Understanding nature risks for Australian agriculture

Australian agriculture depends on healthy natural systems. Forest loss can impact those systems and is one area where regulation and market requirements are evolving. Through our strategy we seek to: enhance our understanding of nature-related risks; consider relevant lending risks through established credit and risk processes; and support customer awareness in a changing operating environment.

Agriculture and forest loss in context

The Australian agriculture sector plays an important role in Australia's economy, regional communities and food security. Producers are responding to a changing operating environment, including extreme weather events, changing climate patterns, pressures on water and soil quality, rising input costs, regulatory reforms and changing market expectations. We are committed to supporting our agribusiness customers in this context.

We also recognise the importance of Australia taking action to maintain, restore and enhance nature and biodiversity. We have observed growing stakeholder focus on forest loss. According to Global Forest Watch, natural forests in Australia accounted for 2.4% of the world's natural forests as of 2020, while between 2001 and 2025 Australia accounted for 1.8% of global forest loss.[1] The forests of south-western Australia and eastern Australia are internationally recognised global biodiversity hotspots. Forests and climate are interconnected. Changes in forest extent can affect carbon storage, while climate-related factors can affect forest health. Bushfires, natural disturbances, logging, development and other economic activities including agriculture can contribute to forest loss and impact ecosystems.

Evolving regulatory and market context

Land management involves complex environmental, agricultural and economic considerations, and clear and effective public policy is critical. Farmers must navigate state, territory and federal land management and environmental requirements. At the federal level, recent reforms to the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) have introduced additional regulatory considerations for some activities. Implementation of the requirements continues to develop, while monitoring compliance and enforcement remain matters for the relevant authorities. We note that the regulator maintains a public registry for enforcement outcomes under the EPBC Act.

Market requirements are also evolving. The European Union Deforestation Regulation (EUDR) will apply to certain commodities and products supplied to the EU, including cattle and wood. While Australia has been classified as 'low risk' under the EUDR, affected producers and exporters may still need to provide geolocation and other information to support EU importer due diligence. Downstream buyer and supply-chain commitments may create similar requirements. These regulatory and market developments could create lending risks where they affect customers' costs, operations or market access.

Our strategy for managing nature risks in agriculture and supporting customers

In this context, our strategic response as a lender has three elements. We seek to: enhance our understanding of nature-related risks through measurement and analysis; consider relevant lending risks through established credit and risk processes; and support customers by helping build awareness as regulatory and market requirements evolve. In 2026 we made targeted updates to our risk processes, provided additional banker training, and applied improved geospatial techniques to better understand potential forest loss.

As part of our strategic response, we will seek to enhance the measurement of the Group's exposures to nature-related impacts and dependencies. Ongoing monitoring of relevant external developments and continued learning from our analytical work will inform whether changes to our current approach are warranted.

Adoption of sustainable land management practices

Australia's producers have a long history of adapting their practices to improve productivity, manage costs and care for their land. Research conducted in partnership with Harvard University's Weatherhead Center for International Affairs found that 40–50% of farmers are adopting or starting to adopt productivity-led practices that can also support nature, business resilience and long-term profitability. Two-thirds of farmers viewed these practices as an investment in the future of their business, helping them respond to extreme weather, rising input costs and changing market expectations. The research found adoption of many practices consistent with natural resource management and sustainability standards is already high, with strong intentions to adopt additional practices.

Farmers in the survey identified barriers to broader adoption, including access to planning and technical support, data on yield and investment returns, the cost and complexity of sustainability requirements, and access to finance. These findings highlight the importance of practical support, accessible finance and evidence-based information to help farmers keep investing in innovation, natural capital and the long-term resilience of their businesses. CBA supports customers including by providing products which encourage more sustainable practices.

For a copy of our Farms in Focus Report 2026, see commbank.com.au/farmsinfocus

1 Global Forest Watch: https://globalnaturewatch.org/dashboards/global/ (accessed July 2026).

Analysing potential forest loss in agribusiness lending secured by rural property V

Since 2023 we have been developing our analytical capabilities for understanding nature-related risks. This year we completed an initial portfolio-level assessment to improve our understanding of potential forest loss across our Business Banking (BB) agribusiness exposures secured by rural property. We developed a geospatial dataset for a subset of our BB agribusiness portfolio where we could match at least one land parcel to the customer.[1] These customers represented more than 75% of TCE for our BB agribusiness portfolio as at 31 December 2025.

We matched this geospatial data to the VMAP 2.1 forest extent dataset to assess potential forest loss during calendar years 2021 to 2025, using calendar year 2020 forest extent as the baseline. The VMAP 2.1 dataset provides national coverage at a level of granularity suitable for portfolio-level geospatial analysis.[2] Potential forest loss refers to detected reductions in forest extent year-on-year using the VMAP 2.1 dataset[3], excluding the impacts of bushfires but not other natural events such as floods or disease. Our assessment aligned with the Australian National Forest Inventory definition of forest[4], which is the nationally recognised standard used for reporting on Australia's forests. This analysis is preliminary and subject to data and methodological limitations. It does not establish the cause, legality or environmental significance of identified potential forest loss.[5]

Through this analysis we identified customers within this portfolio with TCE of $5 million or more for whom more than 200 hectares of potential forest loss was detected in aggregate across matched land parcels over calendar years 2021 to 2025. Those customers represented less than 0.2% of Group TCE as at 31 December 2025. Applying allowances for the potential effects of incomplete portfolio coverage and certain other limitations, total exposure on this basis would remain below 0.5% of Group TCE as at 31 December 2025.[6] The geographic and sectoral concentration identified through the analysis was broadly aligned with external research focusing on forest loss in livestock pasture in New South Wales and Queensland.[7]

The findings support continued use of established credit and risk processes to consider relevant risks.

Our approach to agribusiness lending V

For lending of $5 million or more, our bankers use our ESG risk assessment tool to help us understand our customers' operations, whether the proposed financing is consistent with our E&S Framework, the potential risks the customers may be exposed to and how those risks are managed. Our ESG risk assessment tool includes questions on nature-related impacts and dependencies. Where relevant environmental concerns arise, bankers can seek further internal advice and can escalate matters through established governance processes.

In 2026, we updated questions in our ESG risk assessment tool for BB agribusiness customers to reflect reforms to the EPBC Act.[8] The update guides bankers to discuss whether the customers are aware of their relevant obligations, and where appropriate, share relevant government resources. This builds on our 2024 updates to the ESG risk assessment questions for agribusiness customers in relation to the EUDR.

Our loan documentation requires customers to comply with applicable laws and regulations. Where we become aware of a breach of applicable law during the term of a loan, we may take further action we consider appropriate, including working with the customer to address the issue or, where we consider it necessary, terminating the arrangements.

Building banker capabilities V

Our BB agribusiness bankers are based in regional communities and maintain close, long-standing relationships with customers. Over the past two years, we have partnered with the Australian Graduate School of Management to offer customised ESG training to approximately 100 agribusiness team members, including bankers, analysts, leaders and risk executives. Education programs have helped our bankers understand market access risks associated with evolving deforestation-related regulation such as the EUDR. This year, we also delivered training to bankers on the EPBC Act reforms and their relevance to our customers.

1 Northern Territory-based farms were excluded as land title data was not available. There are other known completeness and data quality issues across the balance of the dataset, including instances of not including all land parcels associated with customers, and some land parcels may be associated with multiple customers. As a result, the analysis may not fully represent potential forest loss associated with these customers.

2 Different forest extent datasets may produce different results because of variations in methodology, definitions, spatial detail, and timeframes.

3 In this dataset, forest extent was defined as minimum area >0.2 hectares, tree height >2 metres and canopy cover >20%.

4 Defined as an area, incorporating all living and non-living components, that is dominated by trees having usually a single stem and a mature or potentially mature stand height exceeding 2 metres and with existing or potential crown cover of overstorey strata about equal to or greater than 20%.

5 The methodology used geospatial analysis to identify potential forest loss. Results were not validated against on-the-ground forest cover and do not assess compliance with the EPBC Act, EU Deforestation Regulation, or other Australian or international regulations.

6 Minimum TCE of $5 million was applied for consistency with certain other environmental portfolio-level analyses. Including customers with TCE below $5 million results in exposure to customers meeting the 200 hectare criterion remaining below 0.2% of Group TCE and increases total exposure (after applying allowances) by less than 0.1% of Group TCE. The 200 hectare threshold has been used to provide context on larger scale potential forest loss associated with secured properties in the portfolio and does not represent a legal or environmental threshold. We are not aware of a recognised threshold at which potential forest loss becomes material from a risk perspective.

7 WWF: Deforestation fronts: Drivers and responses in a changing world. Available at: https://wwflac.awsassets.panda.org/downloads/deforestation_fronts.pdf

8 The majority of the Bank's agricultural lending by TCE and number of customers is through Business Banking. Institutional Banking and Markets (IB&M) has a small number of Agriculture sector customers, representing less than 0.1% of Group TCE. IB&M agriculture lending is assessed using the ESG risk assessment tool which includes specific considerations for nature-related ESG risks, and relevant commitments in our E&S Framework.