

Green Index 3.0:  
Assessment of Environmental Performance of Microfinance  
Institutions

## **Green Index 3.0 Report**

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# 1 Background

The Green Index is the main tool used to assess a financial service provider's (FSP) current performance in green inclusive finance and define an action plan to improve it. The Green Index 3.0 consists of 4 standards, each one with two essential practices. As a tool for the green inclusive finance sector, it is used to evaluate the green inclusive finance performance of FSPs at the institutional level. It supports FSPs in raising awareness, evaluating their actions, generating commitment within the institution, planning future initiatives, prioritizing activities, and monitoring the progress of their green inclusive finance performance. The Green Index 3.0 enables FSPs to assess their commitment to protecting the environment along the dimensions of client and institutional vulnerability and adverse environmental impacts due to clients' and/or institutional activities.

The aim is to reduce both the vulnerabilities and adverse environmental impacts, generate resilience, and promote positive environmental impacts through the FSP's offerings in financial and non-financial products and services, its internal activities, clients' activities, etc.

The Green Index was originally developed by the European Microfinance Platform (e-MFP) Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) in 2014. A second version, the Green Index 2.0, was published in 2016, following an in-depth market review and consultation done in collaboration with MIX Market. The third version, the Green Index 3.0, was developed in 2021 in parallel to the design and development of the Dimension 7 of the Social Performance Task Force's (SPTF) Universal Standards for Social and Environmental Performance Management (USSEPM). The GICSF-AG has worked in collaboration with SPTF and CERISE to design the Dimension 7 and its standards and essential practices. The Green Index 3.0 and USSEPM Dimension 7 are fully aligned. The Green Index 3.0 provides additional details through an in-depth analysis at the indicator level, including detailed quantitative indicators, that allow FSPs to define a detailed action plan.

The Green Index has been recognized since its initial rollout as the reference tool to assess the environmental performance of FSPs. It is used by major private and public investors as a framework to assess the environmental performance of its investees. The Green Index's methodology and indicators have been tested and used worldwide, with over 1000 environmental assessments performed. The Green Index has also been integrated into reference social audit tools such as the SPI4 and Alinus, along with other social rating methodologies, since 2014.

The Green Index not only provides an industry-recognized scoring mechanism for environmental performance, but also allows financial institutions to define strategies and actions, prioritize interventions, and monitor progress.

The Green Index 3.0 has integrated a new key dimension into the analysis: the capacity of FSPs to identify and manage the clients', portfolio's, and institution's vulnerability to climate change and biodiversity loss. The tool has been built based on the experience and knowledge accumulated over the last six years; data analysis on over 1000 environmental performance assessments; and review of and alignment with present existing international initiatives, standards, and reporting frameworks for ESG, environmental performance, and climate risks/finance. The standards, essential practices, and indicators in the tool have been defined based on extensive industry consultations with over 300 stakeholder participants, including experts, investors, academics, financial institutions, and international agencies, among others. The tool includes both qualitative and quantitative indicators and entails a full-fledged assessment of the green inclusive finance status of FSPs.

Thanks to the technological support provided by HEDERA Sustainable Solutions, the GICSF-AG has developed a digital version of the Green Index 3.0 that is freely available to all stakeholders ([access to the demo tool here](#)).

The digital solution for the Green Index 3.0 has been conceptualized by Davide Forcella, Natalia Realpe Carrillo,

and Alfonso Caiazza, and it has been developed by Alfonso Caiazza (HEDERA) as a service for the GICSF-AG.

## 2 The Green Index 3.0

The Green Index is the main tool used to assess an FSP's current performance in green inclusive finance and define an action plan to improve it.



A description of its four standards and respective essential practices is provided below:

### 2.1 Standard GI.0: Environmental Strategy

Standard GI.0 evaluates how the environmental strategy is defined and implemented, including roles and responsibilities, alignment with local and international standards, and how the institution monitors and reports on the implementation of its environmental strategy.

#### Essential Practice GI.0.1: Strategy Definition

- Detailed goals, mission, & documented strategy
- Compliance with applicable standards and regulations

#### Essential Practice GI.0.2: Strategy Implementation

- Responsibilities & processes
- Management & governance
- Monitoring: economic impact, vulnerability, negative environmental impacts

## 2.2 GI.1 Identification of Environmental Risks and Opportunities

Standard GI.1 assesses the institution's ability to identify the vulnerability of its clients/portfolio and the institution itself, the negative environmental impacts generated on ecosystems by clients and the institution, and clients' need and demand for green practices and technologies, as well as the opportunities for the institution itself.

### Essential Practice GI.1.1: Identification of Indirect Risks & Opportunities

- Identification of clients' vulnerability,
- Identification of clients' negative environmental impacts
- Identification of clients' demand and needs for green practices and technologies

### Essential Practice GI.1.2: Identification of Direct Risks & Opportunities

- Identification of building and staff's vulnerability & negative environmental impacts
- Identification of green opportunities for the institution to engage in

## 2.3 GI.2 Management of Environmental Risks & Opportunities

Standard GI.2 evaluates the processes and tools in place to analyze and respond to the vulnerability, negative environmental impacts, and client's demand and needs identified in GI.1. The standard assesses how the institution translates vulnerability, negative environmental impacts, demands, and needs into actual risks and opportunities.

**Essential practice GI.2.1: Management of Indirect Risks & Opportunities** Inclusion of vulnerability, negative environmental impacts, and demand/needs in:

- Financial risk management processes, tools, & indicators
- Credit processes & products

**Essential Practice GI.2.1: Management of Direct Risks & Opportunities** Actions and processes to reduce the institution's vulnerability and negative environmental impacts and exploit opportunities

## 2.4 GI.3 Green Products and Services

The standard GI.3 evaluates the supply and delivery of green products and services, whether financial or non-financial, to customers. Financial products include green loans, but also insurance, savings, and money transfers. Non-financial services include awareness raising campaigns, training, technical assistance, & partnerships.

### Essential practice GI.3.1: Financial Products & Services

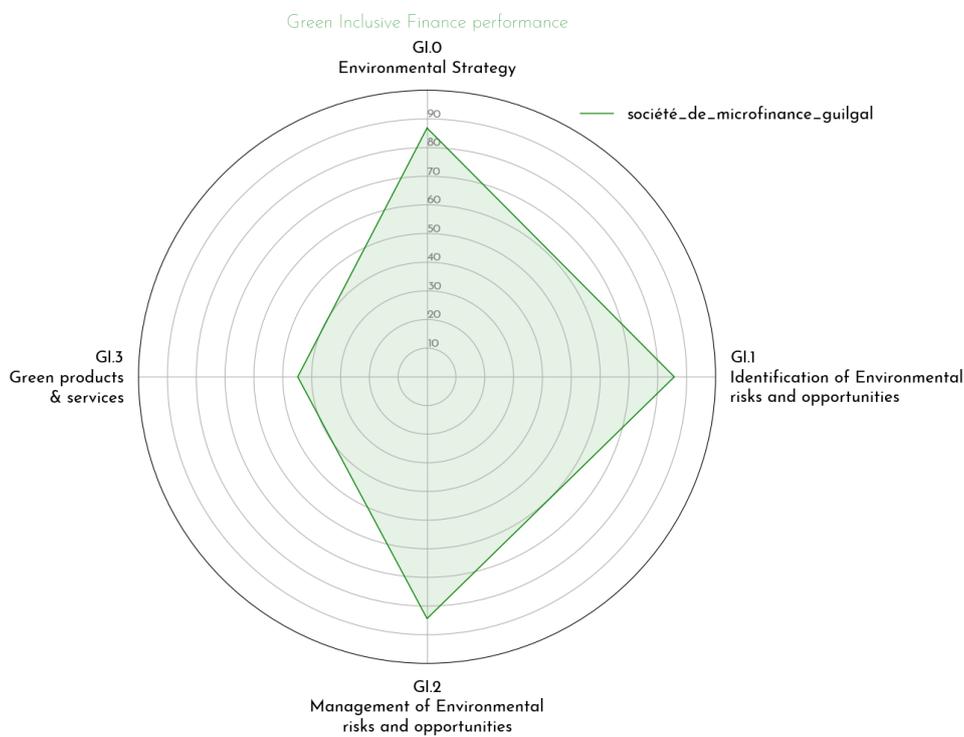
- Green loans:
  - clean energy/energy efficiency,
  - sustainable agriculture, livestock, fishing, forestry
  - clean water, sanitation, and hygiene (WASH),
  - circular economy, & others)
- Savings, remittances, & emergency loans
- Climate/production insurance

**Essential practice GI.3.2: Non-Financial Products & Services**

- Awareness raising
- Training
- Technical assistance
- Partnerships

### 3 Scores - Results of Environmental Assessment

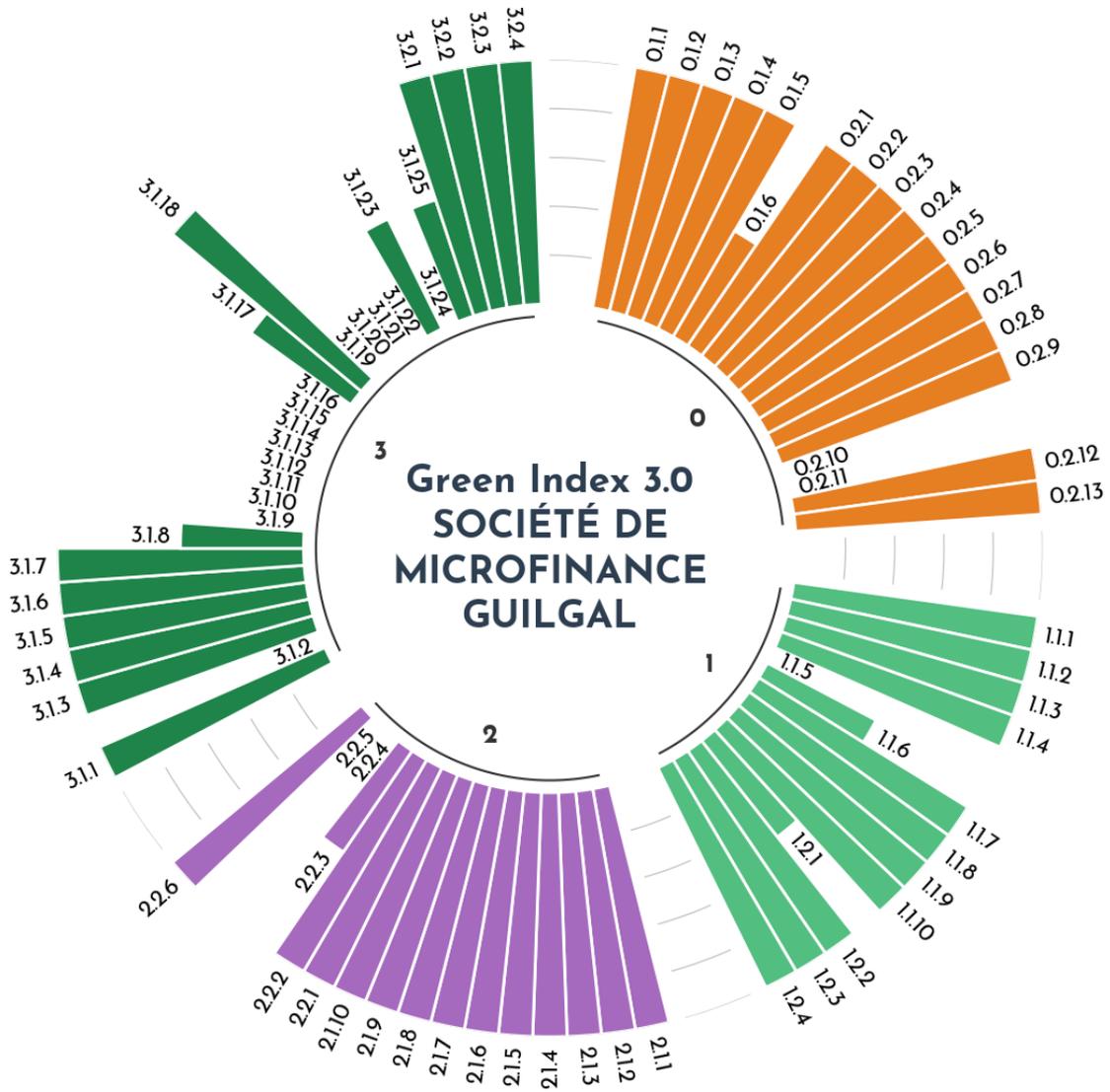
The following scores are based on an assessment done by the management team of SOCIÉTÉ DE MICROFINANCE GUILGAL. The answers to the questions in the qualitative indicators are multiple choice. According to the answers, SOCIÉTÉ DE MICROFINANCE GUILGAL receives a score from 1 to 100 for each standard, essential practice, and indicator.



Dimension	Score
Green Index	75.44%
<b>Standard 0</b>	<b>86.84%</b>
Essential practice 0.1	91.67%
Essential practice 0.2	84.62%
<b>Standard 1</b>	<b>85.71%</b>
Essential practice 1.1	85.0%
Essential practice 1.2	87.5%
<b>Standard 2</b>	<b>84.38%</b>
Essential practice 2.1	100.0%
Essential practice 2.2	58.33%
<b>Standard 3</b>	<b>44.83%</b>
Essential practice 3.1	36.0%
Essential practice 3.2	100.0%

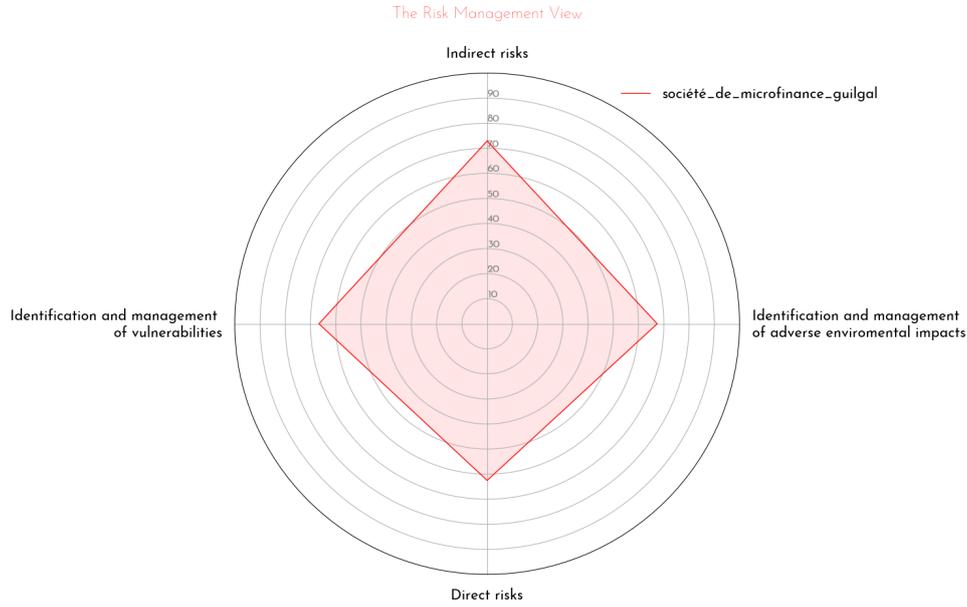
### 3.1 Breakdown

A description of the analysis of SOCIÉTÉ DE MICROFINANCE GUILGAL’s answers for each Green Index 3.0 indicator is provided below. This analysis allows us to assess the green inclusive finance performance of SOCIÉTÉ DE MICROFINANCE GUILGAL in detail.



### 3.2 Risk Managemet View

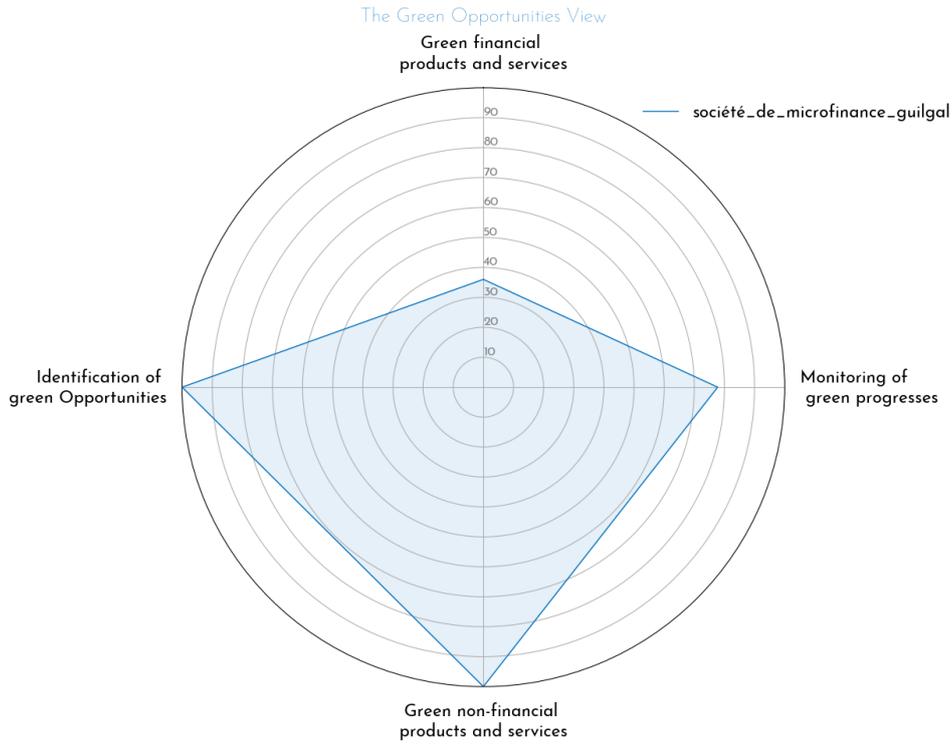
In the plot below, the score of SOCIÉTÉ DE MICROFINANCE GUILGAL concerning its capacity to identify and manage climate and environmental risks is visualized.



Dimension	Score
Risk Management: Indirect risks	72.92%
Risk Management: Identification and management of adverse environmental impacts	67.39%
Risk Management: Direct risks	62.5%
Risk Management: Identification and management of vulnerabilities	66.67%

### 3.3 Green Opportunity View

The score of SOCIÉTÉ DE MICROFINANCE GUILGAL concerning its capacity to identify green opportunities, provide green products and services, and monitor its progress in this domain is depicted below.



Dimension	Score
Green Opportunity : Green Financial products and services	36.0%
Green Opportunity : Monitoring of green progresses	77.78%
Green Opportunity : Green non-financial products and services	100.0%
Green Opportunity : Identification of green opportunities	100.0%

## 4 Action Plan