
Shaping a Sustainable Future: The Role of Mandatory Climate Reporting in Australia

 **Minh-Phuong Thi Duong**

Faculty of Social Sciences and Humanities, Ton Duc Thang University, Ho Chi Minh City, Vietnam

<https://orcid.org/0000-0003-2487-9905>

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In 2024, the Australian government is set to enact a pivotal policy: compelling large corporations and financial institutions to unveil their climate-related activities. This move is part of a global shift towards greater sustainability transparency, driven by the International Financial Reporting Standards (IFRS) Foundation's introduction of the International Sustainability Standards Board (ISSB) in 2021. The ISSB established universal guidelines for disclosing climate and sustainability information, released in June 2023, to be integrated into financial statements [1].

The Australian government's pursuit of mandatory climate reporting reflects the growing importance of climate-related data. This initiative is currently under consultation, seeking input from stakeholders to shape the forthcoming disclosure guidelines. The envisioned regulations have a broad scope, covering management approaches, strategies, risk assessments, targets, and environmental metrics, including greenhouse gas emissions. This aligns Australia with the reporting practices already adopted by other nations like the EU, Singapore, Canada, Japan, and South Africa, following the Task Force on Climate-Related Financial Disclosures (TCFD) [1].



Illustration. Retrieved from <https://esgclarity.com/mandatory-climate-finance-disclosure-evens-playing-field-for-australia/>

The mindsponge mechanism sheds light on how the imposition of mandatory climate reporting can generate a shift in businesses' core values. Although businesses might not immediately shift their thinking upon being required to submit climate reports, they will be forced to change their actions and procedures to comply with new regulations.

It is noteworthy that mandatory reporting practices will drive businesses to recalibrate their environmental, social, and governance strategies and subsequently incorporate climate considerations into their decision-making frameworks. This behavioral shift—driven by the need for compliance—encourages the gradual transformation of the corporate mindset to uphold the eco-surplus culture that endorses sustainability and environmental responsibility values [2-3].

References

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