
**AN ETHICAL REORIENTATION OF GOOD CORPORATE GOVERNANCE: THE
INTEGRATION OF HUMAN DIGNITY VALUES INTO SUSTAINABILITY
ACCOUNTING IN THE CONTEXT OF INDONESIA'S CLIMATE CRISIS**

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ABSTRACT

The increasing intensity of hydrometeorological disasters in Indonesia highlights the limitations of corporate governance and sustainability accounting practices in responding to the human dignity of the climate crisis. Although frameworks such as Good Corporate Governance (GCG) and the Indonesian Sustainable Finance Taxonomy (TKBI) have been implemented to promote sustainability, their implementation tends to be technocratic and compliance-oriented, thus failing to adequately capture the social vulnerability and humanitarian impacts of corporate activities. This study aims to examine these limitations and propose an ethical reorientation of GCG through the integration of human dignity as the primary normative foundation. This study uses a conceptual qualitative approach with a narrative literature review method and a critical analysis of the regulatory framework, sustainability accounting practices, and governance structures in Indonesia. The results show that sustainability accounting is still often used as an instrument of formal legitimacy, rather than as an ethical accountability mechanism, thus opening up space for greenwashing practices and weakening its effectiveness in responding to risks related to the climate crisis. In response, this study develops a conceptual model that integrates human dignity into governance structures, climate risk management processes, the Sustainable Finance Taxonomy, and sustainability reporting systems. The proposed model demonstrates that the integration of human dignity can create a more holistic and ethically grounded approach to corporate accountability, emphasizing the protection of human life, reduction of social vulnerability, and increased resilience to climate risks. This research contributes to expanding the sustainability accounting literature by going beyond technocratic and compliance-based approaches and positioning human dignity as a normative framework for evaluating corporate responsibility in the context of the climate crisis.

Keywords: Good Corporate Governance, Sustainability Accounting, Human Dignity, Climate Crisis, Hydrometeorological Disasters

ABSTRAK

Meningkatnya intensitas bencana hidrometeorologi di Indonesia menunjukkan keterbatasan praktik tata kelola perusahaan dan akuntansi keberlanjutan dalam merespons *Human Dignity* dari krisis iklim. Meskipun kerangka seperti *Good Corporate Governance* (GCG) dan Taksonomi Keuangan Berkelanjutan Indonesia (TKBI) telah diimplementasikan untuk mendorong keberlanjutan, penerapannya masih cenderung bersifat teknokratis dan berorientasi pada kepatuhan, sehingga belum mampu menangkap secara memadai kerentanan sosial dan dampak kemanusiaan dari aktivitas korporasi. Penelitian ini bertujuan untuk mengkaji keterbatasan tersebut serta mengusulkan reorientasi etis GCG melalui integrasi human dignity sebagai landasan normatif utama. Penelitian ini menggunakan pendekatan kualitatif konseptual dengan metode narrative literature review serta analisis kritis terhadap

kerangka regulasi, praktik akuntansi keberlanjutan, dan struktur tata kelola di Indonesia. Hasil penelitian menunjukkan bahwa akuntansi keberlanjutan masih sering digunakan sebagai instrumen legitimasi formal, bukan sebagai mekanisme akuntabilitas etis, sehingga membuka ruang bagi praktik greenwashing dan melemahkan efektivitasnya dalam merespons risiko terkait krisis iklim. Sebagai respons, penelitian ini mengembangkan model konseptual yang mengintegrasikan human dignity ke dalam struktur tata kelola, proses manajemen risiko iklim, Taksonomi Keuangan Berkelanjutan, serta sistem pelaporan keberlanjutan. Model yang diusulkan menunjukkan bahwa integrasi human dignity mampu menciptakan pendekatan yang lebih holistik dan berlandaskan etika dalam akuntabilitas korporasi, dengan menekankan perlindungan terhadap kehidupan manusia, pengurangan kerentanan sosial, serta peningkatan ketahanan terhadap risiko iklim. Penelitian ini berkontribusi dalam memperluas literatur akuntansi keberlanjutan dengan melampaui pendekatan teknokratis dan berbasis kepatuhan, serta menempatkan human dignity sebagai kerangka normatif dalam mengevaluasi tanggung jawab korporasi dalam konteks krisis iklim.

Kata Kunci: *Good Corporate Governance, Akuntansi Keberlanjutan, Human Dignity, Krisis Iklim, Bencana Hidrometeorologis*

I. INTRODUCTION

Reflecting on the events of 2025, hydrometeorological disasters that struck the Sumatra region particularly Aceh, North Sumatra, and West Sumatra have been identified by experts as recurring phenomena that have intensified over the past two decades. Records indicating more than 1,000 fatalities, hundreds of missing persons, and the destruction of hundreds of thousands of homes in the affected areas (Badan Nasional Penanggulangan Bencana, 2025) reveal a harsh reality: the climate crisis has evolved into a humanitarian crisis.

A researcher in Forest Hydrology and Watershed Conservation at Universitas Gadjah Mada, Hatma Surya Atmaja, emphasized that such disasters are not isolated events, but rather the result of a complex interaction between natural factors and significant human interventions (Agung Nugroho, 2025). This statement is particularly crucial in the corporate context, where human intervention is often manifested through business activities and resource exploitation. A concrete example observed in the field is the occurrence of massive deforestation in upstream river areas within the affected regions.

Therefore, these disasters can no longer be understood solely as natural events, but must be seen as complex phenomena reflecting weaknesses in the governance of economic activities and natural resource management. In this context, the practices of Good Corporate Governance (GCG) and accounting mechanisms particularly sustainability accounting have not yet fully functioned as instruments for risk mitigation and the protection of human dignity.

In principle, corporations have been required to measure the impact of their operations through the Indonesian Sustainable Finance Taxonomy (TKBI). Issued by the Otoritas Jasa Keuangan through Regulation No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Institutions, Issuers, and Public Companies, TKBI serves as a roadmap that classifies economic activities into different levels of sustainability ranging from Green (aligned with sustainability targets), Yellow (transition), to Red (unsustainable) to guide credit allocation and investment decisions.

Through this regulatory framework, companies utilize sustainability accounting instruments to meet the transparency standards required by regulators and the market. However, in the context of the humanitarian tragedy in Sumatra triggered by watershed degradation and land exploitation investigative findings by the Ministry of Environment and the Environmental Control Agency (KLH/BPLH) on eight business entities operating in upstream watershed areas in Sumatra reveal significant complexities in assessing corporate sustainability. Notably, some of the investigated entities were officially categorized as having a “Green” environmental performance rating. However, field evaluations suggest that their operational activities may have contributed to environmental degradation, exacerbating the risks of flooding and landslides.

This condition indicates a gap between sustainability assessments based on formal indicators and the actual environmental and humanitarian impacts observed in reality. Thus, administratively

defined sustainability status does not necessarily reflect substantive protection of the environment and human dignity, particularly in the context of an escalating climate crisis. The limitations of the Indonesian Sustainable Finance Taxonomy are explicitly evident in its failure to incorporate parameters related to protection against hydrometeorological disasters as a primary indicator of sustainability assessment. This suggests that the current approach remains largely technocratic, emphasizing the classification of green economic activities rather than the humanitarian consequences they generate.

In this context, the Green Taxonomy risks being reduced to a purely administrative instrument if its implementation focuses solely on achieving Green level classifications (Level 1, 2, or 3) without considering the impact of economic activities on human dignity. Such an approach risks transforming sustainability into a procedural objective rather than an ethical commitment. Therefore, a conceptual reorientation is necessary one that positions the Green Taxonomy not merely as a technical guideline for sustainable investment, but as a moral compass within the framework of Good Corporate Governance. This reorientation is essential to ensure that financing and investment decisions do not indirectly contribute to increased social vulnerability, environmental degradation, or loss of human life as consequences of the escalating climate crisis.

This argument is further supported by an examination of annual GCG and sustainability reports published by corporations in Indonesia, where reporting structures tend to be dominated by technical narratives and formal regulatory compliance, while ethical and humanitarian dimensions remain insufficiently addressed. Several studies also indicate that corporate disclosures of social and environmental information in Indonesia are often driven more by efforts to maintain social legitimacy—frequently associated with greenwashing practices rather than reflecting substantive ethical commitment.

Despite the growing body of literature on sustainability accounting and Good Corporate Governance (GCG), prior studies have predominantly focused on compliance-based disclosures, environmental performance metrics, and alignment with regulatory frameworks such as ESG reporting and green taxonomies. While these approaches have contributed to improving transparency, they remain largely technocratic and indicator-driven, often neglecting the deeper ethical dimensions of corporate responsibility.

More critically, existing studies have not sufficiently addressed the disconnection between formal sustainability classifications and the actual humanitarian consequences of corporate activities, particularly in the context of climate-induced disasters. The case of hydrometeorological disasters in Sumatra reveals that corporations categorized as environmentally “green” may still contribute to ecological degradation and increased social vulnerability. This paradox highlights a fundamental limitation in current sustainability accounting frameworks, which tend to prioritize measurable environmental indicators over the protection of human dignity.

Furthermore, the integration of human dignity as a normative foundation within sustainability accounting remains underexplored in the literature. Most existing frameworks conceptualize sustainability in terms of environmental efficiency and economic resilience, without explicitly incorporating ethical considerations related to human vulnerability, social justice, and the right to a safe environment.

Therefore, this study addresses a critical gap by proposing an ethical reorientation of sustainability accounting within the framework of GCG, emphasizing the integration of human dignity as a core evaluative principle. By situating this analysis within the context of Indonesia’s climate crisis and the limitations of the Green Taxonomy, this research contributes to advancing a more substantive, ethically grounded approach to corporate sustainability one that moves beyond procedural compliance toward genuine humanitarian accountability.

In this regard, this study repositions sustainability accounting from a compliance-driven instrument toward one grounded in ethical accountability. It further contributes to the literature by moving beyond a purely technocratic perspective and by establishing human dignity as a normative basis for assessing corporate accountability in the context of climate crises.

Research Question

Based on the background outlined above, the problems addressed in this paper are formulated as follows:

1. How do the limitations in the implementation of the Indonesian Sustainable Finance Taxonomy (TKBI) and Good Corporate Governance (GCG) hinder effective responses to climate crisis risks, particularly in relation to increasing social vulnerability and threats to human dignity resulting from hydrometeorological disasters?
2. Why do sustainability accounting practices in Indonesia tend to be confined to regulatory compliance and greenwashing practices, thereby failing to internalize ethical values related to the protection of human dignity?
3. How can the concept of an ethical reorientation of Good Corporate Governance through the integration of human dignity values into sustainability accounting practices be formulated as a response to the climate crisis in Indonesia?

Research Objectives

This paper aims to:

1. Analyze the regulatory limitations of the Indonesian Sustainable Finance Taxonomy (TKBI) and Good Corporate Governance mechanisms in the context of environmental protection and the safeguarding of human dignity.
2. Critically examine sustainability accounting practices that are technocratic and symbolic in nature (greenwashing), and explore the lack of ethical value internalization concerning the protection of human dignity.
3. Develop a conceptual framework for integrating human dignity values into sustainability accounting reporting systems and corporate governance practices as an ethical response to the climate crisis in Indonesia.

II. LITERATURE REVIEW

Good Corporate Governance from an Ethical Perspective

Good Corporate Governance (GCG) is normatively understood as a set of principles governing the relationships between shareholders, management, boards of directors, and other stakeholders to ensure that corporations are managed in a transparent, accountable, and responsible manner (OECD, 2015). In Indonesia, GCG principles are articulated through the core values of transparency, accountability, responsibility, independence, and fairness (Komite Nasional Kebijakan Governance, 2006).

Nevertheless, a growing body of literature indicates that, in practice, the implementation of Good Corporate Governance (GCG) is often reduced to a mere instrument of regulatory compliance and formal control mechanisms (Mallin, 2019). In this context, GCG tends to function more as a tool for maintaining corporate legitimacy and reputation rather than as an ethical framework guiding corporate behavior toward the protection of public interests.

In the context of the climate crisis, a compliance-based approach to Good Corporate Governance becomes increasingly problematic. Business decisions that neglect environmental risks have been shown to contribute to rising social vulnerability and disaster risks, thereby necessitating a broader interpretation of GCG as an instrument of corporate moral responsibility (Mayer, 2018; Scherer & Palazzo, 2012). Therefore, GCG needs to be reoriented not merely as an administrative governance system, but as an ethical framework that prioritizes human safety and environmental sustainability as its central objectives.

In operational terms, the ethical reorientation of Good Corporate Governance requires the active role of key governance bodies in integrating climate risk and human dignity into corporate decision-making. The board of commissioners is responsible for overseeing strategic alignment with sustainability and ethical commitments, particularly in safeguarding communities affected by corporate activities.

The audit committee should extend its function beyond financial compliance to assessing the credibility of sustainability disclosures, while the risk management committee is expected to incorporate climate-related risks into enterprise risk frameworks. At the managerial level, executives are tasked with translating these directives into operational policies, including embedding human dignity considerations within sustainability accounting and reporting practices.

Through these roles, GCG can evolve from a compliance-based mechanism into a system of ethical accountability that systematically addresses climate risk and human welfare.

Sustainability Accounting and the Compliance Paradigm

Sustainability accounting has emerged as a response to increasing demands for transparency regarding the economic, social, and environmental impacts of corporate activities, particularly in addressing global challenges such as climate change and social inequality (Adams, 2017; Bebbington et al., 2017). In this regard, it is expected to function as a mechanism of accountability that bridges corporate interests and those of broader society.

However, in practice, sustainability reporting in many developing countries, including Indonesia, remains largely dominated by a compliance-based approach. Sustainability reports are often prepared primarily to satisfy regulatory and market expectations, rather than to reflect a genuine ethical commitment (Bebbington & Larrinaga, 2014). This condition reduces sustainability accounting to a procedural exercise, limiting its role in fostering substantive corporate accountability.

Such limitations have contributed to the emergence of greenwashing practices, whereby companies project an environmentally responsible image without implementing meaningful changes in their operational activities (Cho et al., 2015). Consequently, sustainability accounting fails to function effectively as an instrument of social accountability and as an early warning mechanism for environmental and humanitarian risks.

In the context of the climate crisis, this failure has significant implications. Sustainability reports often lack the capacity to adequately disclose the potential impacts of corporate activities on human safety and livelihoods, particularly in vulnerable regions. This condition highlights a critical gap between reported sustainability performance and the actual risks experienced by affected communities.

To address this limitation, sustainability accounting needs to be reoriented toward a more ethically grounded framework that explicitly incorporates human dignity as a core evaluative principle. In this context, human dignity refers to the fundamental right of individuals and communities to live in a safe, healthy, and sustainable environment, free from risks generated by corporate activities.

Integrating human dignity into sustainability accounting requires expanding the scope of assessment beyond technical environmental indicators to include dimensions such as community safety, exposure to environmental risks, and social vulnerability. Through this approach, sustainability accounting can function not only as a reporting mechanism, but also as an instrument of ethical accountability within the broader framework of Good Corporate Governance.

Indonesian Sustainable Finance Taxonomy (TKBI) and Its Limitation

The Indonesian Sustainable Finance Taxonomy (TKBI) was developed by the Financial Services Authority (Otoritas Jasa Keuangan) as an instrument to classify economic activities based on their level of sustainability, with the aim of directing financial flows toward sectors that support sustainable development (OJK, 2022). TKBI constitutes a key component in the implementation of sustainable finance policies in Indonesia, as mandated under Regulation No. 51/POJK.03/2017.

Conceptually, TKBI functions as a technical guideline for financial institutions and corporations in assessing the feasibility of financing economic activities. It provides a structured classification system that distinguishes between green, transition, and non-sustainable activities, thereby supporting investment decision-making and risk assessment processes.

However, a growing body of literature suggests that taxonomy-based approaches tend to be technocratic in nature, focusing primarily on the classification of economic activities while insufficiently integrating broader social and humanitarian dimensions (Bebbington et al., 2017; Gray, 2010). In practice, this limitation is also reflected in corporate and financial decision-making processes, where the

assessment of sustainability often relies heavily on formal classification criteria rather than on the actual environmental and social impacts of economic activities.

From a governance perspective, this condition indicates that the implementation of TKBI has not been fully integrated into the ethical decision-making frameworks of corporate governance structures. Boards, risk committees, and management may rely on taxonomy classifications as a basis for legitimizing investment decisions, without critically assessing whether such activities genuinely reduce environmental risks or protect vulnerable communities.

This condition gives rise to the risk of a sustainability paradox, whereby activities that are formally categorized as “green” may still contribute to environmental degradation and increase disaster risks. In the context of climate-related crises, such misalignment can exacerbate social vulnerability and undermine the credibility of sustainability initiatives.

Therefore, without a strong ethical foundation, TKBI risks being reduced to a merely administrative instrument that loses its substantive meaning in safeguarding both environmental sustainability and human dignity. This highlights the need to reorient the application of TKBI beyond technical classification toward an ethically grounded framework that explicitly incorporates the protection of human life and community resilience as central evaluation criteria.

The Concept of Human Dignity in Ethical and Accounting Perspectives

Human dignity is a central concept in moral philosophy, asserting that every individual possesses intrinsic value that cannot be reduced to an economic instrument or a mere factor of production. In contemporary ethical discourse, human dignity is recognized as a universal principle requiring that all policies and activities including corporate practices respect individuals as ends in themselves (United Nations, 2011; Waldron, 2012).

In the context of development and sustainability, a dignity-based approach challenges performance measurements that rely solely on economic growth and market efficiency. The capability approach (Sen, 2009; Robeyns, 2017) emphasizes that economic activities should be evaluated based on their contribution to expanding individuals’ capabilities to live safe, healthy, and meaningful lives, particularly for vulnerable groups. This perspective repositions human well-being as the primary objective of development, rather than merely economic growth (Alkire et al., 2015). In the context of the climate crisis, this approach becomes increasingly relevant, as environmental and economic impacts directly affect human survival and quality of life.

Within the field of accounting, the integration of human dignity challenges the traditional assumption of value neutrality, which tends to prioritize financial information and technocratic performance indicators. Critical accounting literature highlights that sustainability reporting often fails to adequately represent human suffering and humanitarian risks arising from corporate activities, thereby obscuring corporate moral responsibility (Cooper & Morgan, 2013; Larrinaga González, 2017).

Therefore, mainstreaming human dignity within sustainability accounting is essential to ensure that corporate reporting functions not only as a tool of regulatory compliance and symbolic legitimacy, but also as an instrument of ethical accountability. This requires companies to explicitly disclose the impacts of their activities on human safety, social vulnerability, and disaster risks in the context of the climate crisis.

Accordingly, sustainability accounting must evolve from a purely technocratic practice into an ethical instrument that places the protection of human dignity at its core. Such integration ensures that corporate reporting goes beyond quantitative indicators and meaningfully reflects the real impacts of economic activities on human lives.

Ethical Reorientation of Good Corporate Governance and Sustainability Accounting

The ethical reorientation of Good Corporate Governance (GCG) represents a shift from a compliance-based paradigm toward substantive moral responsibility. Within this framework, sustainability accounting and the Indonesian Sustainable Finance Taxonomy (TKBI) should be positioned not merely as technical or regulatory tools, but as ethical instruments capable of internalizing the value of human dignity in corporate decision-making processes (Mayer, 2018; Scherer & Palazzo, 2012).

This approach requires corporations not only to demonstrate compliance with standards and regulations, but also to critically evaluate the humanitarian consequences of their business activities. In this regard, GCG can function as a moral compass that guides corporate decisions in anticipating climate risks and preventing harm to communities affected by economic activities.

Theoretically, this study is grounded in three main perspectives. First, the normative-ethical approach to GCG, which conceptualizes governance as a form of moral responsibility rather than merely a compliance mechanism (Mayer, 2018). Second, the critical accounting perspective, which challenges the neutrality of accounting and views sustainability reporting as a socio-political practice that may reinforce symbolic legitimacy (Cooper & Morgan, 2013; Larrinaga González, 2017). Third, the human dignity and capability approach, which positions human safety and dignity as central criteria for evaluating economic activities in the context of the climate crisis (Robeyns, 2017; Sen, 2014).

By integrating these perspectives, this study proposes a conceptual foundation in which GCG, sustainability accounting, and TKBI are interconnected within an ethical framework that prioritizes human dignity as the ultimate objective of corporate accountability.

Conceptual Framework

Based on the above discussion, this paper proposes a conceptual framework for the ethical reorientation of GCG through the integration of human dignity values into sustainability accounting. This framework positions human dignity as the central normative principle linking corporate governance, investment decision-making, and sustainability reporting.

Within this framework, the Indonesian Sustainable Finance Taxonomy is not merely a classification tool for economic activities, but also an instrument for evaluating humanitarian and ecological risks. Accordingly, the sustainability classification of an economic activity should not be determined solely by compliance with technical indicators, but also by the extent to which the activity minimizes risks to human safety and social sustainability.

Through the ethical reorientation of GCG and the integration of human dignity values, sustainability accounting is expected to evolve into an instrument of moral accountability—one that not only evaluates sustainability performance in formal terms, but also anticipates the humanitarian impacts of the climate crisis in Indonesia.

III. RESEARCH METHODOLOGY

Research Design and Approach

This study employs a qualitative research design using a conceptual-critical approach. It does not aim to empirically test hypotheses, but rather to analyze, critique, and reconstruct the conceptual foundations underlying the implementation of Good Corporate Governance (GCG), the Indonesian Sustainable Finance Taxonomy (TKBI), and sustainability accounting practices in the context of the climate crisis in Indonesia.

The conceptual approach is used to develop a framework for the ethical reorientation of GCG grounded in human dignity values. Meanwhile, the critical approach is applied to examine the dominance of technocratic tendencies and compliance-oriented practices in governance and sustainability reporting. Accordingly, this study emphasizes theoretical development and normative evaluation rather than statistical generalization.

Data Sources and Collection Techniques

This study relies on secondary data derived from a conceptual (narrative) literature review and document analysis. The data sources include:

1. Academic literature, consisting of peer-reviewed international journal articles, books, and scholarly works related to GCG, sustainability accounting, critical accounting, greenwashing, human dignity, and the capability approach.
2. Regulatory and policy documents, including Regulation No. 51/POJK.03/2017 on Sustainable Finance, the Indonesian Sustainable Finance Taxonomy (TKBI), national GCG guidelines, and official reports from government institutions addressing hydrometeorological disasters.

3. Corporate sustainability reports, used as conceptual references to identify patterns of compliance-oriented reporting and potential indications of greenwashing practices.

The literature selection process followed a purposive approach. Sources were identified through academic databases such as Scopus-indexed journals, Google Scholar, and publisher platforms (e.g., Elsevier, Springer, and Taylor & Francis)

The inclusion criteria consisted of:

1. Publications relevant to sustainability accounting, GCG, climate risk, or human dignity
2. Peer-reviewed or authoritative institutional sources;
3. Publications written in English
4. Works published primarily within the last 10–15 years, with the inclusion of seminal references where necessary.

The exclusion criteria included:

1. Non-scholarly or non-credible sources;
2. Literature lacking clear relevance to the research focus
3. Duplicate or overlapping studies.

Data collection was conducted through systematic reading, classification, and synthesis of selected sources to identify key themes, theoretical perspectives, and research gaps relevant to the study.

Data Analysis Techniques

Data analysis was conducted using qualitative content analysis combined with a normative-critical approach. The analytical process consisted of the following stages:

1. Identification of Conceptual and Regulatory Frameworks
Examining the structure and substance of TKBI, GCG principles, and sustainability accounting frameworks to understand their normative orientation and limitations.
2. Critical Analysis of the Compliance Paradigm
Analyzing the dominance of compliance-based approaches and technocratic indicators in sustainability practices, and how these conditions enable greenwashing.
3. Normative Evaluation Based on Human Dignity
Applying ethical and human dignity perspectives to assess whether governance and reporting practices adequately protect human safety and address social vulnerability in the context of climate crises.
4. Development of a Conceptual Model
Synthesizing the findings to construct a conceptual model of the ethical reorientation of GCG, integrating human dignity into sustainability accounting and risk management frameworks.

IV. RESULTS AND DISCUSSION

The Limitations of the Indonesian Sustainable Finance Taxonomy (TKBI) in Addressing Climate Crisis Risks

This study finds that the implementation of the Indonesian Sustainable Finance Taxonomy (TKBI) remains predominantly technocratic and compliance-oriented, limiting its effectiveness in addressing climate-related risks and protecting human dignity. Although TKBI is designed to classify economic activities based on sustainability criteria, its application tends to emphasize formal categorization rather than the substantive environmental and social impacts of corporate activities.

The findings indicate that sustainability classifications—such as “green” or “transition”—do not necessarily reflect the actual ecological consequences of business operations. In practice, companies categorized as environmentally sustainable may still contribute to environmental degradation and increased disaster risks, particularly in vulnerable areas such as upstream watershed regions. This condition reveals a significant gap between formal sustainability assessment and real-world outcomes.

This finding is consistent with the critique of technocratic governance discussed in Section 2.3, which highlights that taxonomy-based approaches often prioritize measurable indicators over broader humanitarian considerations. As a result, TKBI risks functioning as an administrative instrument that legitimizes corporate activities without adequately addressing their long-term environmental and social

impacts. From a governance perspective, this condition also reflects the limited integration of ethical considerations within corporate decision-making structures. As discussed in Section 2.1, Good Corporate Governance (GCG) has not yet fully functioned as an ethical framework, but remains largely oriented toward regulatory compliance. Consequently, corporate reliance on TKBI classifications may reinforce a procedural approach to sustainability rather than encouraging substantive accountability. This finding highlights the need to reorient the application of TKBI beyond technical classification toward an ethically grounded framework that explicitly incorporates human dignity and community resilience as core evaluation criteria.

The Failure of Sustainability Accounting as an Instrument of Ethical Accountability

The findings indicate that sustainability accounting practices in Indonesia are predominantly driven by regulatory compliance rather than ethical accountability. Corporate sustainability reports tend to focus on fulfilling formal disclosure requirements, often emphasizing quantitative indicators such as emissions, energy consumption, and environmental efficiency, while neglecting the broader humanitarian impacts of corporate activities.

This condition reinforces the argument presented in Section 2.2 that sustainability accounting, when dominated by technocratic and indicator-based approaches, risks being reduced to a procedural reporting mechanism. As a result, sustainability reports often fail to function as effective tools for social accountability or as early warning systems for environmental and humanitarian risks.

Furthermore, the study finds that such practices contribute to the persistence of greenwashing, where companies construct an image of environmental responsibility without implementing substantive changes in their operational practices. This finding supports prior studies (Cho et al., 2015) which argue that sustainability reporting may serve as a tool for maintaining corporate legitimacy rather than reflecting genuine ethical commitments.

From a critical accounting perspective, this condition confirms that sustainability reporting is not value-neutral, but rather shaped by institutional pressures and legitimacy concerns, as discussed in Section 2.4. Consequently, the absence of human dignity considerations within sustainability accounting frameworks results in the marginalization of issues such as community safety, social vulnerability, and disaster risk exposure.

This finding underscores the urgent need to transform sustainability accounting from a compliance-based practice into an instrument of ethical accountability that explicitly addresses the human consequences of corporate activities in the context of the climate crisis.

Ethical Reorientation of Good Corporate Governance through the Integration of Human Dignity Integration

Based on the above findings, this study proposes an ethical reorientation of Good Corporate Governance (GCG) through the integration of human dignity as a central normative foundation. This reorientation directly addresses the gap identified in the literature, particularly the absence of human dignity as a core evaluative principle in sustainability accounting and governance frameworks.

The findings suggest that existing governance and accounting systems fail to adequately capture the human impacts of corporate activities, especially in the context of climate-related disasters. Therefore, repositioning human dignity as a fundamental principle enables corporations to evaluate their decisions not only in terms of financial performance and regulatory compliance, but also in terms of their impact on human safety, social well-being, and environmental sustainability.

Within this framework, GCG is redefined as an ethical governance system that guides corporate behavior toward the protection of human life and the prevention of environmental harm. Sustainability accounting is transformed into an instrument of ethical evaluation that incorporates dimensions such as social vulnerability, exposure to environmental risks, and community resilience. Meanwhile, TKBI is repositioned as a supporting mechanism that must be aligned with ethical governance principles rather than functioning solely as a technical classification tool.

Theoretically, this study extends the sustainability accounting literature by shifting its focus from compliance-based reporting toward ethically grounded accountability centered on human dignity.

It also contributes to the development of GCG by reinforcing its role as a moral framework rather than merely a regulatory mechanism.

Accordingly, this study demonstrates that integrating human dignity into governance and accounting practices can enhance corporate accountability and ensure that sustainability initiatives genuinely contribute to the protection of human life in the face of the climate crisis.

To enhance its practical relevance, the integration of human dignity must be operationalized within corporate governance structures, risk management processes, and sustainability reporting systems. Within the GCG structure, the board of commissioners plays a critical role in ensuring that corporate strategies align with ethical principles, including the protection of communities affected by business activities. This can be implemented by incorporating human dignity considerations into board oversight functions, strategic decision-making, and performance evaluation criteria. The audit and risk committees are also expected to expand their scope by assessing not only financial and compliance risks, but also climate-related risks and their potential impacts on human safety and social vulnerability.

In the risk management process, human dignity can be integrated by redefining risk assessment frameworks to explicitly include climate-related humanitarian risks, such as exposure to floods, environmental degradation, and community displacement. This requires companies to treat such risks not as externalities, but as core elements of enterprise risk management.

Furthermore, in sustainability reporting systems, the integration of human dignity requires the development of qualitative and quantitative disclosure indicators that reflect the human impacts of corporate activities. These may include indicators related to community safety, environmental risk exposure, access to a healthy environment, and corporate mitigation efforts in disaster-prone areas.

Through these mechanisms, human dignity can be transformed from an abstract ethical principle into a practical framework for evaluating corporate accountability, thereby strengthening the role of GCG and sustainability accounting in addressing the humanitarian dimensions of the climate crisis.

These mechanisms are interconnected, as illustrated in Figure 1. Ethical GCG serves as the foundational layer that directs corporate governance practices, which in turn shape risk management processes by integrating climate-related and humanitarian risks. These risk considerations are subsequently reflected in sustainability accounting and reporting systems, ensuring that disclosures capture not only environmental performance but also human impacts. Within this framework, human dignity functions as the central normative foundation that guides and evaluates all governance, risk, and reporting processes, ensuring their alignment with the protection of human life and social well-being.

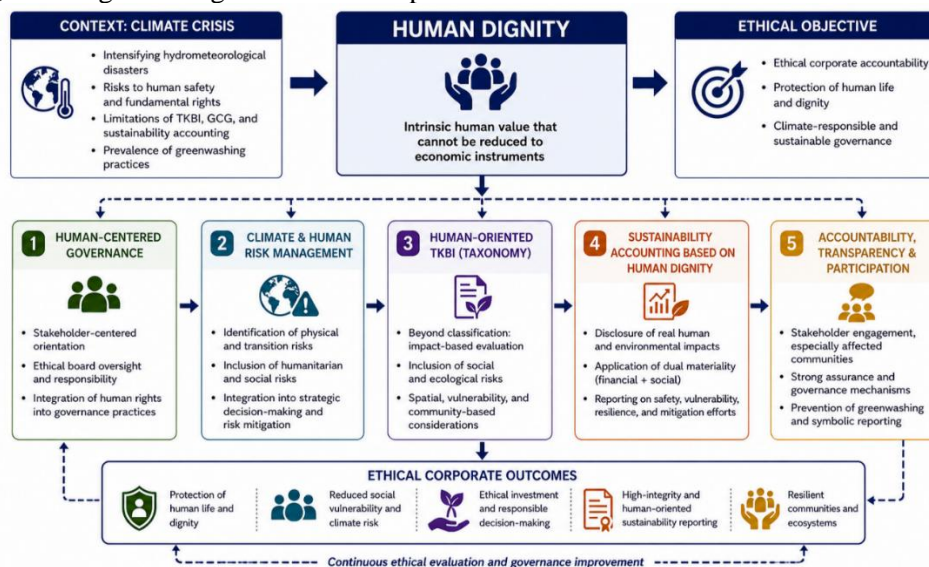


Figure 1. Ethical Reorientation Framework of Good Corporate Governance Based on Human Dignity in the Context of Climate Crisis

Source: Developed by the author (2026)

The conceptual model presented in Figure 1 illustrates the ethical reorientation of Good Corporate Governance (GCG) in responding to the climate crisis through the integration of human dignity as a central normative foundation. The model demonstrates that climate change and hydrometeorological disasters cannot be effectively addressed if corporate governance and sustainability accounting practices rely solely on regulatory compliance and technical performance indicators. Instead, an ethically grounded framework is required to ensure that corporate decision-making reflects the protection of human life, safety, and social well-being.

At the core of the model, human dignity is positioned as the primary normative driver that shapes and guides the entire governance and reporting system. This placement emphasizes that human dignity is not merely an abstract ethical principle, but a foundational value that directs corporate governance structures, risk management processes, and sustainability accounting practices. Accordingly, economic objectives and financial performance must be aligned with the moral responsibility of corporations to protect vulnerable communities, particularly in the context of increasing climate risks.

The model further illustrates an integrated governance process through which this normative principle is operationalized. Ethical GCG serves as the foundation that directs corporate governance practices toward a human-centered orientation. This governance structure subsequently shapes climate and humanitarian risk management processes, where risk identification and mitigation extend beyond financial considerations to include social vulnerability and environmental exposure. These risk considerations are then embedded within the application of the Indonesian Sustainable Finance Taxonomy (TKBI), which is reoriented from a purely classification-based instrument toward a framework that evaluates the social and ecological implications of economic activities.

Furthermore, these integrated processes are reflected in sustainability accounting practices, where corporate reporting is transformed into an instrument of ethical accountability. In this context, sustainability accounting extends beyond compliance-based disclosure by incorporating human-centered indicators, such as community safety, vulnerability to environmental risks, and corporate contributions to resilience and risk mitigation. This progression demonstrates a clear linkage between governance structures, risk management systems, and reporting practices, as illustrated in the model.

The final stage of the framework highlights the expected outcomes of this ethical reorientation, namely the substantive protection of human dignity. These outcomes include the reduction of social vulnerability, the enhancement of climate resilience, and the development of corporate practices that prioritize ethical decision-making and high-integrity reporting. Importantly, the model also incorporates a feedback loop, indicating that these outcomes serve as a basis for continuous ethical evaluation and improvement of governance and reporting systems.

Overall, this conceptual model demonstrates that the integration of human dignity enables the alignment of GCG, sustainability accounting, and TKBI within a unified ethical framework. In the Indonesian context where exposure to climate risks is particularly significant this approach provides a conceptual foundation for transforming sustainability from a procedural objective into a substantive ethical commitment. Accordingly, the model not only serves as an analytical framework but also offers practical guidance for embedding ethical values into corporate governance and sustainability practices.

Theoretical Implications

The conceptual model offers several important contributions to the development of corporate governance and sustainability accounting theory. First, it expands the theoretical scope of GCG and sustainability accounting, which have traditionally been dominated by instrumental, legitimacy-based, and compliance-oriented perspectives. By positioning human dignity as the central normative foundation, sustainability is reframed as a moral obligation rather than merely a strategic or reputational concern.

Second, the model challenges the prevailing assumption of value neutrality in sustainability accounting. It demonstrates that accounting practices inherently reflect normative choices and can shape the ethical orientation of corporate decision-making. By integrating human dignity into governance and

reporting systems, sustainability accounting is reconceptualized as an instrument of ethical accountability, particularly in the context of climate crises.

Third, the model contributes to the critical sustainability accounting literature by highlighting the interconnections between governance structures, risk management processes, and the social consequences of corporate activities. By emphasizing the protection of human dignity as the ultimate outcome, this study reinforces the argument that meaningful sustainability can only be achieved through the systematic internalization of ethical values, rather than through symbolic disclosure practices.

Policy and Regulatory Implications

From a policy perspective, this conceptual model provides important implications for strengthening governance and sustainable finance frameworks in Indonesia. The integration of human dignity as a normative principle calls for a shift in regulatory approaches from procedural compliance toward value-oriented governance. In this regard, GCG policies and the Indonesian Sustainable Finance Taxonomy (TKBI) should be developed not only as classification instruments, but also as mechanisms for evaluating and mitigating the social and humanitarian impacts of economic activities.

Furthermore, regulators may utilize this framework to enhance sustainability reporting requirements by incorporating human-centered disclosure indicators. Sustainability reports should extend beyond environmental and financial metrics to include explicit assessments of how corporate activities affect human safety, health, and social vulnerability, particularly in disaster-prone regions.

In addition, this model provides a conceptual basis for addressing greenwashing practices by distinguishing between formal compliance and substantive corporate responsibility. By positioning the protection of human dignity as the primary benchmark of sustainability, regulators are better equipped to evaluate the authenticity of corporate sustainability claims.

In the long term, the integration of human dignity into GCG policies and sustainability accounting practices is expected to promote a more inclusive, ethically grounded, and climate-responsive model of corporate governance in Indonesia.

V. CONCLUSION

This study examines the limitations of corporate governance and sustainability accounting practices in Indonesia in addressing the climate crisis, particularly in relation to increasing social vulnerability and threats to human dignity arising from hydrometeorological disasters. The findings reveal that the implementation of Good Corporate Governance (GCG) and the Indonesian Sustainable Finance Taxonomy (TKBI) remains largely technocratic and compliance-oriented, thereby limiting their capacity to capture the humanitarian consequences of corporate activities and economic decision-making.

In addition, sustainability accounting practices are predominantly used as instruments of formal legitimacy, focusing on compliance with reporting standards and the achievement of technical indicators. As a result, such practices often fail to function as mechanisms of ethical accountability and instead create space for greenwashing, where sustainability disclosures do not adequately reflect the actual protection of human safety, well-being, and fundamental rights. Consequently, the climate crisis tends to be framed as a technical issue rather than a humanitarian challenge requiring corporate moral responsibility.

To address these limitations, this study proposes an ethical reorientation of GCG through the integration of human dignity as a central normative foundation within governance structures, risk management processes, and sustainability accounting systems. This reorientation emphasizes that corporate decision-making should not only be guided by financial and regulatory considerations, but also by the responsibility to protect human life, reduce social vulnerability, and enhance resilience in the face of climate risks. Within this framework, sustainability accounting is repositioned as an instrument of ethical accountability that incorporates human-centered indicators and reflects the real impacts of corporate activities on affected communities.

Furthermore, this study highlights that the integration of human dignity enables a more coherent alignment between GCG, climate risk management, TKBI, and sustainability reporting within a unified

ethical framework. The inclusion of a continuous evaluation mechanism underscores that governance and reporting systems must be adaptive and responsive to evolving climate risks and their social consequences.

Overall, this study contributes to the literature by reframing sustainability accounting and corporate governance as ethically grounded practices rather than purely technocratic or compliance-based mechanisms. In the Indonesian context, this approach provides a conceptual foundation for transforming sustainability from a procedural objective into a substantive ethical commitment that prioritizes the protection of human dignity.

This study is limited by its conceptual nature and does not provide empirical validation. Future research may explore the operationalization of human dignity through empirical case studies or quantitative measurement frameworks.

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