

Second-Party Opinion

Viva Aerobus Sustainability-Linked Financing Framework



Evaluation Summary

Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2020

Sustainalytics is of the opinion that the Viva Aerobus Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020. Overview of the KPI and SPT:

KPI	Strength of the KPI	SPT	Ambitiousness of the SPT
Jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO ₂ /RPK)	Very Strong	Reduce jet fuel emissions intensity by 35.4% by 2029 compared with a 2015 baseline	Highly Ambitious

Climate Transition Finance Handbook

Sustainalytics has evaluated Viva Aerobus' transition governance, strategy, decarbonization targets and intentions to report on its transition progress and finds the Company to be partially aligned with the recommendations of the Climate Transition Finance Handbook 2020.

Evaluation Date	September 06, 2022
Issuer Location	Monterrey, Mexico

The SPT contributes to the following SDGs:



Table of Contents

Evaluation Summary	1
Table of Contents	2
Scope of Work and Limitations	3
Introduction	4
Sustainalytics’ Opinion	5
Section 1: Sustainalytics’ Opinion on the Alignment of the Framework with Relevant Market Standards	5
Selection of Key Performance Indicator (KPI).....	5
Calibration of Sustainability Performance Target (SPT)	6
Bond Characteristics.....	8
Reporting.....	8
Verification	8
Alignment against the Climate Transition Finance Handbook 2020	8
Section 2: Assessment of Viva Aerobus’ Sustainability Strategy	9
Section 3: Impact of the SPT	10
Conclusion	11
Disclaimer	16
About Sustainalytics, a Morningstar Company	17

Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹ opinion on the alignment of the Viva Aerobus Sustainability-Linked Financing Framework, dated September 2022 (the "Framework") with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability-Linked Bond Principles 2020²;
- The credibility and anticipated positive impacts of the use of proceeds and SPTs;
- The issuer's sustainability strategy, performance and sustainability risk management; and
- The alignment with the recommendations of the Climate Transition Finance (CTF) Handbook 2020.³

As part of this engagement, Sustainalytics held conversations with various members of Viva Aerobus' management team to understand the sustainability impact of their business processes and the core components of the Framework. Viva Aerobus' representatives have confirmed that:

- (1) They understand it is the sole responsibility of the Company to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Viva Aerobus.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with current market standards but does not provide any guarantee of alignment nor warrants alignment with any future versions of such standards. Regarding the portion of the Second-Party Opinion that assesses:

- Sustainability-linked instruments, this Second-Party Opinion is valid for issuances aligned with the Framework for up to 24 (twenty-four) months or until one of the following occurs: (1) a material change to the external benchmarks against which targets were set; or (2) a material corporate action (such as a material M&A or change in business activity) that has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For sustainability-linked instruments, the Second-Party Opinion:

- Addresses the anticipated SPTs of KPIs but does not measure progress on the KPIs. Measuring and reporting on KPIs is the responsibility of the Framework owner.

No information that Sustainalytics provides under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related circumstances that Viva Aerobus may have disclosed to Sustainalytics for the purpose of this Second-Party Opinion.

For inquiries, contact the Sustainable Finance Solutions project team:

Udayakrishnan Azhakath (Mumbai)
Project Manager
udayakrishnan.azhakath@morningstar.com

Ananth Eragam (Amsterdam)
Project Support
ananth.eragam@morningstar.com

Guilherme Grunthal (Toronto)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Aakanksha Jain (Toronto)
Project Support
aakanksha.jain@morningstar.com

Stefan Spataru (Amsterdam)
Project Support
stefan.spataru@morningstar.com

¹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

² The bond Principles, Guidelines and Handbooks are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

³ The Climate Transition Finance Handbook is administered by the International Capital Market Association and is available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf>

Introduction

Aeroenlaces Nacionales, S.A. de C.V. (“Viva Aerobus”, the “Company” or the “Issuer”) is a low-cost airline operator headquartered in Monterrey, Mexico. The Company provides scheduled passenger and belly freight air transportation services across 96 routes in Mexico and 32 routes servicing 14 international destinations as of June 2022. The Company was founded in 2006 and currently employs a workforce of more than 3,500 personnel.

Viva Aerobus has developed the Viva Aerobus Sustainability-Linked Financing Framework, under which it intends to issue sustainability-linked bonds. Viva Aerobus engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s alignment with the Sustainability-Linked Bond Principles 2020 and the recommendations of the Climate Transition Finance Handbook 2020. The Framework will be published in a separate document.⁴

The financial characteristics of the sustainability-linked bonds issued under the Framework will be tied to the achievement or failure to achieve one SPT.

The KPI and SPT used by Viva Aerobus are defined in Tables 1 and 2 below.

Table 1: KPI Definition

KPI	Definition
Jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO ₂ /RPK)	<p>The KPI measures Viva Aerobus’ CO₂ emissions intensity from the combustion of jet fuel per revenue passenger-kilometre (RPK). The numerator is calculated by multiplying the total jet fuel burned, in kg, by an emissions factor of 3.157 gCO₂/kg of fuel. The denominator is calculated by multiplying the total number of paying passengers by the distance flown. All inputs are data gathered through the Company’s internal systems and readings. The emissions factor is derived from the International Civil Aviation Organization’s (ICAO) Carbon Emissions Calculator.⁵</p> <p>The KPI covers all of Viva Aerobus’ aircraft operations in Mexico, all other countries in the Americas and any other markets the Company may service in the future.</p>

Table 2: SPT and Past Performance

KPI	2015 (baseline)	2016	2017	2018	2019	2020	2021	SPT 2029
Jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO ₂ /RPK)	103.22	89.28	81.32	75.94	72.13	74.75	73.21	66.64

⁴ The Framework is available on Viva Aerobus’ website at: <https://ri.vivaaerobus.com/en/prospectos#>

⁵ ICAO, “ICAO Carbon Emissions Calculator Methodology, Version 11”, (2018), at: https://www.icao.int/environmental-protection/CarbonOffset/Documents/Methodology%20ICAO%20Carbon%20Calculator_v11-2018.pdf

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Viva Aerobus Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020. For detailed information, please refer to Appendix 1: Sustainability Linked Bond – External Review Form. Sustainalytics highlights the following elements of the Framework:



Selection of Key Performance Indicator (KPI)

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what portion of impact the KPI is applicable.

Sustainalytics' Industry Report on the Transportation industry⁶ identifies Carbon – Own Operations as a material ESG issue for the transportation sector. Additionally, the Sustainability Accounting Standards Board identifies GHG emissions as a relevant topic to monitor and disclose for the airlines industry.

Regarding applicability, the KPI covers CO₂ emissions from the combustion of jet fuel used by the Company's aircraft in Mexico, all other countries in the Americas and any markets it may service in the future. Viva Aerobus has communicated to Sustainalytics that the CO₂ emissions from the combustion of jet fuel, which represent 1,303,352,686 kgCO₂, correspond to its scope 1 GHG emissions but does not include the entirety of its scope 1 GHG emissions. Based on internal research on the GHG emissions profiles of companies in the airline industry, Sustainalytics is of the opinion that CO₂ emissions from the combustion of jet fuel represent the majority of airlines' GHG emissions.⁷ Based on the above, Sustainalytics considers the KPI to be highly applicable.

Sustainalytics considers the KPI, jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO₂/RPK), to be material and to have a high scope of applicability.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used; ii) whether the issuer follows an externally recognized definition; iii) whether the KPIs are a direct measure of the issuer's performance on a material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked to an external, contextual benchmark.⁸

Viva Aerobus calculates the numerator of the KPI by multiplying the total jet fuel burned, in kg, by an emissions factor of 3.157 gCO₂/kg of fuel. The emissions factor is derived from the ICAO Carbon Emissions Calculator.⁹ The denominator is calculated by multiplying the total number of paying passengers by the distance flown. All inputs are data gathered through the Company's internal systems and readings. The Company has communicated to Sustainalytics that while it has not reported publicly on the KPI in the past, it has been calculating it for internal purposes. Sustainalytics considers Viva Aerobus' definition and methodology to compute the KPI to be clear and consistent.

⁶ Sustainalytics, "Industry Report – Transportation October 2021" (2021)

⁷ TPI, "Carbon Performance assessment of airlines: note on methodology" (2021), at: <https://www.transitionpathwayinitiative.org/publications/101.pdf?type=Publication>

⁸ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criteria are not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

⁹ ICAO, "ICAO Carbon Emissions Calculator Methodology, Version 11", (2018), at: https://www.icao.int/environmental-protection/CarbonOffset/Documents/Methodology%20ICAO%20Carbon%20Calculator_v11-2018.pdf

In addition, Sustainalytics notes that the KPI is a standard metric to measure carbon emissions from air transport activity used by several players in the airline industry, including industry bodies such as ICAO¹⁰ and the International Council on Clean Transportation.¹¹ Furthermore, the calculation of the KPI is consistent with the Transition Pathway Initiative’s (TPI) approach to derive its benchmark pathway for the airlines sector. Based on the above, Sustainalytics is of the opinion that the KPI follows an externally defined methodology.

The KPI targets GHG emissions reduction for activities that are directly under the Company’s operational control, which Sustainalytics views as a direct measure of the Company’s performance on a material environmental issue.

Furthermore, the KPI supports benchmarking against an external contextual emissions reduction trajectory, namely TPI’s decarbonization pathway for the airlines sector.¹²

Overall Assessment

Sustainalytics considers the KPI, jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO₂/RPK), to be very strong given that: i) it is a direct measure of the Company’s performance on a relevant and material ESG issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it lends itself to be benchmarked against an external GHG emissions intensity reduction trajectory.

KPI	Strength of the KPI			
Jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO ₂ /RPK)	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Target (SPT)

Alignment with Viva Aerobus’ Sustainability Commitments

Viva Aerobus has set the following SPT for its KPI:

- Reduce jet fuel emissions intensity by 35.4% by 2029 compared with a 2015 baseline

Viva Aerobus has communicated to Sustainalytics that it aims to reduce its emissions to reach its target of 68.65 gCO₂ per passenger-kilometre by 2025. The Company intends to reduce its GHG emissions through technologies incorporated into its Airbus NEO aircraft and by complying with the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Furthermore, Viva Aerobus plans to introduce procedures aimed at maximizing asset utilization and increase the use of low carbon fuels and improve fuel consumption efficiency. The Company already implements initiatives to improve the fuel efficiency of its fleet, such as OptiClimb, a tool that recommends optimal climb speeds for each flight.¹³

Based on the above, Sustainalytics considers the SPT to be aligned with Viva Aerobus’ sustainability commitments. Please refer to Section 2 for an analysis of the credibility of Viva Aerobus’ sustainability commitments.

Strategy to Achieve the SPT

Viva Aerobus intends to achieve the SPT through the following strategies:

- Continuing the acquisition of Airbus NEO aircraft; Viva Aerobus aims to increase the share of aircraft powered by NEO technology in its fleet from 49% in 2021 to 77% by 2029. Compared to previous models, Airbus NEO aircraft have more fuel-efficient engines,¹⁴ offer a more space-efficient cabin layout, reduce

¹⁰ ICAO, “CO₂ Emissions from Commercial Aviation 2018”, at: https://www.icao.int/Meetings/a40/Documents/WP/wp_560_rev1_en.pdf

¹¹ ICCT, “CO₂ Emissions from Commercial Aviation 2013, 2018, and 2019”, (2020), at: <https://theicct.org/sites/default/files/publications/CO2-commercial-aviation-oct2020.pdf>

¹² Transition Pathway Initiative, “Sectors: Airlines”, at: <https://www.transitionpathwayinitiative.org/sectors/airlines>

¹³ Viva Aerobus, “The Future is Green”, (2021), at: <https://content.vivaaerobus.com/cdn/efev/dist/The-Future-is-Green%E2%80%93Viva-Aerobus-Environmental-Culture-V2.pdf>

¹⁴ Viva Aerobus has communicated that NEO engines are more efficient than current engine options by approximately 15% in terms of fuel consumption.

noise pollution and reduce nitrogen oxide emissions. The Company has communicated to Sustainalytics that it intends to add up to 63 Airbus NEO aircraft to its fleet between 2020 and 2025.

- Increasing the share of A321 aircraft from 27% in 2021 to 43% by 2024 and 56% by 2029. According to the Company, A321 aircraft have a 29% higher seat density than A320 aircraft.
- Increasing load factors; Viva Aerobus plans to increase its load factor from 83% in 2021 to approximately 86% by 2029.
- Reducing CO₂ emissions by complying with CORSIA.¹⁵ Viva Aerobus launched a voluntary carbon offsetting programme in 2021.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science.¹⁶

Viva Aerobus has set the baseline for the SPT at 2015 as it was the last year before the Company started introducing NEO technology into its fleet. This sets a benchmark to compare the improvement that the technology brings in terms of fuel efficiency and CO₂ emissions reduction. Sustainalytics notes that, between 2015 and 2021, the latest reporting year for its emissions data, Viva Aerobus already achieved 82% of the reduction required to achieve the SPT.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: i) past performance; ii) peer performance; and iii) alignment with science-based trajectories.

Between 2017 and 2021, Viva Aerobus reduced its jet fuel carbon emissions intensity by an average annual rate of 2.5%. Achieving the SPT implies an average annual rate of reduction in the Company’s carbon emissions intensity of approximately 1.1% between 2021 and 2029. Achieving the SPT requires an average annual reduction that is below past performance, but Sustainalytics acknowledges that the reduction achieved in past years was greater given the high baseline and the Company’s ability to acquire fuel-efficient aircraft. Viva Aerobus has communicated to Sustainalytics that it is facing delivery delays for its fuel-efficient aircraft and engines, which account for its decreased targeted performance. Based on the above, Sustainalytics considers the targeted reduction to achieve the SPT represents a continual material improvement and views the SPT to be aligned with the Company’s past performance.

Sustainalytics analyzed the performance of five of Viva Aerobus’ peers in the airlines industry and is of the opinion that the SPT aligns with the targets set by its peers.

Regarding comparison with science, Sustainalytics assessed the SPT against TPI’s decarbonization pathway for the airlines sector, and the 2029 target is aligned with the 1.5°C climate scenario.

Overall Assessment

Sustainalytics considers the SPT to be aligned with Viva Aerobus’ sustainability commitments and to be highly ambitious given that it presents a continual material improvement on its past performance. The SPT is also aligned with targets set by the Company’s peers and with TPI’s 1.5°C climate scenario for the airlines sector.

SPT	Ambitiousness of the SPT			
Reduce jet fuel emissions intensity by 35.4% by 2029 compared with a 2015 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

¹⁵ ICAO, “Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)”, at: <https://www.icao.int/environmental-protection/CORSIA/Pages/default.aspx>

¹⁶ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.



Bond Characteristics

Viva Aerobus has disclosed that the financial characteristics of the sustainability-linked bonds issued under the Framework will vary depending on the achievement or non-achievement of the SPT on the target observation date. Depending on the achievement or failure to achieve the SPT, the financial characteristics may include a step-up in the coupon or a margin rate adjustment as specified in the relevant bond’s documentation.

If the progress towards the SPT cannot be calculated or observed as defined in the Framework or a verification assurance certificate cannot be provided by an independent auditor or contains a reservation, it will trigger a coupon step-up or a margin adjustment for the relevant sustainability-linked bond.

Sustainalytics notes that the financial characteristics of the bonds are aligned with the SLBP.



Reporting

Viva Aerobus commits to report on an annual basis on its progress on the KPI on its website. Furthermore, the Company commits to disclose relevant information enabling investors to monitor the progress towards the SPT. When feasible, the Company intends to include information regarding any reassessment of the KPI, restatement of the SPT, pro-forma adjustments to the SPT baseline or the scope of the KPI, and the positive impacts of the performance improvement. The reporting commitments are aligned with the SLBP.



Verification

Viva Aerobus commits to have an external verifier provide limited assurance annually on the progress towards the SPT, the result of which will be made publicly available on its website. This is aligned with the SLBP on verification.

Alignment against the Climate Transition Finance Handbook 2020

Sustainalytics has assessed Viva Aerobus’ alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company’s transition strategy to be partially aligned. Sustainalytics highlights the following key elements of the assessment:

Key Elements	ICMA Recommendation	Sustainalytics’ Assessment	
Issuer’s climate transition strategy and governance	<ul style="list-style-type: none"> - Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement - Relevant interim targets on the trajectory towards long-term goal - Governance of transition strategy 	<ul style="list-style-type: none"> - Viva Aerobus has communicated to Sustainalytics that the Company’s sustainability department was created in April 2022 and that the department has initiated the process to define the sustainability strategy. However, the Company currently has initiatives in place that support its decarbonization efforts. - The Company has yet to set interim and long-term targets and has communicated to Sustainalytics that it is in the process of establishing them as part of its sustainability strategy development. - Viva Aerobus has communicated to Sustainalytics that the Company’s board-level Governance 	Partially aligned

		Committee manages all its sustainability issues. The Company’s Chief Sustainability & Corporate Affairs Officer is currently developing the company’s sustainability strategy. See detailed assessment in Section 2.	
Business model environmental materiality	- Transition trajectory should be relevant to the environmentally-material parts of the issuer’s business model	- As an airline operator, Viva Aerobus’ decarbonization initiatives address an environmentally material aspect of its business – GHG emissions. - Initiatives outlined by Viva Aerobus such as fleet optimization and implementation of fuel efficiency technologies, are directly relevant to Viva Aerobus’ operations and aim to achieve a reduction in GHG emissions.	Aligned
Climate transition strategy to be ‘science-based’ including targets and pathways	- Transition strategy should reference science-based targets and transition pathways	- Viva Aerobus currently does not have publicly disclosed medium- and long-term targets in place. See detailed assessment in Section 2.	Not Aligned
Implementation transparency	- Disclosure of capex and opex plans - Climate-related outcomes and impacts that expenditures are intended to result in	- Viva Aerobus has not committed to disclosing specific investments for its climate transition-related operations. - The Company has committed to report on information relevant to the KPI and information that monitors the progress on the KPI. Sustainalytics is of the opinion that the KPI, jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO ₂ /RPK), is representative of the impact of transition-related expenditures. Viva Aerobus has also communicated to Sustainalytics that it will report in accordance with the GRI standards from 2023.	Partially aligned

Section 2: Assessment of Viva Aerobus’ Sustainability Strategy

Credibility of Viva Aerobus’ Climate Transition Strategy

Emission-Reduction Targets

Viva Aerobus has communicated to Sustainalytics that it aims to reduce its CO₂ emissions to 68.65 gCO₂ per passenger-kilometre by 2025 and that it intends to set medium- and long-term targets during the later stages of developing its sustainability strategy.

Sustainalytics encourages Viva Aerobus to establish medium and long-term targets and adopt a science-based approach to align its targets with a recognized emissions reduction pathway for the airline sector.

Decarbonization Pathway and Implementation Plan

Viva Aerobus has communicated to Sustainalytics that it is currently developing its sustainability strategy. The Company plans to establish the vision, objectives and workplan of its transition approach in the later phases of developing its sustainability strategy. However, the Company has already implemented the following initiatives to support its emissions reduction efforts: i) investing in fleet modernization through the use of advanced engines and fuel consumption technologies; and ii) offering passengers the ability to offset their emissions through a Voluntary Carbon Footprint Compensation¹⁷ programme developed by the Company.

Sustainalytics recognizes that the adoption of sustainable aviation fuels (SAFs) is significant for the aviation sector’s long-term decarbonization. Viva Aerobus has communicated to Sustainalytics that the Company has made efforts to procure and use SAFs, but affordability and availability are key barriers to their adoption. Sustainalytics acknowledges the limited availability of SAFs in markets where Viva Aerobus operates but nevertheless encourages the Company to increase its usage of SAFs depending upon future availability. Furthermore, Sustainalytics encourages Viva Aerobus to prioritize developing its sustainability strategy, including a time-bound decarbonization pathway and implementation plan, and report on the same.

¹⁷ Under its Voluntary Carbon Footprint Compensation programme, the Company calculates carbon footprint per passenger emitted on its flights and encourages the passenger to cover it through a contribution destined to projects that seek to neutralize emissions

Viva Aerobus' Environmental and Social Risk Management

Sustainalytics recognizes that Viva Aerobus' defined target is impactful, but notes that achieving the SPT bears environmental and social risks. Sustainalytics' ESG Risk Rating identifies Human Capital, Product Governance, and Occupational Health and Safety as key material ESG issues for the airline industry.

In the following section, Sustainalytics comments on Viva Aerobus' ability to mitigate such potential risks:

- **Human Capital** – Viva Aerobus has established a Code of Ethics¹⁸ that details the Company's policy on diversity, equal opportunity, and non-discrimination. The Company expects its stakeholders to report incidents of harassment or intimidation through the ethics system. It is also committed to implementing policies that help promote an inclusive corporate culture, such as a fair recruitment and selection process, equal opportunities for professional development through promotion and performance-based compensation and non-discrimination during the selection process.^{19,20}
- **Product Governance** – Viva Aerobus' Code of Ethics also commits to prioritizing the safety of its passengers. The Company expects its stakeholders, especially employees and suppliers, to report any situation that affects the health and safety of its passengers, in addition to following the security and quality policies of the Company. The Company is also committed to carrying out its operations in a safe manner and prohibits any activity that could cause harm to its employees and passengers. Viva Aerobus complies with laws, regulations, standards and current requirements applicable to its business model at all levels of the organization. The Company has a Passenger Compensation Policy²¹ in place, which requires it to transfer passengers to their final destination using the fastest available means of transportation in the event that any of its aircraft lands in a place other than the intended destination. The Company also commits to implementing and maintaining an Integrated Management System that includes a Security Program for the Prevention of Acts of Illicit Interference and a Quality Management System.²²
- **Occupational Health and Safety** – The Company expects its workers to i) comply with the health and safety policies of Viva Aerobus; ii) actively participate in industrial safety and health campaigns; and iii) report objects, behaviours and facilities that could endanger safety at work. Furthermore, Viva Aerobus provides employees with the necessary protective equipment and relevant training for their safe use. In its Comprehensive Security Policy,²³ the Company promotes a safety culture at the workplace by carrying out risk management assessments to identify and prevent accidents, injuries, defects, damages or economic losses. The Company also implements and maintains an Integrated Management System that includes the Operational Safety Management System and the Risk Management Programme for Fatigue.²⁴ Viva Aerobus has also communicated to Sustainalytics that its human resources department is developing a new strategy called "Cuidémonos: Siempre Seguros, Siempre Confiables" which aims to define an improvement plan for the Company's occupational health and safety management.

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to Viva Aerobus. Overall, Sustainalytics considers that Viva Aerobus has strong management policies and programmes to mitigate risks that could arise in achieving the SPT.

Section 3: Impact of the SPT

Achieving the Paris Agreement climate goal to reach net zero emissions by 2050 requires robust action and long-term goals to mitigate CO₂ emissions across all sectors of the economy, including aviation, which was responsible for approximately 2.4% of global GHG emissions as of 2020.²⁵

Since the 1960s, improvements in aircraft design and engine efficiency have helped reduce the carbon intensity of fleetwide commercial passenger aircraft by more than 70% per seat-kilometre. However, GHG emissions in the aviation sector are

¹⁸ Viva Aerobus, "Code of Ethics", p.19, at:

<https://investorcloud.s3.amazonaws.com/VivaAerobus/InformacionFinanciera/IntegridadCorporativa/Codigo-Etica-08-2022.pdf>

¹⁹ Viva Aerobus, "Viva Aerobus reaffirms its commitment to diversity and inclusion, inaugurates Viva store with rainbow logo in Puerto Vallarta", (2021), at: <https://web.vivaaerobus.com/mx/sala-de-prensa/comunicados/2021/junio/viva-aerobus-reafirma-su-compromiso-con-la-diversidad-e-inclusion-inaugura-viva-tienda-con-logotipo-arcoiris-en-puerto-vallarta>

²⁰ Ibid.

²¹ Viva Aerobus, "Passenger Compensation Policy", at: <https://www.vivaaerobus.com/en-us/legal/compensation-policy>

²² Viva Aerobus, "Comprehensive Security Policy", at: <https://www.vivaaerobus.com/en-us/legal/security-policy>

²³ Ibid.

²⁴ Ibid.

²⁵ Our World in Data, "Climate change and flying: what share of global CO₂ emissions come from aviation?", (2020), at: <https://ourworldindata.org/co2-emissions-from-aviation>

expected to at least double by 2050 compared to a 2020 baseline, as the number of air travelers is expected to triple by 2050, and global jet fuel consumption is expected to at least double relative to 2018.^{26,27,28}

Developed by the International Civil Aviation Organization and adopted in 2016, the Carbon Offsetting and Reduction Scheme for International Aviation aims to ensure carbon-neutral growth of the aviation industry from 2021 onwards by stabilizing net CO₂ emissions at 2019 levels through carbon offsetting programmes and curbing the international aviation industry’s impact on climate change.^{29,30}

Sustainalytics is of the opinion that the Viva Aerobus Sustainability-Linked Financing Framework, primarily focused on the Company’s fleet transformation by acquiring NEO aircraft, can reduce its operational carbon footprint and support the airline industry’s transition to cleaner mobility.

Alignment with/contribution to SDGs

The Sustainable Development Goals, adopted by the United Nations General Assembly in September 2015, form part of an agenda for achieving sustainable development by 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
Jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO ₂ /RPK)	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	12. Responsible Consumption and Production	12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Conclusion

Viva Aerobus has developed the Viva Aerobus Sustainability-Linked Financing Framework, under which it intends to issue sustainability-linked bonds. The sustainability-linked bonds will tie a step-up in their coupon or a margin rate adjustment to the achievement or non-achievement of the following SPT: Reduce jet fuel emissions intensity by 35.4% by 2029 compared with a 2015 baseline.

Sustainalytics considers the KPI, jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO₂/RPK), to be very strong based on its materiality and relevance to Viva Aerobus’ business, its high scope of applicability, the use of a clear and consistent methodology that is externally defined and its suitability to be benchmarked against an external decarbonization trajectory. Sustainalytics considers the SPT to be aligned with Viva Aerobus’ sustainability commitments and to be highly ambitious given that it is aligned with historical performance, peer performance and with TPI’s 1.5°C climate scenario for the airlines sector. Furthermore, Sustainalytics considers the reporting and verification commitments to be aligned with the SLBP and expects the Framework to contribute to the advancement of the UN Sustainable Development Goals 9 and 12.

Based on the above, Sustainalytics considers the Viva Aerobus Sustainability-Linked Financing Framework to be aligned with the five core components of the Sustainability-Linked Bond Principles 2020. Sustainalytics has also assessed Viva Aerobus’ alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company’s transition commitments to be partially aligned.

²⁶ IEA, “Tracking Aviation 2020”, at: <https://www.iea.org/reports/tracking-aviation-2020>

²⁷ EIA, “EIA projects energy consumption in air transportation to increase through 2050”, (2019), at: <https://www.eia.gov/todayinenergy/detail.php?id=41913#:~:text=EIA%20expects%20jet%20fuel%20consumption%20to%20increase%20at%20a%20faster,to%2029%20quads%20in%202050>

²⁸ ICAO, “Environmental Trends in Aviation to 2050”, at: https://www.icao.int/environmental-protection/Documents/EnvironmentalReports/2016/ENVReport2016_pg16-22.pdf

²⁹ IATA, “CORSIA Fact Sheet”, (2021), at: <https://www.iata.org/en/iata-repository/pressroom/fact-sheets/fact-sheet--corsia/>

³⁰ ICAO, “Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)”, at: <https://www.icao.int/environmental-protection/CORSIA/Pages/default.aspx>

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Aeroenlaces Nacionales S.A. de C.V.

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: September 06, 2022

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

Original completion date of post issuance verification [please fill this out for updates]:

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review) only some of them (partial review):
- | | |
|---|---|
| <input type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Verification | |
- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- Second Party Opinion Certification
- Verification Scoring/Rating

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Sustainalytics is of the opinion that the Viva Aerobus Sustainability-Linked Financing Framework is aligned with the Sustainability-Linked Bond Principles 2020.

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable): Sustainalytics considers the KPI, jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO₂/RPK) to be very strong given that: i) it is a direct measure of the Company’s performance on a relevant and material ESG issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it lends itself to be benchmarked against an external GHG emissions intensity reduction trajectory.

List of selected KPIs:

- Jet fuel carbon emissions intensity per revenue passenger-kilometre (gCO₂/RPK)

Definition, Scope, and parameters

- | | |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
| | <input type="checkbox"/> Other (please specify): |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable): Sustainalytics considers the SPT to be aligned with Viva Aerobus’ sustainability commitments and to be highly ambitious given that it presents a continual material improvement on its past performance, is aligned with targets set by its peers and with TPI’s 1.5°C climate scenario for the airlines sector.

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (please specify): |

Benchmarking approach

- | | |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer’s peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify): |

Additional disclosure

- | | | | |
|-------------------------------------|---|-------------------------------------|--|
| <input checked="" type="checkbox"/> | potential recalculations or adjustments description | <input checked="" type="checkbox"/> | issuer's strategy to achieve description |
| <input checked="" type="checkbox"/> | identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> | Other (please specify): |

3-3 BOND CHARACTERISTICS

Overall comment on the section (if applicable): Viva Aerobus has disclosed that the financial characteristics of the sustainability-linked bonds issued under the Framework will vary depending on achievement or non-achievement of the SPT on the target observation date. Depending on achievement or failure to achieve the SPT, the financial characteristics may include a step-up in the coupon or a margin rate adjustment as specified in the relevant bond's documentation. If the performance towards the SPT cannot be calculated or observed as defined in the Framework or a verification assurance certificate cannot be provided by an independent auditor or contains a reservation, it will trigger a coupon step-up or a margin adjustment for the relevant sustainability-linked bond.

Financial impact:

- | | |
|-------------------------------------|-------------------------|
| <input checked="" type="checkbox"/> | variation of the coupon |
| <input checked="" type="checkbox"/> | Margin rate adjustment |
| <input type="checkbox"/> | Other (please specify): |

Structural characteristic:

- | | |
|--------------------------|-------------------------|
| <input type="checkbox"/> | ... |
| <input type="checkbox"/> | ... |
| <input type="checkbox"/> | Other (please specify): |

3-4 REPORTING

Overall comment on the section (if applicable): Viva Aerobus commits to report on an annual basis on its progress on the KPI on its website. Furthermore, the Company commits to disclose relevant information enabling investors to monitor the progress towards the SPT. When feasible, the Company intends to include information regarding any reassessment of the KPI, restatement of the SPT, pro-forma adjustments to the SPT baseline or the scope of the KPI, and the positive impacts of the performance improvement. The reporting commitments are aligned with the SLBP.

Information reported:

- | | | | |
|-------------------------------------|----------------------------------|-------------------------------------|-------------------------------|
| <input checked="" type="checkbox"/> | performance of the selected KPIs | <input checked="" type="checkbox"/> | verification assurance report |
| <input checked="" type="checkbox"/> | level of ambition of the SPTs | <input type="checkbox"/> | Other (please specify): |

Frequency:

- | | | | |
|-------------------------------------|-------------------------|--------------------------|-------------|
| <input checked="" type="checkbox"/> | Annual | <input type="checkbox"/> | Semi-annual |
| <input type="checkbox"/> | Other (please specify): | | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Information published on website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the “useful links” section.

Level of Assurance on Reporting

- | | |
|---|--|
| <input checked="" type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance |
| | <input type="checkbox"/> Other (please specify): |

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

Section 4. Post-issuance verification

Overall comment on the section (if applicable):

Information reported:

- | | |
|--|--|
| <input type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance |
| | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Material change:

- | | |
|---|--|
| <input type="checkbox"/> Perimeter | <input type="checkbox"/> KPI methodology |
| <input type="checkbox"/> SPTs calibration | |

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

