

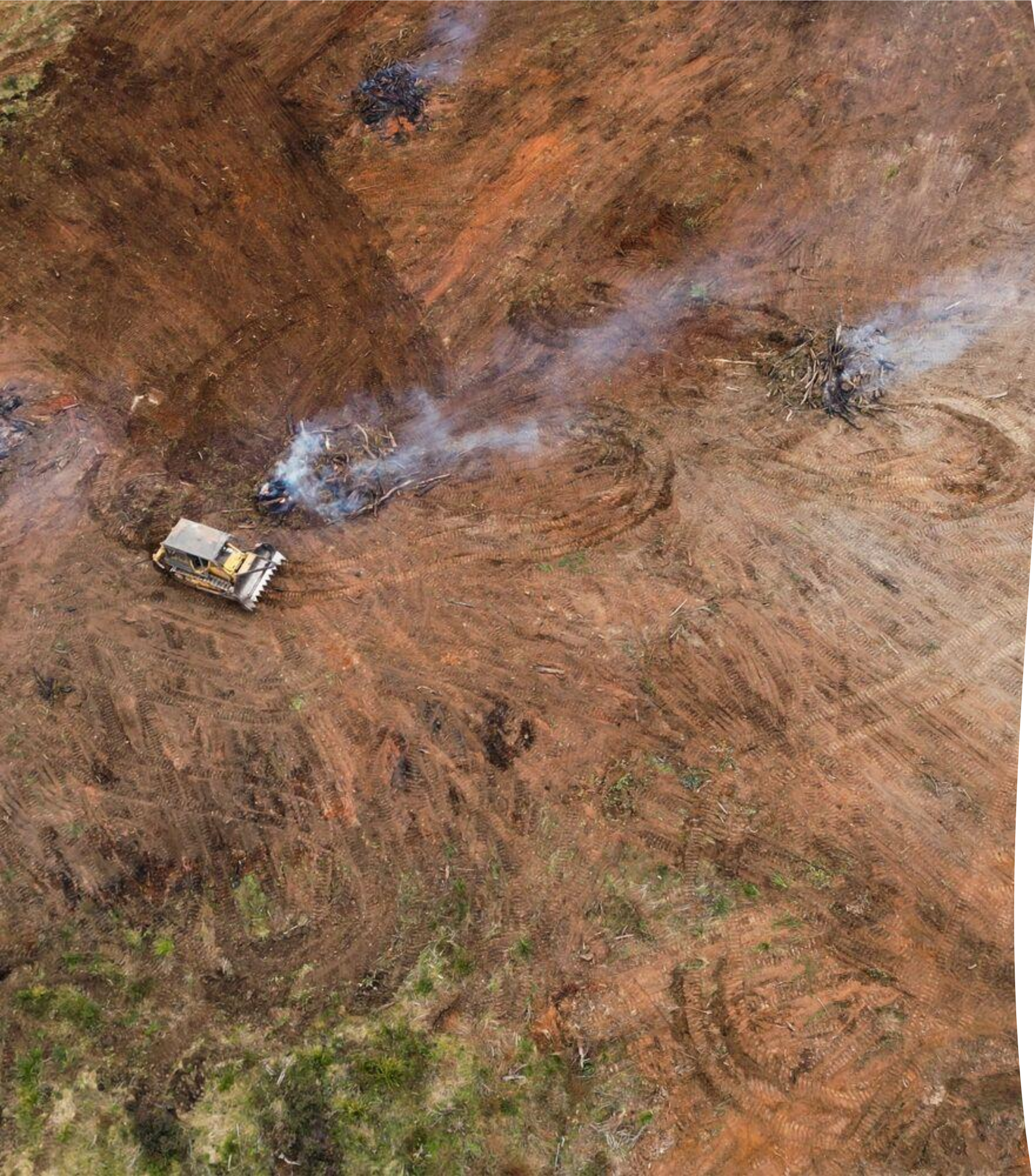
Investor Briefing: Financed Deforestation

October 2025



**AUSTRALIAN
CONSERVATION
FOUNDATION**

**Nature
needs us,
now**

An aerial photograph showing a large area of deforestation. A yellow bulldozer is visible in the lower-left quadrant, having just cleared a patch of land. Several plumes of white smoke are rising from different points across the cleared brown earth, suggesting recent burning or clearing activities. The surrounding area is a mix of cleared land and some remaining vegetation.

If you only read one slide...

- In Australia, deforestation is occurring at globally significant rates, primarily for cattle pasture expansion.
- Australian banks lending to customers destroying forests (financed deforestation) have limited ability to assess, disclose and act on the material risks arising from this activity.
- ACF has conducted research and engaged large Australian banks to strengthen their approach to deforestation and implore them to set a commitment to cease financing customers engaging in deforestation.
- Only one of the Big Four, Westpac, has done so, with Westpac's commitment a core part of its approach to reaching Net Zero by 2050 for the agricultural sector.
- While the science and frameworks for ceasing financed deforestation are clear, there are common misconceptions that are stalling progress by banks.
- ACF and SIX have co-filed shareholder resolutions at this years' NAB and ANZ AGMs as an escalation of our engagement on financed deforestation.

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Who is the Australian Conservation Foundation?

The Australian Conservation Foundation (ACF) is Australia's national environment organisation and was founded in 1965.

We are an evidence-based organisation, with a variety of expertise across nature and climate issues, including corporate practices, environmental investigations and policy advocacy.

The finance sector has been a priority for our corporate engagement program for several years on nature and climate issues.



Deforestation facts

Australia's deforestation crisis

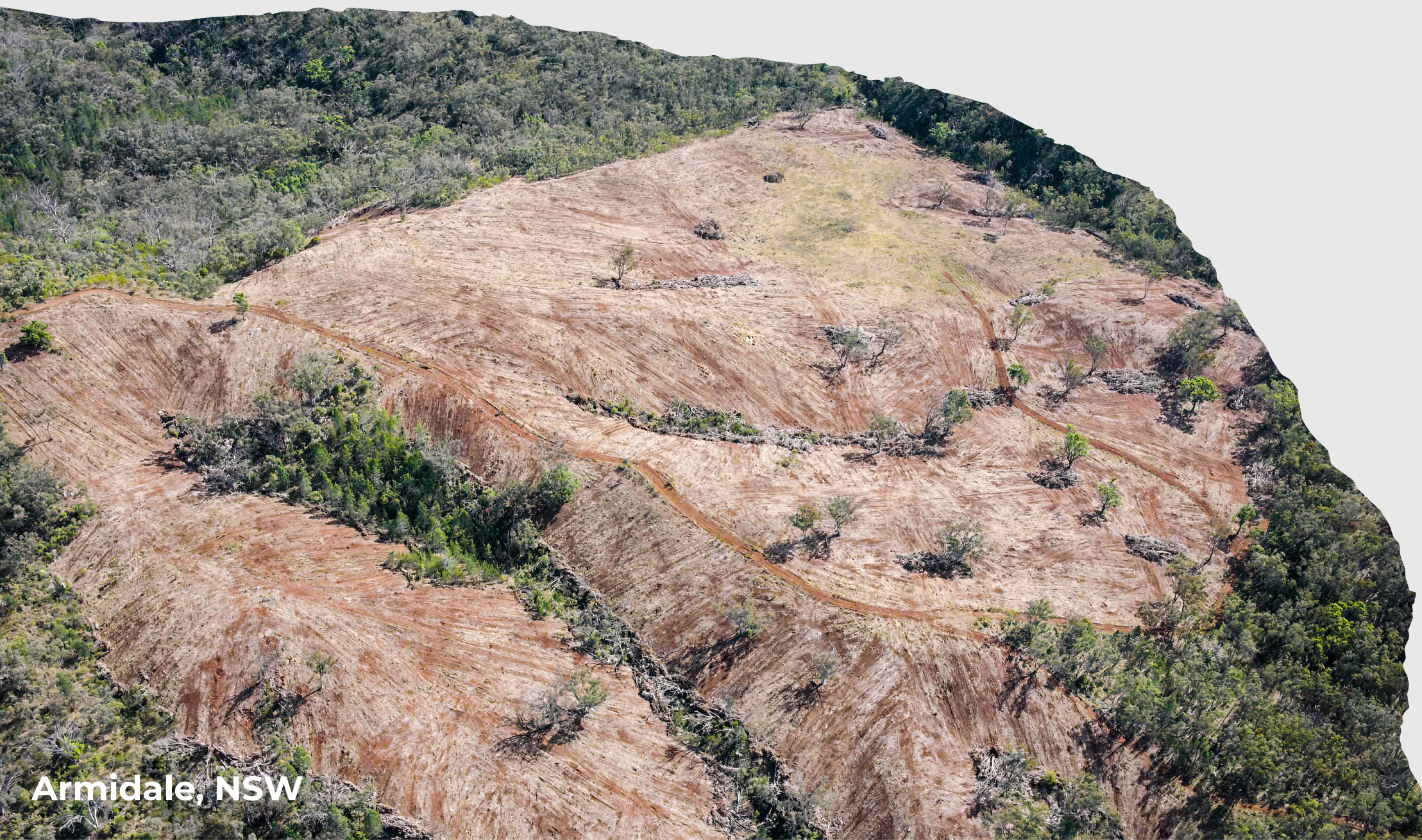
Australia's natural forests are being bulldozed at a globally significant rate

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

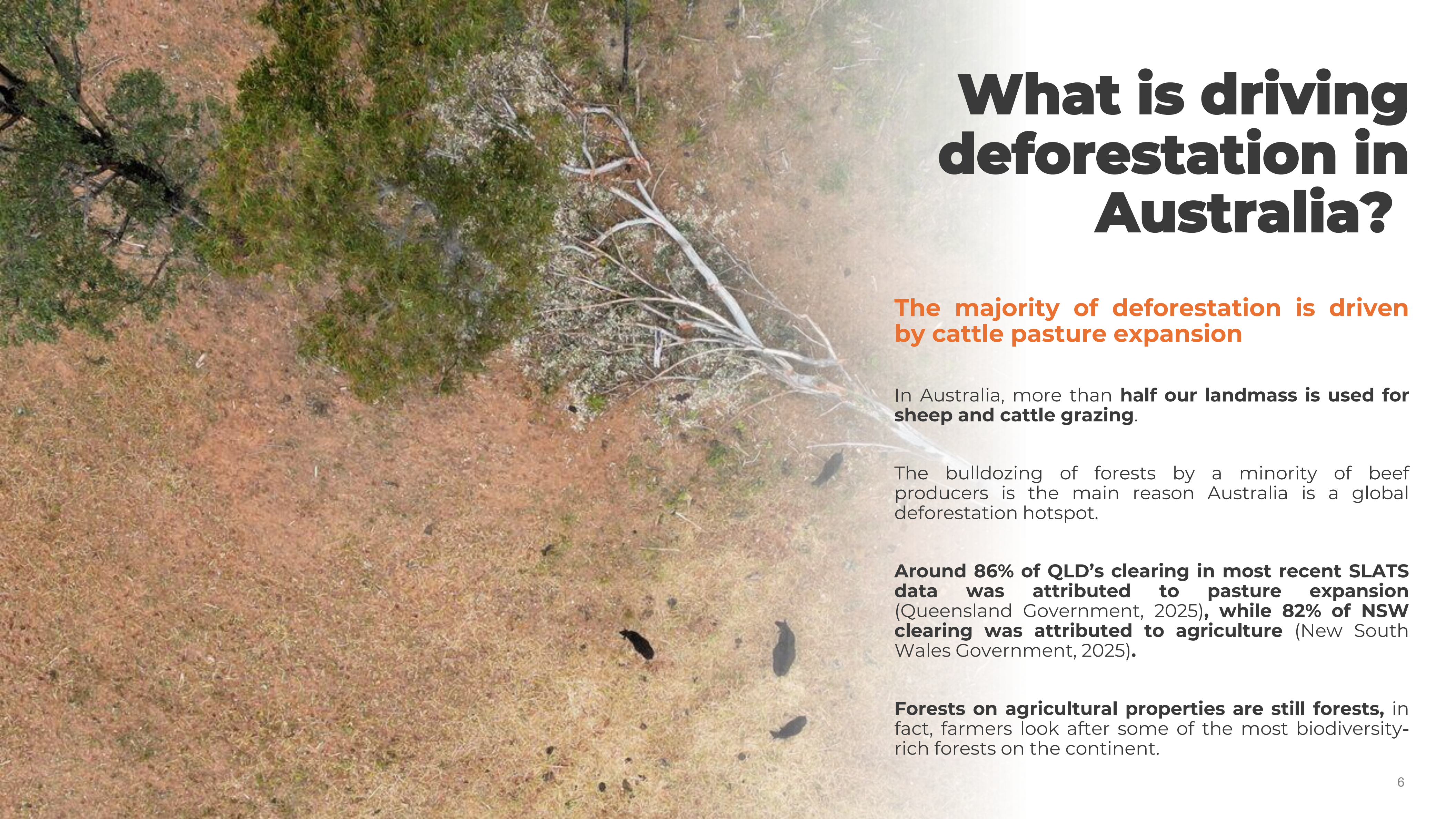
Australia is the only developed country on the global list of deforestation hotspots. More than **50% of our native forests have already been cleared** or severely damaged.

Australia is home to some of the most diverse plants and animals in the world. Habitat loss and degradation is the dominant driver of extinction in Australia, with **70% of threatened species impacted** (Australian Government, 2021).

In the five years to 2021, 1.74 million hectares of deforestation occurred in Australia and official data shows that **clearing in Queensland** (Queensland Government, 2025) **and New South Wales** (WWF, 2025) **is still increasing.**



Armidale, NSW



What is driving deforestation in Australia?

The majority of deforestation is driven by cattle pasture expansion

In Australia, more than **half our landmass is used for sheep and cattle grazing.**

The bulldozing of forests by a minority of beef producers is the main reason Australia is a global deforestation hotspot.

Around 86% of QLD's clearing in most recent SLATS data was attributed to pasture expansion (Queensland Government, 2025), **while 82% of NSW clearing was attributed to agriculture** (New South Wales Government, 2025).

Forests on agricultural properties are still forests, in fact, farmers look after some of the most biodiversity-rich forests on the continent.



What is **financed deforestation**?

Just as bank lending, investing, or underwriting of sectors or businesses that contribute to greenhouse gas emissions are termed ***financed emissions***, bank lending and investment in businesses that engage in deforestation can be termed ***financed deforestation***



Our research on financed deforestation

Where banks provide loans through security on title to customers engaging in deforestation, this is a type of financed deforestation

Banking on
nature destruction:
An analysis of Australian
bank financing
of deforestation



In 2023, our analysis of land clearing conducted in Queensland between June 2018 and June 2020 found that **364,000 hectares of financed deforestation** was linked to NAB, Westpac, Commonwealth Bank, ANZ, Bank of Queensland, Rabobank, Suncorp and Bendigo Bank.

Financed
deforestation:
banks' roles and
responsibilities

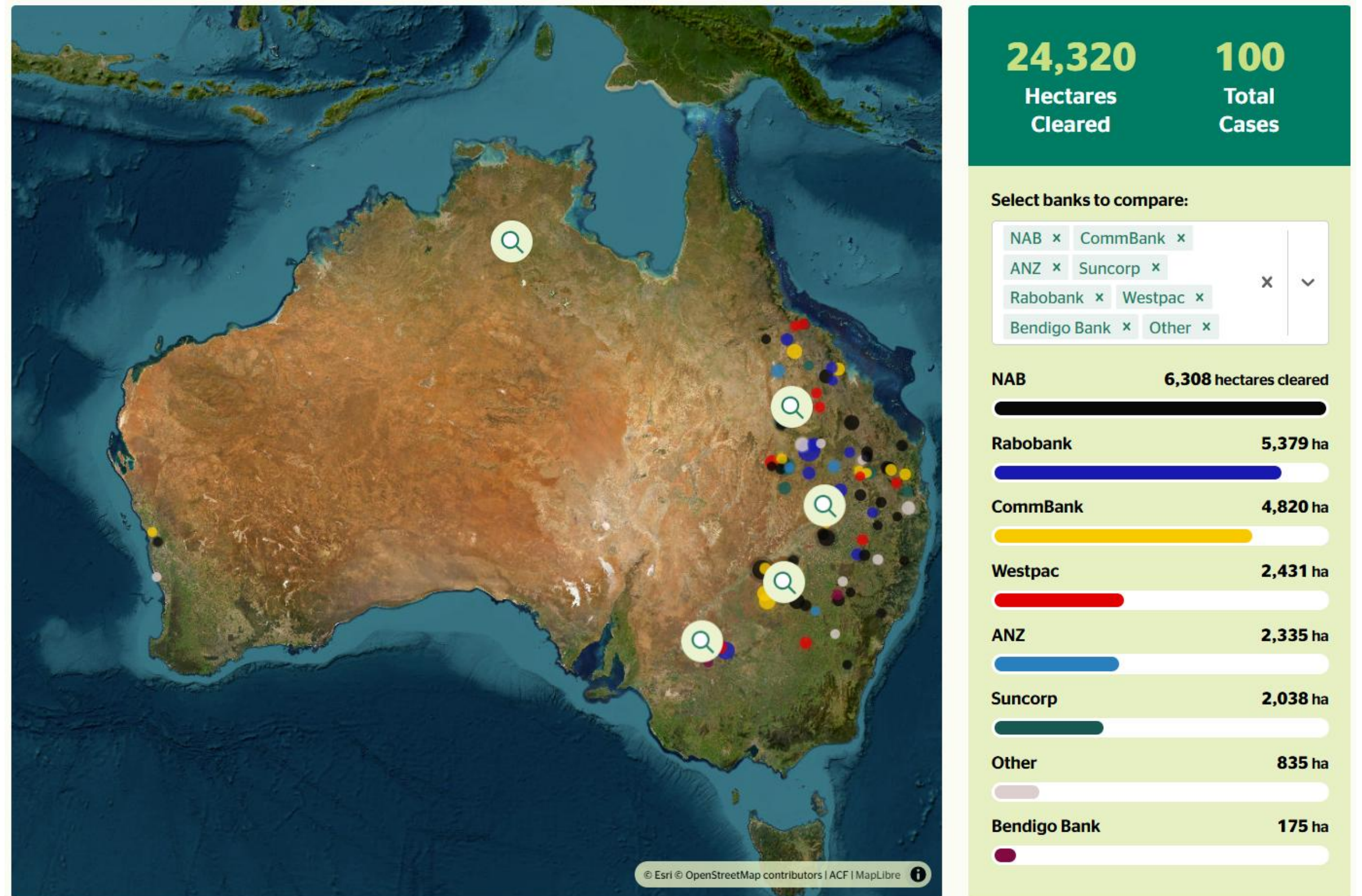


In 2025, ACF's latest analysis highlighted **100 selected cases across Australia of financed deforestation** between July 2023 and July 2024 by major Australian banks. In several cases, mortgages were issued or reissued during or just after the clearing.

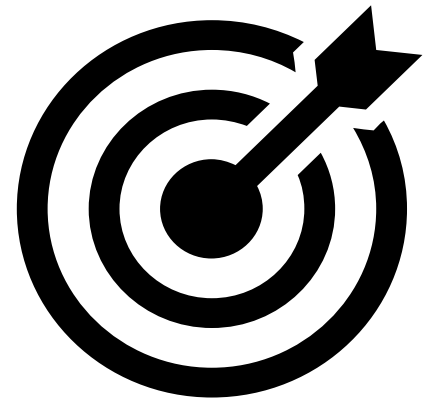
While we are not able to confirm that these loans are directly related to the observed deforestation, **our findings are indicative of a heightened risk that the loans are connected to deforestation** and of the need for banks to understand whether customers are engaging in nature destruction.



You can find instances of financed deforestation and case studies linked to investee companies identified in ACF's latest research [here](#).



The role of banks in addressing the deforestation crisis



Banks must set a no deforestation commitment for their agriculture sector customers

1. **Banks have a unique point of leverage to influence customers and the entire economy** by setting conditions for financing to ensure environmental and social risks are mitigated. Australian bank influence in the agricultural sector is only growing with lending increasing by 6% in FY24 to \$131 billion (ABARES, 2025).
2. **Banks are trusted partners of agribusiness customers, and it is in their interests to help them** work toward meeting their conditions by providing tools and information. The opportunities associated with protecting and restoring nature are increasingly understood and capturing these will lead to longer and more prosperous relationships.
3. **Ensuring customers are not engaging in deforestation is a core part of a strong nature strategy, and simply another element of a credible climate plan** given the associated emissions. Australian banks have made progress in setting requirements for customer climate plans. Nature risk cannot be looked at in isolation from these requirements given deforestation leads to emissions.



Risks and opportunities





Financially material risks from financed deforestation

Australian banks are largely failing to assess and manage risks that in aggregate may erode shareholder value in the short and long term

REPUTATIONAL RISK

- Publicity of illegal activity missed in credit risk assessments
- Failure from management to act on issues prioritised by external stakeholders
- Publicity of impacts to iconic species linked to bank financing

DEFAULT RISK

- Costs arising from illegal deforestation from potential fines or remediation required by landholders under Australia's national environment law
- Decreased productivity of agricultural land if ecosystem services provided by nature fail e.g. soil stabilisation
- Increased risk of drought in regions where forests are cleared or degraded

CREDIT RISK

- Increased risk of flooding impacting entire regions of uninsured or under insured property impacting value of residential mortgage-backed securities (RMBS)

Regulation of illegal deforestation in Australia

The Commonwealth Government has a specific role to protect matters of national significance, with states/territories responsible for all other environmental regulation

The **Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act)** is the Commonwealth's primary legal tool to protect the environment and conserve biodiversity

What is the purpose of the EPBC Act?

To protect **Matters of National Environmental Significance (MNES)** or '**protected matters**' including threatened species habitat, threatened ecological communities, and the Great Barrier Reef catchment. Any actions likely to significantly impact the **list of nine MNES** must be referred for assessment under the EPBC Act. In response to its poor track record on protecting nature, the Albanese Government has committed to reform the EPBC Act by the end of 2025.

What is illegal under the EPBC Act?

The EPBC Act defines the actions, including projects and developments, that may need assessment. **If the action may have a significant impact on protected matters, it's either a serious breach or a serious offence** to start it without referring it for an assessment (Part 3) or before receiving the minister's final decision (Section 74AA).

What are the consequences?

At the current rate, the maximum penalty for breaching the EPBC Act is:

- **Over \$1.65 million for an individual or over \$16.5 million for a body corporate.**
- a criminal penalty of up to **7 years' imprisonment** and/or 420 penalty units.
- The Federal Court could also issue an **injunction to stop your action** from going ahead.

Systematic risks arising from financed deforestation



PHYSICAL CLIMATE RISK

Physical climate risk for banks is also elevated by **stored carbon being released into the atmosphere and a loss of carbon sinks when forests are cleared or burnt**

Exposure to this risk is a blind-spot for banks that are unaware of customer deforestation – translating to **underreported financed emissions**



SYSTEMATIC RISK

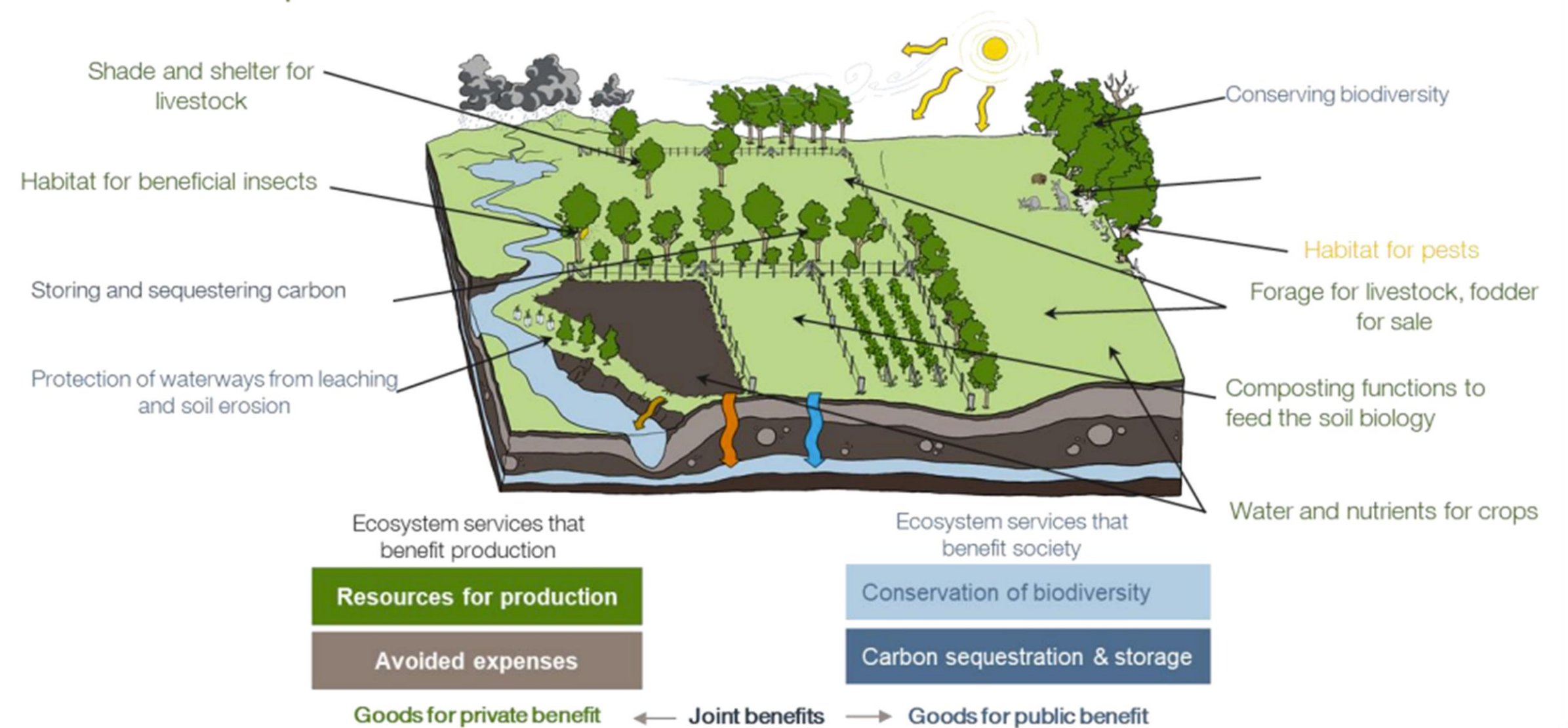
Australian banks finance all sectors of the economy, and **roughly half Australia's GDP (49% or \$896 billion) has a moderate to very high direct dependence on nature** (Australian Conservation Foundation, 2022)

This highlights the **undiversifiable systematic risk that deforestation contributes to** and that financial institutions must address in consideration of the best financial interests of their beneficiaries.

Opportunities for banks and their customers arising from stopping financed deforestation

- ✓ **Increased productivity, profitability and resilience** through improved soil quality, water retention and conditions for livestock as a result of protecting and restoring forests on farms (Van Den Berg et al, 2025)
- ✓ **Shifting agriculture business models** through efforts to reduce natural capital loss will lead to efficiencies and potential for revenue from carbon sequestration
- ✓ **Market access** for deforestation-free farms with sustainable practices given consumer preferences, Australia's commitment to halt and reverse nature loss and tightening regulation around the world
- ✓ **Access to higher-resolution data** for financial institutions which can be used to understand the productivity of land in order to more accurately value assets among other use cases

Natural Capital Generates Inflows (+ some outflows) of Economic Benefit



Source: Farming for the Future & Commonwealth Bank report
'The Economic Benefits of Trees on Farms'

Australia's Agriculture and Land Sector Plan

Baseline scenario suggests we need Australia's carbon sink to increase by 126% to 2050, meaning significant reforestation is required to meet Net Zero by 2050

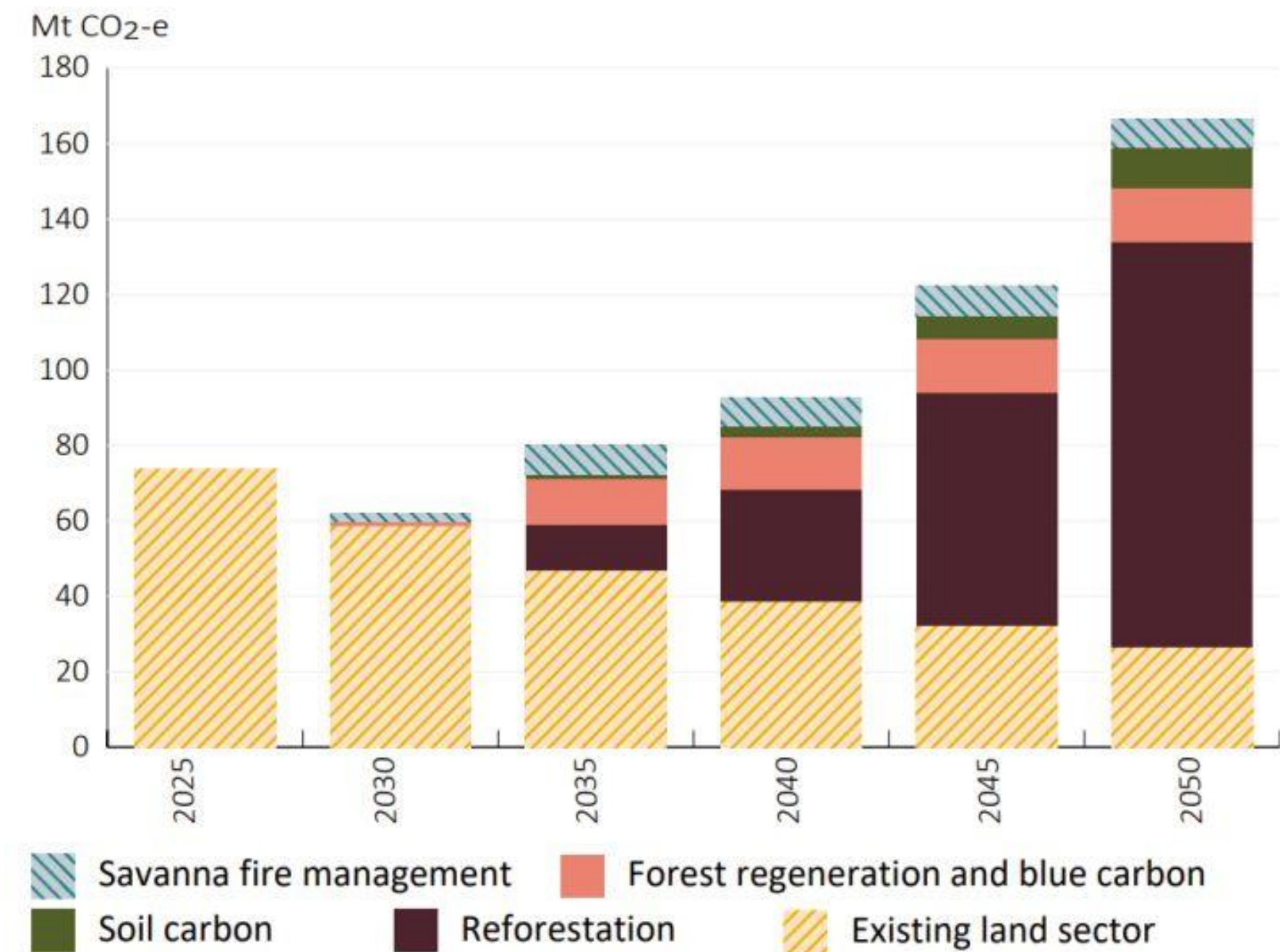
Under Action 4: Enhance land's role in a net zero economy

'Protecting and enhancing carbon storage while also supporting diverse land uses, such as agricultural production and nature repair, will require action, engagement, cooperation and investment across all levels of government and the private sector.'

Producers are already delivering tangible carbon storage and biodiversity outcomes through practices such as rotational grazing, planting shelterbelts, and fencing off and revegetating riparian areas.

In some areas, there are also opportunities to invest in on-farm forestry. All of these can be taken up more widely in a way that builds carbon stores, enhances sustainability, and adds to farm productivity and income diversification.'

Figure 9 Projected sources of land-based sequestration under the Baseline Scenario



Source: Agriculture and Land Sector Plan, Australian Government



Guidance

AFi underpins best practice corporate guidance

The definitions and principles from the Accountability Framework initiative (Afi) on eliminating deforestation from supply chains underpin best practice nature guidance and net-zero standards



Best practice guidance for banks and investors



Deforestation free finance roadmap

Guidance from the Finance & Deforestation Advisory Group with **step-by-step recommendations** to assess risk, set policies, engage clients and holdings, and disclose progress towards eliminating financing of commodity-driven deforestation, ecosystem conversion, and associated human rights abuses. Based on AFi.



Seeing the forest for the trees A practical guide for financial institutions to take action against deforestation and conversion risks'

Guidance from WWF with **step-by-step guide** for financial institutions to address deforestation and ecosystem conversion risks in line with the AFi. The guide outlines key risks for financial institutions, presents case studies, and highlights nature-positive finance opportunities to drive positive environmental impact. Based on AFi.

Case Study: HSBC in relation to palm oil.



Finance Sector
Deforestation
Action

Expectations for commercial and investment banks

Guidance from IIGCC and the Financial Sector Deforestation Action initiative (FSDA) outlines investor expectations for banks to eliminate commodity-driven deforestation, land conversion, and related human rights abuses in their financing and investments. It builds on FSDA's work by 33 financial institutions (soon to be the Deforestation Investor Group)

Case study: Latest progress report due November. Storebrand's deforestation-free investment portfolio case study available on the website.



PRB nature target setting

Guidance from Principles for Responsible Banking **focused on targets** this guidance outlines the key steps to setting targets for nature. It was co-developed with 34 signatories to the Principles for Responsible Banking (PRB) from across the globe.

Case Studies: BNP Paribas, Barclays, ING on deforestation policies.

Example of best practice guidance

A six-phase roadmap developed for financial institutions underpinned by AFi

The Roadmap

Our Agriculture NZBA 2030 sector target approach
We have set our NZBA 2030 target for Agriculture (dairy, and beef and sheep). Those targets included a commitment 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.

Phase 1:
Understanding and mapping risk



➡➡

Phase 2:
Setting an effective policy and managing risk

➡➡

Phase 3:
Monitoring and engagement



➡➡

Phase 4:
Disclosing

➡➡

Phase 5:
Eliminating deforestation

➡➡

Going above and beyond:
Nature and people positive

➡➡

Westpac's progress acknowledges that **net zero commitments without a no deforestation commitment lack integrity** as laid out in the report from the United Nations' High-level expert group on the Net zero emissions Commitments of Non-State Entities



Misconceptions

The common misconceptions: exemption for agriculture

Our engagement has surfaced misinterpretations of an EPBC Act exemption relating to Section 43B on ‘continuous use’

 Misconceptions	 The Facts
There is a broadscale exemption for agriculture under the EPBC Act	‘Continuous use’ within Section 43B of the EPBC Act doesn’t exempt agricultural land generally. There are several requirements for land use to be classified as continuous. Unreferred agricultural land clearing is an enforcement priority for DCCEE.
It’s unclear whether land holders need to check whether an action might be exempt under the EPBC	Establishing whether an exemption applies is the responsibility of the person taking action. Our engagement with banks suggests that customers are not clear on the referral process, and this is an opportunity for banks to help customers understand their obligations.

The common misconceptions: deforestation definitions

We’ve observed decision paralysis as a result of multiple credible forest definitions, and suggestion that deforestation only refers to cases found to be illegal and only for mature forests

 Misconceptions	 The Facts
There are too many definitions, and it’s unclear which one to choose for the Australian context	The AFi allows for local definitions of deforestation. Under the AFi guidance, companies may use the UN Food and Agriculture definition (also used by the EU and SBTi) or adopt credible national definition of forest thresholds. Businesses may choose to adopt the UN FAO definition or apply the Australian national definition of forest.
Deforestation occurring in Australia is legal	Deforestation is the conversion of forest to another use, regardless of legality. Deforestation commitments must extend beyond compliance with legislation given associated risks.
Regrowing forest does not count as forest OR where forest loss is primarily regrowth it’s not as impactful	Regrowing forest can have the properties and characteristics of mature forests and may still have significant carbon and biodiversity impacts.

EXAMPLE: deforestation definitions

Large commodity buyers are making the decision to use credible Australian thresholds

coles

Coles step through the definition they have selected and how they arrived at this decision in their recent [Coles Own Brand Protecting Forests Statement August 2025](#)

Protecting Forests Statement

Date: 26 August 2025

coles
Own Brand

5.2 Coles' approach to no deforestation in directly sourced beef

With respect to our in-scope beef, we recognise there are several industry-wide challenges relevant to the assessment of deforestation in the Australian beef supply chain, including in relation to definitions and traceability.

What is a forest?

- Firstly, the AFI definitions of a forest and deforestation (and related terms) are global definitions and there are challenges in applying these in the context of the Australian landscape. As such, we need to consider the unique features of the Australian market. The AFI's definition of "forest" includes the provision that "quantitative thresholds" (eg, for tree height or canopy cover) established in legitimate national or sub-national forest definitions may take precedence over the global definitions adopted by AFI.
- As a result, Coles has engaged with AFI directly on our approach to these definitional issues. For the purposes of our initial no deforestation approach in relation to directly sourced beef, Coles will adopt Australia's National Forest Inventory (ANFI) definition of a forest, being an area, incorporating all living and non-living components, dominated by trees having usually a single stem and a mature or potentially mature stand height exceeding 2 metres, and with an existing or potential crown cover of overstorey strata about equal to or greater than 20% within a 0.2 hectare area.
- In addition, Coles will be applying a 15 -year threshold with respect to a regrowth forest. Coles' view is that a regrowing forest more than 15 years old is more likely to meet the structure, function, and composition of a natural forest. This 15-year time period also aligns with the definition of "high value regrowth" under Queensland's *Vegetation Management Act 1999*, and the *Environment Protection and Biodiversity Conservation Act 1999* Brigalow Significant Impact Guidelines. We note that an important principle of the AF's definition is that a natural forest does not include tree plantations, even if they are more than 15 years in age, and so Coles will not be considering any tree plantations as forests when applying this localised definition.

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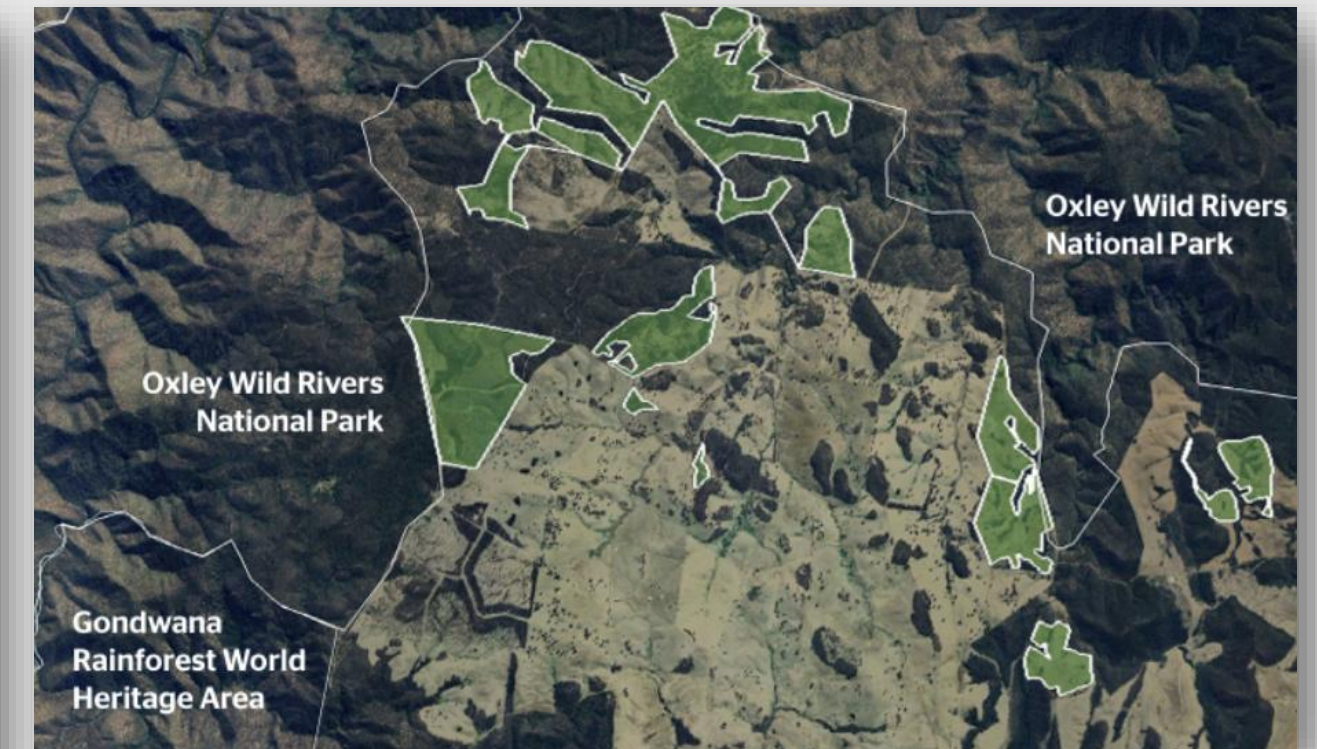
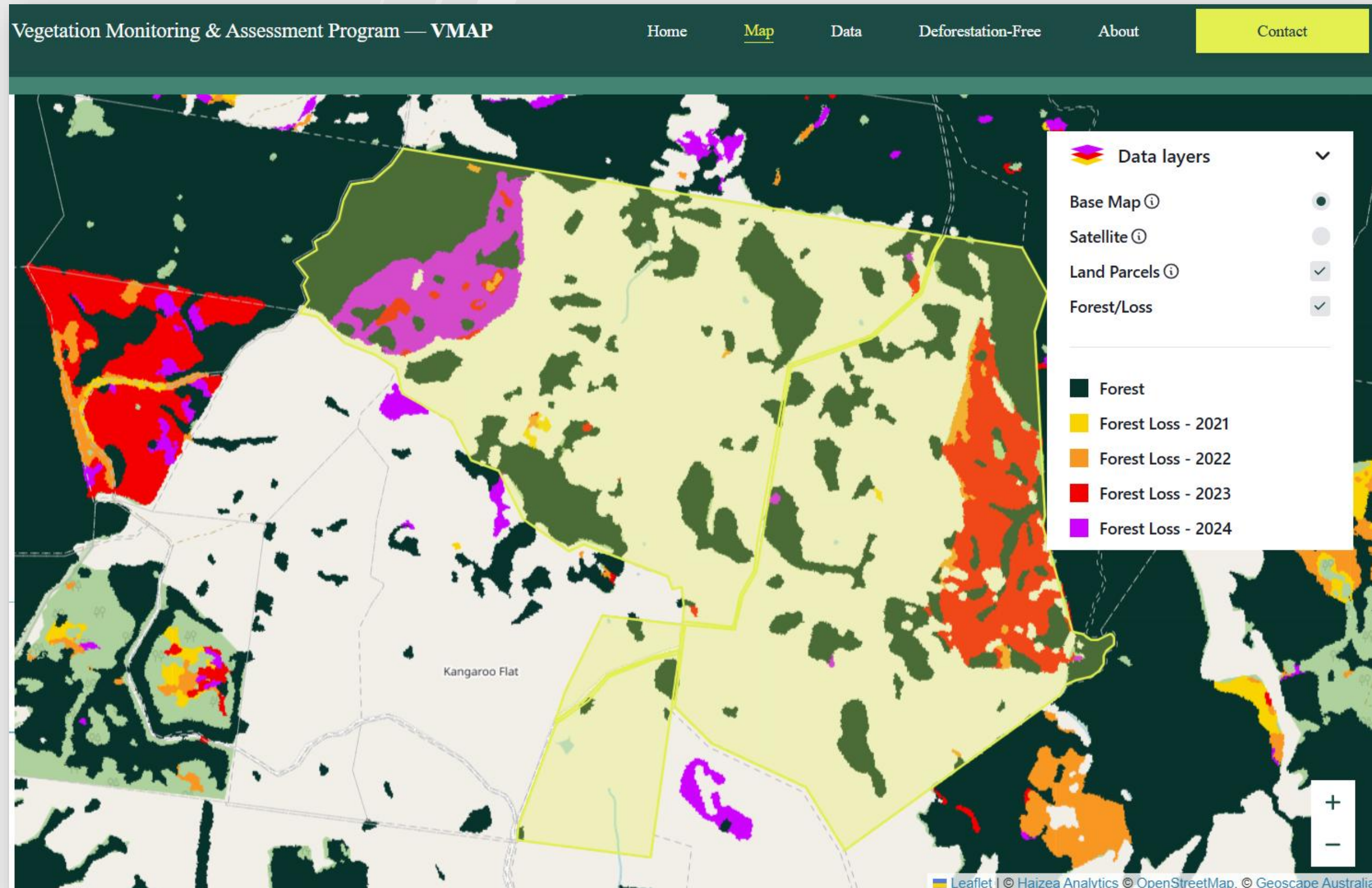
The common misconceptions: lack of data

Banks have been trialing data for years, and have let perfect be the enemy of the good when this data is only needed as a first step prior to customer engagement

 Misconceptions	 The Facts
Data required to assess and monitor financed deforestation is not ready yet	A robust public geospatial map (VMAP) is now available from Australia National University with an accompanying tool and guidance from WWF. NAB has already been using VMAP in response to allegations of illegal clearing by customers.
	Third-party spatial analysis has been available for years with many banks trialing providers, but few progressing with integration, primarily due to low prioritisation of risks from deforestation.
	With few resources ACF could link deforestation to loans using publicly available geospatial data + government and non-government tools verified by community participation

EXAMPLE: data in practice

Publicly available VMAP Tool showing forest loss in NSW Northern Tablelands (left) near Gondwana Rainforests of Australia World Heritage Area, identified separately by ACF satellite alert system (bottom right)





Engagement Strategy

An aerial photograph of a construction site. A yellow bulldozer is visible on the left side, pushing a large pile of brown earth. The ground is covered in tracks and mounds of dirt. A semi-transparent white rectangular box is centered over the image, containing bold orange text.

**Investors should expect
banks to meet the
following objectives:**

Objective 1

Adopt a clear strategy to eliminate deforestation from your lending portfolios

Engagement Questions
Have you defined what a strong commitment/policy to eliminate deforestation would look like for the bank? How does this align with your value proposition?
Has such a commitment/policy been discussed internally? What are the benefits and blockers? How are you addressing these blockers?
What areas of the business would need to sign-off on this policy? Are they adequately informed on deforestation as an issue?

Objective 2

Invest in internal expertise and geospatial capabilities to identify and monitor nature-related risk

Engagement Questions
What geospatial data have you trialled? What are the benefits and blockers/limitations?
How are you addressing these blockers/limitations? For example, what is required for your internal customer databases to link to third party datasets?
How and what stage can this data be integrated into due diligence and monitoring of clients?
How many FTE conduct direct work on this issue? How many FTE would be required for the bank to monitor compliance with a no deforestation commitment?

Objective 3

Engage customers in high-risk sectors to transition toward nature-positive operations

Engagement Questions
Have you conducted an analysis to determine which customers are in high-risk sectors or regions?
Do you have an engagement plan for customers identified in this analysis? If so, when will/does the engagement occur?
Have you reviewed frameworks and guidance aligned to the Accountability Framework initiative including the Deforestation Free Finance Roadmap?
What education or other resources are required to facilitate engagement on nature-positive operations in high-risk sectors? How are you aiming to provide this?



Shareholder Resolutions

ACF has co-filed resolutions with SIX at NAB & ANZ

Australian Ethical & Melior IM are co-filing for NAB as part of their engagement on nature risk

Resolution 1: Amend the company's constitution

Resolution 2: Disclosure of financed deforestation

Shareholders request that NAB/ANZ assess and publicly disclose, within a reasonable timeframe and omitting proprietary information, the bank's deforestation exposure through provision of finance to its agriculture sector customers.

Resolution 3: Strategy to eliminate financed deforestation

Shareholders request that NAB/ANZ disclose a strategy to eliminate financed deforestation in line with credible frameworks such as the Accountability Framework initiative.



Australian
Ethical



Bank directors have been talking about this commitment since 2022...

“

I can't give you a firm commitment on when we'll actually disclose nature targets or whatever else, all I can say however is you've seen our track record on carbon, and we do see ourselves as needing to take a position in this area too.

- Paul O'Sullivan, ANZ Chairman at 2022 AGM



“

“If we are active in the agricultural sector, the long-term sustainability of the sector is going to be dependent on quality environmental controls, so we are looking at it [a no deforestation commitment] not just from an altruistic viewpoint, but in fact from a risk management viewpoint.”

- Philip Chronican, NAB Chairman at 2022 AGM



NAB's approach to financed deforestation

While NAB has improved its ability to review alleged illegal cases, it has not yet broadened its focus to assess and act on the risk of all deforestation regardless of whether it attracts regulatory scrutiny

FSDA's expectations for commercial and investment banks	Assessment	Notes
1. Risk Assessment	Not met	No assessment of exposure to commodity-driven deforestation that flags highest risk related to commodities, sectors and regions. Has used International Biodiversity Assessment Tool (IBAT) to assess NAB customers against databases covering threatened species, protected areas and Key Biodiversity Areas but this has not been portfolio wide.
2. Commitment and governance	Not met	No public commitment
3. Expectation for clients	Not met	No expectations of clients beyond loan terms that prohibit illegal activity NAB have expressed that their focus is on illegal deforestation which is a mitigation measure that partially addresses default risk but does not address default risk in full, nor credit, reputational, physical climate or systematic nature risks.
4. Monitoring and compliance	Not met	No ongoing due diligence nor integration of monitoring systems
5. Disclose	Not met	No annual reporting of progress against the four high-level expectations

ANZ's approach to financed deforestation

Throughout our engagement with ANZ, the bank has not materially progressed deforestation efforts in any area including risk assessment, which failed to assess all customers with highest nature impacts and dependencies

FSDA's expectations for commercial and investment banks	Assessment	Notes
1. Risk Assessment	Not met	No assessment of exposure to commodity-driven deforestation that flags highest risk related to commodities, sectors and regions Conducted nature desktop analysis which collected high-level data on 100 largest emitting customers' nature disclosures and any nature policy/strategy/commitments. Process illustrated some lack of alignment between high emitters and those with 'higher nature impacts and dependencies'
2. Commitment and governance	Not met	No public commitment
3. Expectation for clients	Not met	No expectations of clients beyond loan terms that prohibit illegal activity
4. Monitoring and compliance	Not met	No ongoing due diligence nor integration of monitoring systems
5. Disclose	Not met	No annual reporting of progress against the four high-level expectations



Best Practice Disclosure

Disclosure requirements at a high-level

- Exposure to customers in high-risk commodities and in high-risk regions, including description of why these are high-risk
 - Visual mapping of high-risk regions overlaid with customer locations
 - Description of impacts and dependencies for agriculture (or specific commodities) and how these could impact the bank
- 

Exposure to customers in high-risk commodities and in high-risk regions



ING’s representation of high-risk commodities in high-risk regions in its stance on [Deforestation | ING](#) webpage

ING’s % exposure to clients in scope for efforts on deforestation in its [2024 Update on deforestation and ecosystem conversion](#)

Table 1: Scoping Criteria

Scoping criteria	Argumentation	Nr of clients	Outstanding (%)
1.All ING clients mainly active in Food, Beverages and Agribusiness (including trading)	1. Based on market consensus that biggest conversion risks come from these industries	255	4.2% of total WB book 100% of Food, Beverages and Agribusiness
2.Clients involved with cattle, palm oil, soy, cocoa, or coffee 3.Clients produce in, or source from, high-risk countries (see commodity/country matrix here) 4.Clients involved with primary production, trading, or first-time processing of high-risk commodities	2. These raw commodities are included in EU Deforestation Regulation - seen as highest deforestation-risk ⁴ 3. Identifying high-risk countries by combining country-level production and deforestation patterns (based on respectively FAO and Worldbank data) ⁵ 4. These clients are closest to the actual impact and can therefore contribute more directly to the solution	35	1.4% of total WB book 33% of Food, Beverages and Agribusiness

This approach applies to clients active in farming, trading or first-time processing involved with high-risk commodities in high-risk regions, as shown in below table:

Producing countries	Palm oil	Cattle	Soy	Cocoa	Coffee
Latin America					
Brazil		X	X		
Peru					X
Argentina		X	X		
Paraguay			X		
Colombia				X	
Ecuador				X	
Guatemala					X
Honduras					X
Asia					
Indonesia	X			X	X
Malaysia	X				
Africa					
Uganda					X
Nigeria				X	
Côte d'Ivoire				X	

Exposure to customers in high-risk commodities and in high-risk regions



Malaysian bank CIMB’s exposure to high risk sectors formed from a double materiality assessment in its [2025 Nature and Biodiversity Report](#)

Portfolio Assessment: Overview of Nature Risks Across Prioritised Sectors

To gain deeper insights into the nature-related risks relevant to the identified priority sectors, we conducted a double materiality assessment of our portfolio. This assessment examined:

- the impacts of the economic activities we finance on nature; and
- the dependency of those activities on nature and its ecosystem services.¹⁹

Sector/ Sub-industry	Palm	Forestry	Power	Oil & Gas
Dependencies	Very High	Very High	High	High
Impact	Very High	Very High	Very High	Very High
CIMB’s exposure (MYR billion)	MYR 25.6 bil		MYR 15.0 bil	MYR 9.5 bil
CIMB’s exposure (%)	3.9%		2.3%	1.5%

Figure 3: Sector Impact & Dependency Heatmapping and Exposure

* Results from ENCORE Heat Mapping + GFW and WWF risk filter overlay + Value chain overlay

* CIMB’s exposure (MYR billion) is rounded to one decimal place, with all values derived from the Malaysia portfolio as at end 2024.

Visual mapping of high-risk regions overlaid with customer locations



Bendigo Bank’s mapping of agribusiness customers and ‘risk intersection’ with deforestation in last 5 years in its [Climate Disclosure 2024](#)



Nature-risk assessment

This year we partnered with international consultancy [Frontierra](#) to execute the Bank’s first nature-related risk assessment pilot, facilitated through our ASFI membership.

It assessed the associated nature-related impacts, dependencies, risks and opportunities of 124 locations for 100 agribusiness customers using de-identified location data.

The map illustrates these locations.

Results

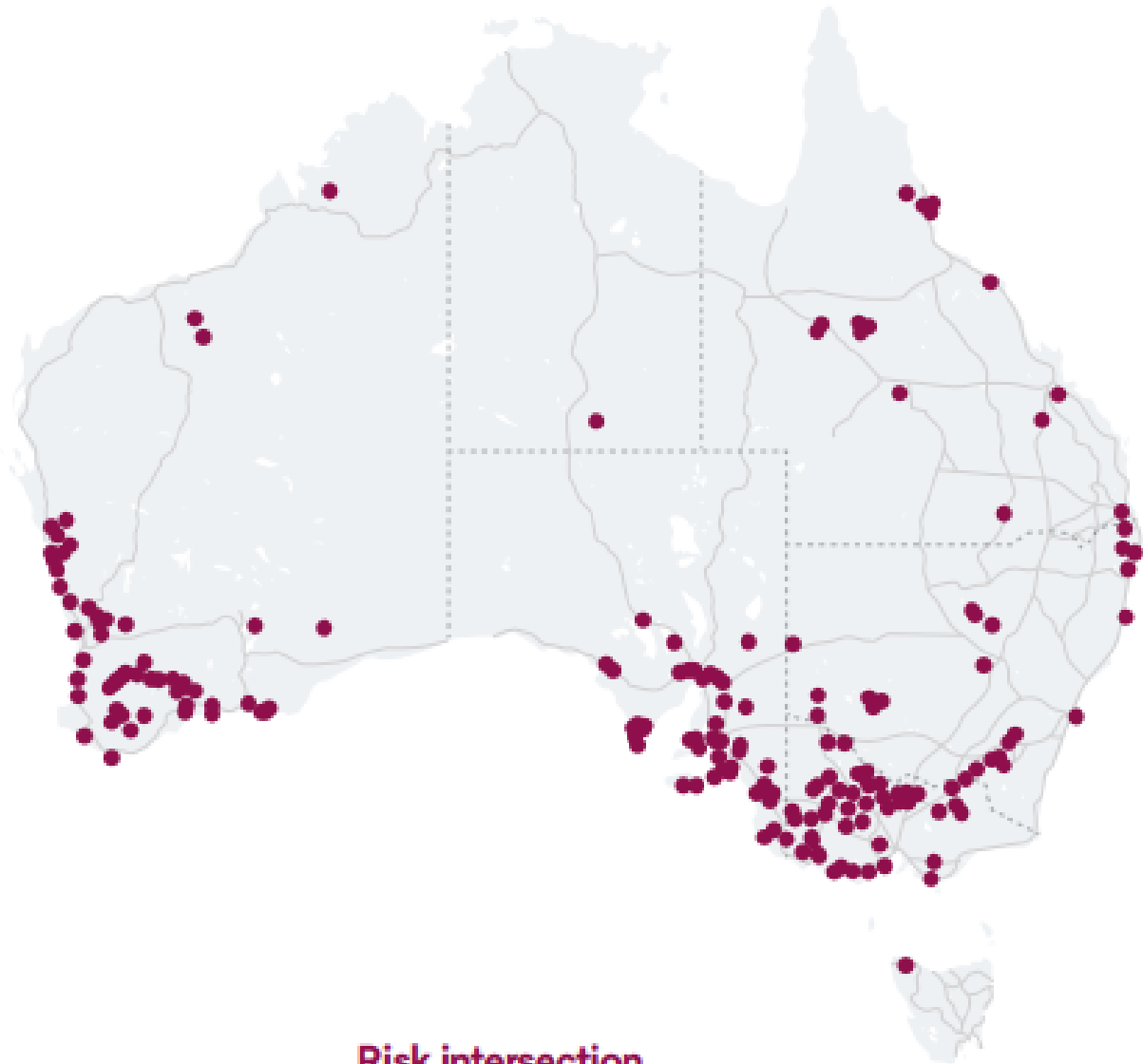
Risk categories for the 124 locations are listed below. Risk intersections are not mutually exclusive. For example, a location may be in a protected area and also experience extreme water stress.

Risk Category

Critical	0
Very High	3
High	29
Medium	65
Low	27

Risk intersection

High or extreme water stress	41
Protected areas	40
Biodiversity hotspots	35
Deforestation in last 5 years	12
Indigenous land intersections	4



Description of impacts and dependencies for agriculture and how these could impact the bank



Malaysian bank CIMB’s analysis of impacts and dependencies in palm oil value chain in its [2025 Nature and Biodiversity Report](#)

Value Chain Analysis

The palm oil sector exhibits very high nature dependencies and impacts during the planting stage, especially due to its reliance on ecosystem services such as soil fertility and water, and its link to **deforestation**, peatland drainage, and biodiversity loss in Southeast Asia. Palm-related manufacturing activities show moderate dependencies and impacts from wastewater, emissions, and energy use. Trading activities have minimal direct dependency on nature but carry medium-level impacts associated with logistics, packaging, and indirect market-driven **deforestation** pressures.

Planting of Palm		Manufacturing of Palm and its products		Trading of Palm and its products	
Dependencies	Impacts	Dependencies	Impacts	Dependencies	Impacts
Very High	Very High	Medium	Medium	Low	Medium

*Key: Very High (VH) High (H) Medium (M) Low (L) Very Low (VL) Not Applicable (NA)

Key Impacts	
Impact Drivers (Caused by Sector Activities)	Environmental Assets Affected
Land / freshwater / ocean use change (e.g. forest and peatland conversion, drainage, infrastructure expansion)	• Terrestrial ecosystems: Large-scale deforestation for plantation establishment, including HCV/HCS areas. • Land: Degradation, compaction, and erosion from intensive land preparation and monoculture cycles. • Freshwater ecosystems: Altered hydrology, wetland loss, and riparian zone encroachment. Altered water systems disrupt fishing and farming livelihoods, increase flood risks, and affect water security.
Resource use / replenishment (e.g. high water demand, nutrient depletion, pressure on genetic resources)	• Freshwater ecosystems: High rates of water withdrawal for irrigation and milling can reduce availability. • Cultivated biological resources: Over-reliance on narrow genetic pools increases vulnerability to pests/disease. Lower crop resilience affects smallholder income stability and food security.
Pollution / pollution removal (e.g. wastewater discharge, chemical runoff, sedimentation)	• Freshwater ecosystems: Contamination from Palm Oil Mill Effluent (POME), fertiliser, and pesticide runoff. Contaminated water sources affect health, aquaculture, and household drinking water. • Land: Soil pollution and nutrient imbalances due to agrochemical overuse.
Climate change (e.g. CO ₂ and CH ₄ from peat, fossil fuel use, fertiliser-related N ₂ O emissions)	• Atmospheric systems: Emissions from deforestation, peat oxidation, and land use change contribute to GHG loads, while open burning and forest fires can generate transboundary haze; in addition, emissions from palm oil mill effluent (POME) represent the highest operational emissions for upstream palm (estate and mill) outside of land use change.
Invasive alien species introduction / removal (less material, but possible)	• Terrestrial ecosystems: Risk from biological pest control methods introducing non-native species; Monoculture favouring spread.

Description of impacts and dependencies for agriculture and how these could impact the bank



Malaysian bank CIMB’s description of how it assesses deforestation risk using a case study in its [2024 Sustainability Report](#)

CASE STUDY 1: ADDRESSING DEFORESTATION, HUMAN RIGHTS AND POTENTIAL CREDIT RISKS

CIMB Group is committed to responsible financing and the promotion of sustainable practices in palm oil cultivation. Recognising the industry’s significant economic contribution to ASEAN, we also acknowledge the E&S challenges faced, such as deforestation, biodiversity loss, labour rights issues and GHG emissions. Through our Palm Oil Sector Guide, CIMB requires that clients not only obtain national or international sustainable palm oil certifications but also demonstrate clear commitments to No Deforestation, No Peat and No Exploitation (NDPE) principles and uphold human rights.

In mid 2024, CIMB conducted an ESDD assessment for a prospective client in the palm oil sector. During the evaluation and engagement process, it was disclosed that the company was in the process of resolving land tenure issues and obtaining the necessary licensing from the Malaysian Palm Oil Board (MPOB). Additionally, the client acknowledged a lack of awareness regarding the Malaysian Sustainable Palm Oil (MSPO) 2022 standard’s requirement to perform a High Conservation Value (HCV) assessment for new plantations established after 2019.

As a result of these discussions and due diligence, it was determined that the proposed financing posed significant sustainability-related risks:

Deforestation Risk

- Drone images provided showed approximately 90% of the project area consisted of mature forests
- CIMB’s deforestation and biodiversity risk assessments indicated that the project location is not within or near key biodiversity areas. However, development would result in extensive deforestation, with a high likelihood of violating CIMB’s NDPE commitment
- Clearance of land without a prior HCV assessment after MSPO’s cut off date of 31 December 2019 would likely mean that MSPO certification would not be obtained

Human Rights Risk

- Employment contracts contained a clause that terminated the contracts of female workers found to be pregnant, breaching fundamental human rights principles
- There was insufficient evidence of Free, Prior and Informed Consent (FPIC) from local communities for development, raising concerns over community rights and engagement

Operational Risk

- Only a small fraction of the client’s planted area was certified under MSPO
- No prior HCV assessment was conducted in new planting activities post 31 December 2019, making it unlikely for the company to achieve the 100% MSPO certification, as required by CIMB for financing of oil palm plantations in Malaysia

It was discussed and concluded that this transaction posed high reputational and credit risk, due to significant sustainability concerns, including deforestation, human rights issues, and operational gaps.

Given these risks, CIMB declined the application for financing, reinforcing its commitment to stringent due diligence and sustainability in high-risk sectors.



Next steps

1. Take note of the scale of the issue, the financially material risks and the common misconceptions so you can ask the right questions in engagement.
2. Set the proposed engagement objectives and support the associated shareholder proposals to bring deforestation up the agenda.
3. Review the relevant guidance, and we also encourage you to use ACF as a resource to understand financed deforestation and how banks can improve their approach.

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About us

The Australian Conservation Foundation (ACF) is Australia's national environment organisation. Since 1965, we've influenced governments and businesses to protect the animals, rivers and reefs close to our hearts and hold decision-makers to account.

We are an evidence-based organisation, with a variety of expertise across nature and climate issues, including corporate practices, environmental investigations law and policy.



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