

Second-Party Opinion

Controladora Vuela Compañía de Aviación Sustainability-Linked Bond Framework

Evaluation Summary

Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2020

Sustainalytics is of the opinion that the Volaris Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020.

Overview of KPI and SPT:

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
Grams of CO ₂ emissions per revenue passenger kilometer (gCO ₂ / RPK)	2015	Reduction of emissions intensity, measured as the total number of paying passengers multiplied by the distance flown (gCO ₂ /RPK), by 21.54% by 2022 and by 35.42% by 2030	Very Strong	Ambitious

Climate Transition Finance Handbook

Sustainalytics has evaluated Volaris' transition governance, strategy, decarbonization targets, and intentions to report on transition progress and finds the Company to be partially aligned with the recommendations of the Climate Transition Finance Handbook 2020. Volaris' short and medium-term targets are aligned with Transition Pathway Initiative's (TPI) Shift-Improve scenario, which is consistent with the well-below-2-degree commitment under the Paris Agreement. However, Sustainalytics notes that the Company has not set long-term targets in alignment with TPI's decarbonization pathway.

Evaluation Date	August 19, 2021
Issuer Location	Mexico City, Mexico

The SPTs contribute to the following SDGs:



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Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹ opinion on the alignment of the Volaris Sustainability-Linked Bond 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 "Principles");
- 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 2020³;

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

- (1) They understand it is the sole responsibility of Volaris to ensure that the information provided is complete, accurate or 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 Volaris.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written up to 24 months or until one of the following occurs: (1) A material change to the external benchmarks⁴ against which targets were set; (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI.

For use of proceeds instruments, the Second-Party Opinion:

- addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities
- Sustainalytics relied on its internal taxonomy, version 1.9.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider

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

- addresses the anticipated SPTs of KPI but does not measure the KPI performance. The measurement and reporting of the KPI is the responsibility of the Bond issuer.

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>

⁴ Benchmarks refers to science-based benchmarks

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Volaris has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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Introduction

Controladora Vuela Compañía de Aviación, S.A.B. de C.V. or Concesionaria Vuela Compañía de Aviación S.A.P.I. de C.V. directly or as Trustor of the Trust Agreement CIB/3249 (“Volaris”, or the “Company”) is an ultra-low-cost airline with operations in Mexico, the US and Central America. Volaris commenced operations in 2006 and is headquartered in Mexico City. As of July 31st, 2021, the Company employed over 5,000 employees, operated 94 aircraft and served 180 different routes. Volaris currently operates in 43 cities in Mexico and 28 cities in the US and Central America.

Volaris holds a substantial market presence in the largest airports in Mexico (based on the number of passengers) and attempts to reach some of the most populated Mexican communities in the US. The Company utilizes an unbundled pricing strategy and allows passengers to pay for additional products and services. Volaris’ target audience is travellers for the purpose of visiting friends or relatives (VFR travel), cost-conscious business people and leisure travellers. The Company sells tickets through four primary distribution channels: website, call center, third parties such as travel agents, and airport counters.

Volaris has developed the Volaris Sustainability-Linked Bond Framework (the “Framework”), under which it intends to issue one or more sustainability-linked bonds. Volaris engaged Sustainalytics to review the Framework, dated August 2021, and to 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 (CTF) Handbook 2020. This Framework has been published in a separate document.⁵

Under sustainability-linked bonds, the coupon rate of the bond or its redemption price is tied to the achievement of the Sustainability Performance Targets for one KPI related to decreasing the Company’s CO₂ emissions intensity.

The KPI and SPTs used by Volaris are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
Grams of CO ₂ emissions per revenue passenger kilometer (gCO ₂ /RPK)	The KPI is defined as the grams of carbon dioxide emissions per revenue passenger kilometer - gCO ₂ /RPK. This emissions intensity metric reflects the total number of paying passengers multiplied by the distance flown. The calculation includes carbon emissions from all of Volaris’ aircraft operations. Volaris’ definition for the KPI (gCO ₂ /RPK) follows the methodological approach in line with the airline industry’s sectoral decarbonization approach (SDA) ⁶ to calculate the carbon dioxide emissions from air travel - recognized by the International Civil Aviation Organization (ICAO) ⁷ , the International Council on Clean Transportation (ICCT) ⁸ and the Transition Pathways Initiative (TPI). ⁹

Table 2: SPTs and Past Performance

KPI	2015 (baseline)	2019	2020	SPT 2022	SPT 2030
Grams of CO ₂ emissions per revenue passenger kilometer (gCO ₂ /RPK)	87.60	76.35	83.86	68.73	56.57

⁵ The Volaris Sustainability-Linked Bond Framework is available on Volaris’ website at: <http://ir.volaris.com/English/home/default.aspx>

⁶ “The two main metrics for air transport activity used in the airline industry are: (i) ‘passenger kilometres’ or ‘revenue passenger kilometres’ (or RPKs), which is the total number of paying passengers multiplied by the distance flown; and (ii) ‘revenue tonne kilometres’ (or RTKs), which is the total number of revenue generating tonnes of both passengers and freight multiplied by the distance flown”, Carbon performance assessment of airlines: note on methodology, (2020), at: <https://www.transitionpathwayinitiative.org/publications/71.pdf?type=Publication>

⁷ CO₂ emissions from commercial aviation, 2018, (2019)

, (2019), at: https://www.icao.int/Meetings/a40/Documents/WP/wp_560_rev1_en.pdf

⁸ CO₂ emissions from commercial aviation 2013, 2018, and 2019, ICCT (2020), at: <https://theicct.org/sites/default/files/publications/CO2-commercial-aviation-oct2020.pdf>

⁹ Carbon Performance assessment of airlines, TPI (2020), at: <https://www.transitionpathwayinitiative.org/publications/71.pdf?type=Publication>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of Volaris Sustainability-Linked Bond Framework with Relevant Market Standards

Alignment with Sustainability-Linked Bond Principles

Sustainalytics is of the opinion that the Volaris Sustainability-Linked Bond 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 Volaris' Sustainability-Linked Bond Framework:



Selection of Key Performance Indicators (KPI)

Relevance and Materiality of KPI

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

Sustainalytics considers the KPI, grams of CO₂ emissions per revenue passenger kilometer (gCO₂/RPK), to be material and relevant as Volaris considers the carbon footprint of its aircraft operations to be the focus of its sustainability strategy and recognizes the urgent need to implement mitigating measures.¹⁰ Sustainalytics ESG Risk Ratings identifies "Carbon - Own Operations"¹¹ as a material ESG issue for the Company. Additionally, the Sustainability Accounting Standard Board (SASB) identifies GHG emissions as a material topic for the Airlines industry.¹² SASB estimates that 99% of the industry's emissions are in the form of CO₂ emissions, largely driven by fuel consumption by aircraft.¹²

Volaris has communicated to Sustainalytics that, in 2020, the Scope 1 emissions driven by fuel consumption by its aircraft accounted for 99.98% of the Company's Scope 1 and 2 emissions. Based on this, the KPI is considered to be relevant and sufficient in scope as it covers Scope 1 emissions from all of Volaris' aircraft operations (Mexico, the US, Guatemala, Costa Rica, El Salvador and any future markets that the Company will serve). Although Volaris has not reported on its Scope 3 GHG emissions, Scope 1 and Scope 2 emissions represent the majority (over 50%) of the total emissions (Scope 1, 2 and 3) of airline companies like Volaris.

KPI Characteristics

Sustainalytics in its assessment of the KPI characteristics considers i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPI is a direct measure of the performance of the issuer on a material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.¹³

Sustainalytics considers Volaris' definition and methodology to calculate KPI performance to be clear and consistent with widely adopted methodologies in the airline sector, in line with the ICAO, ICCT and TPI. It reflects the historical performance calculation methodology for this KPI. Volaris' definition for the KPI - gCO₂/RPK or the total number of paying passengers multiplied by the distance flown, is considered to be a standard metric of air transport activity used in the airline industry's sectoral decarbonization approach (SDA).

¹⁰ Volaris, "2019 Sustainability Report", (2019), at: <https://cms.volaris.com/globalassets/pdfs/eng/volaris-sustainability-report-2019.pdf>

¹¹ "Carbon - Own Operations" refers primarily to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2).

¹² SASB, "Airlines – Sustainability Accounting Standard", (2018), at: https://www.sasb.org/wp-content/uploads/2018/11/Airlines_Standard_2018.pdf

¹³ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

In addition, the KPI measures the grams of CO₂ emissions from its aircraft operations per revenue passenger kilometer and is, therefore, a direct measure of Volaris’ carbon emissions. The approach used to define the KPI is considered an industry standard and as such, Sustainalytics views the methodology to be supportive of benchmarking to external targets.

Overall Assessment

Sustainalytics overall considers the KPI to be very strong given that: (i) it directly measures performance on a relevant and material ESG issue for the Company, applicable to nearly 100% of its Scope 1 and 2 GHG emissions, (ii) its definition is aligned with credible external methodologies such as the Transition Pathways Initiative, and therefore, (iii) supports benchmarking against external emission reduction trajectories.

Grams of CO₂ emissions per revenue passenger kilometer (gCO₂ / RPK)	Not Aligned	Adequate	Strong	Very strong
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Calibration of Sustainability Performance Targets (SPTs)

Volaris has set the following SPTs for its KPI:

- Reduction of emissions intensity, measured as gCO₂/RPK, by 21.54% by 2022 and by 35.42% by 2030, from a 2015 baseline

Alignment with Issuer’s Sustainability Strategy

Sustainalytics considers the SPTs to be aligned with Volaris’ sustainability strategy (please refer to Section 2 for an analysis of the credibility of the Company’s sustainability strategy).

As highlighted in its 2019 Sustainability Report, Volaris recognizes the environmental impact of its operations, particularly related to GHG emissions derived from fuel consumed by the Company’s aircraft (fleet).¹⁰ Therefore, as part of its commitment towards a low carbon economy, Volaris has set the mid-term target to reduce its Scope 1 CO₂ emissions intensity by 35.42% by 2030, with 2015 as the baseline. To achieve this target, in 2016, Volaris began replacing its Airbus CEO (Current Engine Option) aircraft with Airbus NEO (New Engine Option) aircraft with the use of fuel-saving sharklets wingtip devices.¹⁴ This fleet transformation has the objective of reducing fuel consumption while maintaining a high load factor.¹⁰ Volaris has also invested in other operational efficiency measures, including optimization of flight routes and reduction in Auxiliary Power Units (APU)¹⁵ used in aircraft, intending to reduce fuel consumption further.

In addition, Volaris offers its customers a voluntary option to offset their carbon footprint for their journey. As a result of its investments and initiatives, Volaris had already reduced its emissions by nearly 13% in 2019, relative to 2015. Sustainalytics is of the opinion that Volaris’ overall sustainability strategy will support the achievement of the set SPTs.

Strategy to Achieve the SPTs

Volaris intends to achieve the SPTs through the following strategies:

- Volaris will continue to invest in fleet transformation or the acquisition of NEO aircraft. The Company has communicated to Sustainalytics that the NEO aircraft is, on average, 18.5% more fuel-efficient than the traditional CEO aircraft. Volaris’ objective is for NEO aircraft to represent 50% of its aircraft fleet by 2022 and 100% by 2028. Additionally, 81% of the Company’s fleet of 94 aircraft(CEOs and NEOs) is

¹⁴ Incorporating Airbus’ Sharklet™ wingtip devices and two new engine choices, the A320neo Family offers maximum benefit with minimal changes from baseline A319s, A320s and A321s – delivering per seat fuel improvements of 20% by 2020, along with additional range of up to 500 nautical miles/900 km or 2 tonnes of extra payload, at: <https://www.airbus.com/aircraft/passenger-aircraft/a320-family/a320neo.html>

¹⁵ An Auxiliary Power Unit (APU) delivery energy to run the electrical systems of the aircraft other than propulsion.

currently deployed with the sharklet wingtip devices technology, contributing to fuel efficiency. Volaris is scheduled to receive 80 new NEO aircraft with sharklet technology between 2023 and 2028.

- Volaris has entered into an agreement with Recaro Aircraft Seating (Recaro) to install aircraft seats that are 30% lighter in weight. Volaris has confirmed that the NEO aircraft received between 2023 and 2028 will be fitted with these seats and estimate annual fuel savings of 32,000 gallons. Additionally, the Company will continue to finance the installation of lightweight trolleys in aircraft. By 2023, around 43% of the Volaris' trolleys are expected to be lightweight.
- The Company will also focus on reducing fuel consumption by enhancing additional operational efficiencies. These include optimization of flight routes, preparation of efficient flight plans and monitoring fuel consumption parameters (booked passengers, load factor, fuel gallons consumed, average daily craft utilization, airports served and passenger flight segments).

Sustainalytics recognizes that the adoption of Sustainable Aviation Fuels (SAFs) is crucial for the aviation sector's long-term decarbonization. Although there is no evidence of clear objectives and deadlines around the use of SAFs, Volaris has communicated to Sustainalytics that the Company is considering using biofuels and other SAFs for their ferry flights (new fleet delivered from factory) in coordination with Airbus to raise awareness on the subject. Sustainalytics acknowledges the limited availability of SAFs in markets where Volaris operates. At the same time, Sustainalytics encourages Volaris to increase usage of SAFs depending upon future availability and price due to the limited potential for decarbonization in the absence of that. Furthermore, Volaris is currently evaluating strategic alliances with other participants in the sector to research and strengthen the development of SAFs.

Ambitiousness, Baseline and Benchmarks

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

Volaris set 2015 as the baseline for the SPTs as the Company procured its last CEO aircraft to its fleet during that year. In addition, Volaris' strategy to achieve the SPTs largely focuses on reducing fuel consumption through its fleet transformation - from its existing CEO aircraft to NEO aircraft. As a result, Volaris considers the 2015 baseline to be a suitable comparison for the improvement in fuel efficiency of its fleet.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science-based trajectories.

To achieve the SPT, Volaris commits to reducing its emissions intensity by an average annual rate of 3.3% between 2020 and 2030. Sustainalytics notes that the targeted rate of reduction implies a material improvement over past performance.

Sustainalytics notes that Volaris' SPTs compare favourably against industry peers, especially related to low-cost airlines, most of whom have not yet set publicly available targets for reducing operational GHG emissions. In addition, Volaris has communicated to Sustainalytics that it was the first Mexican airline to implement and publish clear targets to mitigate its carbon footprint.

Regarding external trajectories, Sustainalytics notes that the SPTs set for 2022 and 2030 are aligned with Transition Pathway Initiative's (TPI) well-below 2-degree scenario.

If there is a material change in market conditions, external benchmarks against which the current SPT has been set, Volaris' fleet plan or to Volaris' business (such as merger and acquisition or change in business activity), the KPI or SPT may change to reflect the new context. Volaris commits to communicate on such changes through public announcements.

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

Overall Assessment

Sustainalytics considers the SPTs to align with Volaris’ sustainability strategy and considers Volaris’ SPTs to be ambitious. The SPT presents a material improvement compared to Volaris’ past performance and also exceeds peer targets. Additionally, the SPT is aligned with TPI’s well-below 2-degree scenario in the medium term.

Reduction of emissions measured as gCO ₂ /RPK by 21.54% by 2022 and by 35.42% by 2030 (Grams of CO ₂ emissions per revenue passenger kilometer)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
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Bond Characteristics

Volaris has disclosed that any bonds issued directly or through an SPV, such as the Trust Agreement CIB/3249 issuer of asset backed trust notes, pertaining to the Framework will be subject to a penalty (or incentive) for not achieving (or achieving) any of the SPTs as specified in the bond documentation. If Volaris is unable to achieve any of the SPTs on their specified observation date, either (i) the interest rate will increase for the specified coupon dates, or (ii) the redemption price of the bond will increase. Sustainalytics positively notes that the SPTs need to be met at the evaluation dates to avoid an increase in the coupon rate or the redemption price as provided in the bond documentation; however, it does not opine on the adequacy of the penalty imposed for not achieving the set SPTs.



Reporting

Volaris commits to report annually on the selected KPI performance and expects to include the relevant data in the Integrated Annual Report and Corporate Presentations, which will be available on its investor relations website. Where feasible, the Company will aim to include information on the positive sustainability impacts of the performance improvements and any re-assessments or restatements of the KPI or SPTs. This is aligned with the SLB principles.



Verification

Volaris commits to having an external verifier provide a limited or a reasonable level of assurance on the published KPI performance figures at the relevant observation date, which is aligned with the SLB principles on verification.

Alignment against the Climate Transition Finance Handbook 2020

Sustainalytics has assessed Volaris’ alignment with the recommendations of the CTF Handbook and considers the Company to be partially aligned overall. 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"> - Volaris’ strategy focuses on replacing its existing CEO aircraft with NEO aircraft which are more fuel-efficient. The Company is also committed to reduce fuel consumption through achieving operations efficiencies in flight planning and optimization of routes. These actions support the decarbonization of its operations. - Volaris has defined clear short- and medium-term targets to support its decarbonization strategy, namely a 21.54% reduction in carbon emissions intensity (gCO₂/RPK OB) over the period 2015-2022 and a 35.42% reduction over the period 2015-2030. - The Company has not defined a long-term strategy or corresponding targets to achieve further reduction in emissions intensity beyond 2030. - Volaris’ has established a Sustainability Committee which is responsible for the implementation of the Company’s climate transition strategy with oversight from the Board of Directors. - See detailed assessment in Section 2 	Partially Aligned
Business model environmental materiality	<ul style="list-style-type: none"> - Transition trajectory should be relevant to the environmentally-material parts of the issuer’s business model 	<ul style="list-style-type: none"> - Volaris’ aircraft operations are responsible for nearly 100% of its Scope 1 and 2 emissions. 	Aligned
Climate transition strategy to be ‘science-based’ including targets and pathways	<ul style="list-style-type: none"> - Transition strategy should reference science-based targets and transition pathways 	<ul style="list-style-type: none"> - While the Company’s short- and medium-term targets are aligned with Transition Pathway Initiative’s well-below-2-degree scenario, which supports the Paris Agreement, Volaris has not set long-term targets in line with TPI’s decarbonization pathway. - Additionally, Volaris’ transition strategy is focused on enhancing fuel efficiencies to achieve emissions reduction as part of its climate transition strategy. However, the Company has not discussed other potential avenues towards decarbonization. - See detailed assessment in Section 2 	Not Aligned
Implementation transparency	<ul style="list-style-type: none"> - Disclosure of CAPEX and OPEX plans - Climate-related outcomes and impacts that expenditures are intended to result in 	<ul style="list-style-type: none"> - Volaris is committed to reporting on its decarbonization progress and publicly disclosing information related to its carbon emissions. - Volaris has not committed to (i) targeted investments for its operations in relation to climate transition, or (ii) reporting on the share or amount of CAPEX focused on its overall low-carbon activities. However, the Company has informed Sustainalytics that it will report in conformance with the Task Force on Climate Disclosures (TCFD) from 2021 onwards to better monitor its performance. 	Partially Aligned

Section 2: Assessment of Volaris' Sustainability Strategy

Credibility of Climate Transition Strategy

Sustainalytics recognizes that proceeds from debt issuances under this Framework are for general corporate purpose use aimed to support transition towards low-carbon operations. Within this context, Sustainalytics has assessed Volaris' climate transition strategy below:

Climate Transition Governance

Volaris has embedded its climate strategy in its corporate governance structures and in 2020 the Company set up a Sustainability Committee to ensure the development of the business in a sustainable manner.¹⁷ The Sustainability Committee consists of the Executive Committee¹⁸ and is chaired by the President and CEO of the Company, who reports to the Board of Directors on the climate initiatives of the Company. The Sustainability Committee defines and sets the emissions reduction targets and develops the ESG risk analysis and management strategy for the Company. The Company has committed to implement actions in compliance with domestic and international environmental agreements to mitigate the effects of climate change, such as ICAO's CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) and Mexico's General Law on Climate Change. Sustainalytics notes the creation of the Sustainability Committee comprising of the executive leadership of the Company and commitments to international agreements as credible steps towards implementation of the climate transition strategy.

Emission-Reduction Targets

In the mid-term, Volaris has committed to a 35.42% reduction in carbon intensity by 2030 from a 2015 baseline,¹⁰ measured as emissions per revenue passenger kilometer, which is aligned with Transition Pathway Initiative's well-below-2-degree scenario and in support of the Paris Agreement. Sustainalytics considers the set targets to have a positive impact on Volaris' transition towards low-carbon operations.

Decarbonization Pathway and Implementation Plan

Volaris' decarbonization pathway and implementation plan are anchored around efficient fuel consumption management, which has a significant environmental and economic impact on the Company. The two pillars under efficient fuel management are:

- **Fleet renewal and investments in best technologies:** Volaris has identified the acquisition of the best technologies as the most concrete way to execute its climate strategy. The Company has stated that newer aircraft have better technologies leading to improved fuel efficiency and has targeted fleet renewal as a major pillar of its decarbonization pathway. At the end of 2019, Volaris incorporated to its fleet five A320NEO and two A321NEO aircraft, bringing its fleet to 82 aircraft: eight A319, fifty-eight A320 and sixteen A321 aircraft with an average age of five years, 77% of which are fitted with sharklets, aerodynamic devices that reduce fuel consumption by approximately 4%.¹⁰ To optimize the fleet's fuel consumption from the NEO technology, the Company stated that it made a purchase order of 80 aircraft in 2017 to be delivered from 2023 and 2028.
- **Fuel consumption optimization techniques:** Volaris employs fuel consumption optimization techniques in its operations to save on fuel consumption. Areas of focus include: i) Flight altitude optimization - which involves the identification of an optimal sequence of speeds and altitudes to minimize fuel consumption ii) Routes optimization - which involves using technology such as Fuel Pro from Storkjet that use artificial intelligence and machine learning to optimize routes and monitor fuel consumption parameters iii) Reduced use of APU (Auxiliary Power Unit) - which resulted in fuel savings of approximately 718,500 (-11.8%) gallons in 2020 compared to 2019 and iv) Extra fuel optimization - which involves the efficient planning to define required fuel.

Sustainalytics notes Volaris' implementation plan, fleet renewal and fuel consumption optimization towards decarbonization targets as credible and supporting the Company's short and mid-term decarbonization targets.

Reporting on Implementation

Volaris intends to report on the progress of decarbonization and overall transition strategy through its Annual Integrated Report or Corporate Presentations, which will be made annually and available on the Company's investor relations website. The Company

¹⁷ Volaris, "Sustainability Report, (2019)", at: <https://cms.volaris.com/globalassets/pdfs/eng/volaris-sustainability-report-2019.pdf>

¹⁸ The Executive Committee members are the President and CEO, the Executive Vice President Airline Commercial and Operations, the Senior Vice President Chief Financial Officer and the Senior Vice President Chief Operating Officer.

intends to report on investments in its fleet replacement and initiatives on fuel consumption optimization. However, Volaris has not committed to reporting on capital expenditures and operating expenditures towards its transition strategy.

Volaris' Environmental and Social Risk Management

Sustainalytics recognizes that while Volaris' defined targets are impactful, it is acknowledged that achieving the SPTs is associated with other environmental and social risks. Sustainalytics' ESG risk rating methodology identifies "Human capital, Product governance and Occupational health and safety"¹⁹ as key material ESG issues for the airline industry.

In the following section, Sustainalytics comments on Volaris's ability to mitigate such potential risks.

Human capital – Volaris has established procedures that promote equal opportunities and non-discrimination through internal regulations stated in the code of ethics and enforced through an ethics committee, a whistle-blowing line, diversity and equal opportunities policy, a compensation policy, maternity policy, and daycare agreements. The company promotes freedom of association and collective bargaining, and Volaris workers have a union called the "Sindicato de Trabajadores de la Industria Aeronáutica". To address local employee concerns, the Company has established teams of human resources business partners dedicated to serving the labour needs of unionized workers.

Product governance – Volaris provides transportation of passengers free of any unlawful interference through high-level security apparatus to counter threats of terrorism, bomb threats, kidnapping threat or other contingencies and emergencies. The Company has attained certification from the International Air Transport Association's operational safety audit. The certification is an internationally accepted system designed to evaluate an airline's operational management and control systems. In 2019, Volaris renewed its SMS (Safety Management System) certification, which guarantees the implementation of reactive, proactive and predictive methods of hazard identification to avoid aviation accidents. This certification requires the approval of the AFAC (Federal Civil Aviation Agency) in Mexico. Volaris also abides by the LFPDPPP (Law on Protection of Personal Data held by Individuals) and other applicable privacy and personal data regulations to protect the right to privacy and personal data of individuals.

Occupational health and safety – Volaris has highlighted in its sustainability strategy the importance of concentrating efforts on the good physical and mental health of its employees. Through the "Health plans" initiative, the Company provides presentations on nutrition guides, influenza vaccination campaigns and medical evaluations for workshop and maintenance workers, and sleep aids for its pilots. Volaris also complies with official industry regulations in this area and has set up 40 Health and Safety Commissions in charge of making periodic visits to its facilities for inspection of full compliance and identification of areas of improvement. The Company abides by the Mexican Official Standards of the Ministry of Labour and Social Welfare to determine the necessary safety, health and work environment conditions for its employees.

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

¹⁹ Sustainalytics defines: i) Human Capital as the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages ii) Product Governance as how companies manage responsibilities to their clients iii) Occupational Health and Safety as the management of workplace hazards affecting a company's own employees and on-site contractors.

Section 3: Impact of the SPTs Selected

Achieving the Paris Agreement climate goal to reach net-zero emissions by 2050 will require robust action and long-term goals to mitigate CO₂ emissions across all the sectors of the economy, including the global aviation sector, responsible for approximately 2.4% of anthropogenic GHG emissions.²⁰

In recent years, improvements in key areas such as fuel efficiency, aircraft design, and the greater use of SAFs, have helped reduce these emissions. However, the rate of improvement is small compared to the increase in the demand for air transportation activities. Thus, GHG emissions in the aviation sector are steadily increasing, with the number of passengers expected to double over the next 20 years and global jet fuel consumption expected to double or triple by 2050.

Developed by the ICAO and adopted in 2016, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) aims to ensure carbon-neutral growth from 2020 and lower CO₂ emissions for international flights to curb the aviation impact on climate change. In this context, continued efforts targeting aircraft fuel efficiency are crucial in reducing GHG emissions for the Airlines industry.

Sustainalytics notes that mitigating these emissions may require significant technological changes and imply financial implications for companies in the industry. Additionally, Volaris’ Transition Finance Framework, primarily focused on the Company’s fleet transformation (acquiring NEO aircraft), can significantly reduce its operational carbon footprint and support the airlines industry moving to cleaner mobility.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. The Volaris Sustainability-Linked Bond Framework advance the following SDG goals and targets:

KPI	SDG	SDG Target
Grams of CO ₂ emissions per revenue passenger kilometer (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

²⁰ The growth in greenhouse gas emissions from commercial aviation, (2019), at: <https://www.eesi.org/papers/view/fact-sheet-the-growth-in-greenhouse-gas-emissions-from-commercial-aviation>

Conclusion

Volaris intends to issue one or more Sustainability-Linked Bonds, which will tie the coupon rate or the redemption price, as determined by the bond documentation, to the achievements of the following SPTs:

- Reduction in grams of carbon dioxide emissions per revenue passenger kilometer by 21.54% by 2022 and by 35.42% by 2030, compared to 2015.

Sustainalytics performed a review of Volaris' SLB and considered the KPI to be relevant and material and aligned with the Company's sustainability strategy. Further, Sustainalytics considers the KPI to be very strong as it is a direct measure of a material environmental issue for the airlines' industry, applicable to nearly 100% of the Volaris' Scope 1 and 2 GHG emissions and can be benchmarked against external criteria. The SPTs are considered ambitious as they exceed the targets set by peers and represent a material improvement over the Company's past performance. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Sustainalytics is of the opinion that the Volaris Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. Sustainalytics has also assessed Volaris' alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company's transition strategy to be partially aligned overall. Based on the above, Sustainalytics is confident that Volaris is well-positioned to issue sustainability-linked bonds.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and/or Concesionaria Vuela Compañía de Aviación S.A.P.I. de C.V. directly or as Trustor of the Trust Agreement CIB/3249

Sustainability-Linked Bond ISIN: The Framework may be used for multiple bonds/offerings.

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

Completion date of second party opinion pre-issuance: August 19, 2021

Independent External Review provider's name for post-issuance verification (section 4): Not known at the time of publication

Completion date of post issuance verification: Not known at the time of publication

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 summarize the scope of the review.

The review:

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

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

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> 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)

Volaris intends to issue Sustainability-Linked Bonds, which will tie the coupon rate or the redemption price as determined by the bond documentation to the achievements of the following SPTs:

- Reduction in grams of carbon dioxide emissions per revenue passenger kilometer by 21.54% by 2022 and by 35.42% by 2030, compared to 2015.

Sustainalytics performed a review of Volaris’ SLB and considered the KPI to be relevant and material and aligned with the Company’s sustainability strategy. Further, Sustainalytics considers the KPI to be very strong as it is a direct measure of a material environmental issue for the airlines’ industry, applicable to nearly 100% of the Volaris’ Scope 1 and 2 GHG emissions and can be benchmarked against external criteria. The SPTs are considered ambitious as they exceed the targets set by peers and represent a material improvement over the Company’s past performance. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Sustainalytics is of the opinion that the Volaris Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. Sustainalytics has also assessed Volaris’ alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company’s transition strategy to be partially aligned overall. Based on the above, Sustainalytics is confident that Volaris is well-positioned to issue sustainability-linked bonds.

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 overall considers the KPI to be very strong given its direct relevance to Volaris’ carbon emissions from its aircraft operations across all its geographies, representing almost 100% of the Company’s Scope 1 and 2 emissions. Furthermore, the KPI follows a clear and consistent methodology and lends itself to being benchmarked against external criteria.

List of selected KPIs:

- Grams of CO₂ emissions per revenue passenger kilometer (CO₂/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 SPTs to align with Volaris’ sustainability strategy and considers Volaris’ SPTs to be ambitious. The SPT presents a material improvement compared to Volaris’ past performance and also exceeds peer targets. Additionally, the SPT is aligned with TPI’s well-below 2-degree scenario in the medium-term.

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): Volaris has disclosed that any bond issuances pertaining to the Framework will be subject to a penalty (or incentive) for not achieving (or achieving) any of the SPTs specified in the bond documentation. If Volaris is unable to achieve any of the SPTs on their specified observation date, either (i) the interest rate will increase for the defined coupon dates, or (ii) the redemption price of the bond will increase. Sustainalytics positively notes that all the SPTs need to be met at the evaluation dates to avoid an increase in the coupon rate or the redemption price as provided in the bond documentation; however, it does not opine on the adequacy of the penalty imposed for not achieving the set SPTs.

Financial impact:

- variation of the coupon
- Variation of the redemption price
- Other (please specify):

Structural characteristic:

- ...
- ...
- Other (please specify):

3-4 REPORTING

Overall comment on the section (if applicable): Volaris commits to report annually on the selected KPI performance and expects to include the relevant data in the Integrated Annual Report, Corporate Presentations which will be available on its website. Where feasible, the Company will aim to include information on the positive sustainability impacts of the performance improvements and any reassessments or restatements of the KPI and/or SPTs. This is aligned with the SLB principles.

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input 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 checked="" type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Corporate Presentations |
| <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 type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance |
| | <input checked="" type="checkbox"/> Other (please specify): limited or reasonable assurance |

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:

- Annual
- Semi-annual
- Other (please specify):

Material change:

- Perimeter
- KPI methodology
- SPTs calibration

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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.

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For more information, visit www.sustainalytics.com

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