's Fleet



Average Age of TAP's Fleet



TAP Fleet Noise

TAP's fleet, including PGA fleet, operates with a significant safety margin regarding the current noise limits established by the International Civil Aviation Organization (ICAO Annex 16, Chapter 3), given that with an average age of 12.8 years, 87% of TAP aircraft already complied with the new, more restrictive ICAO noise limits applicable to new aircraft, certified after January 1, 2006 (ICAO Annex 16, Chapter 4).

Promoting environmental responsibility

Environmental training

In 2012, TAP's Environmental area enhanced the scope of the *Agir Eco* training to the service providers based at the TAP Campus. In this regard, specific training actions were held for the employees in charge of cleaning the facilities – key elements for the success of the selective waste collection programmes implemented in the Company.

Agir Eco training, involving a total of 29 actions to 400 graduates in 2012, continued to receive new staff, along with those already working in the Company. In accumulated figures, 78 editions of *Agir Eco* training were held, involving 1,057 TAP Group staff and Service Provider workers.

In 2012, the Environmental area designed an *Agir Eco* training in e-Learning format, which will be available to all TAP Group Employees, although this new form of training is more appropriate for areas with different work hours, where participation in classroom training is difficult. *Agir Eco* e-Learning training will be available to all Company Employees in the first quarter of 2013.

School books reutilisation campaign

Banco de livros escolares

Through the Company's pool of volunteers – *Voluntários com Asas*, TAP launched an internal campaign for the reutilisation of school manuals, via the creation of a Pool of School Books. The purpose of this initiative is to promote the sharing of school books, maximising their reutilisation.

With this project, the Company sought to raise awareness among all Employees regarding the importance of reusing used school material, providing them free of charge to anyone that is interested.

World Environment Day – June 5

TAP in-flight sales magazine ON AIR is carbonozero®

To celebrate the World Environment Day, ON AIR was the world's first in-flight sales magazine to offset the greenhouse gas emissions resulting from its production and printing. This initiative of TAP's Environmental area enabled the establishment of a partnership between LFP–Lojas Francas de Portugal, S.A and the E.Value company, owner of the Carbono Zero® brand. Each copy of this magazine, on average, means an emission of about 250 g of equivalent carbon dioxide (CO₂e).

To offset its effect on the environment, ON AIR will use carbon credits (by an equivalent amount) from a forestry project in *Tapada Militar de Mafra*, in Portugal, and an agricultural-forestry project in Nhambita, Mozambique, both belonging to the Carbono Zero® portfolio.

Transparent Garden Project – Botanical Garden

TAP and *Voluntários com Asas* participated in a cleaning and conservation action at the facilities of the Botanical Garden of Lisbon, as part of the Project *Transparent Garden*.

Tampas que são Rampas Project

In 2012 PGA joined, via Take C'Air, the environmental and social *Tampas que são Rampas* project. This programme includes the collection of plastic caps for recycling, and the income generated is used to acquire technical assistance for the needy. The delivery of the recyclable waste is valued financially, because after processing the obtained granulate is sold for the production of plastic items such as boards, baskets or boxes.



Of note is the fact that in August 2010, TAP's UP magazine also became a Carbono Zero® publication.

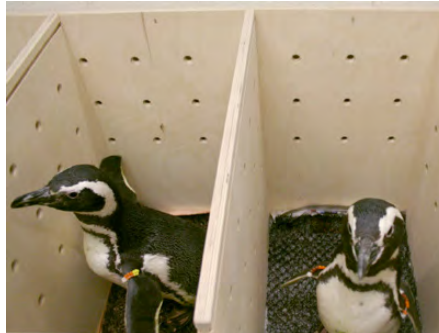
With suppliers and service providers

In addition to allowing the service providers located at the TAP Campus to participate in the AGIR ECO training programme, the Company, considering the importance of stakeholder involvement, also invested in environmental promotion and awareness, seeking to enhance its principles and best environmental practices, for example the use of biodegradable cleaning products.

Preserving Biodiversity

Reintroduction of the fisher eagle

Developed by CIBIO—*Centro de Investigação em Biodiversidade e Recursos Genéticos* (Centre of Investigation in Biodiversity and Genetic Resources), along with EDP and ICNB—*Instituto de Conservação da Natureza* (Nature Conservation Institute), the project Reintroduction of the Fisher Eagle had the participation of TAP, which in July 2012 transported 10 examples of this species from Helsinki and Stockholm to Lisbon. The Project to reintroduce the fisher eagle population into their historical nesting area is part of the international efforts to recover this population in the Mediterranean area, where it is now small and threatened. As their transport is a delicate procedure, a TAP Cargo team accompanied the meticulous operation from the beginning, to guarantee the success of the trip.



Transport of penguins

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



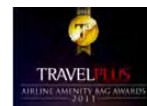
TAP has a long experience in the transport of live animals, and is proud to contribute to the preservation of endangered species.

Using resources rationally

Tap's ecological amenity kits win Gold Award

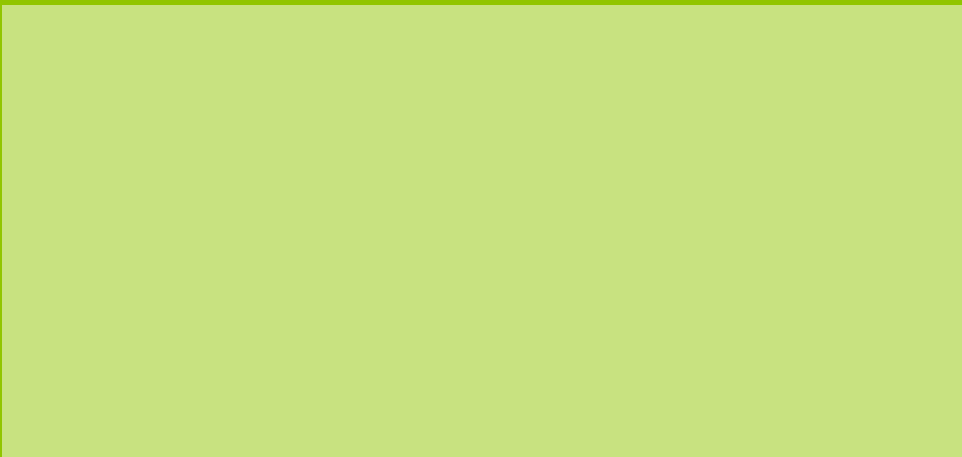
In February 2012, TAP's ecological comfort bags won the Gold Award, in the category Best Ethically/Sustainable Amenity Kit by Travel Plus, a renowned United Kingdom online publication dedicated to frequent passengers.

With these new comfort bags, launched on 2011 World Environment Day, TAP reinforced its culture of integrated responsibility, by providing passengers flying in executive class with comfort bags manufactured with 100% natural materials.





Commitments



Degree of Coverage in 2012 and Objectives for 2013

● Exceeded ● Achieved ● Not Achieved

| Commitments | Objectives | Key Figures | Scope | 2012 Target (T) | 2012 Actual (A) | Degree of Coverage | 2013 Target (T) | Variation 2013(T)/2012(A) |
|---|---|---|---|-----------------|-----------------|--------------------|-----------------|---------------------------|
| Contribute to the creation of value for the economy and Portuguese society | Increase the activity level of the Company | Number of carried passengers (Passengers million) | TAP, S.A. | 10.5 | 10.2 | ● | 10.2 | 0.03% |
| | Increase productivity | ASK (000)/employee (Air Transport Business Unit) | TAP, S.A. (Air Transport Business Unit) | 7,847 | 7,848 | ● | 7,859 | 0.1% |
| | Create employment | Number of jobs created (net) | TAP, S.A. | 110 | -99 | ● | 126 | 227.3% |
| Provide Customers with a quality product through the best and easiest solutions for their travel and for the transport of goods | Assure diversity of Destinations and Frequencies to TAP Customers | Number of destinations served directly by TAP: | TAP, S.A. | | | | | |
| | | PORTO | | 18 | 18 | ● | 18 | 0.0% |
| | | FARO | | 1 | 1 | ● | 1 | 0.0% |
| | | LISBON | | 75 | 77 | ● | 77 | 0.0% |
| | | MADEIRA and the AZORES | | 4 | 6 | ● | 6 | 0.0% |
| | | Number of code-sharing destinations offered | TAP, S.A. | 220 | 150 | ● | - | - |
| | | Number of Services (flights) | TAP, S.A. | 107,653 | 105,733 | ● | 108,904 | 3.0% |
| | Improve the punctuality index of TAP flights | Flight punctuality index | TAP, S.A. | | | | | |
| | | HUB | | 78% | 69% | ● | 78% | 13.0% |
| | | NETWORK | | 81% | 71% | ● | 79% | 11.0% |
| | Assure improved handling service level in terms of baggage delivery | Percentage of baggage left behind or damaged (by 1.000 Passengers) | TAP, S.A. | | | | | |
| | | HUB | | 20 | 18 | ● | 15.0 | -17.1% |
| | NETWORK | | 11 | 11 | ● | 9.6 | -12.7% | |
| Guarantee improved Passenger Customer satisfaction | Number of complaints per carried passenger | TAP, S.A. | 0.0028 | 0.0029 | ● | 0.0029 | 0.0% | |
| Promote passenger loyalty through distinctive service | Evaluation of TAP passenger satisfaction (Overall) Classification: 1 (very unsatisfied) to 10 (very satisfied) | TAP, S.A. | 7.70 | 7.79 | ● | 7.79 | 0.0% | |
| | TAP passenger satisfaction index (Ground service) (number of replies – satisfactory Ground service in total replies obtained) | TAP, S.A. | 68.0% | 65.1% | ● | 68.0% | 2.9 p.p | |
| | Number of Victoria Programme members | TAP, S.A. | 1,500,000 | 1,307,000 | ● | 1,450,000 | 10.9% | |
| Guarantee an effective service level for Cargo and Mail transport | Costs due to lost or damaged cargo relative to total revenue | TAP, S.A. | 0.06% | 0.24% | ● | 0.08% | -0.2 p.p. | |
| Promote inter-connectivity within the Portuguese speaking world | Number of connections with Africa (average number of flights per week) | TAP, S.A. | 30.1 | 30.1 | ● | 29.7 | -1.4% | |
| | Number of connections with South America (Brazil) (average number of flights per week) | | 68.1 | 68.1 | ● | 67.0 | -1.7% | |
| Promote the professional development of the Company's Employees and quality at work place | Promote the continuous training of the Employees and improve their qualification levels | Number of hours of training carried out by Company Employees | TAP, S.A. | 300,000 | 324,026 | ● | 300,000 | -7.4% |
| | | Number of participations in training actions over the total number of Employees | TAP, S.A. | [2.28 a 2.42] | 3.06 | ● | [2.30 a 2.44] | - |
| | | Number of hours of training per Employee | TAP, S.A. | 42.69 | 46.99 | ● | 43.11 | -8.3% |
| | Promote the involvement with the Company | Rate of Absenteeism | TAP, S.A. | 5.0% | 9.5% | ● | 5.0% | -4.5 p.p. |
| | Provide services and support of a social and cultural nature to the Employees. which contribute to improving their working conditions and facilitate the reconciliation of professional and personal life | Percentage of Gymnasium users who are Company Employees | TAP Group | 77% | 82.7% | ● | 85% | 2.3 p.p. |
| | | Number of children using the nursery | TAP Group | 335 | 335 | ● | 350 | 4.5% |
| Number of beneficiaries of the Group's Health-care Insurance | | TAP Group | 20,415 | 20,872 | ● | 21,230 | 1.7% | |

| Commitments | Objectives | Key Figures | Scope | 2012 Target (T) | 2012 Actual (A) | Degree of Coverage | 2013 Target (T) | Variation 2013(T)/2012(A) |
|---|--|---|-------------------------------|--|-----------------|--------------------|--|---------------------------|
| Ensure the operational and financial safety of people and assets | Contribute to ensuring conditions for the operational and financial safety of people and assets | Number of services covered by the Risk System | TAP Group (Operacional Areas) | 50 | 63 | ● | 80 | 27.0% |
| Assume responsible management committed to the objectives of the Company, to community development and to the environment | Promote and support initiatives of a social character | Realisation of Traineeships at the Company | TAP, S.A. | 88 | 93 | ● | 88 | -5.4% |
| | | Portugal no Coração Programme (Number of Portuguese emigrant beneficiaries) | TAP, S.A. | 40 | 15 | ● | 15 | 0.0% |
| | | TAP Victoria for a better world (Number of miles donated) | TAP, S.A. | 5,000,000 | 2,250,000 | ● | 7,500,000 | 233.3% |
| | | Encouragement of Voluntary efforts – Blood Donation (ml) | TAP Group | 105,000 | 74,000 | ● | 105,000 | 41.9% |
| | Increase Energy Efficiency By 2020, reach a rate of growth 50% lower than the growth of activity, in the fuel consumption indicator <i>Air Transport</i> | Rate of variation of the fuel consumption indicator over the Rate of variation of Air Transport Activity | TAP, S.A. | By 2020, reach a rate of growth 50% lower than the growth of activity | 68% | ● | By 2020, reach a rate of growth 50% lower than the growth of activity | – |
| | Reduce CO ₂ emissions By 2020, reach a rate of growth 50% lower than the growth of activity, in the CO ₂ emissions volume indicator <i>Air Transport</i> | Rate of variation of the volume of CO ₂ emissions over the Rate of variation of Air Transport Activity | TAP, S.A. | By 2020, reach a rate of growth 50% lower than the growth of activity | 68% | ● | By 2020, reach a rate of growth 50% lower than the growth of activity | – |
| | Promote voluntary compensation by passengers <i>Air Transport</i> | Carbon offset (ton CO ₂) | TAP, S.A. | 4,200 | 9,579 | ● | 5,000 | -47.8% |
| | Reduce energy consumption (electricity, natural gas, petrol and diesel) <i>Ground Operations</i> | Energy consumption (electricity, natural gas, petrol and diesel) over turnover | TAP, S.A. | < 47.09 | 45.32 | ● | < 45.32 | – |
| | Reduce water consumption <i>Ground Operations</i> | Water consumption over turnover | TAP, S.A. | < 69.92 | 61.80 | ● | < 61.80 | – |
| | Reduce paper consumption <i>Ground Operations</i> | Paper consumption over turnover | TAP, S.A. | < 0.022 | 0.020 | ● | < 0.02 | – |
| Reduce waste produced <i>Ground Operations</i> | Quantities of waste produced over turnover | TAP, S.A. | < 2.00 | 1.74 | ● | < 1.74 | – | |
| Adopt transparent principles in the Company's management and relations with society | Comply with the Code of Ethics | Number of acquisitions through tender over the total number of acquisitions | TAP Group | 100% | 100% | ● | 100% | 0.0 p.p. |
| | | Number of persons admitted through open tender over the total number of persons admitted | TAP Group | 100% | 100% | ● | 100% | 0.0 p.p. |
| | | Number of audits carried out to Tenders/Contracts | TAP Group | 375 | 409 | ● | 421 | 2.9% |
| | Ensure convergence of the Average Time of Payment with the invoice due dates | Average Time of Payment (ATP) to Suppliers (number of days) | TAP Group | Ensure convergence of the Average Time of Payment with the invoice due | 25 | ● | Ensure convergence of the Average Time of Payment with the invoice due | – |
| | | | TAP, S.A. | 24 | ● | – | | |
| Assure the reliability of the information on the Company's activity and its communication to the stakeholders and community | Annual Report and Corporate Governance and Sustainability Report available on TAP's Website | TAP Group | Jul-2013 | Jul-2013 | ● | Jul-2014 | – | |

Annexes



GRI Correspondence Table (Global Reporting Initiative)

| GRI | Page |
|---|---------------|
| 1 Strategy and Analysis | |
| 1.1 Message from the Chairman | 6-7 |
| 1.2 Description of key impacts, risks and opportunities | 19-25 40-43 |
| 2 Organization Profile | |
| 2.1 Name of the organization | 12 |
| 2.2 Primary brands, products and/or services | 30-32 44 |
| 2.3 Operational structure of the organisation | 17 |
| 2.4 Location of the organisation's headquarters | 12 |
| 2.5 Countries where the company operates | 44 |
| 2.6 Nature of ownership and legal form | 12-13 |
| 2.7 Markets | 44 |
| 2.8 Scale of the organisation | 12-13 |
| 2.9 Significant changes | - |
| 2.10 Awards received | 15 |
| 3 Report Parameters | |
| 3.1 Reporting period | 5 |
| 3.2 Date of the latest report | 85 |
| 3.3 Reporting cycle | 5 |
| 3.4 Contact | 86 |
| 3.5 Process for defining report contents | 5 |
| 3.6 Report scope | 5 |
| 3.7 Report scope limitations | 5 |
| 3.8 Report on other entities | - |
| 3.9 Criteria and bases of calculations | - |
| 3.10 Explanation of reformulations | - |
| 3.11 Significant changes relatively to previous reports | - |
| 3.12 GRI correspondence table | 75 |
| 3.13 External assurance | - |
| 4 Corporate Governance, Commitments and Engagement | |
| 4.1 Corporate Governance Structure | 17 |
| 4.2 Indicate whether the Chairman of the Board of Directors has executive functions | AR2012 |
| 4.3 Independent and non-executive members of the Board of Directors | - |
| 4.4 Mechanisms for shareholders and employees to provide recommendations or directions to the Board of Directors | 28 |
| 4.5 Relationship between the compensation of members of the Board of Directors and Senior Managers and organisation performance | - |
| 4.6 Conflicts of Interest | - |
| 4.7 Qualifications and competences | AR2012 |
| 4.8 Mission, values, codes of conduct and principles | 12 |
| 4.9 Procedures of the Board of Directors for overseeing management of economic, environmental and social performance and risk management | 17-25 |
| 4.10 Processes for evaluating the performance of the Board of Directors | - |
| 4.11 Explanation of how the precautionary approach is addressed by the organisation | - |
| 4.12 Externally developed economic, environmental and social charters, principles or other initiatives subscribed or endorsed by the organisation | - |
| 4.13 Significant participation in associations and/or national/international advocacy organisations | 14 56-59 |
| 4.14 List of stakeholder groups engaged by the organisation | 28 |
| 4.15 Basis for identification and selection of stakeholders | - |
| 4.16 Approaches to stakeholder engagement | 28 |
| 4.17 Key topics and concerns identified through stakeholder engagement | 28 |

Global Reporting Initiative (GRI) Indicators

| GRI Indicators – Economic Perspective | | | TAP, S.A. | | | | | | |
|---------------------------------------|------------|---|--|---------------------|---------------------|---------------------|---------------------|-------------------|-------|
| Code | Type | Indicator Description | 2008 ⁽¹⁾ | 2009 ⁽¹⁾ | 2010 ⁽¹⁾ | 2011 ⁽¹⁾ | 2012 ⁽¹⁾ | Variation 2012/11 | |
| EC1 | Core | Direct economic value generated and distributed, including: revenues, operating costs, Employee remuneration, donations and other community investments, retained earnings, payments to investors and taxes | | | | | | | |
| | | | Operating Revenues and Gains (EUR million) | | 1,958.1 | 2,180.7 | 2,272.6 | 2,435.7 | 7.2% |
| | | | Operating Net Income (EUR million) | | 97.8 | 103.3 | 41.1 | 49.6 | 20.6% |
| EC5 | Additional | Range of ratios of the standard basic entry-level salary at TAP, S.A, compared to the local minimum salary at important operational units National Minimum Salary (EUR) Source: http://www.dgert.mtss.gov.pt/Trabalho/rendimentos/evolucao_smn.htm Lowest basic salary at TAP, S.A, (EUR) Source: Tables supplied by the Staff Administration and Salaries area Net salary range at TAP, S.A, (Highest net basic salary / Lowest net basic salary) | 36.6% | 29.3% | 24.8% | 22.3% | 22.3% | 0.0 p.p. | |
| | | | 5,964 | 6,300 | 6,650 | 6,790 | 6,790 | 0.0% | |
| | | | 8,148 | 8,148 | 8,302 | 8,302 | 8,302 | 0.0% | |
| | | | 7.01 | 8.58 | 7.29 | 7.17 | 6.84 | -4.6% | |
| | | | | | | | | | |
| EC6 | Core | Policy, practices and proportion of spending relative to local suppliers at important operational units Proportion of purchases made by TAP, S.A., by market, without leasing: Portugal Rest of the European Union United States Other Countries Proportion of purchases made by TAP, S.A., by market, with leasing: Portugal Rest of the European Union United States Other Countries | | | | | | | |
| | | | 50.1% | 50.0% | 50.6% | 51.4% | 48.9% | -2.6 p.p. | |
| | | | 32.3% | 31.5% | 30.4% | 28.9% | 26.5% | -2.4 p.p. | |
| | | | 5.7% | 6.4% | 5.5% | 4.5% | 6.4% | 1.8 p.p. | |
| | | | 12.0% | 12.2% | 13.6% | 15.2% | 18.3% | 3.2 p.p. | |
| | | | 41.8% | 48.9% | 48.2% | 50.4% | 47.4% | -2.9 p.p. | |
| | | | 41.8% | 31.5% | 29.7% | 29.1% | 27.8% | -1.3 p.p. | |
| | | | 4.7% | 6.2% | 5.1% | 4.3% | 6.4% | 2.1 p.p. | |
| | | | 11.7% | 13.5% | 17.0% | 16.3% | 18.4% | 2.1 p.p. | |
| EC9 | Additional | Identification and description of significant indirect economic impacts, including the extent of impacts Net Income (EUR million) | | | | | | | |
| | | | | 60.0 | 62.3 | 3.1 | 21.4 | 586.2% | |

| GRI Indicators – Economic Perspective | | | TAP Group | | | | | | |
|---------------------------------------|------|---|--|---------------------|---------------------|---------------------|---------------------|-------------------|--------|
| Code | Type | Indicator Description | 2008 ⁽¹⁾ | 2009 ⁽¹⁾ | 2010 ⁽¹⁾ | 2011 ⁽¹⁾ | 2012 ⁽¹⁾ | Variation 2012/11 | |
| EC1 | Core | Direct economic value generated and distributed, including: revenues, operating costs, Employee remuneration, donations and other community investments, retained earnings, payments to investors and taxes | | | | | | | |
| | | | Operating Revenues (EUR million) | 2,400.1 | - | - | - | - | - |
| | | | Operating Revenues and Gains (EUR million) | | 2,198.9 | 2,351.1 | 2,478.6 | 2,682.4 | 8.2% |
| | | | Operating Net Income (EUR million) | -201.0 | 52.2 | -0.4 | -18.1 | 34.4 | 290.6% |
| EC2 | Core | Financial implications and other risks and opportunities for the organisation's activities due to climate change | AR 26-27 | AR 26-27 | AR 33 | AR 35 | AR 33 | - | |
| EC3 | Core | Coverage of the organisation's defined benefit plan obligations | AR 143-146 | AR 146-149 | AR 150-154 | AR 168-173 | AR 160-165 | - | |
| EC4 | Core | Significant financial assistance received from the Government | 0 | 0 | 0 | 0 | 0 | 0.0% | |
| EC8 | Core | Development and impact of infrastructure investments and services offered primarily for public benefit, through commercial engagement | AR 23-25 | AR 23-25 | AR 32-33 | AR 34-35 | AR 32-33 | - | |

| GRI Indicators – Economic Perspective | | | TAP Group | | | | | |
|---------------------------------------|------------|--|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Code | Type | Indicator Description | 2008 ⁽¹⁾ | 2009 ⁽¹⁾ | 2010 ⁽¹⁾ | 2011 ⁽¹⁾ | 2012 ⁽¹⁾ | Variation 2012/11 |
| EC9 | Additional | Identification and description of significant indirect economic impacts, including the extent of impacts | | | | | | - |
| | | Analysis of the National and International Economic Climate | AR 34-37 | AR 34-37 | AR 42-44 | AR 44-46 | AR 42-44 | - |
| | | Performance Breakdown | AR 38-41 | AR 38-41 | AR 38-41 | AR 40-43 | AR 38-41 | - |
| | | Net Income (EUR million) | -288.4 | -3.5 | -57.1 | -76.8 | -30.8 | 59.9% |
| | | GVA per Employee ⁽²⁾ (EUR) | 37,460 | 59,088 | 54,819 | 50,160 | 56,569 | 12.8% |

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

⁽²⁾ GVA from 2009 to 2011 calculated with the new criteria – Operating Revenues and Gains

| GRI Indicators – Environmental Perspective | | | TAP, S.A. | | | | | |
|--|------|--|------------|------------|------------|------------|------------|-------------------|
| Code | Type | Indicator Description | 2008 | 2009 | 2010 | 2011 | 2012 | Variation 2012/11 |
| EN1 | Core | Materials (paper) consumption, itemised by weight (tons) | 92.6 | 59.6 | 51.7 | 48.4 | 47.7 | -1.4% |
| | | White A4 paper – 75g | 48.41 | 52.8 | 48.4 | 47.7 | 46.50 | -2.6% |
| | | White A4 paper – 80g | 43.70 | 5.7 | 2.4 | 0.02 | 0.04 | 100.0% |
| | | White A3 paper – 80g | 0.49 | 1.1 | 0.9 | 0.6 | 1.15 | 88.5% |
| EN3 | Core | Direct energy consumption, itemised by primary energy source (GJ) | 40,232,229 | 34,603,091 | 36,800,735 | 38,797,749 | 40,037,077 | 3.2% |
| | | Flight Operations | | | | | | |
| | | Jet Fuel consumption (flight operations) | 40,128,765 | 34,530,338 | 36,720,907 | 38,729,714 | 39,967,322 | 3.2% |
| | | Ground Operations | | | | | | |
| | | Jet Fuel consumption (maintenance and test) | 46,681 | 26,722 | 26,346 | 18,125 | 16,356 | -9.8% |
| | | Natural Gas consumption | 52,431 | 41,571 | 48,839 | 44,368 | 47,113 | 6.2% |
| | | Petrol consumption (vehicles at the service of TAP) | 456 | 458.02 | 468.3 | 242.1 | 539.9 | 123.0% |
| | | Diesel consumption (vehicles at the service of TAP) | 3,896 | 4,003 | 4,175 | 5,299 | 5,746 | 8.4% |
| EN4 | Core | Indirect energy consumption, itemised by primary energy source – Electricity (GJ) ⁽³⁾ | 76,241 | 58,413 | 58,118 | 54,435 | 54,033 | -0.7% |
| EN8 | Core | Water consumption, itemised by source (m ³) | | | | | | |
| | | Total Water consumption | 240,532 | 159,074 | 149,571 | 154,945 | 146,496 | -5.5% |
| | | Total Groundwater consumption | 40,579 | 54,566 | 50,880 | 62,559 | 55,368 | -11.5% |
| | | Total Mains Supply Water consumption | 199,953 | 104,508 | 98,691 | 92,386 | 91,128 | -1.4% |
| EN16 | Core | Total greenhouse gas emissions (tons of CO ₂) | 2,763,829 | 2,376,473 | 2,526,820 | 2,663,196 | 2,747,720 | 3.2% |
| | | Flight Operations | | | | | | |
| | | Direct CO ₂ emissions – TP Flights | 2,747,948 | 2,364,577 | 2,514,584 | 2,652,143 | 2,736,893 | 3.2% |
| | | Ground Operations | | | | | | |
| | | Direct CO ₂ emissions – Fixed Sources ⁽¹⁾ | 5,607 | 3,941 | 4,307 | 3,537 | 3,310 | -6.4% |
| | | Direct CO ₂ emissions – Mobile Sources ⁽²⁾ | 320 | 328 | 342 | 409 | 463 | 13.1% |
| | | Indirect CO ₂ emissions ⁽⁴⁾ | 9,954 | 7,626 | 7,588 | 7,107 | 7,054 | -0.7% |
| EN22 | Core | Total quantity of waste by type and method of elimination (tons) | 3,948.22 | 4,225.27 | 4,776.59 | 4,426.84 | 4,129.70 | -6.7% |
| | | Physical/chemical treatment | 399.85 | 318.57 | 433.15 | 495.01 | 124.05 | -74.9% |
| | | Recovery | 25.60 | 22.28 | 45.86 | 22.57 | 27.25 | 20.7% |
| | | Regeneration | 69.03 | 70.71 | 125.21 | 85.16 | 74.22 | -12.8% |
| | | Recycling | 291.51 | 402.85 | 410.93 | 403.15 | 496.91 | 23.3% |
| | | Landfill | 0.00 | 45.55 | 73.72 | 0.00 | 522.56 | - |
| | | Industrial waste landfill | | | 3.22 | 1.35 | 5.84 | 332.6% |
| | | Energy recycling – incineration | 2,164.70 | 2,344.90 | 2,120.9 | 2,010.0 | 1,445.20 | -28.1% |
| | | Organic recycling | 928.50 | 999.00 | 1,545.00 | 1,400.00 | 1,400.00 | 0.0% |
| | | Temporary storage at a licensed operator | 69.03 | 21.41 | 18.65 | 9.59 | 33.67 | 251.1% |

| GRI Indicators – Environmental Perspective | | | TAP, S.A. | | | | | |
|--|------------|--|-----------|---------|---------|---------|---------|-------------------|
| Code | Type | Indicator Description | 2008 | 2009 | 2010 | 2011 | 2012 | Variation 2012/11 |
| EN24 | Additional | Treated hazardous waste by final destination (tons) | 316.13 | 129.57 | 290.98 | 375.85 | 178.44 | -52.5% |
| | | Physical/chemical treatment | 165.39 | 44.12 | 127.65 | 263.45 | 66.15 | -74.9% |
| | | Recovery | 17.93 | 2.16 | 18.57 | 0.73 | 1.00 | 37.0% |
| | | Regeneration | 69.03 | 70.71 | 125.21 | 85.16 | 74.22 | -12.8% |
| | | Recycling | 3.23 | 10.17 | 18.46 | 22.48 | 14.35 | -36.2% |
| | | Temporary storage at a licensed operator | 60.55 | 0.51 | 0.14 | 3.09 | 16.88 | 446.3% |
| | | Industrial waste landfill | - | 1.90 | 0.95 | 0.94 | 5.84 | 521.3% |
| EN30 | Additional | Total environmental protection investments and expenditures, by type (€) | 152,621 | 219,500 | 268,137 | 265,272 | 295,246 | 11.3% |
| | | Waste Management ⁽⁵⁾ | 147,296 | 210,040 | 231,493 | 241,721 | 279,390 | 15.6% |
| | | Gaseous effluent analysis | 4,970 | 0 | 6,630 | 6,188 | 5,236 | -15.4% |
| | | Liquid effluent analysis | 355 | 0 | 1,239 | 1,414 | 1,289 | -8.9% |
| | | Spillage containment | - | 0 | 19,325 | 10,451 | 3,763 | -64.0% |
| | | Containers for separate waste collection | - | 9,460 | 9,450 | 5,498 | 5,568 | 1.3% |

| GRI Indicators – Environmental Perspective | | | TAP Group ⁽⁶⁾ | | | | |
|---|----------|--|--------------------------|--------------|--------------|--------------|-------------------|
| Code | Type | Indicator Description | 2009 | 2010 | 2011 | 2012 | Variation 2012/11 |
| EN1 | Core | Materials (paper) consumption, itemised by weight (tons) | 141.7 | 137.6 | 104.8 | 104.3 | -0.5% |
| | | White A4 paper – 75g | 64.58 | 60.4 | 61.3 | 50.2 | -18.2% |
| | | White A4 paper – 80g | 74.9 | 75.0 | 42.6 | 52.9 | 24.1% |
| | | White A3 paper – 80g | 2.4 | 2.2 | 0.9 | 1.2 | 38.4% |
| EN3 | Core | Direct energy consumption, itemised by primary energy source (GJ) | 37,474,666.3 | 39,822,979.4 | 41,892,103.5 | 43,269,388.5 | 3.3% |
| | | Flight Operations | | | | | |
| | | Jet Fuel consumption (flight operations) | 37,335,780.5 | 39,671,533.9 | 41,757,725.9 | 43,135,142.8 | 3.3% |
| | | Ground Operations | | | | | |
| | | Jet Fuel consumption (maintenance and test) | 26,721.8 | 26,345.8 | 18,125.5 | 16,356.5 | -9.8% |
| | | Natural Gas consumption | 48,824.7 | 56,946.5 | 51,525.2 | 55,721.8 | 8.1% |
| | | Petrol consumption (vehicles at the service of TAP) | 1,235.7 | 1,093.4 | 433.1 | 629.7 | 45.4% |
| Diesel consumption (vehicles at the service of TAP) | 62,103.6 | 67,059.9 | 64,293.9 | 61,537.6 | -4.3% | | |
| EN4 | Core | Indirect energy consumption, itemised by primary energy source – Electricity (GJ) ⁽³⁾ | 112,324 | 113,536 | 113,534 | 113,686 | 0.1% |
| EN8 | Core | Water consumption, itemised by source (m ³) | | | | | |
| | | Total Water consumption | 247,207 | 248,087 | 261,239 | 254,855 | -2.4% |
| | | Total Groundwater consumption | 54,566 | 50,880 | 62,559 | 55,368 | -11.5% |
| | | Total Mains Supply Water consumption | 192,641 | 197,207 | 198,680 | 199,487 | 0.4% |
| EN16 | Core | Total greenhouse gas emissions (tons of CO ₂) | 2,579,753.3 | 2,741,221.5 | 2,882,965.2 | 2,976,969.8 | 3.3% |
| | | Flight Operations | | | | | |
| | | Direct CO ₂ emissions – TP Flights | 2,556,689.3 | 2,716,637.6 | 2,859,496.4 | 2,953,819.6 | 3.3% |
| | | Ground Operations | | | | | |
| | | Direct CO ₂ emissions – Fixed Sources ⁽¹⁾ | 4,309.8 | 4,722.4 | 3,879.8 | 3,710.1 | -4.4% |
| | | Direct CO ₂ emissions – Mobile Sources ⁽²⁾ | 4,682.2 | 5,038.8 | 4,766.4 | 4,597.9 | -3.5% |
| | | Indirect CO ₂ emissions ⁽⁴⁾ | 14,072.0 | 14,822.7 | 14,822.5 | 14,842.3 | 0.1% |

| GRI Indicators – Environmental Perspective | | | TAP Group ⁽⁶⁾ | | | | |
|--|------------|--|--------------------------|-----------|-----------|-----------|-------------------|
| Code | Type | Indicator Description | 2009 | 2010 | 2011 | 2012 | Variation 2012/11 |
| EN22 | Core | Total quantity of waste by type and method of elimination (tons) | 7,333.9 | 8,329.6 | 8,459.7 | 8,443.2 | -0.2% |
| | | Physical/chemical treatment | 332.3 | 446.4 | 631.1 | 309.9 | -50.9% |
| | | Recovery | 143.9 | 172.1 | 250.6 | 44.0 | -82.5% |
| | | Regeneration | 88 | 149.0 | 102.1 | 95.6 | -6.3% |
| | | Recycling | 590.2 | 694.7 | 675.1 | 816.9 | 21.0% |
| | | Landfill | 45.6 | 74.4 | 11.9 | 522.6 | 4276.8% |
| | | Industrial waste landfill | | | 1.4 | 6.3 | 365.9% |
| | | Energy recycling – incineration | 5,104.9 | 5,217.3 | 5,324.1 | 5,073.2 | -4.7% |
| | | Organic recycling | 999.0 | 1,548.0 | 1,402.0 | 1,402.0 | 0.0% |
| | | Temporary storage at a licensed operator | 27.5 | 21.7 | 58.9 | 170.4 | 189.2% |
| | | Group III – hospital waste of biological risk | 1.2 | 1.6 | 2.3 | 2.1 | -6.2% |
| Group IV – specific hospital waste | 1.5 | 1.3 | 0.3 | 0.2 | -8.0% | | |
| EN24 | Additional | Treated hazardous waste by final destination (tons) | 181.8 | 349.2 | 498.5 | 246.1 | -50.6% |
| | | Physical/chemical treatment | 50.2 | 132.6 | 279.0 | 72.3 | -74.1% |
| | | Recovery | 22.8 | 41.8 | 83.0 | 1.0 | -98.8% |
| | | Regeneration | 88 | 149 | 102.1 | 95.6 | -6.3% |
| | | Recycling | 11.2 | 21.4 | 26.4 | 21.1 | -20.1% |
| | | Temporary storage at a licensed operator | 7.8 | 3.5 | 7.1 | 49.7 | 596.5% |
| | | Industrial waste landfill | 1.9 | 1.1 | 0.9 | 6.4 | 576.6% |
| EN30 | Additional | Total environmental protection investments and expenditures, by type (€) | 369,431.9 | 424,891.8 | 469,554.3 | 447,154.0 | -4.8% |
| | | Waste Management ⁽⁵⁾ | 348,321.4 | 374,401.5 | 384,760.8 | 400,315.9 | 4.0% |
| | | Gaseous effluent analysis | 917.1 | 6,630.0 | 7,138.0 | 6,852.2 | -4.0% |
| | | Liquid effluent analysis | 1,166.0 | 1,708.5 | 4,719.0 | 1,895.5 | -59.8% |
| | | Spillage containment | 0 | 19,325.2 | 10,451.0 | 3,763.4 | -64.0% |
| | | Containers for separate waste collection | 19,027.4 | 22,826.6 | 21,470.7 | 19,408.5 | -9.6% |
| | | Consultancy | 0 | 0 | 15,990.0 | 0.0 | -100.0% |
| | | Legal compliance evaluation | 0 | 0 | 5,120.0 | 5,120.0 | 0.0% |
| | | Environmental Certification and/or external energy | 0 | 0 | 7,903.2 | 2,452.3 | -69.0% |
| Operational control | 0 | 0 | 12,001.5 | 7,346.3 | -38.8% | | |

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

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

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

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

⁽⁵⁾ In 2008 all the liquid effluents, previously treated at the Industrial Wastewater Treatment Plant of TAP–Maintenance and Engineering, had to be sent for treatment externally, due to the fire which occurred on these premises at the end of 2007

⁽⁶⁾ TAP Group except TAP–Maintenance and Engineering Brazil (Includes: TAP, S.A.; PORTUGÁLIA; SPdH; CATERINGPOR; LFP; MEGASIS; UCS)

| GRI Indicators – Social Perspective | | | TAP, S.A. | | | | | |
|-------------------------------------|------------|--|--|---------|---------|---------|---------|-------------------|
| Code | Type | Indicator Description | 2008 | 2009 | 2010 | 2011 | 2012 | Variation 2012/11 |
| LA1 | Core | Employees by type of employment | | | | | | |
| | | Ground Staff | 3,846 | 3,896 | 3,934 | 3,835 | 3,779 | -1.5% |
| | | Flight Staff | 3,127 | 3,090 | 3,121 | 3,099 | 3,058 | -1.3% |
| | | Total Employees | 6,973 | 6,986 | 7,055 | 6,934 | 6,837 | -1.4% |
| | | Average Seniority (years) | 12.65 | 13.17 | 13.32 | 13.58 | 13.46 | -0.9% |
| | | Average Age (years) | 38.20 | 38.68 | 39.14 | 39.46 | 39.42 | -0.1% |
| LA1 | Core | Employees by type of employment contract | | | | | | |
| | | Permanent contract | 6,062 | 6,138 | 6,400 | 6,665 | 6,497 | -2.5% |
| | | Fixed-term contract | 904 | 841 | 645 | 269 | 335 | 24.5% |
| | | Variable-term contract | 7 | 7 | 10 | 0 | 5 | |
| LA1 | Core | Employees by Region | | | | | | |
| | | Portugal | 6,422 | 6,438 | 6,487 | 6,388 | 6,291 | -1.5% |
| | | Europe | 273 | 268 | 266 | 253 | 247 | -2.4% |
| | | Africa | 88 | 93 | 94 | 89 | 95 | 6.7% |
| | | Americas | 190 | 187 | 208 | 204 | 204 | 0.0% |
| LA2 | Core | Rate of Employee turnover | 6.86% | 3.87% | 5.04% | 4.81% | 5.48% | 0.7 p.p. |
| LA3 | Additional | Benefits offered to full-time employees that are not provided to temporary or part-time employees, itemised by main operations | Parking on TAP premises during the daytime period and ticket benefits | | | | | |
| LA4 | Core | Percentage of employees covered by collective negotiation agreements | 70.66% | 71.02% | 67.81% | 67.69% | 60.25% | -7.4 p.p. |
| LA5 | Core | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements | Notice periods established in Portuguese legislation, TAP Group companies strictly comply with the legislation | | | | | |
| LA6 | Additional | Percentage of the total employees represented in formal health and safety committees, composed of managers and other staff, who assist in the monitoring of and provision of advice on occupational health and safety programmes | 100% | 100% | 100% | 100% | 100% | 0.0 p.p. |
| LA7 | Core | Percentage of injuries, occupational illnesses, days lost, absenteeism and number of work-related deaths | | | | | | |
| | | Number of Work Accidents | 1,027 | 1,140 | 1,001 | 1,148 | 1,121 | -2.4% |
| | | Number of Days Lost | 12,719 | 15,400 | 17,318 | 15,699 | 15,684 | -0.1% |
| | | Hours of Occupational Illness | 5,978 | 171 | 158 | 0 | 1,073 | - |
| LA8 | Core | Education, training, counselling, prevention and risk-control programmes in place to assist employees, their families or community members affected by serious illnesses | The objective of the company UCS, S.A, is to provide services in the health area to Group companies, employees, family members and third parties, Programmes: Healthy Life; Prevention and Treatment of Addictions; GRAV | | | | | |
| LA9 | Additional | Health and safety topics covered in formal agreements with trade unions | <ul style="list-style-type: none"> ▶ Health and Safety Training ▶ Applicable Legislation and Regulations ▶ Definition of Company and staff responsibilities on Safety matters ▶ Occupational Medicine and Health ▶ Company responsibilities regarding risk prevention and promotion of employee health and physical and psychological integrity ▶ Activity in epidemic areas. In accordance with national and internal regulations: Articles 272-280 of CT Law 99/2003, of 27th August; DL 26/96, of 1st February; DL 441/91, of 14th November; and AE PT in force, the TAP Hygiene, Safety and Working Conditions Commission was constituted in 1986. This Commission aims to establish standards and measures regarding hygiene, safety and the prevention of occupational hazards | | | | | |
| LA10 | Core | Training | | | | | | |
| | | Number of Shares | - | 1,220 | 2,492 | 2,825 | 2,864 | 1.4% |
| | | Number of Trainees | - | 12,598 | 17,672 | 18,078 | 21,076 | 16.6% |
| | | Training Volume in Person-Hours | - | 243,666 | 303,688 | 297,564 | 324,026 | 8.9% |
| LA11 | Additional | Skills management and continuous learning programmes to support the continued employability of the employees and assist them in managing career ending | <ul style="list-style-type: none"> ▶ At TAP, training designed for the purpose of developing knowledge, competences and skills, as well as establishing a direct relationship between Training contents and the Company's strategic objectives ▶ TAP perceives the Professional Training of its Employees as a continuous process, with the objective of preparing them with the necessary skills to provide all Customers – internal and external – with products and services of high quality and safety, reflecting the Organisation's values and constituting an essential aspect of Human Resources management ▶ TAP grants its retired and pre-retired Employees the possibility of enrolling in Transversal Training | | | | | |

| GRI Indicators – Social Perspective | | | TAP, S.A. | | | | | |
|-------------------------------------|------------|---|---|-------|-------|-------|-------|-------------------|
| Code | Type | Indicator Description | 2008 | 2009 | 2010 | 2011 | 2012 | Variation 2012/11 |
| LA12 | Additional | Percentage of employees receiving regular performance and career development reviews | 95% | 95% | 95% | 95% | 95% | 0.0 p.p. |
| LA13 | Core | Equal opportunities | | | | | | |
| | | Women | 2.588 | 2.607 | 2.973 | 2.918 | 2.874 | -1.5% |
| | | Men | 3.834 | 3.831 | 4.082 | 4.016 | 3.963 | -1.3% |
| LA14 | Core | Ratio of basic salaries of men to women, by category | According to the applicable legislation, the Company adopts a policy of equal salaries for women and men, based on equal opportunities, with diversity being decided by the exercise of the existing Functions | | | | | |
| HR5 | Core | Cases where rights to exercise freedom of association and establish collective negotiation agreements may be at significant risk | TAP respects the right of all its employees to join and associate in trade unions of their choice and engage in collective negotiations. In addition to negotiation meetings, TAP maintains frequent contact with the Trade Unions and Workers Commission | | | | | |
| HR6 | Core | Cases where there is a significant risk of the occurrence of child labour and measures taken to prevent this situation | In its Human Resources management, TAP is particularly strict in observing all legal and conventional standards regulating labour relations, and respects the informative guidelines included in the United Nations Universal Declaration of Human Rights | | | | | |
| HR7 | Core | Cases where there is a significant risk of the occurrence of forced or slave labour and measures taken to prevent these situations | In its Human Resources management, TAP is particularly strict in observing all legal and conventional standards regulating labour relations, and respects the informative guidelines included in the United Nations Universal Declaration of Human Rights | | | | | |
| HR8 | Additional | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights relevant to operations | Activity subcontracted to a security company | | | | | |
| SO2 | Core | Percentage and total number of business units subject to risk analysis aimed at fighting corruption | 100% | 100% | 100% | 100% | 100% | 0.0 p.p. |
| SO4 | Core | Measures taken in response to cases of corruption | All acts which may possibly involve corrupt behaviour are reported by the company to the police authorities and the corresponding offenders are subject to disciplinary procedures | | | | | |

| GRI Indicators – Social Perspective | | | TAP Group ⁽¹⁾ | | | | | |
|-------------------------------------|------------|--|--|--------|--------|--------|-------------------|--|
| Code | Type | Indicator Description | 2009 | 2010 | 2011 | 2012 | Variation 2012/11 | |
| LA1 | Core | Employees by type of employment | | | | | | |
| | | Ground Staff | 7,612 | 7,642 | 7,068 | 7,158 | 1.3% | |
| | | Flight Staff | 3,457 | 3,483 | 3,472 | 3,424 | -1.4% | |
| | | Total Employees | 11,069 | 11,125 | 10,540 | 10,582 | 0.4% | |
| | | Average Seniority (years) | n.a. | 12.6 | 12.91 | 12.95 | 0.3% | |
| | | Average Age (years) | n.a. | 39.13 | 38.69 | 39.35 | 1.7% | |
| LA1 | Core | Employees by type of employment contract | | | | | | |
| | | Permanent contract | 9,716 | 10,097 | 9,963 | 9,893 | -0.7% | |
| | | Fixed-term contract | 1,338 | 996 | 565 | 658 | 16.5% | |
| | | Variable-term contract | 15 | 32 | 12 | 31 | 158.3% | |
| LA1 | Core | Employees by Region | | | | | | |
| | | Portugal | 10,521 | 10,557 | 9,994 | 10,036 | 0.4% | |
| | | Europe | 268 | 266 | 253 | 247 | -2.4% | |
| | | Africa | 93 | 94 | 89 | 95 | 6.7% | |
| | | Americas | 187 | 208 | 204 | 204 | 0.0% | |
| LA2 | Core | Rate of Employee turnover | n.a. | 7.29% | 7.72% | 6.33% | -1.4 p.p. | |
| LA3 | Additional | Benefits offered to full-time employees that are not provided to temporary or part-time employees, itemised by main operations | Parking on TAP premises during the daytime period and ticket benefits | | | | | |
| LA4 | Core | Percentage of employees covered by collective negotiation agreements | 67.2% | 63.9% | 62.7% | 54.6% | -8.1 p.p. | |
| LA5 | Core | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements | Notice periods established in Portuguese legislation. TAP Group companies strictly comply with the legislation | | | | | |
| LA6 | Additional | Percentage of the total employees represented in formal health and safety committees, composed of managers and other staff, who assist in the monitoring of and provision of advice on occupational health and safety programmes | 76.6% | 77.3% | 98.6% | 99.2% | 0.5 p.p. | |

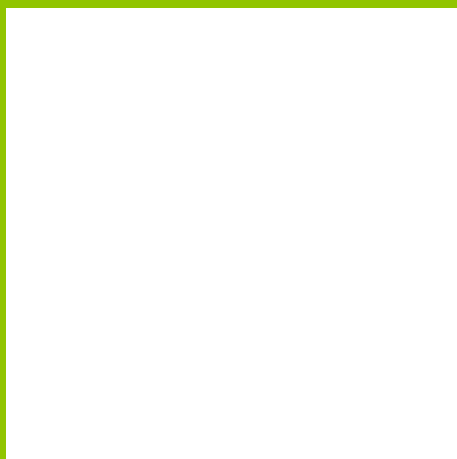
| GRI Indicators – Social Perspective | | | TAP Group ⁽¹⁾ | | | | |
|-------------------------------------|------------|--|---|---------|---------|---------|-------------------|
| Code | Type | Indicator Description | 2009 | 2010 | 2011 | 2012 | Variation 2012/11 |
| LA7 | Core | Percentage of injuries, occupational illnesses, days lost, absenteeism and number of work-related deaths | | | | | |
| | | Number of Work Accidents | 1,712 | 1,542 | 1,637 | 1,611 | -1.6% |
| | | Number of Days Lost | 28,789 | 30,801 | 26,088 | 27,440 | 5.2% |
| | | Hours of Occupational Illness | 2,225 | 6,275 | 2,184 | 2,625 | 20.2% |
| LA8 | Core | Education, training, counselling, prevention and risk-control programmes in place to assist employees, their families or community members affected by serious illnesses | The objective of the company UCS, S.A. is to provide services in the health area to Group companies, employees, family members and third parties. Programmes: Healthy Life; Prevention and Treatment of Addictions; GRAV | | | | |
| LA10 | Core | Training | | | | | |
| | | Number of Shares | 2,943 | 5,009 | 5,236 | 5,753 | 9.9% |
| | | Number of Trainees | 23,761 | 32,944 | 35,848 | 38,171 | 6.5% |
| | | Training Volume in Person-Hours | 557,366 | 669,667 | 800,250 | 770,234 | -3.8% |
| LA12 | Additional | Percentage of employees receiving regular performance and career development reviews | 95.3% | 95.4% | 95.2% | 95.0% | -0.2 p.p. |
| LA13 | Core | Equal opportunities | | | | | |
| | | Women | 4,191 | 4,549 | 4,349 | 4,331 | -0.4% |
| | | Men | 6,330 | 6,576 | 6,191 | 6,251 | 1.0% |
| HR6 | Core | Cases where there is a significant risk of the occurrence of child labour and measures taken to prevent this situation | In its Human Resources management, TAP is particularly strict in observing all legal and conventional standards regulating labour relations, and respects the informative guidelines included in the United Nations Universal Declaration of Human Rights | | | | |
| HR7 | Core | Cases where there is a significant risk of the occurrence of forced or slave labour and measures taken to prevent these situations | In its Human Resources management, TAP is particularly strict in observing all legal and conventional standards regulating labour relations, and respects the informative guidelines included in the United Nations Universal Declaration of Human Rights | | | | |
| HR8 | Additional | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights relevant to operations | Activity subcontracted to a security company | | | | |
| SO2 | Core | Percentage and total number of business units subject to risk analysis aimed at fighting corruption | 100% | 100% | 100% | 100% | 0.0 p.p. |
| SO4 | Core | Measures taken in response to cases of corruption | All acts which may possibly involve corrupt behaviour are reported by the company to the police authorities and the corresponding offenders are subject to disciplinary procedures | | | | |

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

Abbreviations and Glossary

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

Approval of the Corporate Governance and Sustainability Report



Approved by the General and Supervisory Board (under the terms of Article 23 no.1 o) of the Company Statutes), as per the proposal of the Specialised Sustainability and Corporate Governance Commission of TAP, SGPS, in the meeting held on 10th May 2013.

General and Supervisory Board

Specialised Sustainability and Corporate Governance Commission

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

Executive Board of Directors

| | |
|----------|-----------------------|
| Chairman | Fernando Pinto |
| Member | Fernando Jorge Sobral |
| Member | Luís Rodrigues |
| Member | Luiz da Gama Mór |
| Member | Manoel Torres |
| Member | Michael Conolly |

Credits

TAP, SGPS, S.A.

Apartado 50194, 1704-801 Lisboa
Tel. +351 218 415 000
Fax +351 218 415 774
Taxpayer number 506623602

Design and graphic production



Photography

TAP PORTUGAL

Print run

300 copies

Legal Deposit

182.801/13

july 2013



TAP, SGPS, S.A.
Apartado 50194, 1704-801 Lisboa
Tel. +351 21 841 50 00
Fax +351 21 841 57 74
www.flytap.com