



GREENING CASH ACTION GUIDE



How to reduce emissions
from companies' cash deposits
in the bank

EXPONENTIAL
ROADMAP INITIATIVE

RACE TO ZERO

Bank**FWD**



Version 1

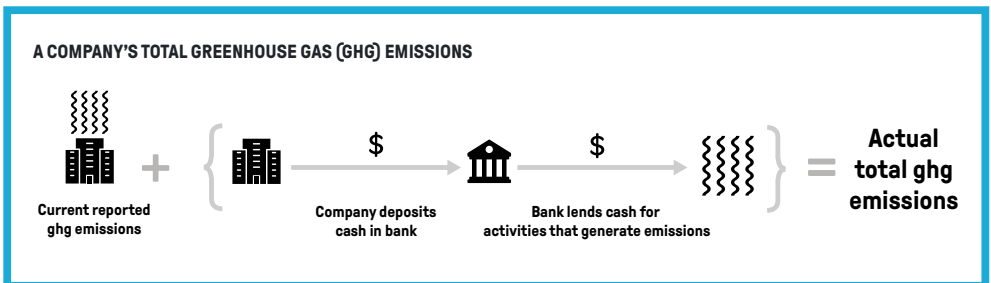
ABOUT THIS GUIDE

This guide is designed for business leaders, sustainability managers, board members and employees who want to reduce the emissions from their company's cash holdings. It offers practical steps for companies aiming to tackle these emissions, align their financial activities with broader sustainability efforts, and support the transformation of the financial sector.

This guide develops a key recommendation from the [1.5°C Business Playbook](#)—urging companies to evaluate and reduce the carbon footprint of their financial supply chain. This includes cash,

investments, and pension funds in line with a commitment to limit global temperature rise close to 1.5°C. This guide focuses on the cash aspect of the financial supply chain.¹

The [Carbon Bankroll](#) report, jointly produced by BankFWD, the ClimateSafe Lending Network and TOPO, shows that the total carbon emissions of some companies in the services and ICT sectors could more than double if emissions from cash holdings in the bank were counted.² This increase would be significant, even for companies with more carbon-intensive operations.³



¹ With the aim of giving a high-level indicative view of how deposits are used at banks, this guide includes top-down estimated views of the environmental footprint at banks based on external disclosure as well as assumptions. It does not delve into the funding models and technical regulations which banks are subject to, such as capital and liquidity.

² Total emissions in this context include scope 1, 2 and scope 3 upstream and downstream emissions.

³ E.g. a 15% increase for Johnson & Johnson, and 11% for Amazon, according to the [Carbon Bankroll](#) report.

Currently, companies are not required to report these financed emissions.⁴ However, given their potential significance, we encourage companies to start investigating and acting on these emissions now.

This guide explains how to do exactly that.⁵ It also identifies key gaps in resources and tools that must be systematically addressed without deterring immediate action that's already possible.

⁴ The [Greenhouse Gas Protocol](#)'s scope 3 calculation guidance to companies sees the relevant category 15 as applicable to investors (i.e., companies that make an investment with the objective of making a profit) and companies that provide financial services. As such, the GHG Protocol does not currently give guidance on inclusion of emissions generated by cash holdings in the bank in companies' greenhouse gas reporting.

⁵ This guide is meant for informational purposes only and is not intended to be investment, legal, tax or other advice.

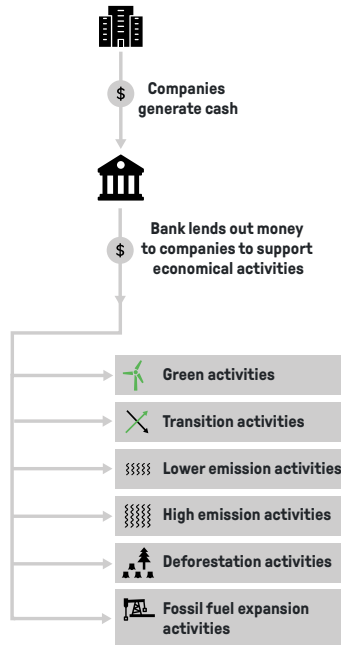
UNDERSTANDING THE FINANCIAL SUPPLY CHAIN

Every organisation has a financial supply chain that is similar to its material supply chains. It includes crucial financial suppliers that offer services such as cash management, investments, and pensions. These services are as vital to a company's health as the material supply chains that source and manufacture the components and products needed for its operations.

However, just like a company's material supply chain, the financial supply chain also generates emissions. These emissions come from how banks use a company's money to finance activities that generate emissions - this could include expansion of fossil fuel exploration and production, or contribution toward deforestation.⁶ The emissions generated due to financial services are typically referred to as "[financed emissions](#)".

Companies have already begun to reduce emissions from material supply chains, and there is a growing expectation for them to do the same for their financial supply chains.

A COMPANY'S FINANCIAL SUPPLY CHAIN



⁶ The [Banking on Climate Chaos](#) report revealed that the world's 60 largest banks have cumulatively funnelled USD 5.5 trillion into fossil fuels since the Paris Agreement was signed in 2015. Financial institutions from G20 countries direct an average of 20 percent of their lending and investing toward the carbon-intensive sectors driving climate change.

Companies should engage their banking and other financial services providers in reducing emissions, similar to how they engage suppliers in the material supply chain in decarbonization efforts. By doing so, they signal to financial institutions that they need to reduce the carbon intensity of their loan and

investment portfolios⁷ and offer less environmentally-damaging products. This can then lead to financial institutions imposing stricter requirements on the companies they lend money to⁸, creating a virtuous cycle that would exponentially accelerate the transformation of the financial sector.

VIRTUOUS CYCLE



⁷ The carbon intensity of a bank's lending is the CO₂ emissions enabled by the bank's lending, expressed per dollar, Euro or other currency reported.

⁸ E.g. the [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#) calls on companies to adjust and disclose their strategies to be aligned with net zero via transition plans and expects that companies that do not have credible transition plans may face higher costs and/or restricted access to financial products and services.

SEVEN KEY ACTIONS TO REDUCE EMISSIONS FROM CASH HOLDINGS

This guide shows that companies can take actions to reduce the emissions related to their cash holdings. Nonetheless, there are challenges they will face. This is partly due to the evolving regulatory landscape for financial institutions, and partly because banks rarely provide the financial emissions data that companies require to fully measure the emissions financed by their corporate cash.

Even with these challenges, viable solutions exist. Companies should therefore act to reduce emissions from their cash holdings and help drive the transformation towards a more sustainable financial sector.

THE SEVEN ACTIONS

1. Obtain top-level support

Getting support from top-level executive management and aligning the goals of the sustainability and finance teams is crucial for success.

Here's why it matters:

- Each dollar deposited has a carbon footprint. The larger the deposit, especially in big banks, the higher your company's emissions.
- Regulators and the public are increasingly showing interest in emissions resulting from a company's financial supply chains. Ignoring these emissions could harm your company's reputation and regulatory alignment.
- Unmanaged emissions from your company's financial supply chain can slow progress towards achieving the organisation's publicly-declared net-zero goals.

Banks vary widely in their climate performance and the credibility of their sustainability commitments. Working with banks that are committed to green financing and low-emission investment can help your company to substantially reduce its indirect emissions and drive positive societal impact.

2. Gather bank data

Your sustainability and finance teams should work together to evaluate your banks' current emissions profile, climate policies and how performance is improving over time. Understanding these aspects is vital to judging the strength and credibility of your banks' plans to reduce their emissions and decarbonise the broader economy.

Your assessment should include engaging directly with your banks to ask key questions. Use the checklist below to collect critical information about your banks' climate goals and progress, absolute emissions and carbon intensity, how they use client funds, their future climate commitments, and their plans to manage climate risk.

Checklist for evaluating your bank's climate performance:

- Does your bank publicly disclose:
 - » total carbon emissions (scope 1, 2 and 3), including those financed by the bank as per the [PCAF Standard](#), and its carbon intensity?
 - » its lending exposure to fossil fuels and other carbon-intensive sectors?
 - » the percentage of its total lending that's in line with the EU taxonomy (or a similar green solutions framework)?
- Has your bank joined any established campaigns or initiatives for climate transition, like the [Net Zero Banking Alliance](#) (NZBA) or another partner in the [Race to Zero](#) or the [Glasgow Financial Alliance for Net Zero](#) (GFANZ)?
- Has your bank set science-aligned targets to halve absolute emissions by 2030 and reach net zero before 2050? Does it have short-term targets (e.g. for 2025) and a transition plan for its full lending portfolio? Is it delivering on these targets?⁹
- Does your bank have a policy against funding projects and companies that expand fossil fuel extraction activities and require phase-out plans from all fossil fuel companies in line with credible net-zero timelines?¹⁰
- Does your bank have a zero-deforestation policy?¹¹

⁹ It also means that your banks must ensure that their high emitting customers have credible and verifiable transition plans in place aligned with 1.5°C ambition., e.g. in line with the UN-backed 1.5°C-aligned net zero credibility standard transition plan, implementing the recommendations of the [Integrity matters](#) report of the UN Secretary-General's High-Level Expert Group for net zero commitments of non-state entities (HLEG).

¹⁰ See for example the [Oil and Gas Policy Tracker](#), and the [Coal Policy Tool](#), which assess financial institutions' policies regarding fossil fuel expansion. Check the bank's score in the columns "Expansion" and "Developers," respectively.

¹¹ A policy to eliminate deforestation associated with companies that the bank finances and invests in. To check a bank's policy and performance, see for example [Forest500](#) which ranks financial institutions' policies and management of deforestation risks.

3. Calculate the carbon footprint of your cash in banks

To fully understand the climate impact of your company's cash management, you'll need to determine how many tonnes of CO₂ your cash is indirectly creating through your banks' lending and investment practices, as outlined in the checklist above.

The majority of banks don't transparently disclose their total carbon emissions (Scope 1, 2, and 3). This lack of information makes it difficult for companies to calculate their banking emissions. If your company's banks don't provide this data, you should talk to them about improving their reporting practices.

If your banking partners are transparent about their emissions, you can calculate the emissions generated by your cash. Here's a basic formula:

$$\begin{array}{c} \text{Value of cash} \\ \text{deposits} \\ \\ \times \\ \\ \text{Carbon intensity of} \\ \text{your bank's lending} \\ \\ = \\ \\ \text{Emissions of your} \\ \text{cash holdings} \end{array}$$

Follow these steps to perform the calculation:

- **Work with your finance team to determine how much money your company has in each of its banks. This includes cash and equivalents such as money market funds and certificates of deposit.** Since the amount of cash your company holds changes constantly, it's best to use figures from the end of the fiscal year, as reported in your annual financial statements. This gives a snapshot of your corporate cash's carbon footprint at a specific point in time.
- **Determine your banks' carbon intensity from public resources like their sustainability and impact reports, following a reputable standard like the [PCAF Standard](#).** For accuracy, ensure that the carbon intensity figures cover a large percentage of the banks' portfolios as well as a substantial proportion of their Scope 3 emissions from lending activities, particularly lending to fossil fuels and carbon intensive sectors. If the banks' reporting is insufficient, consider using proxy data developed by climate finance organisations such as the Carbon Bankroll project.
- **Calculate the emissions of your cash holdings.** Multiply the carbon intensity of each bank by the amount of cash held in that bank. Add up the resulting figures from all banks to determine the total emissions generated by all your cash holdings.

4. Talk to your banks

It is important to engage with your banks about their climate practices and climate transition plans just like you would with other supply chain partners. By urging them to improve their performance, you not only send a powerful market signal but also show them how important it is for you that they help meet global climate goals.

to mention your company's own environmental targets and achievements, like halving emissions by 2030. Let them know that you expect all your suppliers - including financial institutions - to join you on this journey.

Remember that you're not alone in this. Many other organisations are going on a similar journey.

In these discussions, make sure

Case study on engaging with banks

Best practice from a major entertainment company includes bi-annual meetings with major banking partners to track progress and signal the importance of this subject to the company. Here are the questions this company asks its banks:

- Please walk us through the highlights/key take-aways from your most recently issued climate report including an update on your progress toward aligning your financing activities with the Paris climate goals.
- What percentage of the bank's financing activities will be covered by intensity targets by the end of 2023? What is the timeline for adding additional sectors?
- Please provide context around the emission reduction targets chosen for each tracked sector and the trade-offs you considered between using an absolute emissions reduction target vs an intensity target. What are the criteria for determining which approach is appropriate for a particular sector?
- Who is accountable within the bank for achieving your reduction targets? What is the internal governance to ensure that the business lines stay on track to meet the bank-level targets?
- What strategies/approaches are you using to engage with your clients to encourage them to decarbonize so that the bank can meet its targets?

5. Prioritise green cash management

Companies can start decarbonising their financial operations by asking their banks to shift some of the company's cash into "green" financial cash management products such as green deposits. These products are not yet offered by many global banks, but are becoming more widely available through growing customer demand.¹²

Green deposits are supposed to be used by banks for lending to clean energy and other sustainable projects. Ideally, money in these deposits is used exclusively for green activities and incentivises banks to find new lending opportunities aligned with the goal of keeping global warming to below 1.5°C. However, many banks designate money for green deposits retroactively, connecting the deposits to environmental projects that they were already working on or engaged in.

Asking for your company's cash holdings to be kept separate from fossil fuel investments is a good start in decarbonising your financial supply chain. But it isn't enough by itself to push banks to fully transform their

operations and lending to align with the 1.5°C limit. It's hard to tell if putting money in a green deposit actually makes a bank lend or invest more in activities that align with 1.5°C. Be aware: without proper oversight and strong guardrails, products labelled as 'green deposits' can be part of financial greenwashing.¹³

6. Shift more money to climate-friendly banks

If your analysis shows that your company's current banks are not taking sufficient climate action, consider moving some or all of your company's cash to a bank that is. The options are to:

- **Split your banking** - If you currently bank with one bank performing poorly on climate, transfer part of your cash to other banks with stronger climate credentials and lower financed emissions.¹⁴ Currently, banks with strong climate records and low carbon exposure tend to be small so companies can open accounts at smaller banks and shift a small portion of their business to these banks even while retaining the core of their banking business with large banks.

¹² E.g. [US Citizens Bank](#) now offers a green deposits option for its corporate clients, and [Dutch bank ABN AMRO](#) revived its green deposit options after the new national [Green Projects Scheme](#) had changed the incentives landscape.

¹³ Effective safeguards include clearly defining how the depository account meets 'green' classification, including information on the reference framework and independent verification of the deposit's green credentials. The 'use of proceeds' from the green deposit must be transparently tracked and reported to ensure that cash managed through these instruments is being deployed according to its intended design.

¹⁴ To find climate-friendly banks, you can look for member banks in the [Global Alliance for Banking on Values](#) (GABV) or check bank sustainability ratings compiled by [Fair Finance Guide](#) which exists in Belgium, Brazil, Cambodia, Germany, India, Indonesia, Japan, the Netherlands, Norway, Pakistan, Sweden, Thailand, the Philippines, and Vietnam. The annual and/or progress reports from banking alliances such as the [Net Zero Banking Alliance](#) and the [Net Zero Asset Owner Alliance](#) may also be helpful.

- **Prioritise existing banks with stronger climate performance** - Many large companies work with multiple banks. If your company does, assess each of your banks' climate footprints and policies. Then, move more money to the banks that are doing a better job meeting climate performance benchmarks. This not only rewards more responsible banks, but also lowers your company's financial carbon footprint.
- **Switch banks** - Instead of splitting your business among many banks, transfer as much business as possible to one or a few financial firms with top-tier climate performance that can also meet your company's core business needs. These could be banks you are already working with, or new ones. This may entail moving money out of the global banks with the highest financed emissions into a big or mid-size bank with more mature climate policies.

7. Create and share your plans, targets and progress

It's essential to have a plan on how to reduce the emissions enabled by your cash. Such a plan needs to include specific and time-bound targets, expected impacts, key actions, and the resources needed to achieve your goals. For example:

- If you can measure the emissions enabled by your cash, set a target to

reduce these emissions by a certain percentage by a specific year.

- Commit to regularly communicating with your bank(s) and set a deadline year by which should align with the 1.5°C climate goal.
- Set a goal to move a certain percentage of your cash to green financial products within a specific number of years.
- Set a goal to move a certain percentage of your company's cash to banks that are more climate friendly and socially responsible.

After you've evaluated your banks and made your plan, you should share your findings and the steps you've taken to encourage your banks to improve. By making this information public, you will send a positive message to banks, set a powerful example for other businesses and inspire them to follow suit. It will also make it easier for other companies to begin reducing their own cash-related emissions.

In addition to sharing your efforts publicly, there are other ways your company can help encourage the financial sector to align with the 1.5°C ambition:

- Talk to your business networks¹⁵ about the importance of addressing the emissions generated by cash holdings and the actions they can take. Encourage your suppliers and

¹⁵ E.g. the 1.5°C [Supply Chain Leaders](#), co-founded and convened by the Exponential Roadmap Initiative, or the [Exponential Roadmap Initiative](#) more widely.

customers to prioritise this issue and work with their banks to improve their climate performance.

- Join and support initiatives that are developing best practices and tools for companies to reduce their cash-related emissions.
- Share this guide with your networks.

WHAT'S NEEDED TO SIMPLIFY COMPANY ACTION

In the process of creating this guide, the authors identified a need for additional resources and tools. These would make it simpler for companies to make decisions and take action to reduce emissions from their cash holdings and accelerate the transition of the financial sector.

- A resource providing an independent and comprehensive assessment, benchmarking or rating of the climate performance of different banks, including the reliability of their transition plans and targets.. This should align with the goal of limiting climate change to 1.5°C, and serve as a basis for companies to take action.
- A resource offering comparable carbon intensity factors for banks.

This could include proxy data for banks that do not yet report their full financed emissions.

- Measurement and disclosure standards that ensure that banks report all material financed emissions.
- Independent verification and assessment of green cash management solutions.

More resources

- [Guide with questions and templates](#) for bank engagement that can help companies evaluate their financial firms and advocate for the adoption of best practices and policies, developed by the Carbon Bankroll team. See page 4 for key questions to ask your bank and page 10 for a draft email to your bank.
- [Make my money matter](#), a UK campaign for greening pension investments.
- [Portal](#) through which any company interested in calculating its financed emissions can register their interest with TOPO and BankFWD.
- [Methodology](#) used in the Carbon Bankroll report.
- [Fair Finance Guide](#) - benchmarking banks on sustainability in 18 countries.

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“This guide addresses two crucial levers for scaling and accelerating the transformation needed to stay within safe planetary boundaries: science aligned climate leadership from companies and financial actors. Its value lies in providing concrete actions companies can take with their banks to reduce financing of new emissions – and through these accelerate the transformation of the financial sector.”

Professor Dr Johan Rockström,
Director, Potsdam Institute for Climate Impact Research

“Beyond their organisational inventory, corporations may not realise the emissions financed by their cash. This guide provides them with practical recommendations to start considering and driving down financed emissions.”

Kaya Axelsson,
Net Zero Policy Engagement Fellow, University of Oxford

“Business is a crucial player in the Net Zero transition. This guide shows what actions companies can take to reduce the emissions they finance indirectly through their corporate cash. By taking these actions, business can help the transformation of yet another crucial player - the financial sector.”

Nigel Topping,
UN Climate Change High Level Climate Champion, COP26

“At Icebug, we have already started implementing the actions outlined in the guide and can see that we are contributing to improving our bank’s climate practice. We see a big potential for companies as bank customers to drive meaningful change in the financial sector.”

*James Varkey,
CFO, Icebug*

“We welcome all feed-back from our corporate customers that can help us in improving our climate-related initiatives. The practical support provided by this guide helps companies engage effectively with their banks and also ensures that banks who perform better on climate issues receive the positive feedback needed to accelerate and further develop their climate action.”

*Catharina Belfrage Sahlstrand,
Chief Sustainability and Climate Officer, Handelsbanken*

“Our banking choices are an enormous lever for change, but it can feel a bit overwhelming to figure out where, how, and when to move to a more aligned bank partner (and to put positive pressure on your existing bank in the process). The Greening Cash Action Guide is an invaluable how-to that breaks it down so you can take action and become a powerful changemaker.”

*Kate Williams,
CEO, One Percent for the Planet*