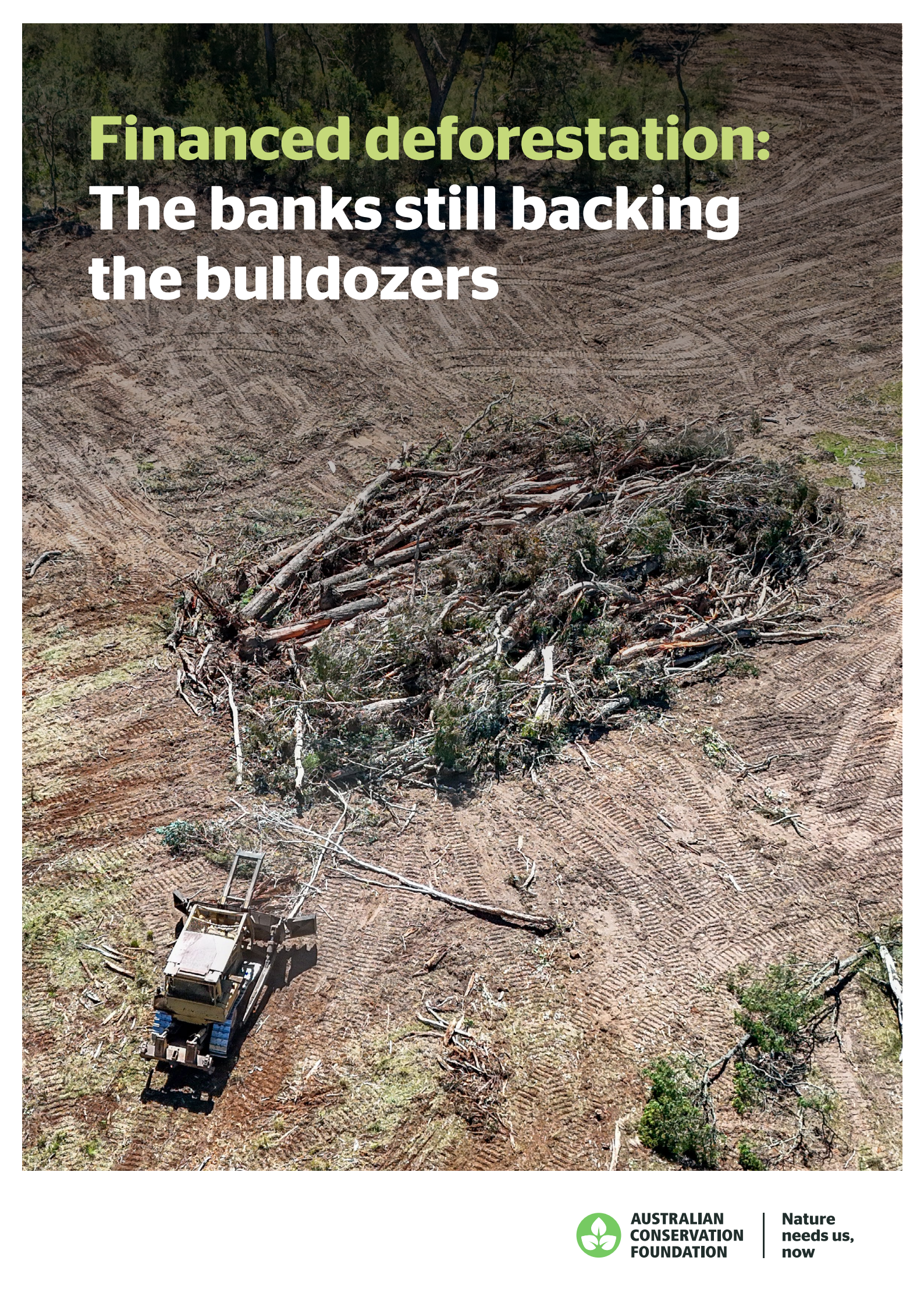




Financed deforestation: **The banks still backing** **the bulldozers**



**AUSTRALIAN
CONSERVATION
FOUNDATION**

**Nature
needs us,
now**

**We acknowledge the
Traditional Owners of
Country** and their continuing
connection to land, waters and
community. **We pay respect to
their Elders past and present
and to the pivotal role that
First Nations Peoples continue
to play in caring for Country
across Australia.**

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Executive summary

Australia is a world leader in deforestation, and our big banks continue to bankroll forest destruction that is impacting threatened species habitat, increasing the severity of climate impacts, and weakening the agriculture sector.

This year, the Australian Conservation Foundation (ACF) launched our third investigation into which banks are behind the bulldozing. This time, we identified 82 cases and a total of 16,540 hectares of deforestation linked to major Australian banks through mortgages. Most of this financed deforestation occurred in 2025 and the first half of 2026, while some cases involved clearing over several years.

NAB was linked to the most hectares of forest demolition, followed by CommBank, ANZ, Bendigo Bank, Westpac and Rabobank. It is particularly concerning that CommBank and ANZ have been linked to cases of such significant scale given ACF's research shows they lack an approach to prevent customer deforestation.

New South Wales and Queensland continue to be deforestation hotspots, with 94% of the total cases taking place in these states. Of all 16,540 hectares of deforestation, 99% of the hectares cleared were linked to agriculture.

Our investigation uncovered that over 11 million tonnes of greenhouse gas emissions were released from this deforestation. Despite this, the banks named in this report continue to largely ignore these emissions in their climate reporting.

We found instances of deforestation that occurred at a time when the most significant reforms to Australia's national environment law, the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) were negotiated and passed.

Thirty-two of the 82 cases have already been reported to authorities for potential breaches of federal and/or state laws. We have seen mixed progress from the banks in playing their part to educate customers on their obligations under the law and intervene before illegal deforestation occurs.

Australia's largest lenders are largely ignoring the severe impacts of deforestation on their customers and the economy they service. Deforestation leads to reductions in biodiversity, disruption to the water cycle, degraded soil and increases the likelihood of physical climate events. These impacts are reducing the resilience of Australia's ecosystems and ecosystem services that bank customer assets and income sources depend on. The destruction of natural capital will be hardest felt by the agriculture sector and is likely to lead to productivity losses over time.

This has ramifications for credit quality at the customer level, as well as the regional, sector and system-level. Despite having substantial resources at their disposal to work toward restricting finance to deforestation and manage rising credit risk, none of the banks have set a pathway to become deforestation-free or included deforestation in their financed emissions targets.

The world is moving forward on the issue of deforestation while most Australian banks are falling further behind. Global financial institutions are responding to this momentum by ruling out finance to customers engaging in deforestation to reduce credit and reputational risk. These banks are charting a different path forward for their financing, with new sustainable finance solutions that support the protection of nature on farms.

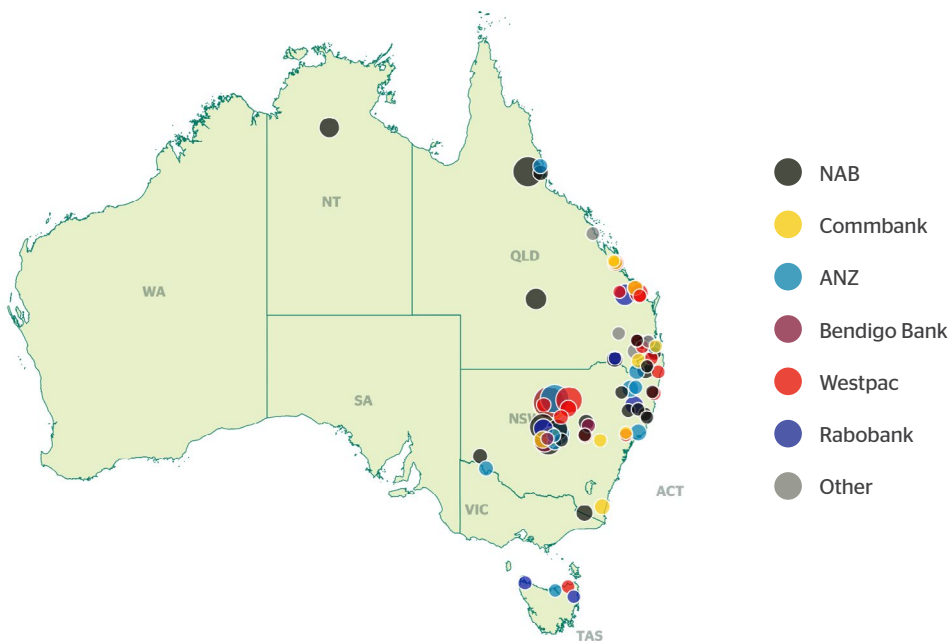
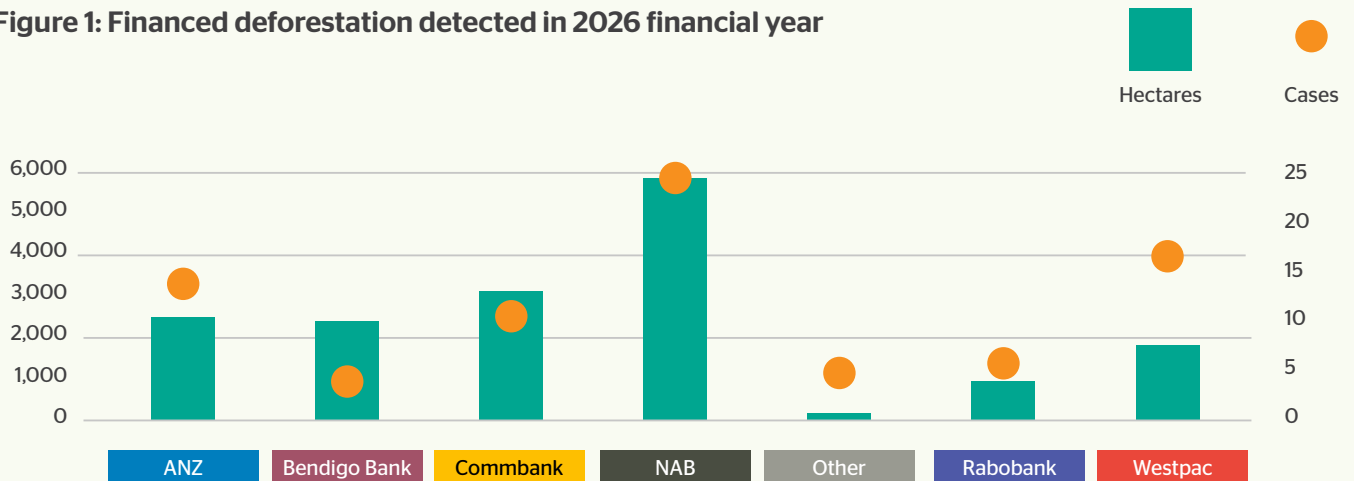
This report calls for Australian banks to follow their leadership and set a pathway to deforestation-free finance.

This pathway can and should recognise the barriers facing bank customers, providing them with an early signal for the direction of travel and support to stop deforestation and adopt more sustainable practices.

Banks have a significant role to play in ending deforestation in Australia. Their failure to act risks the collapse of ecosystems underpinning the stability of the financial system, the food system and the countless systems that depend on nature.

¹ Figures referencing ANZ include existing mortgages with Suncorp given its acquisition in 2024

Figure 1: Financed deforestation detected in 2026 financial year



16,540 hectares

of financed deforestation,
equivalent to 4,135 MCGs



11 million tonnes

of greenhouse gas emissions released,
which is more than Australia's national
emissions decreased in the 2025
financial year



Up to 32%

of CommBank's Australian Agriculture
and Forestry exposure potentially
linked to forest loss according to the
bank's reporting



0 banks

have set a pathway to deforestation-
free finance, despite the severe impacts
to the agriculture sector and broader
economy



0 banks

have an approach or target to reduce
emissions from deforestation



2 banks

have disclosed some form of approach
to address illegal deforestation, but even
these are falling short

Introduction

Our forests are valuable for countless reasons. They give us clean air to breathe, purify our water, provide shade and cool the places we live. They hold deep cultural significance to First Nations Peoples who have protected them for tens of thousands of years. They also sustain the soils and landscapes that produce our food.

In an instant, deforestation rips through all of it.

We know where and why deforestation is happening in Australia. A minority of landholders, primarily in Eastern Australia, are having an outsized impact on nature by expanding pasture for livestock grazing. It is concerning that Australia's largest financial institutions continue to provide finance to these landholders without question.

This report investigates the link between Australia's major banks and deforestation through mortgage lending. Once again, ACF investigations have identified 82 confirmed cases and 16,540 hectares of financed deforestation, exposing the banks that persist in their finance of environmental destruction.

While these cases are shocking, sadly, they are only the tip of the iceberg with official Queensland data indicating bulldozing of forest and woodland was in excess of 270,000 hectares in the last reporting period.¹ 86% percent of this was for pasture expansion.² These producers are tarnishing Australia's reputation as a sustainable food producer and jeopardising the sustainability of our broader food system through impacts to critical species, soil, water and climate.

There is hope, however, with the global recognition that deforestation must be stopped finally being met with momentum on the policy front.

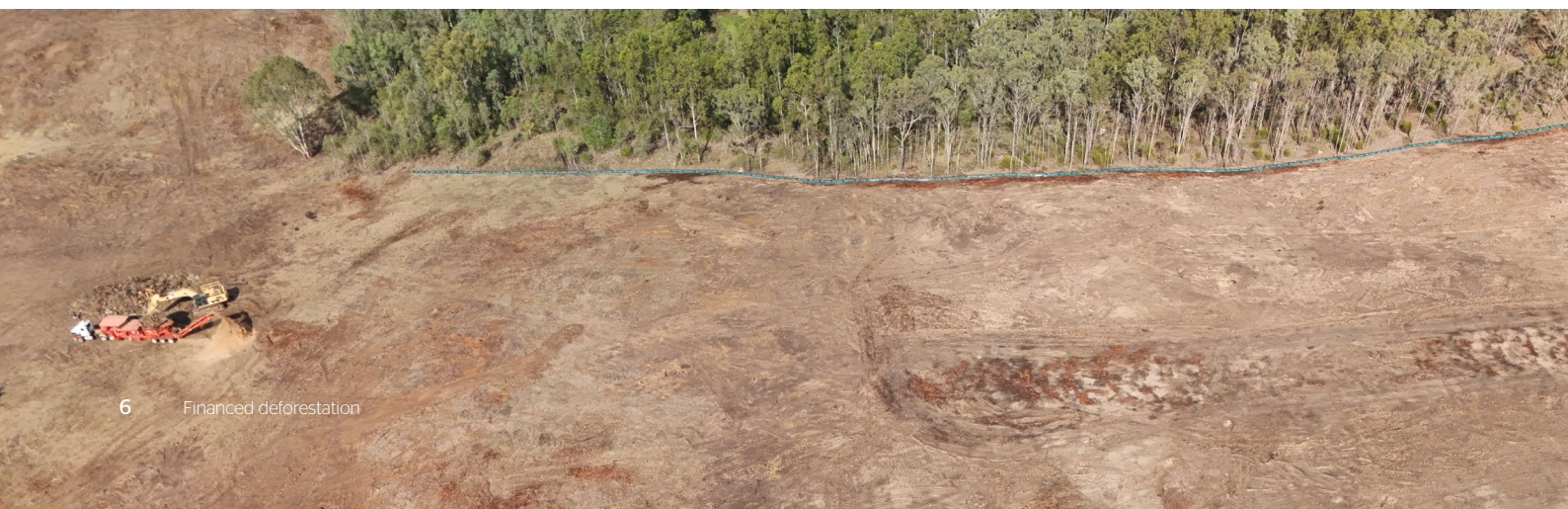
When 196 countries including Australia adopted the Kunming-Montreal Global Biodiversity Framework in 2022, the clock started ticking on the goal to halt and reverse forest loss by 2030. Regulation and corporate policies are now just beginning to take effect both domestically and abroad.

The reforms to Australia's national environment law are also a positive step toward ending deforestation in Australia. However, prohibiting finance for illegal deforestation is only the starting point for financial institutions, and they must look beyond compliance with the law to establish a comprehensive deforestation-free approach.

Unfortunately, corporate leadership on environmental issues has gone begging in recent years. ACF's earlier report, Corporate Engagement Guide: Addressing Deforestation in Australia, outlined a pathway that Australian banks could follow to enable them to make a deforestation-free commitment.

While some banks have demonstrated progress on important steps, these fall short of a clear pathway to deforestation-free finance. It is a national embarrassment that Australian banks are so far behind their global peers, many of which have set deforestation-free commitments.

Now is the time for Australian banks to catch up to the rest of the world, to align with the momentum towards deforestation-free supply chains and recognise the true value of protecting forests.



Methodology

ACF Investigates

1400 cases of **land clearing** identified by supporters through ACF's crowdsourced investigations tool. In addition, approximately 100 cases were identified through our early detection tool, and through targeted surveys of at-risk areas.



Identification of deforestation

150 cases of **deforestation** confirmed by ACF's in-house team of environmental investigators.



Land title search

82 cases of **deforestation** found to have a mortgage currently registered on title.

Land clearing in this study is defined as the clearance of woody native vegetation, including trees and shrubs for crops, pasture, plantations, houses, mines, buildings and infrastructure like roads or transmission lines.

Deforestation is the clearing of 'natural forest'.

In this report ACF assessed clearing of forest that was likely to meet the definition of deforestation according to the Accountability Framework Initiative (AFi). AFi allows either the United Nations Food and Agriculture Organisation (FAO) or Australian quantitative threshold to be used to determine an ecosystem is a forest.

ACF has used the UN FAO quantitative threshold in this report, which is an area of land over 0.5 hectares with more than 10% canopy cover of trees that reach over 5 metres in height when mature. We've also followed the AFI-endorsed guideline for Australia which uses a 15 year baseline to determine whether or not forest is likely to be a 'natural forest'.

Given known historical rates of deforestation in Australia, we can presume that far more deforestation occurred in this period than was identified in this investigation.

This report presents a highly conservative assessment of financed deforestation that fits all of the following criteria.

- Detected in the 2026 financial year
- On land likely to contain nationally protected environmental matters across Australia
- On land that had some significant native vegetation loss between January 2025 and August 2026 (in some cases the deforestation dated as far back as 2022)
- No approval under the Environmental Protection and Biodiversity Act (EPBC) located
- Not reported as part of ACF's previous Financed Deforestation report

ACF also modelled the resulting carbon losses (carbon dioxide equivalents) from the land clearing using the Australian Government's Full Carbon Accounting Model (FullCAM), which is used to estimate Australia's national LULUCF emissions.³ The detailed methodology for this process is provided in Appendix 2.

Key findings

From the 82 cases of financed deforestation, these are the key findings.

1. As in previous years, NAB had the most cases and the most hectares of deforestation. ANZ and CommBank followed NAB in total hectares of deforestation.

NAB was exposed to 25 cases which reflects its significant exposure to the agriculture sector in Australia. Westpac (17), ANZ (14), CommBank (11) followed while Rabobank had six and Bendigo Bank had four. 94% of the cases were in New South Wales or Queensland, and 99% of the hectares were cleared for agricultural production. 5,813 hectares of the total 16,540 hectares were linked to NAB while CommBank had 3,105 hectares and ANZ had 2,449 hectares. The significant scale of cases linked to ANZ and CommBank are particularly concerning given their lack of intent to address the impacts from deforestation.

2. Thirty-two of the cases have already been reported to the authorities for potential breaches of the EPBC Act and/or state vegetation laws.

Despite having an approach to investigate illegal deforestation, NAB was found to have the most potentially illegal cases with ten. ANZ closely followed with seven and has not disclosed any approach. Forty-one of the cases involved deforestation that occurred post the December 2025 reforms, highlighting a failure from banks to improve due diligence processes to identify potentially illegal clearing under the reformed law. ACF continues to investigate whether more of the identified cases may have breached state vegetation laws or significantly impacted habitat for threatened species and ecological communities protected under the EPBC Act.

3. Bank mortgages were approved either during or within six months of active deforestation on the property on 23 occasions.

There is an increased risk that deforestation will occur around the time that a mortgage is signed, as legacy land valuation methods do not adequately consider the value of natural capital and, in some cases, incentivise deforestation.⁴ Already 9 of these 23 cases have been identified as potentially breaching the EPBC Act, highlighting the failure of banks including ANZ to assess customer applications for compliance with the law.

4. Mapped habitat for dozens of threatened species was impacted, with koalas, greater gliders and grey falcons among the most frequently affected.

No matter the scale of the deforestation, impacts to threatened species can be severe, including from habitat fragmentation. Ongoing deforestation is pushing these species closer to extinction. In 43 cases, mapped habitat for koalas, which are listed as endangered under the EPBC Act, was cleared.

5. The emissions from the financed deforestation exceeded 11 million tonnes, which was greater than the decrease in Australia's national emissions in the 2025 financial year.

Australia's national emissions fell by 10 million tonnes of carbon dioxide equivalent (CO₂-e) in the financial year ending 30 June 2025.⁵ While a portion of the emissions captured in this report occurred prior to FY26, national progress was practically erased by the financed deforestation. Emissions linked to NAB comfortably surpassed all other banks, with over 5 Mt CO₂-e, while Bendigo Bank, CommBank and ANZ followed with well over 1 Mt CO₂-e each.

Case studies

The following case studies involved post-reform deforestation of threatened species habitat. Two of the case studies have been reported for possible breaches of the EPBC Act.

ANZ

Location: South East Queensland

Estimated deforestation: 47 hectares

Approximate duration of clearing: November 2025 to January 2026

Mortgage date: 25 November 2025

EPBC approval: No

Post-reform clearing: Yes



Overview: ACF identified over 50 hectares of land clearing, with over 47 hectares meeting the threshold for deforestation. The property is owned by an investment company that obtained a mortgage from ANZ just as the clearing commenced.

Approximately 30% of the cleared vegetation is mapped as remnant and core koala habitat by the Queensland Government. A search of records within a 10-km radius of the clearing shows dozens of records of koalas, most recently from June 2025.



Commbank

Location: Cobar Penepplain, New South Wales

Estimated deforestation: 2,506 hectares

Approximate duration of clearing: January 2022 to June 2026

Mortgage date: 6 December 2016

EPBC approval: No

Post-reform clearing: Yes



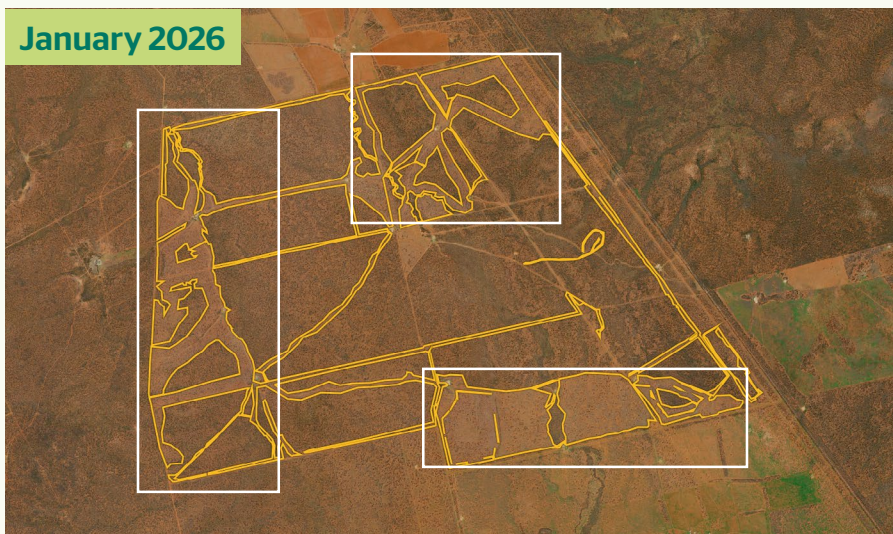
Overview: ACF identified over 3,000 hectares of land clearing at a pastoral station in outback NSW, with 2,417 hectares cleared after the reforms to the EPBC Act. Of that, 2,506 hectares were consistent

with deforestation, which is equivalent to almost nine Sydney CBDs. This included habitat for endangered pink cockatoos with multiple records within 5km of the clearing site.

January 2022



January 2026



NAB

Location: South East Queensland

Estimated deforestation: 16 hectares

Approximate duration of clearing: April to May 2026

Mortgage date: 7 May 2026

EPBC approval: No

Post-reform clearing: Yes



Overview: ACF identified that 16 hectares of native vegetation was cleared for a residential development, destroying 15 hectares of koala habitat and fragmenting a larger corridor by introducing a barrier across a creek line. The mortgage was obtained after the bulldozing commenced, and before it concluded. Of the impacted vegetation, 9.5 hectares was mapped as core koala habitat and there are 56 records of koalas within a 5km radius of the clearing footprint.



Growing global momentum to stamp out deforestation

The myriad commitments from nations and corporations to protect and restore nature by 2030 or sooner will only be effective where policy is aligned to achieving these outcomes.

With just over three years to go, we have not yet succeeded in preventing further nature loss, but there are developments signalling we're heading in a positive direction.

The Australian Government's goal is to halt and reverse biodiversity loss and deforestation by the end of the decade. Last year, Australia's key environment law was strengthened, tightening land clearing loopholes that had previously rendered the law ineffective.

The European Union Deforestation Regulation (EUDR) is now finalised, and there are newly announced rules in the United Kingdom set to closely follow the EU's requirements for deforestation-free supply chains under the UK's Environment Act.

In alignment with this shifting policy landscape and in recognition of deforestation-related impacts, 41% of the largest financial institutions globally have set a deforestation-free commitment for one or more commodities.⁶

Global banking leaders like ING are seeking to stamp out deforestation from their lending to support their customers' long-term resilience, which they see as translating to their own commercial success.⁷

This position was not established due to the scale of the bank's exposure to customers engaging in deforestation, but instead the significance of the impacts to their lending portfolio and broader society.

Australian banks have not yet reached this conclusion and are reticent to set any deforestation-free commitments, despite having considerable influence over the deforestation occurring domestically.



Banks: a vital intervention point for deforestation in Australia

Deforestation in Australia is primarily driven by agricultural expansion. Loans through security on title are a common form of lending to agribusinesses seeking to expand operations. This means that banks can play a decisive role in reducing deforestation in Australia.

These loans are secured by the borrower's ownership of a property, as evidenced by the property's title. When a borrower takes out a loan through security on title, they grant the lender a mortgage over the property and in turn obtain a loan to finance land purchases, expansion of existing operations, purchasing new equipment, and other operational expenses.

ACF's investigation assessed this type of finance to link cases of deforestation to banks, although not all cases were carried out by agribusinesses, with industrial and residential developments also captured.

Whether a bank can restrict finance based on a customer's plans to engage in deforestation is dependent on its commitment or policy. Where plans to clear land are made clear to a banker or identified during the application process, at a minimum illegal deforestation should be prevented. The bank can do this by verifying that a customer has fulfilled obligations under federal law as well as state and local requirements. Our investigations have found that many banks haven't even been conducting this level of due diligence.

A best practice, science-based deforestation-free commitment precludes a bank from providing finance to a customer where plans involve deforestation or where the customer has engaged in deforestation after a set cut-off date e.g. 2020. This policy would apply whether the deforestation is illegal or not, with the identification and verification of deforestation supported by bank data and processes.

If implemented successfully, this approach would reduce the deforestation-related impacts linked to a bank and help manage associated credit and reputational risks.



Why banks must act on all forms of deforestation

The impacts of financed deforestation, whether illegal or not, are creating material risks for the banks failing to prevent them.

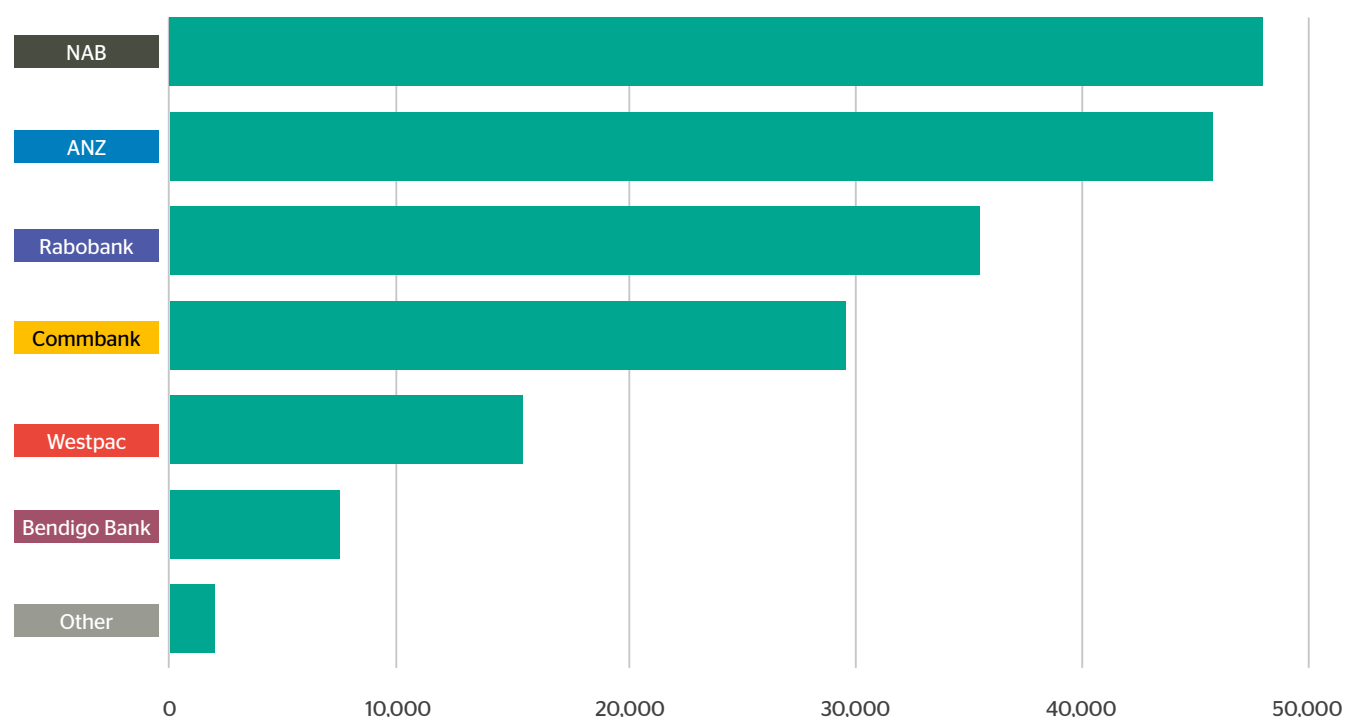
Deforestation leads to reductions in biodiversity, disruption to the water cycle, degraded soil, increased likelihood and severity of physical climate events and carbon emissions. These impacts are reducing the resilience of Australia's ecosystems and ecosystem services that bank customer assets and income sources depend on.

This affects the credit quality of the customers causing these impacts, as well as those who are not, through damage to customer assets, lower income as a result of productivity losses, and reductions in the value of collateral.⁸

As the below figure shows, the banks flagged in this report have varying degrees of exposure to the customers causing these impacts. It's vitally important that banks know which customers are driving this physical nature risk, but these customers do not paint the full picture of their risk exposure.

Physical nature risks induced by deforestation-related impacts are materialising across bank portfolios at the sector, regional and system-level.

Figure 2. Cumulative hectares of financed deforestation identified in ACF's investigations to date



Australia's agriculture sector is a hotspot for deforestation-related risk, both as a major driver of forest loss and as a sector that is highly dependent on ecosystem services. As of 30 September 2025, domestic banks had provided more than \$140 billion in credit to the sector, an increase of 80% since mid-2019.⁹ Credit to the livestock sector also grew 48.1% in this period.¹⁰ This points to rising credit risk exposure for Australian banks.

Figure 3. Agriculture and livestock exposure of largest agribusiness lenders

	ANZ	CommBank	Rabobank	NAB	Westpac
Exposure to agriculture incl. forestry and fishing & New Zealand	\$40.42bn exposure at default (EAD) ⁱⁱ	\$37.2bn total committed exposure (TCE) ⁱⁱⁱ	\$27.44bn total gross carrying amount ^{iv}	\$64.3bn exposure at default (EAD) ^v	\$29.4bn total committed exposure (TCE) ^{vi}
Exposure to livestock	Do not disclose	\$16bn TCE to livestock ^{vii}	Do not disclose	\$17.18bn EAD to beef and sheep ^{viii}	\$11.39bn TCE to beef and sheep ^{ix}

Beef exports from Australia have recently attracted high prices due to favourable conditions including constrained supply within the United States.¹¹ This dynamic is incentivising a minority of producers to expand their production and bulldoze forests for pasture.

By capitalising on short-term price spikes, these producers are pushing nature closer to the brink, with severe consequences for the agriculture sector now and into the future.



ⁱⁱ As at 31 March 2026: <https://www.anz.com/content/dam/anzcom/shareholder/1H26-results-announcement/1H26-ANZ-Results-presentation-and-IDP.pdf>

ⁱⁱⁱ As at 30 June 2026: <https://www.commbank.com.au/content/dam/commbank-assets/investors/2026/CBA-2026-Annual-Report.pdf>

^{iv} As at 31 December 2025: <https://www.rabobank.com.au/content/dam/ranz/au/pdf/regulatory-disclosure/RBAL-Pillar-III-public-disclosure-December-2025.pdf>

^v As at 31 March 2026: <https://www.nab.com.au/content/dam/nab/documents/reports/corporate/2026-half-year-results-investor-presentation.pdf>

^{vi} As at 31 March 2026: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-1H26-presentation-IDP-2026.pdf>

^{vii} As at 30 June 2026: <https://www.commbank.com.au/content/dam/commbank-assets/investors/2026/CBA-2026-Annual-Report.pdf>

^{viii} As at 30 September 2025: <https://www.nab.com.au/content/dam/nab/documents/reports/corporate/2025-climate-report.pdf>

^{ix} As at 30 September 2025: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/wbc-sustainability-report-2025.pdf>

Above. Expansive Australian Farm Landscape with a dam, Trees, and Distant Grazing Livestock. Photo. William Edge / Shutterstock

The impacts of deforestation on bank customers

Degraded soil health and water cycle disruption hindering productivity

A recent meta-analysis found that deforestation significantly increases soil erosion and causes profound changes in soil characteristics including water and nutrient retention.¹²

These impacts are detrimental for primary agricultural production, as they result in less water infiltration, greater surface runoff and lower drought resilience. Australia’s most recent State of the Environment report declared that soil health was ‘very poor’ in intensive land use zones.¹³

Soil degradation is estimated to cost \$224 billion annually in lost ecosystem services and production capacity.¹⁴

Deforestation also disrupts the water cycle by impacting evapotranspiration rates, the process by which trees take water up through their root systems and into the atmosphere, generating rainfall. The removal of forests can lead to reduced rainfall, which can promote drought conditions.

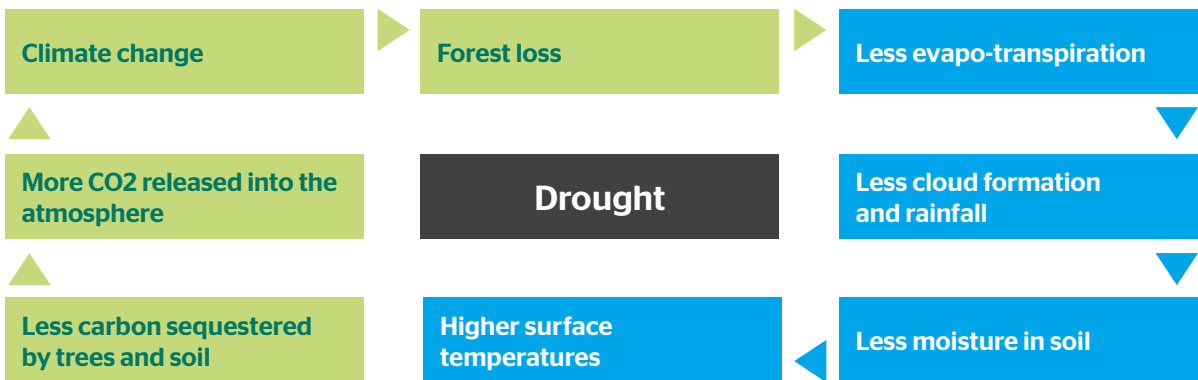
Deforestation, combined with hotter and drier conditions, for example conditions caused by the forthcoming super El Niño, impacts crop yields and farm profitability.

An Australia Bureau of Agricultural and Resource Economics and Sciences (ABARES) analysis from 2019 sought to demonstrate the impacts to agricultural productivity from drought. For a typical cropping farm, it found profit decreased from around \$230,000 in a ‘typical year’, down to a loss of \$125,000 in a ‘dry year’ (a 1 in 10 poor climate year).¹⁵

For a typical Australian beef farm, profit fell from \$60,000 in a ‘typical year’ down to a loss of \$5,000 in a ‘dry year’.

While the short-term impacts to livestock producers were partially offset by increasing turn-off (quantity of livestock sold), there were long-term impacts including lower income due to a reduced herd size made worse by deaths and low birthing rates.

Figure 4. Ways in which forest loss disrupts ecosystem services and leads to drought



Source: [CDP](#), 2025

Reducing ecosystem resilience

Habitat loss and degradation is the dominant driver of extinction in Australia, impacting 70% of threatened species.¹⁶ This trend shows no signs of slowing down, with forty-two new plants and animals added to Australia's threatened species list in 2025.¹⁷

The loss of biodiversity, including pollinators and pest managers from habitat loss, can reduce plant reproduction and crop yields.¹⁸ Financed deforestation is contributing to this, with the below species impacted by the cases identified in this investigation.

Figure 5. Most frequently impacted species known to occur or likely to occur on properties with financed deforestation

Species	National conservation status	Cases impacting species habitat
Koala	Endangered	43
Grey Falcon	Vulnerable	34
Australian Painted Snipe	Endangered	33
Greater Glider	Endangered	29
White-throated Needletail	Vulnerable	29
Spot-tailed Quoll	Endangered	22
Grey-headed Flying-fox	Vulnerable	20
Painted Honeyeater	Vulnerable	20
South-eastern Glossy Black-Cockatoo	Vulnerable	20
Diamond Firetail	Vulnerable	19

Biodiversity loss isn't just affecting terrestrial ecosystems however – the impacts from deforestation are damaging marine ecosystems including the UNESCO World Heritage Listed Great Barrier Reef.

Over 600,000 dump trucks of muddy sediment enter the Great Barrier Reef from catchment areas on the land each year, partly driven by deforestation.¹⁹ Plumes of sediment, shown in the figure below, block out the sun and choke coral, potentially clogging the gills of fish and causing disease in other marine animals.

The reef contributes \$9bn to the domestic economy,²⁰ and if reef health continues to decline as a result of deforestation, fewer visitors will venture to this iconic destination, and the tourism sector will contract.

Some banks recognise the importance of protecting biodiversity in their disclosures. For example, Westpac's natural capital position statement suggests that, through its lending, it aims to '*identify areas of critical habitat and UNESCO World Heritage Sites that may be impacted as a result of our lending activities and work with customers in material sectors to reduce these impacts to near zero loss over time*'.²¹

However, this statement, and others made by Australian banks have not yet been backed up with tangible action to prevent impacts on biodiversity from financed deforestation.

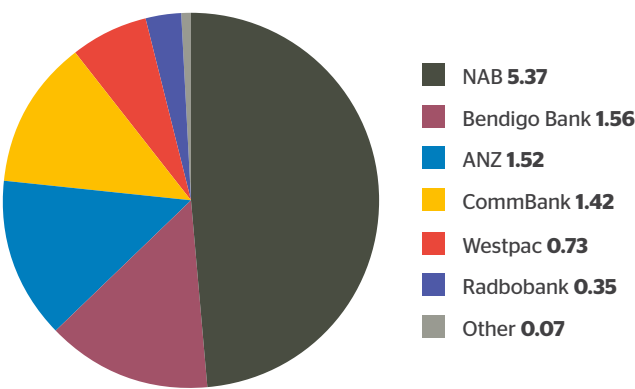
Significant emissions locking in global warming

Forest clearing in Australia is a significant source of domestic emissions, releasing an average of 55 million tonnes of CO2-equivalent every year since 2000.²²

The latest Australian government estimates indicate that emissions from forest being converted to other uses including grassland make up 19.41% of national emissions.²³ The below table provides modelling of the carbon losses from the land clearing identified in our investigation using the Australian Government’s Full Carbon Accounting Model (FullCAM). FullCAM is used to estimate Australia’s national Land Use, Land-Use Change, and Forestry (LULUCF) emissions.

The emissions from the financed deforestation identified in this report totalled over 11 million tonnes. This exceeds the 10 million tonne decrease in Australia’s national emissions in the year to June 2025, practically wiping off this reduction.

Figure 6. Million tonnes of carbon dioxide equivalents (tCO2-e) from financed deforestation



Each of the above banks is committed to net zero by 2050 and is required to report their material emissions under the mandatory climate-related financial disclosure regime in Australia. The big four banks, with the exception of ANZ, have not included an estimate of their financed emissions from deforestation (as part of land-use-change emissions), which is a glaring gap in their reporting. None have disclosed an approach to reduce their financed land-use-change emissions.

Reporting under the Australian Accounting Standards Board’s (AASB) AASB S2 Climate-related disclosure will be reflected in FY26 reporting by these banks. A legal opinion provided to ACF suggests that reporting by financial institutions under AASB S2 should consider:

An assessment of the materiality of emissions to climate-related transition or physical risks with regard to the performance of the loan portfolio and the value of assets against which relevant loans are secured	This means...	If land-use-change emissions are not considered material, this should be explainable to users
Inclusion of data that is reasonable and practicable to collect and report, which could be unverified data or proxies to begin with where primary data requires undue cost or effort	This means...	A blanket statement that there are 'data limitations' or 'data is too costly' would be insufficient
Re-assessment annually of its materiality judgement and whether direct/primary data can be obtained in subsequent reporting periods	This means...	Banks must continually seek to improve their materiality assessment and data procurement

Given these findings, we expect banks to include improved disclosures in upcoming reporting, noting that CommBank did not include these emissions in their AASB reporting for their financial year.

Creating the conditions for more severe physical climate disasters

Extreme temperature events more than tripled in frequency from 2000-2019 compared with 1980-1999.²⁴ Deforestation is a physical climate-risk driver and can produce drought conditions while drastically increasing flood risk in catchment areas by up to 700%.²⁵

Catastrophic flooding in Queensland in 2019, which followed a long period of drought, was estimated to have a long-term social and economic cost of \$5.68 billion.²⁶ Damage to the agriculture sector was estimated at \$432 million.²⁷

For the livestock sector, this extensive flooding as well as events in 2025 and 2026 resulted in hundreds of thousands of lost cattle, with producers flagging significant hits to profit as herds were not covered by insurance due to prohibitive costs.²⁸

An insurance protection gap points to increasing credit risk as events of unprecedented severity and frequency destroy customer assets and loan collateral. World Bank analysis found severe disaster episodes raised system-wide non-performing loans by a cumulative 0.6% in two to three years post an event.²⁹

The physical risks stemming from deforestation extend beyond agribusiness customers, onto the residential mortgage books which dominate the balance sheets of Australia's largest banks. Worsening credit quality across underinsured, climate-exposed regions could result in increased provisioning and potentially capital requirements for banks.

The Australian Prudential Risk Authority (APRA) is planning to gradually increase the expectations of how regulated banks should consider climate-related risk in capital adequacy requirements.³⁰ It also has nature risk on its agenda, which may compliment or follow a similar path to climate risk.



Above. Aerial view of flooded town and river with brown floodwater, Townsville, Queensland. *Photo.* Reece Fraser / Shutterstock

Case study: CommBank's exposure analysis finds deforestation but misses the mark

In its 2026 annual report, CommBank conducted a geospatial assessment of agribusiness customers with \$5 million or more debt to identify where total forest loss had occurred between 2021 and 2025.

Its exposure to cases with over 200 hectares of forest loss was approximately 0.2% of group Total Committed Exposure (TCE) and up to 0.5% after it adjusted for data coverage gaps, including zero coverage of Northern Territory customers.³¹

While this data is important for the bank to acquire, CommBank's choice of denominator obscures the significance of its exposure.^x We estimate 0.5% of Group TCE equates to approximately 32.2% of CommBank's Australian agriculture and forestry exposure.

Furthermore, the carveouts in the analysis mean deforestation that was significant in both scale and impact, such as the destruction of less than 200 hectares of high biodiversity value forest, was not captured. The average scale of deforestation picked up in ACF's 2026 Investigation was 170 hectares.

CommBank concluded that its "findings support continued use of established credit and risk processes". This effectively means 'no further action', despite the fact the bank did not assess the legality of the forest loss nor use thresholds with any risk basis. This cannot support a conclusion that no further action is warranted, as actual risk exposure has not been assessed.

^x Australian Agriculture & Forestry TCE is \$24.15bn and 0.5% of Group TCE is 7.77bn <https://www.commbank.com.au/content/dam/commbank-assets/investors/2026/CBA%202026%20Half%20Year%20Results%20Presentation.pdf>

Reforms to Australia's national environment law

The Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act or Act) is the central piece of Australia's environmental protection framework.

While state and territory governments oversee the clearing of native vegetation in their respective jurisdictions, the Australian federal government controls clearing that impacts 'Matters of National Environmental Significance' (MNES).

Listed threatened species and ecological communities is one of nine MNES categories, meaning the clearing of threatened species' habitat may need to be referred to the environment minister.

As a result of reforms passed in November 2025, there is now greater clarity over the type of land clearing that must be referred and approved before commencing. Prior to November, the 'continuous use exemption' within the Act was interpreted by some landholders to mean regrowing forests could be routinely bulldozed without being referred for assessment. While no blanket exemption ever existed, a long running lack of enforcement on agricultural properties perpetuated this perception.

This loophole has been tightened, with the law now absolute that clearing of vegetation over 15 years old or within 50 metres of a waterway draining into the Great Barrier Reef must be referred to the federal government if it is likely to have a 'significant impact' on MNES. 43% of clearing identified in the most recent Queensland state data occurred in the Great Barrier Reef catchment area.

Once referred, the environment minister may determine that the proposed action is likely to have a 'significant impact' and will then either approve or refuse the project.

Enforcing these reforms is a priority for the new National Environmental Protection Agency (NEPA) which was stood up on 1 July 2026. As such, these reforms should reduce the significant scale of forest destruction seen in recent years due to unawareness or disregard for the law.

Figure 7: Map showing the extensive Great Barrier Reef Catchment area



Source: [Great Barrier Reef Marine Park Authority, 2025](#)

For Australia's banks, increased enforcement may result in greater exposure to customers penalised for engaging in illegal deforestation. While federal, state and territory governments must assist landholders in understanding their obligations, banks also sit at a critical intervention point to prevent illegal deforestation from occurring.

Current approaches to illegal deforestation falling short

Despite multiple years of engagement, the Australian banks covered in this report are still failing to identify and prevent instances of potentially illegal deforestation carried out by their customers.

The reforms to the EPBC Act should have been a catalyst for risk and legal teams to review internal processes and policies. This has not been the case for every bank identified in this report, and almost a year on from the reforms our investigations are still linking recent cases of potentially illegal deforestation to bank lending.

Over a third of the cases (28) identified in our investigation were reported to federal and/or state authorities as potentially in breach of the EPBC Act and/or state vegetation laws. Twenty of the cases occurred post the December 2025 reforms.

It should be a minimum expectation of bank customers, shareholders and other stakeholders, that a large Australian bank would have a policy and process to ensure customers are not engaging in illegal activity.

By turning a blind eye to these bank customers, who are now at greater risk of attracting large penalties (up to \$1.665 million for an individual and \$15.65 million for corporates), banks may see an increase in non-performing loans. The NEPA is responsible for enforcing compliance with the EPBC Act and are investigating hundreds of cases already.

Banks should have a policy that prohibits the provision of finance to customers in breach of the EPBC Act or who have not yet gone through the approval process where required. This should be made clear to relevant customers.

This policy can be implemented successfully where the bank:

- understands the obligations customers have under the EPBC Act
- includes questions in ESG risk process e.g. initial credit checks for new customers as well as annual reviews
- trains frontline bankers to identify high-risk customers (based on region or commodity) and scenarios
- has geospatial monitoring tools for ongoing assessment
- has an escalation process for cases where potentially illegal deforestation is identified.

With the exception of NAB in its 2025 annual report and the Commonwealth Bank in its 2026 report, there has been limited disclosure by the banks in this report on their approaches to addressing illegal deforestation.

While NAB appears to have a reasonable process (which was in place prior to the reforms), it had the most reported potentially illegal cases of financed deforestation of any bank. These cases may have been identified by NAB and led to an investigation. Otherwise, the cases may have arisen due to a lack of ongoing customer monitoring, for which the bank is currently developing tools, or ineffective policy implementation.

In NAB's 2025 annual report it states that its investigation may lead to placing a customer on close monitoring, considering contractual provisions, providing additional finance if required to support rehabilitation, limiting additional lending, or reducing its exposure.³² NAB should review these cases to understand whether their process has failed and if any further action is required.

CommBank has only evolved its approach recently, now guiding bankers to discuss whether customers are aware of their obligations, but not going as far as verification. This approach falls short of the above implementation steps, and the requirement only applies to customers with more than \$5m in total committed exposure which limits its effectiveness. The average farm debt in Australia was \$1.2 million in 2024.³³

The path forward for Australian banks

ACF's earlier report, *Corporate Engagement Guide: Addressing Deforestation in Australia*, outlines a pathway that Australian banks can follow to enable them to make a deforestation-free commitment.

These steps are aligned with guidance from the Accountability Framework as well as the Taskforce on Nature-related Financial Disclosures (TNFD) Locate, Evaluation, Assess and Prepare or LEAP approach.

While Westpac and NAB have made progress on some of the proposed steps, disclosure of initiatives aimed at reducing financed deforestation has been limited. No bank has indicated an intention to set a commitment, with Westpac removing its formal deforestation-free commitment for finance to dairy, beef and sheep customers in late 2025.

Ultimately, a robust deforestation-free policy remains necessary step in the pathway to set clear customer expectations and manage credit and reputational risks.

Over 41% of the most influential financial institutions globally have set a deforestation-free commitment for the financing of at least one commodity.³⁴

These banks have generally set a future date by which compliance is expected and are engaging with their customers to provide a clear pathway and allow them time to adopt an approach that the bank can continue to finance.

In working towards a commitment, Australian banks should consider how they can financially or otherwise support customers to forgo plans to engage in deforestation and transition to more nature-friendly farming practices. The potential benefits from protecting and restoring trees on farms are an increasingly strong incentive.

Farming for the future: the economic benefits of trees on farms

A 2025 study, *Farming for the future: the economic benefits of trees on farms* sought to evaluate whether benefits existed for livestock farmers from having shelterbelts and other trees close to the productive areas on their farms.

It found from a survey of 130 farmers that increased vegetation and the associated biodiversity and ecosystem service gains had a positive influence on productivity, profitability and resilience.³⁵

By applying its findings to propose potential benefits across the livestock sector, it found that improving the integration of vegetation on farms could deliver:

- a conservative estimate of 2.5% increase in production efficiency, translating to improved profitability of approximately \$20-\$100 per ha and increased levels of drought resilience
- a total \$40 billion benefit to biodiversity, with a doubling of habitat for 70% of bird species and more than 800 native plants including threatened species.

Australia's largest banks are well equipped to design tailored solutions that help farmers capture these value creation opportunities but are largely failing to identify and meet customer requirements.

By contrast, their global peers are launching innovative finance solutions to address the barriers faced by farmers to protect and restore forests on farms.

Lloyds Banking Group, the largest financier of agribusiness in the UK, is one example of a bank with a commitment paired with incentives for farmers that adhere to the bank's policy requirements.



Image. Clouds and Green Fields in the Riverina, NSW, Australia Photo. Merrillie Redden/ Shutterstock



Case study: Lloyds Banking Group Plc

Lloyds' forest and agricultural commodities sector statement³⁴ includes:

- a prohibition of finance to customers engaging in deforestation or clearance within High Conservation Value Areas and other heritage listed sites
- a requirement that beef producing clients operating in or directly sourcing from High Deforestation Risk Countries are a member of the Global Roundtable for Sustainable Beef (GRSB) or another credible initiative
- an expectation of a cut-off date for no deforestation or conversion, in line with the Accountability Framework initiative, due diligence and traceability, and plans to increase sourcing of sustainably produced cattle products

Recognising the materiality of nature impacts and dependencies, Lloyds mapped 5.1 million ha of UK farmland to understand how farming businesses interact with nature in its Farming with nature report. This report demonstrated how sustainable farming is commercially viable, driving resilience and profitability when supported by robust data, targeted finance and joined-up policy action.

Following this it launched an Agriculture Transition Finance product which provides interest-free periods, flexible drawdowns and fee waivers to ease the friction for farmers moving to nature-positive systems. It also announced a Food & Nature Resilience Fund, a multi-stakeholder investment vehicle designed to accelerate the transition of the UK's three million hectares of arable farmland to regenerative agriculture.³⁶

³⁴ <https://www.lloydsbankinggroup.com/assets/pdfs/sustainability/codes-and-policies/2026/2026-lbg-forestry-ag-commodities-sector-statement.pdf>

Conclusion and next steps

We repeatedly hear from Australia's largest lenders that they do not want to be associated with destroying the habitats of endangered, iconic species like koalas and greater gliders. They also make clear their desire to support agribusiness customers.

Yet still, they have turned a blind eye to 16,540 hectares of financed deforestation identified in this report, much of which impacted threatened species habitat and has burdened farming communities with more challenges in the years to come.

Some of the banks most exposed to financed deforestation, CommBank and ANZ, have no intent to reduce these impacts and therefore expressed no intent to address the resulting credit and reputational risk exposure.

Australia's banks must recognise that the materiality of their deforestation risk exposure is not only from credit risks specific to their customers engaging in deforestation. It extends to every sector that is moderately to highly dependent on nature.

The banks called out in this report must:

1. Ensure illegal deforestation is treated with immediate priority by ensuring they:

- have a policy that prohibits the provision of finance to customers in breach of the EPBC Act or who have not yet gone through the approval process where required
- understand the obligations customers have under the EPBC Act
- include questions in ESG risk processes e.g. initial credit checks for new customers as well as annual reviews
- train frontline bankers to identify high-risk customers and scenarios
- have geospatial monitoring tools for ongoing assessment
- have an escalation process for cases where potentially illegal deforestation is identified.

2. Conduct a nature risk assessment that includes consideration of the impacts from deforestation on the bank and its customers. This could be conducted in alignment with the TNFD LEAP approach or other suitable emerging nature-related risk frameworks.

3. Manage the risks posed by all deforestation by determining and disclosing a pathway to deforestation-free finance that includes:

- adoption of credible science-based definitions of forest and deforestation
- enhancing data capabilities to identify where financed deforestation has occurred and is likely to occur, and integrating this capability into credit decisions, ongoing monitoring and customer reviews
- signalling the direction of travel toward deforestation-free finance with customers. This includes engaging those who have engaged in deforestation or operate in high-risk regions to identify barriers to adopting more sustainable practices and opportunities for the bank to provide support
- adopting a deforestation-free commitment aligned with the Accountability Framework
- disclosure of monitoring efforts, actions taken, and implementation of commitment



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Appendix 1 – General methodology

ACF Investigates

This analysis includes all significant cases detected by ACF Investigations during the 2026 financial year.

Some cases were reported to us via tip-offs, and others were uncovered during proactive searching last year and earlier this year to find out whether some landholders might be undertaking ill-informed panic clearing after the 1 December 2025 reforms to National Nature Laws.

Most of the cases the ACF Investigations unit has discovered in the last year were detected by citizen scientists as part of ACF Investigates 2026. 1,625 investigators from 39 countries scanned over 10 million hectares of land (almost twice the size of Tasmania). Through the initiative, a total of 1400 cases of ‘high confidence’ land clearing events were identified from satellite imagery from March 2025 to February 2026 of land mapped as likely to contain nationally protected threatened species, ecological communities and more.

VMAP

VMAP is a collaborative program, led by The Australian National University and Haizea Analytics, that provides accessible, authoritative and timely information on forests and other woody vegetation across Australia. VMAP provides data on UN-FAO forest extent that can be used to determine the portion of land clearing that meets accepted thresholds for deforestation.

Identification of deforestation

ACF used the UN-FAO quantitative threshold of a forest to identify deforestation and estimate the amount of deforestation in hectares. Through this step, ACF identified a sample of 150 cases that met the AFI conditions of deforestation.

Land title searches

To determine which banks have financed loans to land holders that have engaged in deforestation, ACF conducted land title searches. Land titles are available to purchase from either state owned or privately owned companies depending on the jurisdiction for a small fee. From the 150 cases of deforestation, ACF found 82 cases of deforestation with a mortgage held over the title. For the purposes of this report, ACF presented findings for major agribusiness banks in Australia which includes NAB, Rabobank, CommBank, ANZ (including Suncorp Bank) and Westpac. Given the acquisition of Suncorp Bank by ANZ in 2024 and the fact that all exposure now falls on ANZ and its board of directors, ACF combined the cases from both banks.

Appendix 2 – Emissions modelling methodology

To estimate emissions from deforestation, we modelled changes in total ecosystem carbon using the Australian Government's FullCAM model. Each site was simulated from 1 January 1930 to allow forests and woodlands to reach a near-equilibrium state before clearing began.

Clearing events were introduced using the "Initial clearing: No product delivery" setting, which assumes all biomass remains on site and decomposes over time rather than being removed or processed. When configuring each event, we input the actual percentage of forest cover cleared at each site, rather than the default value of 100%. This represents a conservative, internally consistent way to estimate committed on-site ecosystem emissions under an "all debris left to decay" scenario^{xxx}.

Initial and secondary tree species were chosen on a case-by-case basis by determining the state mapped vegetation and using the associated vegetation description to create an accurate representation of the cleared forests.

Simulations were extended to at least clearing_end + 100 years, or until the model reached convergence (defined as a change in C mass complete < 0.1 tC/ha over the previous decade, with a minimum extension of 80 years). We then used the 10-year mean at the end of the run as the post-clearing value for comparison against the pre-clearing equilibrium.

Reported results reflect the loss of total ecosystem carbon stocks (C mass complete, tC/ha) within each clearing footprint. These values capture the combined carbon stored in living biomass, deadwood, litter, and soil organic matter. Because the "no product delivery" assumption leaves all material to decay on site, it slightly underestimates total emissions, as real-world clearing often involves burning or off-site removal that releases carbon more rapidly.

Once the net change in total ecosystem carbon stocks was determined, the figures were converted to their carbon dioxide equivalents (tCO₂-e/ha). Finally, to determine the total carbon dioxide equivalents emitted from each clearing event, the CO₂ equivalent figure was multiplied with the number of hectares cleared at each site.

Overall, the results represent conservative lower-bound estimates of total clearing emissions.

While this analysis provides a consistent, conservative estimate of emissions from deforestation, several caveats apply, including the following:

Fire history: Fires prior to clearing were **not included** in the simulation setup unless specifically identified in the CSI 2026 dataset. All cases were modelled as **remnant forests**.

Model assumptions: FullCAM's "no product delivery" setting assumes all cleared biomass decomposes on site. In practice, much of this material is **burned or removed off-site**, releasing carbon faster. Therefore, our results should be interpreted as a **lower-bound estimate of total committed emissions** rather than an exact measure of immediate atmospheric release.

Vegetation mapping: Vegetation types were interpreted from the best available state datasets (e.g. *QLD Globe*, *NSW SEED*, *NT Natural Resources Map*, *WA Locate V5*). While these tools provide detailed information, inconsistencies between jurisdictions and differences in classification systems may introduce **minor uncertainty** in species composition and biomass estimates.

Temporal resolution: Simulations ran from 1930 to at least 100 years beyond the clearing event, capturing long-term soil and litter carbon dynamics. However, real-world carbon responses can vary due to **climate variability, site disturbance, and post-clearing land-use**, which are not explicitly modelled here.

Convergence threshold: The model was assumed to have reached post-clearing equilibrium when the change in C mass complete fell below 0.1 tC/ha over the preceding decade. While this is a widely accepted threshold, small ongoing changes in soil carbon could continue beyond this horizon.

^{xxx}In reality, the debris is often burned or taken away to decompose off-site, releasing the carbon stocks into the atmosphere much faster. The methodology we used, however, assumes that debris is left to decompose on-site, slowly releasing the carbon stocks over decades.

Nature needs us, now



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