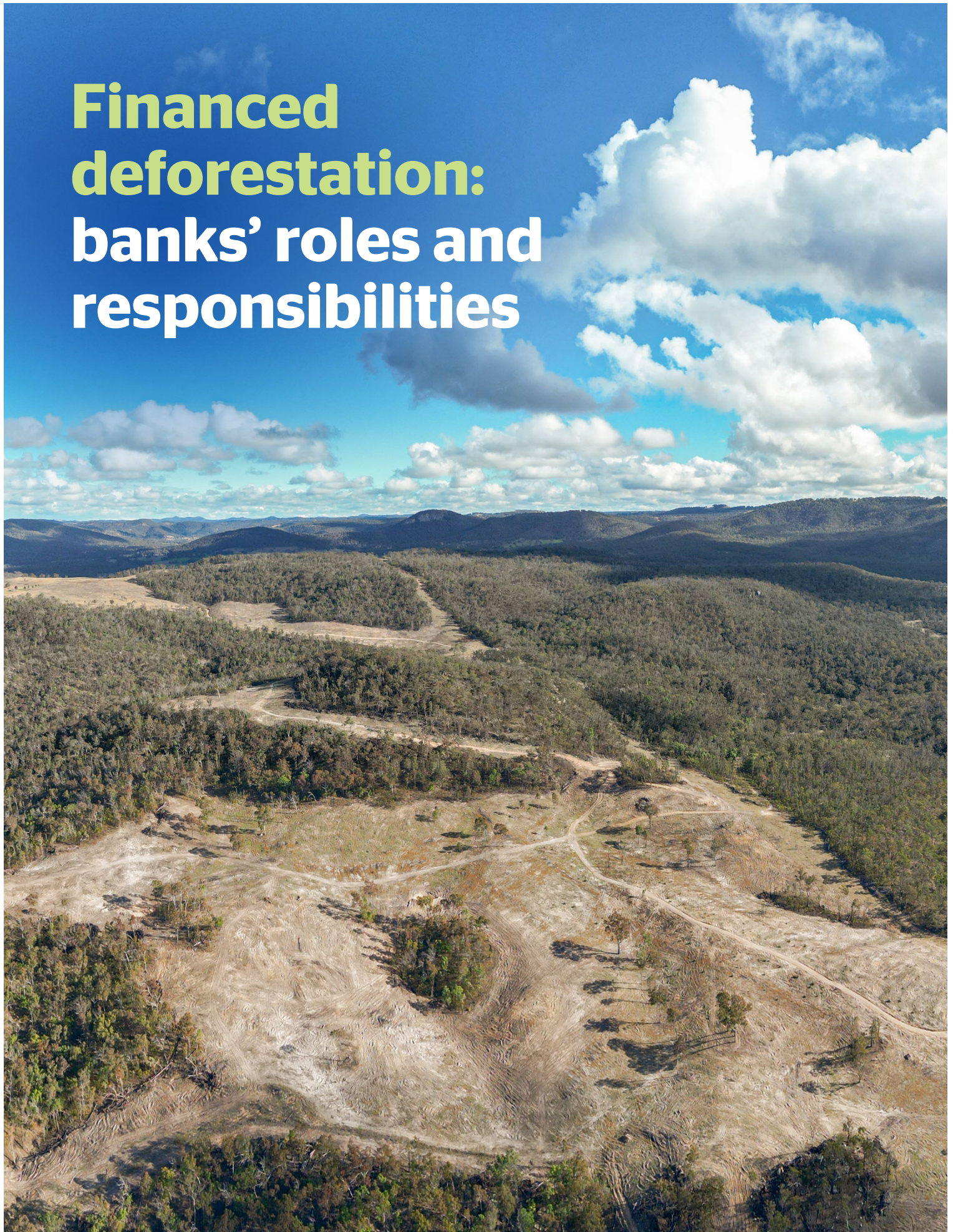


Financed deforestation: banks' roles and responsibilities



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 global deforestation hotspot — and Australian banks are funding the destruction.

An investigation by the Australian Conservation Foundation (ACF) has selected 100 cases of deforestation between July 2023 and July 2024 linked to major banks through mortgages. NAB was the most exposed, followed by ANZ, then Commbank, Rabobank and Westpac.

In several cases, mortgages were issued or reissued during or just after the clearing — raising serious questions about due diligence or, worse, wilful ignorance.

Alarming, 42 cases are likely to have impacted Matters of National Environmental Significance (MNES) — including habitat for threatened species — without federal approval, potentially breaching national environment law. These cases are being referred to the Department of Climate Change, Energy, the Environment and Water for investigation.

Despite rising global pressure on financial institutions to address climate and nature-related risks, most Australian banks still fail to track, report or manage financed deforestation. As a result, they are likely underreporting financed emissions and are exposed to significant legal, regulatory and reputational risks.

Deforestation is not just an environmental issue — it's a financial one. Around half of GDP has a moderate to very high direct dependence on nature.¹ Continuing to finance deforestation directly threatens long-term economic resilience.

Banks cannot claim to be managing climate or nature risk while turning a blind eye to bulldozers flattening forests in their portfolios. They must contribute to internationally agreed goals to halting nature loss, forest loss and degradation by 2030.

This report calls on banks to:

- **Adopt a clear policy to eliminate deforestation** from their lending portfolios;
- **Invest in internal expertise and geospatial (data that connects to a map, linking information to its location) capabilities** to identify and monitor nature-related risk;
- **Engage customers in high-risk sectors** to transition toward nature-positive operations.

We also urge the Australian Government to:

- Strengthen and enforce environmental law,
- Improve access to environmental data, and
- Develop a national strategy to **end deforestation by 2030**, in line with international commitments.

Australia's forests are essential for clean air, a safe climate, water security, and the survival of our most iconic wildlife. They are also a foundation of First Nations culture and knowledge.

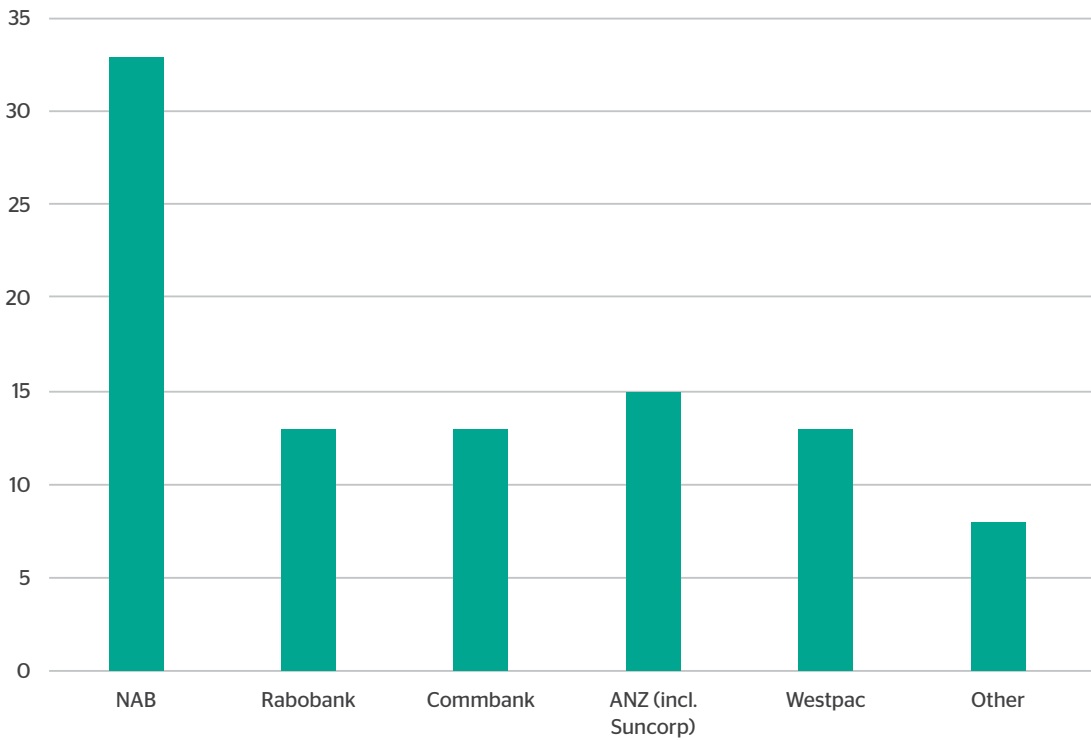
We've already lost more than half of them.

Each year, hundreds of thousands of hectares of bushland are bulldozed — largely for beef production. In recent years, more forest was cleared for beef in Queensland than was destroyed for palm oil in the whole of Indonesia.^{2,3}

By taking bold, science-aligned action now, Australian banks can help halt deforestation, protect biodiversity, and lead the transition to a more resilient economy that's good for people and nature.

Banks play a decisive role in this problem — and they must be part of the solution.

Figure 1: Cases of financed deforestation by bank



Introduction

Australia is home to some of the world's most unique ecosystems and wildlife — from iconic marsupials like koalas and kangaroos to ancient plant species like eucalyptus and banksia. Our iconic flora and fauna have been shaped by our continent's ancient landscape, with Traditional Owners caring for Country since time immemorial.

But today, Australia is a global deforestation hotspot — with the highest rate of forest clearing in the developed world.⁴ More than 50% of our native forests have already been cleared or severely damaged. Every year, hundreds of thousands of hectares of bushland are bulldozed — mostly to expand pasture for beef and sheep grazing.⁵

This is why the agricultural sector is key to addressing deforestation. In recent years, there was more forest bulldozed for beef in Queensland than was destroyed for palm oil in Indonesia.^{6,7}

As a result, the number of threatened Australian species keeps rising. As of 2025, 2,245 ecosystems, plants and animals are officially listed as at risk of extinction⁸ — and deforestation is the leading cause.

This crisis unfolds in spite of our government's international commitments. At COP26, Australia signed the Glasgow Leaders Declaration to halt and reverse forest loss by 2030. A year later, the government adopted the Kunming-Montreal Global Biodiversity Framework, reinforcing that same goal. Achieving it will require action across every sector — especially finance.

Banks play a central role in shaping land use through their lending. The activities that banks finance, such as lending to certain sectors or investing in certain assets, as well as the conditions or incentives applied to the financial services they provide, can have significant influence on society and the environment.

Yet most are failing to assess, monitor or act on deforestation risk.

This report investigates the hidden links between major banks and deforestation through mortgage lending. By reviewing 100 confirmed cases of deforestation between July 2023 and July 2024, ACF exposes how Australian banks — often unknowingly — finance environmental destruction.

It also reinforces the need for banks to urgently address their exposure and responsibility, and for government to lift the standards and systems that allow deforestation to continue largely unchecked.

This is not just an environmental issue. It's an economic one.

Around half of GDP has a moderate to very high direct dependence on nature, and indirectly 100% of GDP is dependent on nature.⁹ Key sectors like agriculture, food manufacturing, construction, and real estate rely on clean water, healthy soils, pollination, and a stable climate which forests help maintain.

Halting deforestation is essential to protecting our economy, our wildlife, and our future.

The nature crisis is an economic crisis

Approximately **half (49.2%) of Australia's GDP**, around \$900 billion, has a moderate to very high direct dependence on nature. The sectors with the highest direct nature dependency include primary industries like agriculture, forestry, and fisheries (\$38.7bn), food product manufacturing (\$23.1bn), and construction (\$144.4bn). Sectors with a moderate to high direct dependency on nature include mining (\$127.0bn), real estate (\$207.0bn), transport and logistics (\$89.6bn), and accommodation and hospitality (\$44.3bn). These industries rely on the direct extraction of the earth's natural resources or directly depend on the provision of ecosystem services such as clean water, a stable climate, pollination, erosion prevention, healthy soils, and protection from floods and storms.

How are banks addressing financed deforestation?

Australian banks have been slow to address the problem of financed deforestation. At the time of writing, Westpac remains the only Australian bank to have set a no deforestation commitment.

Currently, banks are responding to deforestation primarily through their commitment to net-zero financed emissions. This is because land use change (natural landscapes being transformed by human activity), primarily through deforestation, accounts for 12-20% of greenhouse gas emissions globally.¹⁰ For this reason, peak bodies including the Glasgow Financial Alliance for Net Zero,¹¹ the United Nation's Net Zero Banking Alliance,¹² the United Nation's High Level Expert Group on Net-Zero Emissions Commitments of Non-State Entities¹³ and the Science Based Targets initiative,¹⁴ have issued clear guidance that net zero commitments must address deforestation to remain credible.

The Net Zero Banking Alliance requires signatory banks to set financed emissions reduction targets for carbon-intensive sectors, which includes agriculture, within 36 months of signing.

NAB, Commbank and ANZ have all failed to meet the deadline to set an emissions reduction target for the agriculture sector and are all yet to set a commitment to no deforestation.

In November 2023, Westpac became the first Australian bank to set a no deforestation commitment as part of its Net Zero Banking Alliance sector target for agriculture. Westpac committed to "no deforestation, which provides for no further conversion of natural forest to agricultural land use within farm systems from 31 December 2025 for customers in scope of the targets".¹⁵

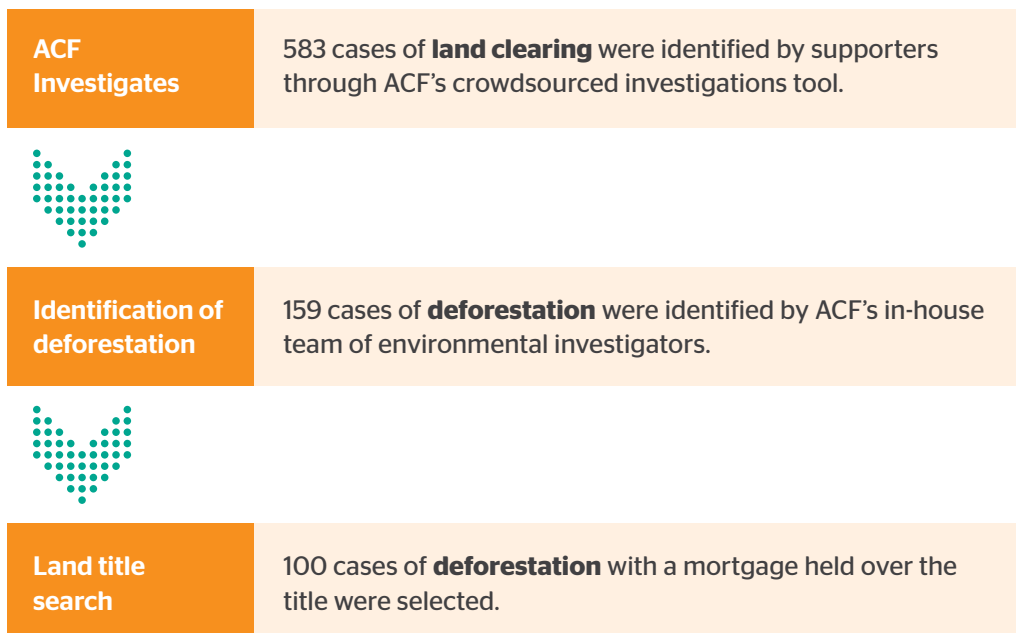
Rabobank has a group level deforestation and land conversion policy which would apply to its business operations in Australia, however it is insufficient as it only applies to land which has been "illegally deforested or converted after January 1st, 2018".¹⁶

While the inclusion of a cutoff date occurring in the past is a positive in Rabobank's policy, it simply states that the bank won't deal with customers who haven't complied with the law, which is generally a standard practice. Like emissions which contribute to global warming whether they are illegally or legally released into the atmosphere, deforestation has a carbon and a biodiversity impact regardless of its legality.

Impact of deforestation on emissions reporting

Recognising the land sector as both a carbon sink and major source of carbon emissions, the Greenhouse Gas Protocol released draft guidance in 2022, stating that corporates must account for emissions from all applicable land sector categories including land use change.¹⁷ Given that financed deforestation is largely unaccounted for, banks are also massively underreporting their financed emissions since land use change is a significant source of carbon dioxide emissions.¹⁸

Method



This report presents just a sample of deforestation that has occurred over a set timeframe. It presents a highly conservative assessment of financed deforestation that fits the following criteria:

- within land likely to contain nationally protected environmental matters across Australia,
- within land that had significant native vegetation loss between winter 2023 and winter 2024 and,
- Environmental Protection and Biodiversity Act (EPBC) approval for the change could not be located.

Given known historical rates of deforestation in Australia, it is important to note that far more deforestation has occurred than is covered in this report. To see the complete methodology used in this investigation, please see Appendix 1.

ACF used the United Nations Food and Agriculture Organisation (FAO) forest threshold to identify deforestation. The FAO classifies forests as land spanning more than 0.5 hectares with trees higher than five metres and a canopy cover of more than 10%, or the ability to reach those thresholds in situ (plantations excluded). This threshold is comparable to the Australian threshold which classes forests as areas of trees with a height exceeding two metres and with existing or potential canopy cover greater than 20%, or the ability to reach those thresholds in situ (plantations included). The European Union, Accountability Framework Initiative, and Science-Based Targets definitions, among others use the UN-FAO threshold of forests.



The role of land title searches in identifying links to deforestation

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 state for a small fee. From the 159 cases of deforestation, ACF selected 100 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.

Loans through security on title are a common form of lending to agribusinesses. They refer to loans that 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.

It is important to be clear: loans through securities on title are a common method for agribusinesses to finance deforestation. However, we are not suggesting that these specific loans are in fact related to the deforestation observed. It is possible, but not proven in this study, as we are unable to access relevant data held by banks.

Our findings are indicative of a heightened risk that the loans are connected to deforestation and of the need for banks, who have access to more granular data, to conduct appropriate due diligence.

Key findings

From the 100 cases of financed deforestation selected we found the following:

1. NAB was exposed to double the number of cases of deforestation than any other bank.

NAB was exposed to 34 counts which resulted in a total 6,625 hectares of deforestation. Rabobank, Commbank and Westpac were each exposed to 13 counts and 5,379, 4,820 and 2,431 hectares of deforestation respectively, while ANZ was exposed to 15 counts and 4,373 hectares of deforestation (See Figure 1).

2. In nine instances, bank mortgages were signed either during or within six months of the time there was active deforestation on the property.

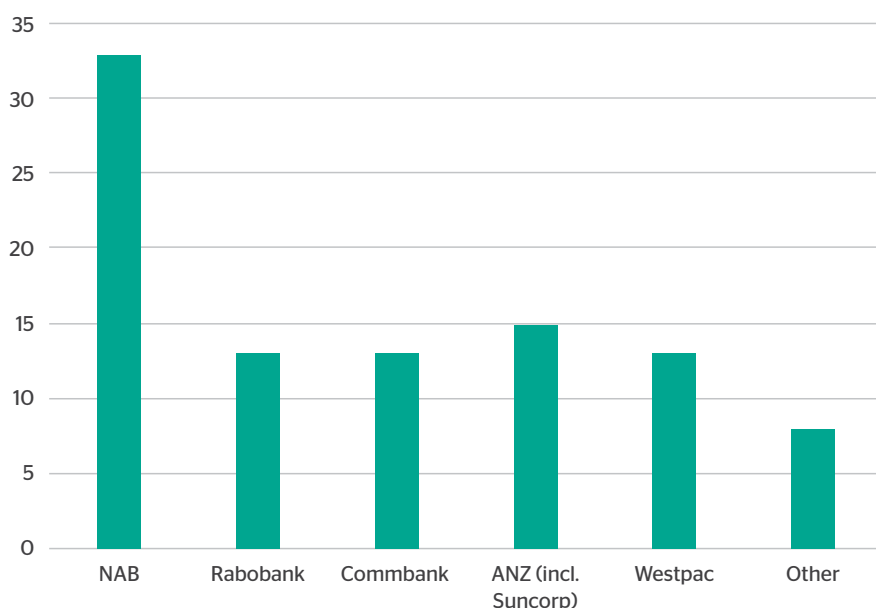
The proximity of the deforestation event to the issuance of the mortgage indicates that the banks' internal due diligence processes failed to identify the deforestation or the deforestation was willfully ignored. There is an increased risk that deforestation will occur around the time that a mortgage is signed, as legacy land valuation methods tend to incentivise land clearing. This is because land valuation methods do not adequately consider the value of natural capital, creating an incentive for land owners to clear forest.¹⁹

3. Almost half of the cases of deforestation that were financed by banks were reportable to the federal government under the EPBC Act.

Deforestation is deforestation, regardless of whether it is legal or not. Yet, to gain an understanding of the severity of the bank's risk exposure, ACF has investigated whether the cases of deforestation have impacted likely habitat for threatened species and ecological communities protected under the EPBC Act. It was found that 48 out of the 100 cases of deforestation were also potentially illegal. As is detailed in Appendix 1, whether or not individual cases of deforestation are illegal depends on the particularities of each case.

This research presents just a snapshot of financed deforestation in Australia. With historical rates of deforestation of at least 350,000 hectares per year, Australian banks likely face far greater exposure than what is captured by this investigation.²⁰

Figure 1: Cases of financed deforestation by bank



NAB

Location: Murray Darling Depression bioregion, Southwest NSW

Estimated deforestation: 366 hectares

Approximate duration of clearing: August 2022 - August 2024

Mortgage date: 1st July 2021

EPBC approval: No



This case of deforestation occurred on a property within the Southern NSW Mallee Key Biodiversity Area which is recognised on a global scale as one of the ‘most important places in the world for species and their habitats’.²¹ More than half of the area destroyed was mapped as known mallee habitat²² and records from the Atlas of Living Australia show the presence of three key mallee bird species including the crested bellbird, white-eared honeyeater, and yellow-plumed honeyeater. This indicates that the deforestation likely destroyed habitat for the nationally protected Mallee Bird Ecological Community.

Records from the Atlas of Living Australia also confirm the presence of numerous nationally protected



threatened species that were mapped by the Australian Government as being known or likely to occur in the area.^{23,34} These include a record of the vulnerable Corben’s Long-eared Bat immediately adjacent to the destroyed habitat, records of the endangered south-eastern hooded robin close to the site, and records of vulnerable southern whiteface, endangered pink cockatoos and vulnerable Malleefowl in the area.

Given the strong evidence that the area destroyed was previously home to threatened species and protected ecological communities, ACF reported this case to the Department of Climate Change, Energy, the Environment and Water (DCCEEW). Interestingly, a proposal to clear a much smaller amount of similar vegetation nearby was previously determined by the regulator to create significant impacts and require further assessment for approval.²⁵



Why should banks care about deforestation?

Our society and economy depend on the overall state of the natural environment and its provision of ecosystem services.

With roughly half of Australia's GDP (49% or \$896bn) having a moderate to very high direct dependence on nature, and 100% of GDP indirectly dependent, the destruction of biodiversity and ecosystem services via deforestation poses systemic risks to the economy.²⁶

In addition to the system level risks arising from increasing climate instability and biodiversity decline, deforestation can create financial risks through other risk channels including credit, market and reputational risk. Figure 2 below describes possible scenarios and how these manifest into financial risks for banks.

Good corporate social responsibility

Contribution to emissions, systemic and financial risks aside, the integration of nature-related considerations into business operations represents good corporate social responsibility. This is a business model whereby companies have a responsibility to society and the environment as well as their shareholders. Banks play a crucial role in society by providing financial services that enable capital flows throughout the economy. Their position endows them with significant influence and ability to achieve positive outcomes for society, the environment and their shareholders.

Figure 2: Deforestation risk channels for banks

Erosion and salinity caused by deforestation render the land less productive. This results in land holders needing to spend more capital on inputs like fertiliser and also puts them at a higher risk to climate and nature events. This affects the servability of the loan which can manifest as a credit risk to the bank.

Under the EPBC Act, it is concluded that a land holder has cleared land without appropriate approval which is reported on in mainstream media and results in a reputational risk for the bank. Associated penalties or compliance costs such as orders to remediate may also impact the ability of the land holder to service the loan creating a credit risk for the bank.

The European Union's Deforestation Regulation comes into effect in 2026 which imposes a ban on the import of products tied to deforestation. This represents a market risk for banks as some customers may lose access to European markets.

The media reports that banks are linked to cases of particularly egregious deforestation creating a reputational risk for the bank and greater scrutiny from investors and customers.

Rabobank

Location: Mulga Lands bioregion, Southwest Queensland

Estimated deforestation: 575 hectares

Approximate duration of clearing: December 2023 - June 2024

Mortgage date: 23 December 2021

EPBC approval: No



In March 2023, the pink cockatoo was nationally listed as an endangered species. Later that same year, the landholders of an agricultural property with a Rabobank mortgage began bulldozing pink cockatoo habitat. Threatened species observations confirm that a pair, or several pairs, of pink cockatoos had been sighted along the same highway that borders the property in the 18 months before the clearing.²⁷

Pink cockatoos avoid flying over open spaces, relying instead on large, connected areas of intact vegetation.²⁸ Therefore, the removal of 575 hectares of habitat likely fragmented their access to nearby nesting sites and remnant vegetation, threatening the survival of this endangered species.

Lastly, federal government approval is generally required where there is a real chance or possibility that clearing will adversely affect habitat critical to the survival of an endangered species. The national Conservation Advice for the pink cockatoo deems such critical habitat to be 'Arid and semi-arid woodlands dominated by mulga... mallee and box eucalypts, slender cypress pine... or belah'. In the case of this property, the real estate listing explicitly mentioned that the vegetation consisted of semi-arid woodlands with mulga, pine, belah and 'box' tree species,²⁹ which suggests that the clearing could have constituted a 'significant impact' under the EPBC Act.



Deforestation in the Australian context

Deforestation has been a long-standing issue since the colonisation of Australia.

Yet, it has only been in recent years that deforestation has attracted attention from financial institutions, corporations and industry bodies. The motivation to address deforestation varies among these stakeholders, and as a result, there have been differing perspectives on what constitutes deforestation in Australia and the scope of no deforestation commitments. The following section seeks to address some important aspects of this discourse.

The definition of deforestation

Deforestation is the clearing of a natural forest.

Natural forests possess many or most of the characteristics of a forest native to the given site, including species composition, structure and ecological function.

Natural forests include:

- primary forests that have not been subject to major human impacts in recent history, and
- regenerated (second-growth) forests that were subject to major impacts in the past but where the main causes of impact have ceased or greatly diminished and the ecosystem has recovered much of its natural characteristics.³⁰

Natural forests exclude:

- plantations, orchards, monocultures or forests that haven't attained the characteristics of a natural forest.

Net deforestation versus gross deforestation

Deforestation commitments must eliminate gross deforestation, not net deforestation.

In the simplest terms, gross deforestation measures the total amount of forest removal in a given area, whereas net deforestation measures the balance between forests removed and regrowing or replanted forests. For example, destroying 100 hectares of high conservation value, dense, tall old-growth rainforest at one location, while allowing 100 hectares of previously cleared sparse, low conservation value forest, or even commercial plantation timber to grow, would be recorded as 100 hectares of gross deforestation, but zero net deforestation.

The use of net deforestation is problematic as the calculation does not distinguish between ages or types of forests and their associated qualities. Young regrowing forests have vastly lower value as habitat for animal species and contribute far fewer ecosystem services, and less carbon storage potential than mature forests, while plantations can in fact have a negative impact on biodiversity. Regrowing forests are also more vulnerable to bushfires, droughts, heatwaves and other climatic events.

Despite this, Australia's latest State of the Forests Report indicates a net increase in forest cover in recent years. The use of net deforestation to report changes in forest cover obscures and distorts the real rate of deforestation in Australia, has been used to downplay the seriousness of this issue, and masks impacts on biodiversity and carbon emissions.

If all countries that have signed the Glasgow Agreement to halt and reverse forest loss and degradation by 2030 achieve their target in gross terms, it could save 5Gt of CO₂, bringing us much closer to achieving 1.5°C and contributing significantly to preventing further species extinctions.

On the other hand, net accounting would deliver insufficient emissions removal and the decline in biodiversity will be unabated.³³

Regrowing forests

A forest that reaches the natural forest definition is considered a natural forest, regardless of its age. In Australia, we presume a regrowing forest over 15 years is likely to meet the structure, function and composition as defined as a natural forest.³¹ It is important to note that robust deforestation commitments must include regrowth forests as they provide valuable habitat for threatened species from a relatively early age and become more valuable over time. For example, researchers have found that on average, native species begin to use regrowing forests from 15 years and koalas use regrowing forests from eight years.³²

Forest on agricultural land

The clearing of forests represents deforestation, regardless of the underlying land use. This is in accordance with guidance from the AFi.³⁴ Conversely, industry bodies have advocated for the definition of deforestation to exclude the clearing of any forest that is located on agricultural land. Given that the ABS states that agriculture accounts for 55% of Australia's land in 2025, this would exclude more than half of Australia's land from deforestation commitments and fail to deliver results against the global target to halt and reverse nature loss by 2030.³⁵



ANZ

Location: Cobar Penepplain bioregion, Central West NSW

Estimated deforestation: 277 hectares

Approximate duration of clearing: March 2022 - July 2024

Mortgage date: 12 November 2020

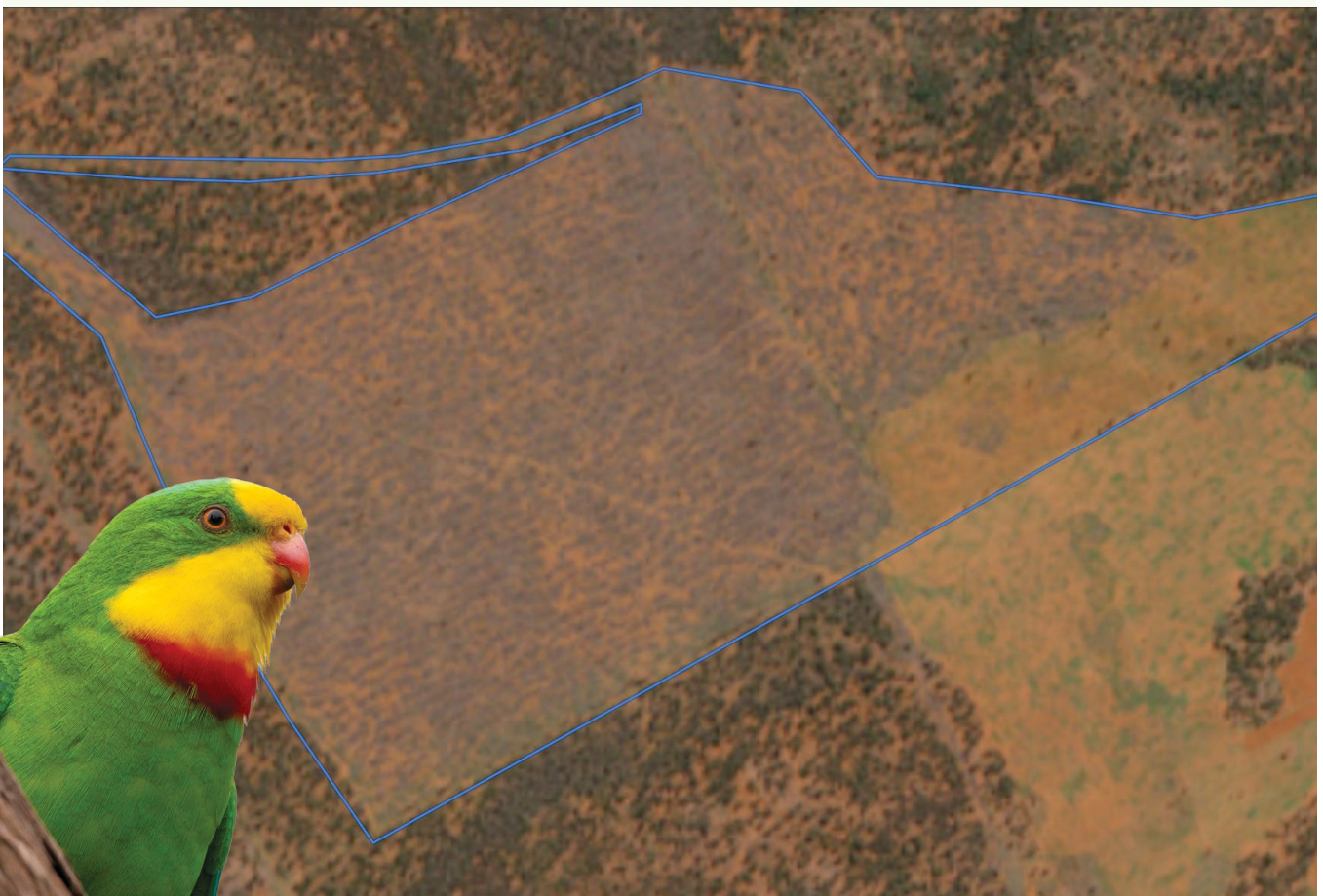
EPBC approval: No



In 2024, almost 277 hectares of deforestation occurred at an agricultural property in Central West NSW.

Vegetation mapping from the NSW Government indicates that the vegetation destroyed was likely remnant Poplar Box Woodland.³⁶ This type of vegetation was likely habitat that is critical to the survival of the endangered pink cockatoo and known habitat for the superb parrot. Although biodiversity surveying of the area is poor, both the superb parrot and pink cockatoo had previously been recorded in the area.³⁷

This case is a tangible example of how deforestation can exacerbate the impacts of climate change on threatened species. The superb parrot is a nationally vulnerable species whose range is shrinking from the effects of climate change.³⁸ The property where the clearing took place is located at the western edge of its range and habitat fragmentation from clearing in this location will likely accelerate the rate at which the superb parrot's already-compromised range is reduced.



State and federal environmental law

In Australia, the environment is regulated under both state and federal legislation, and landholders must comply with legislation at both levels.³⁹ However, while most landowners and businesses are aware of their obligations under their relevant state or territory laws, many are unaware of their responsibilities under the federal Environmental Protection and Biodiversity Act 1999 (EPBC Act). Under the EPBC Act, if a project is likely to significantly impact a Matter Of National Environmental Significance, as defined under the Act, it must be referred to the federal environment department for review.

Unfortunately, federal environment referrals show that for some sectors, particularly the agricultural sector, the EPBC Act is infrequently applied.⁴⁰

The current weakness of the EPBC Act, particularly the lack of a robust monitoring and enforcement mechanism, means that for the most part, only the most egregious noncompliance is enforced. It is hoped that this will change with the reforms to the EPBC Act promised by the Albanese Government, which should also include an education and awareness component to help educate landholders and businesses to avoid breaching the Act in the first place.

The question of legality

Deforestation is the removal of a forest regardless of legality, therefore, deforestation commitments made by banks must extend beyond mere compliance with local and federal legislation. Global initiatives like the Glasgow Financial Alliance for Net Zero make no differentiation between legal and illegal deforestation, as the carbon and biodiversity impacts of deforestation must be accounted for by banks regardless of the legal standing of the activity.

Non-compliance by an agriculture customer because of their lack of understanding or awareness of their legal obligations does not excuse the significant non-compliance found in bank's lending portfolios exposed in this report. Proceeding with an action that may have a significant impact on threatened species habitat without an approval is an offence even if compliance monitoring and enforcement by the regulator is inadequate.

Commbank

Location: Sturt Plateau bioregion, Northern Territory

Estimated deforestation: 2037 hectares

Approximate duration of clearing: February 2022 - October 2024

Mortgage date: 23rd June 2022

EPBC approval: No



In the Sturt Plateau bioregion of the Northern Territory, an area 503 times the size of the MCG was destroyed over a two-year period. According to the Protected Matters Search Tool, the once tropical savanna woodland was likely habitat for nationally endangered birds like the gouldian finch and red goshawk, as well as critically endangered reptiles like the Mitchell's water monitor and the northern blue-tongued skink.⁴¹ Although biodiversity surveying and monitoring is generally poor in the NT's pastoral districts,^{42,43} the vulnerable crested shrike-tit was sighted near the clearing site in 2021, just before the bulldozing commenced.⁴⁴

The owner of this property was granted a permit by the Northern Territory Pastoral Lands Board for the destruction of more than 4,000 hectares of native vegetation to make way for 'improved pastures and hay production'. Large-scale pastoral land clearing permits such as this are routinely approved in the NT without reference to any native vegetation or environmental protection laws, nor any conservation strategies.⁴⁵ This permit was recorded on the certificate of title in 2021 indicating

Commbank's likely knowledge of the landholder's intention to clear forest.

Whilst this destruction was approved by the territory government, it still meets the conditions of deforestation. In 2022, Commbank financed the landholders while the tropical savanna woodland was being bulldozed, and the clearing continued through to 2024.

While most of the deforestation is occurring in New South Wales and Queensland, the Northern Territory is insufficiently regulated and the scale of destruction there is escalating. The Northern Territory's savanna woodlands are home to extremely high biodiversity values - they support many plant and animal species found nowhere else in the world. These forested landscapes also hold immense cultural and spiritual value to their Aboriginal Traditional Owners. Environmental Justice Australia finds that land approved for clearing in the Northern Territory has surged by around 300% over the past four years.⁴⁶



Westpac

Location: Desert Uplands bioregion, Central West Queensland

Estimated deforestation: 41.5 hectares

Approximate duration of clearing: February 2024 – April 2024

Mortgage date: 16th February 2022

EPBC approval: No



In February 2024, three months after Westpac announced its no deforestation commitment, a cattle station in Central West Queensland began clearing.

The clearing destroyed 10 hectares of mature growth vegetation mapped as being consistent with four nationally-listed endangered ecological communities – most notably the Weeping Myall Woodlands and Coolibah Black Box Woodlands.⁴⁷ If other criteria was met, destroying this amount of an endangered ecological community would constitute a significant impact under the EPBC Act, however no federal government approval was sought for the clearing.

Threatened fauna species including the koala, star finch, and yakka skink were also mapped as likely to occur in the cleared area and species-sightings records confirm that koalas, a greater glider, and a delicate mouse had been observed in the property's vicinity.⁴⁸



Recommendations for banks and the Government

Banks

- 1. Adopt a no deforestation policy:** Banks should formally adopt a no-deforestation target aligned with the Accountability Framework Initiative. Targets should be reflected in loan conditions, and appropriately backdated.
- 2. Strengthen agri-business engagement:** Enhance support for agri-business relationship managers to improve the identification of deforestation risk and encourage regenerative practices.
- 3. Support environmental law reform:** Banks should actively support reform efforts to strengthen national environmental laws and critically review the position of their industry associations.
- 4. Invest in geospatial capacity:** Banks should invest in geospatial capabilities to develop a digital twin of their loan portfolios. This will enable the identification of nature-related risks, improve monitoring of land-use change, and enable policy setting. Where post-2020 deforestation has occurred prior to the adoption of the bank's target, banks should work with customers to help remedy this.
- 5. Incorporate nature into land valuation:** Engage land valuers to account for natural capital in property valuations. This will mitigate perverse financial incentives to engage in deforestation and align lending with long-term economic and environmental value.
- 6. Leverage existing environmental data:** Banks must begin using available environmental datasets to assess their current exposure to deforestation and broader nature-related risks, particularly in high-risk sectors like agriculture.
- 7. Build internal capacity and capability on nature risk:** Upskill risk management teams to ensure that loan due diligence includes assessments of relevant nature-related risks.

Government

- 1. Strengthen Australia's environmental law:** Reform the EPBC Act to deliver stronger protections for Australia's threatened plants, animals and ecosystems and provide certainty for business, as well as establish an independent and well-funded national Environment Protection Agency to ensure laws and standards are implemented and enforced.
- 2. Centralise and improve environmental data:** Centralise existing environmental data and fund and resource Environment Information Australia to establish a national vegetation mapping system that reports destruction of natural ecosystems and provides real-time monitoring.
- 3. Implement a national action plan to end deforestation by 2030:** Deliver a national strategy, with regulation and incentives, in partnership with states and territory governments, to halt and reverse deforestation by 2030 in line with the Glasgow Declaration.
- 4. Mandatory nature-related financial disclosures:** Introduce mandatory nature disclosure laws that require big business to publicly report their impact on nature.

Conclusion

Deforestation, especially on agricultural land, is one of the biggest contributors to Australia's extinction crisis and is a significant barrier to achieving the critical goals of the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework.

This research finds Australian banks may be responsible for financing a substantial amount of deforestation in Australia and that there is little evidence that banks have taken action to reduce their nature-related impacts. This leaves the banks exposed to financial risks from nature decline and directors exposed to reputational risks as more and more consumers demand sustainable and responsible financial services.

This investigation was conducted by a small team within a not-for-profit organisation, using tools and data sources that are mostly available free of charge. This demonstrates that it is not the shortage of data

that is the barrier for action on deforestation, but the inability or unwillingness of banks to leverage and interpret existing data. It also highlights the need for stronger environmental laws and the establishment of an independent Environmental Protection Agency to enforce regulation and monitor cases of nature destruction in Australia.

Effective engagement between banks and farmers could be good leverage for tackling Australia's deforestation problem, improving long-term productivity, and maximising resilience in the face of increasing nature and climate-related risks. Just as banks have helped finance the activities behind the climate and nature crisis, they can also finance the transformations needed across sectors to transition the economy to a more sustainable and regenerative system.



Appendix 1 – Full methodology

ACF Investigates

This research wouldn't be possible without ACF Investigates, an initiative that uses satellite imagery and online community participation to uncover potential habitat destruction across Australia. Last year, 675 people from 21 countries participated in ACF's Crowdsourced Investigation initiative to scan a total of 4,734,000 hectares of land mapped as potential threatened species habitat – an area bigger than the size of Denmark

Through the ACF Investigates initiative, each selected satellite image with potential land clearing is reviewed by ten different crowd-sourced investigators with the objective of verifying the detection of potential land clearing. This review process provides ACF with a 'level of confidence' or a likelihood that the parcel of land has in fact been cleared. Through the initiative, a total of 583 cases of 'high confidence' land clearing events were identified from satellite imagery from July 2023 to June 2024 of land mapped as likely to contain nationally protected threatened species, ecological communities and more.

ACF leveraged a handful of online tools which are either free to use or available for a small fee to identify cases of deforestation. The following section provides a brief overview how each online tool was utilised:

LandViewer

- Using LandViewer's comparison slider function users can load satellite imagery from different points in time to compare differences between images and identify whether land clearing has occurred. Imagery is available on an almost daily basis and dates back to the 1980s, meaning this tool can also be used to gauge the age of the vegetation as well as dates for active clearing events.

Ozius Biome

- Ozius Biome provides open-source data on UN-FAO forest extent that can be used to determine the portion of land clearing that meets accepted thresholds for deforestation.

Protected Matters Search Tool

- The Protected Matters Search Tool (PMST) has an extensive list of layers that can be overlaid onto the map for a particular area of interest. For example, the layers that were utilised during this investigation include the EPBC Act Referrals and lists of matters of national environmental significance.

State geospatial data

- Each state provides varying levels of geospatial data. For example, Queensland Globe is a mapping and data interactive tool provided by the Queensland Government. It contains useful information on bushfire scarring, state forests, ecosystem type, vegetation management information and information on land boundaries and addresses.

Identification of deforestation

To identify cases of deforestation, first ACF's in-house environmental investigators undertook a series of checks to rule out false positives. Cases were ruled out if the clearing was the result of bushfire or exempt forestry plantations, if there was a relevant EPBC approval, if the vegetation was less than 15 years old or if the area of forest cleared was less than five hectares.

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 159 cases that met the AFI conditions of deforestation.

Identification of potentially illegal deforestation

The identification of potentially illegal deforestation adds an additional layer of legal and reputational risk to the other financial risks posed by deforestation. Under the EPBC Act, it is an offence to take an action that is likely to have a significant impact on a threatened species or ecological community without approval. Applying for approval is called "referral" under the EPBC Act.

To identify cases of potentially illegal deforestation, ACF investigated whether the deforestation impacted likely habitat for threatened species and ecological communities protected under the law using the Protected Matters Search Tool, species records from

Atlas of Living Australia and state vegetation mapping. In addition, we confined the scope to instances where deforestation exceeded indicative thresholds of significance (based on averages of past decisions of the regulator) and where there was no approval.

Whether or not individual cases are actually illegal will depend on the particularities of each case and would require on-ground efforts. However, deforestation which meets these thresholds is risky without due diligence and should have been referred to the federal environment department for certainty. ACF has, or will shortly, refer cases of potentially illegal deforestation to the regulator.

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 state for a small fee. From the 159 cases of deforestation, ACF selected 100 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.

Loans through security on title are a common form of lending to agribusinesses. They refer to loans that 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.

It is important to be clear: loans through securities on title are a common method for agribusinesses to finance deforestation. However, we are not suggesting that these specific loans are in fact related to the deforestation observed. It is possible, but not proven in this study, as we are unable to access relevant data held by banks. Our findings are indicative of a heightened risk that the loans are connected to deforestation and of the need for banks, who have access to more granular data, to conduct appropriate due diligence.



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