S&P Global Ratings

Powered by Shades of Green

Second Party Opinion

Azo Inc.'s Green Issuance Framework

Aug. 21, 2025

Primary contact

Annia Mayerstein
Mexico City
+52 551-037-5282
annia.mayerstein
@spglobal.com

Location: Brazil **Sector:** Real estate

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

✓ Green Bond Principles, ICMA, 2025

✓ Green Loan Principles, LMA/LSTA/APLMA, 2025

See Alignment Assessment for more detail.

Light green

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Strengths

Azo Inc.'s buildings are mostly supplied by renewable electricity sources. Its buildings in Rio de Janeiro and Campinas are connected to the national grid, which receives around 90% of electricity from renewable sources. Buildings are not equipped with heating, which limits its fossil fuel exposure.

Penalty clauses will be included in future green transaction documentation. Azo commits to stipulate penalty clauses on its future green loan or bond financing, in case the financed projects are not aligned with the Framework's eligibility criteria.

Weaknesses

The company does not measure its greenhouse gas emissions (GHGs) inventory. Azo is not required to report those metrics, given the company's size and relatively low emitting downstream exposure.

Areas to watch

The Framework's criteria does not address embodied emissions, which can be significant in building materials. Even though the company commits to systematically incorporate sustainable materials as technology evolves, the project category lacks specific threshold or dedicated investments aimed at reducing these emissions.

Shades of Green Projects Assessment Summary

This Framework will allow Azo or any of its subsidiaries and/or affiliates to issue green instruments. The issuer does not have an estimate or breakdown of proceeds to be allocated to refinancing projects versus newly financed projects, but it commits to a maximum 24 month look-back period. Based on the project category's Shades of Green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in Azo's Framework, we assess it as Light green.

Green buildings	Light green
Investment in projects with AQUA-HQE (excellent or higher), LEED (Gold or higher), and EDGE (Certified or higher) certification.	

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Azo Inz Empreendimentos Imobiliarios Ltda. (Azo) is a Brazilian real estate developer focused on mid- to high-end residential projects. With over 40 projects developed, the company has presence in the cities of Campinas and Rio de Janeiro. It started operating in 2006 and it has been focusing on sustainable buildings.

Material Sustainability Factors

Climate transition risk

Increased energy use in buildings has been a major contributor to climate change, representing around a third of global GHG emissions on a final-energy-use basis according to the International Energy Agency (IEA). This leaves the sector highly susceptible to the growing public, political, legal, and regulatory pressure to accelerate climate goals. Building occupiers and operators may face higher energy bills as power prices rise, and higher capital expenditures as upgrades are required to accommodate the energy transition and meet more stringent efficiency standards. This could affect household purchasing power and the competitive strengths of residential and industrial properties. Incremental climate-related investments can require significant capital outlays but will potentially reduce the risk of obsolescence due to changes in regulation or climate goals. In addition, low-carbon properties may achieve higher cost efficiencies or attract premium rents in the longer term, therefore enhancing their value.

Physical climate risk

The geographically fixed nature of real estate assets exposes them to physical climate risks. These may include acute risks--such as wildfires, floods, and storms--which are becoming more frequent and severe, or chronic risks--such as long-term changes to temperature and precipitation patterns and rising sea levels. Specific risks vary by location, and both acute and chronic risks could damage properties or affect the health and safety of tenants. Investments may be needed to manage the impact; in severe cases, tenants may need to be relocated. Although the aggregate impact is moderate, because the type, number, and magnitude of these risks varies by region, some highly exposed regions may be subject to material physical climate risk exposure. Most participants have some insurance coverage, but it could become more difficult to secure insurance for the most-exposed assets in future, unless adaptations are implemented.

Biodiversity and resource use

Construction faces significant resource-use issues. Key challenges are biodiversity risks, energy consumption, and the overuse of materials. As new buildings require land, there are also climate risks relating to site selection. Resource intensive materials and practices pose risks to finite resources. Addressing these problems through resource-efficient design, alternative materials, and resource management will help reduce the industry's impact on local habitats and global footprints. Water-related risks, such as scarcity, flooding, and regulatory constraints, also pose significant challenges, affecting costs, project timelines, and infrastructure stability. Climate change intensifies these risks with unpredictable weather patterns and extreme conditions. To address these threats, developers are integrating water-efficient technologies, rainwater harvesting systems, and resilient infrastructure to enhance sustainability, regulatory compliance, and long-term asset value.

Impact on communities

Properties, and by extension their owners, are inherently part of communities in which they operate because they provide an essential service and can shape communities both economically and socially. Hotels, retail, and offices draw an influx of people into a community, which can support the local economy but can also affect community dynamics.

Issuer And Context Analysis

Eligible projects under the Framework address Azo's most relevant sustainability factors. The green buildings category is directly linked to the company's business activities and serves as a mean to mitigate climate transition risk, which we consider to be one of the most material sustainability factors for the real estate sector.

Azo's sustainability strategy is focused on sustainable certified buildings requirements, but the company has limited sustainability reporting and targets disclosure. Azo integrates environmental consideration in the design, development, construction and maintenance of the projects mainly driven by guidelines provided by internationally recognized certification schemes. Even though the company commits to use sustainable materials, renewable energy, water efficiency technologies, and energy efficiency solutions, it does not have specific targets for these factors. In addition, the company does not measure its GHGs and it is not required to report them given Azo's size and relatively low emitting downstream exposure.

While the Framework does not directly address physical climate risk of eligible projects, Azo incorporates local criteria screening to assess environmental and social risks. The company has an environmental and social risk analysis process that aligns with local regulation and standards, such as the NBR 15,575 norm for building standards developed by Associação Brasileira de Normas Técnicas. The company's risk management also includes controlling waste, noise, atmospheric emissions, and worker safety. Furthermore, Azo has procedures to integrate green spaces into its building designs. These community spaces contribute to the preservation of native biodiversity and offer benefits for local communities and ecosystems.

Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond/Loan principles.

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

✓ Green Bond Principles, ICMA, 2025

✓ Green Loan Principles, LMA/LSTA/APLMA, 2025

✓ Use of proceeds

We assess all the Framework's green project categories as having a green shade, and the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible green projects. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds.

✓ Process for project evaluation and selection

The company has a Projects and Legalization department, which will be responsible for screening and evaluating the eligibility of potential projects for financing. This department will assess each project prior to its approval to ensure compliance with applicable legal requirements and eligibility criteria. Additionally, the company commits to create a Special Purpose Vehicle for each real estate project to provide more clarity to investors on the use of proceeds. Azo has processes to identify and manage environmental and social risks related to eligible projects. The Framework includes an exclusion list that covers areas such as child labor and forced labor.

✓ Management of proceeds

Azo's finance department will be in charge of managing and tracking the allocated and unallocated proceeds. The issuer will be responsible for establishing an internal register to track the management of proceeds. Unallocated funds will be kept in cash and cash equivalents and low-risk liquid instruments.

✓ Reporting

Azo commits to publish an annual allocation report until full allocation of the proceeds, which can be available as part of its sustainability report or as a specific report. The report will include the amounts disbursed and the remaining balance of unallocated proceeds. The company also commits to publish an annual impact report until maturity of the eligible green finance instrument, mainly monitoring the certification levels of each project. We view favorably on the company's commitment to receiving an external limited assurance on the allocation and impact reporting until full allocation.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "Analytical Approach: Shades Of Green Assessments".

Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in Azo, we assess the framework as Light green.

Light green

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Green project categories

Green buildings

Assessment	Description
Light green	Investment in projects with AQUA-HQE (excellent or higher), LEED (Gold or higher) and EDGE (Certified or higher) certification.

Analytical considerations

- The IEA emphasizes that reaching net-zero emissions in buildings demands major energy efficiency strides and fossil fuel abandonment. All properties must achieve high energy performance. New properties should additionally cut emissions from building materials and construction. Additionally, addressing physical climate risks is crucial for strengthening climate resilience across all buildings.
- We assign a Light green to this project category because we consider that the company has chosen robust levels of internationally recognized certifications, which imply the building is energy efficient compared to local standards.
- On the other hand, the Framework doesn't set embodied emissions criteria, which can be significant in building materials. Generally, the eligibility criteria in issuers' financing frameworks in the region do not include adaptation and resilience to climate change, or a quantified reduction of embodied emissions compared to standard practices. These additional considerations are crucial for new construction projects to achieve the highest shades of green (for more details, please see Behind The Shades: Real Estate).
- Although green building certifications cover a broad set of environmental issues, they differ considerably in their requirements for energy efficiency, embodied emissions of construction materials, and climate resilience. Typically, their point-based systems do not guarantee low carbon new construction nor highly energy efficient existing buildings. Their robustness depends on a variety of factors, such as levels achieved and type of certification. For example, design phase certifications are generally more robust than "in-use" certifications. The latter can be a solid way of enabling a continued improvement in energy performance though proper management but seldom include specific energy-efficiency thresholds.
- We view positively that the company's buildings are mostly supplied by renewable electricity sources. Its buildings in Rio de Janeiro and Campinas are connected to the national grid, which receives around 90% of electricity from renewable sources, according to the 2025 National Energetic Balance. Buildings are not equipped with heating, which limits its fossil fuel exposure.

- New and existing properties are exposed to physical risks. Increased frequency in extreme weather events such as landslides, floods, heat waves, and sea level rise are particularly relevant for the cities in which the company operates. Given the fixed nature of buildings, improving their resilience to physical climate risk is crucial in the transition to a resilient real estate sector. Azo's Framework does not specify the means to mitigate this risk, but it incorporates local regulation guidelines to assess those risks.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

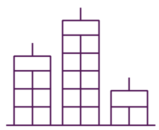
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Green Buildings	 **11. Sustainable cities and communities**

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions, March 6, 2025
- FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions, March 6, 2025
- Analytical Approach: Shades Of Green Assessments, July 27, 2023
- Analytical Approach: EU Taxonomy Assessment, Oct. 31, 2024
- Analytical Approach: European Green Bond External Reviews, Oct. 31, 2024
- FAQ: Applying Our Analytical Approach For European Green Bond External Reviews, Oct. 31, 2024
- Behind the Shades: Real Estate, March 31, 2025

Analytical Contacts

Primary contact

Annia Mayerstein
Mexico City
+52 5510375282
annia.mayerstein@spglobal.com

Secondary contacts

Rafael Janequine
São Paulo
rafael.janequine@spglobal.com

Michael Ferguson
New York
michael.ferguson@spglobal.com

Research contributor

Sachin Powani
Mumbai