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THE ROLE OF MORAL REASONING IN SUSTAINABILITY ACCOUNTING: AN ANALYSIS OF THE CONTENT OF A COMPANY'S SUSTAINABILITY REPORT

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Abstract

Sustainability issues have become a major global concern in business practices, emphasizing not only financial performance but also social and environmental responsibilities. As a result, sustainability reporting is expected to reflect not only quantitative data but also ethical values that demonstrate a company's moral commitment. This study focuses on industrial sector companies listed on the Indonesia Stock Exchange (IDX), aiming to analyze how moral reasoning is reflected in sustainability accounting through the content of 2024 corporate sustainability reports. This study aims to analyze how moral reasoning is manifested in the content of corporate sustainability reports using a qualitative content analysis approach. The Cognitive Moral Development (CMD) theory is employed as the analytical framework to identify the stages of moral reasoning embedded in sustainability disclosures. The findings of this study are expected to reveal the extent to which moral reasoning is internalized and expressed in sustainability reporting practices. Furthermore, the study identifies ethical narrative patterns and assesses whether these disclosures function more as regulatory compliance tools or as genuine expressions of corporate moral values. This research contributes to the literature on sustainability accounting by highlighting the ethical dimension of corporate reporting.

Keywords: Sustainability, Moral Reasoning, Sustainability Reporting, Industrial Sector, Content Analysis, CMD

INTRODUCTION

Sustainability issues have become a global concern in the business world, where companies are no longer assessed solely based on their financial performance but also on their social and environmental responsibilities. Within this framework, sustainability accounting serves as a form of reporting that reflects a company's commitment to the triple bottom line principles: profit, people, and planet (Atasever, 2023). One of the key instruments for achieving transparency in sustainability is the sustainability report, which not only presents quantitative data but also contains narratives that reflect the company's values, ethics, and moral orientation (Pezzolo & Monaci, 2025).

Sustainability reports should not merely be seen as an administrative obligation, but as an ethical communication medium that demonstrates the company's moral commitment. Narratives in the directors' forewords, sustainability vision and mission statements, and long-term strategies can serve as reflections of the moral reasoning underlying the preparation of such reports. Research by Morrison *et al*. (2022) highlights the importance of companies possessing the capacity to provide appropriate moral responses within sustainability reporting. Nevertheless, many sustainability reports are still prepared mainly to satisfy external demands, rather than as a reflection of internalized moral values (Paschalidou *et al*., 2023).

Several studies have shown a gap between sustainability reporting regulations and the actual internalization of sustainability values by companies. Ekasari *et al*. (2019) found that although most state-owned enterprises in Indonesia have disclosed ethics and integrity in their sustainability reports in accordance with GRI Standard 102-16, the values expressed tend to be repetitive such as integrity, professionalism, and responsibility. These narratives often appear merely informative and do not necessarily reflect deep moral reasoning.

Meanwhile, Mutiha (2023) revealed that the implementation of sustainability reporting in Indonesia following the enactment of POJK No. 51/PJOK.03/2017 remains far from optimal. Although the number of reports increased from 67 companies in 2019 to 121 in 2020, the proportion is still low only 16% of all public companies in Indonesia. Moreover, the quality of disclosure is still limited, with the average score reaching only 50.48 out of a maximum of 73 points. A key finding is that many companies do not explicitly mention sustainability values in their reports, even when presenting their company profiles. This indicates that many reports function more as regulatory compliance tools rather than as expressions of corporate morality (Wahyuni *et al*., 2024).

Therefore, it is important to further examine the forms of moral reasoning reflected in the sustainability reports that companies produce. Akin & Akin (2025) emphasize that companies often report merely to fulfill legal obligations, without internalizing sustainability values into their business practices. Using a content analysis approach and the Cognitive Moral Development theory framework by Lawrence Kohlberg, this study seeks to reveal the ethical dimensions implied in the strategies and values conveyed in sustainability reports. This approach offers a fresh perspective that has not been widely explored, as it aims not just to measure the extent of formal compliance but to understand why and how sustainability values are conveyed morally in reporting.

This study focuses on the industrial sector companies listed on the Indonesia Stock Exchange. This sector was chosen because its activities have significant environmental and social impacts, making sustainability issues highly relevant. The sample is determined using purposive sampling based on the following criteria: (1) the 2024 sustainability report is complete and publicly accessible; (2) the report contains sufficiently rich narratives for analysis (such as directors' forewords, vision and mission statements, sustainability strategies); and (3) the report format complies with standards such as the GRI Standards. This research is expected to provide new insights into the internalization of sustainability values in Indonesian corporate reporting, while enriching ethical studies in sustainability accounting.

LITERATURE REVIEW

Sustainability Accounting

Sustainability accounting is a form of reporting that reflects a company's overall responsibility not only to shareholders but also to society and the environment. Its implementation emphasizes the importance of transparency in disclosing information related to the economic, social, and environmental impacts of the company's activities as part of public accountability. Through open and honest reporting, companies are expected to demonstrate a genuine commitment to sustainability principles, not merely a symbolic one. Thus, sustainability reporting serves not only as an administrative obligation but also as a strategic instrument in shaping the company's image and reputation.

In addition, sustainability accounting facilitates a more ethical and long-term-oriented decision-making process (Sito *et al*., 2023). Sustainability reporting impacts not only external aspects such as corporate image but also influences internal processes within the company, particularly in considering the social and environmental consequences of business decisions. With the support of relevant and accountable information, management can formulate strategies that prioritize not only financial profit but also uphold sustainability values as both a moral and strategic foundation.

Triple Bottom Line (TBL)

The triple bottom line (TBL) concept was introduced by Elkington (1997) to emphasize that a company's success is measured not only by its profit, but also by its contribution to people and the planet. This approach represents a shift in orientation from purely economic focus toward a more inclusive and sustainable business model. In this regard, companies are required to balance financial interests with social and ecological considerations in every operational activity.

In sustainability accounting, TBL serves as a fundamental framework underlying the preparation of sustainability reports. This framework ensures that reporting does not focus solely on financial aspects but also includes disclosures of social impacts, such as community welfare and engagement, as well as environmental impacts, such as energy use, waste management, and carbon emissions. Thus, sustainability accounting based on TBL is not merely about fulfilling formal reporting obligations; it also reflects the company's moral reasoning in internalizing principles of corporate social responsibility, transparency, and accountability toward all stakeholders. In this study, TBL is understood as a framework that enables companies to express their ethical commitment and universal moral values through the sustainability strategies they communicate in their reports.

Legitimacy Theory

Legitimacy theory explains that companies are not solely oriented toward achieving economic profit, but also strive to gain support and acceptance from society. In the context of sustainability accounting, this theory serves as an important foundation for understanding how sustainability reporting is used by companies as a means to obtain social legitimacy. Through the disclosure of information in sustainability reports, companies seek to demonstrate compliance with prevailing social norms, values, and expectations, while also conveying their concern for and responsibility over the economic, social, and environmental impacts of their business activities.

In this regard, sustainability reporting functions as a strategic instrument of sustainability accounting to build a positive image in the eyes of stakeholders and strengthen relationships with the public. However, if such reporting is not based on genuine moral commitment and is carried out merely to respond to external pressures or to create a superficial good impression, sustainability reporting runs the risk of becoming symbolic and manipulative. Disclosures that are merely formalities, without being supported by real actions, can undermine stakeholder trust, especially when there is a gap between the report's narrative and actual practices on the ground. In such conditions, reporting no longer serves as an ethical accountability tool, but merely as a manipulative formality (Sari, 2024).

Ethical Narratives in Reporting

The narrative within a sustainability report serves as a reflection of the ethical values embraced by the company. A sustainability report is not merely a complement to objective quantitative data, but an essential medium for communicating the organization's moral commitment, vision, and ethical reflections. Through narratives, companies convey how they interpret sustainability, address dilemmas, and respond to social and environmental challenges relevant to their operations. In other words, narratives provide a space for disclosing the values and integrity of management.

Narratives lose their substance when they are crafted solely to meet external expectations such as regulatory requirements, investor pressures, or image-building efforts, without being grounded in authentic internal reflection. In such cases, narratives become mere "window dressing" beautifying the company's image on paper without reflecting actual practices on the ground. This not only diminishes the true meaning of sustainability reporting but also risks eroding stakeholder trust when discrepancies between narratives and reality begin to surface.
Previous studies have emphasized that strong narratives must reflect honesty, internal reflection, and managerial integrity

(Ekasari *et al*., 2019; Mutiha, 2023). The preparation of sustainability narratives cannot simply be a technical exercise; it must involve an ethical process that embodies values genuinely believed in and applied by the company. Thus, narratives in sustainability reports serve not only as a communication tool but also as a reflection of the organization's moral maturity and ethical commitment to long-term sustainability.

Cognitive Moral Development (CMD) Theory

The Cognitive Moral Development (CMD) theory developed by Lawrence Kohlberg (1981) explains that individuals progress through six stages of moral development grouped into three levels: pre-conventional, conventional, and post-conventional. At the pre-conventional level, moral decisions are made to avoid punishment or to gain personal benefit. At the conventional level, moral decisions are based on adherence to social norms and laws to maintain order. Meanwhile, at the post-conventional level, individuals make decisions based on universal moral principles such as justice, human rights, and collective welfare, even if these conflict with prevailing formal norms.

In sustainability accounting, CMD theory is highly relevant because it helps evaluate the extent to which sustainability reporting reflects the moral reasoning behind management's decisions. Sustainability reporting is not merely a medium for communicating economic, social, and environmental performance but also a reflection of the company's moral maturity in internalizing sustainability values. Using the CMD framework, this study assesses whether the narratives in sustainability reports are drafted merely to meet formal compliance (conventional level) or are genuinely driven by universal moral principles (post-conventional level). Thus, CMD provides an important theoretical foundation for understanding the ethical quality and moral commitment embedded in a company's sustainability reporting.

Four-Component Ethical Model

The model developed by James Rest (1986) refines CMD theory by adding four stages of ethical decision-making: moral sensitivity, moral judgement, moral motivation, and moral character. This model provides a more operational conceptual framework for evaluating the quality of moral decisions made by managers, including how they construct sustainability narratives. When these four components are fully present, the resulting narratives reflect a genuine commitment to sustainability values. In sustainability accounting, this model is relevant because it enables an assessment of the extent to which a company's sustainability reporting truly reflects internalized moral and ethical values, rather than merely fulfilling formal obligations. When these four components are fully integrated, sustainability narratives serve not only as a tool for legitimacy but as a genuine expression of the company's commitment to core sustainability values, such as social justice, environmental stewardship, and intergenerational responsibility.

RESEARCH METHODS

This study employs a qualitative approach with content analysis as the method to examine the narratives found in the companies' sustainability reports. This analysis was chosen because it enables the researcher to uncover implicit meanings within the narrative texts, including ethical values, moral reasoning, and implicit messages conveyed by management through the reporting documents. The main objective of this approach is to understand how moral reasoning is reflected in the company's sustainability strategies and values through the narratives presented in key sections of the sustainability reports.

The data used in this study are secondary data in the form of 2024 sustainability reports that have been officially published and are publicly accessible through the Indonesia Stock Exchange (IDX) website or the respective company websites. The year 2024 was chosen because it represents the most recent reporting period available at the time the study was conducted. The 2024 sustainability reports are considered the most relevant in representing the latest strategies, moral values, and sustainability practices of the companies in response to current economic, social, and environmental dynamics. The analysis focuses on narrative sections that are considered to reflect the moral values of the organization, such as the foreword or message from the board of directors/commissioners, sustainability vision and mission statements, and long-term sustainability strategies.

The objects of this study are companies in the industrial sector within the manufacturing scope that are listed on the Indonesia Stock Exchange (IDX). This sector was chosen for several strategic reasons. It includes companies engaged in manufacturing, processing, and complex industrial production activities. Companies in this sector are among the most active in publishing sustainability reports, disclosing economic, social, and environmental aspects in accordance with reporting standards such as the GRI Standards especially on environmental issues such as waste management, emissions, and energy efficiency. The production activities in the industrial sector involve intensive use of resources and energy, which have a significant impact on the environment. This complexity makes exploring moral reasoning in sustainability reporting practices particularly relevant. Therefore, this sector is considered both relevant and strategic for examining how ethical values and corporate moral reasoning are reflected in the narratives of sustainability reports.

After screening for the availability of 2024 sustainability reports that are publicly accessible, a filtered population of 45 companies was obtained from an initial population of 67 companies in the industrial sector. The sample was determined using purposive sampling, selecting companies from the filtered population based on the following criteria:

a) The 2024 sustainability report is fully available;
b) The report contains sufficiently rich narratives for analysis (including foreword, vision and mission, sustainability strategy, and other narrative sections);
c) The reporting format is consistent with recognized standards such as the GRI Standards.

The data analysis technique uses NVivo software to support a more systematic and structured thematic content analysis process. The analysis begins with data reduction, which involves selecting and extracting relevant narrative sections from the sustainability reports, such as the directors' foreword, vision and mission statements, sustainability strategies, and narratives related to ethics and corporate values. These narratives are then coded into moral reasoning categories based on the stages of Cognitive Moral Development (CMD) theory: pre-conventional, conventional, and post-conventional. NVivo helps organize the data, perform thematic coding, and generate matrices and visualizations to support interpretation. After the coding process, meaning interpretation is conducted to understand the ethical context, values, and moral messages that the companies aim to communicate through their sustainability reports. The results of the analysis are then presented in the form of descriptive narratives and thematic tables that illustrate trends in moral reasoning across companies. To maintain objectivity, the analysis process is supported by theory triangulation comparing the findings with CMD indicators and sustainability reporting standards such as the GRI Standards as well as peer debriefing and audit trail documentation as forms of transparency and accountability in the research process.

RESULT AND DISCUSSION

Quantitative Description of Coding Results Basics

The company's sustainability report is currently an important instrument to show the organization's commitment to economic, social, and environmental aspects. In particular, this report not only serves as a communication medium for sustainability performance, but also a reflection on the moral and ethical values embraced by the company. Therefore, *moral reasoning* analysis in sustainability report narratives is important to identify the moral values that companies raise in sustainability decision-making. The analysis of the content of the company's sustainability report in the industrial sector yielded six main moral reasoning themes based on the process of coding sustainability narrative. The distribution of these themes in the sustainability report can be seen in Table 1.

Table 1. Distribution of *Moral Reasoning Themes*

Moral Reasoning Theme	Number of Companies	Number of Narratives
Ethical and Compliance Commitment	34	81
Responsibility to *Stakeholders*	30	70
Transparency & Accountability	40	61
Value-Based Decision-Making	12	15
Increased Professionalism & Human Values	12	20
Social & Environmental Responsibility	11	17

Source: Processed Author (2025)

Sebaran Theme Moral Reasoning

1. Ethical and Compliance Commitments

The theme of ethical and compliance commitment was found in 34 companies with 81 encoded narratives. This theme is dominant in sustainability reporting, reflecting the company's focus on compliance with applicable regulations, legal norms, and standards. The narrative in this theme generally discusses compliance with national and international regulations, compliance with global reporting standards (such as GRI Standards), and compliance with the principles of good corporate governance (GCG).

The dominance of this theme shows that companies generally affirm their position as law-abiding entities and are committed to formal norms set by national and international regulators. Some narratives also refer to the achievement of certain certifications (e.g. ISO, OHSAS) as a form of ethical and compliance commitment.

Examples of narratives that reflect this theme include the following:

"*In order to carry out its supervisory duties, the Board of Commissioners actively monitors and evaluates the implementation of GCG and ensures that the principles of transparency, accountability, responsibility, independence, and fairness are implemented consistently in every aspect of the Company's business management. The Board of Commissioners considers that the Board of Directors and all its staff have carried out the management of the Company in accordance with GCG principles.*" (WINE)

"*Supervise the Company's compliance with capital market regulations and other related laws to ensure that the company operates in accordance with the principles of good governance and complies with applicable legal provisions.*" (INTA)

The narratives as above show the company's focus on internal supervision, the implementation of governance in accordance with GCG principles, and seriousness in ensuring legal compliance in various business lines. This shows that the company wants to build an image as a responsible entity and comply with all applicable regulations.

2. Responsibility to *Stakeholders*

The theme of responsibility to *stakeholders* was identified in 30 companies with 70 narratives. The narrative on this theme contains a description of how the company tries to meet the expectations and needs of stakeholders. *Stakeholders* often mentioned in this narrative include employees, customers, the surrounding community, business partners, and the government. The forms of responsibility narrated include employee welfare programs, eco-friendly product innovation for consumers, involvement in community social development, and contributions to national economic development through tax payments and business partnerships. One example of a narrative encoded in this theme is:

"*We have a strong commitment to creating optimal value for all stakeholders, including but not limited to our customers, employees and communities around our operational area. This commitment is reflected in our efforts to conduct business activities by upholding the principles of business ethics, social responsibility, and environmental conservation.*" (INDX)

The quote shows that the company explicitly states its responsibilities not only economically but also socially and environmentally as part of its business ethics commitment to all stakeholders. Other examples of narratives that support this theme are:

"*This report reflects the company's commitment to supporting sustainable development and creating long-term value for all stakeholders.*" (INTA)

This narrative emphasizes that the sustainability report itself is a tangible manifestation of the company's responsibility to stakeholders, as well as a form of transparent communication of the company's efforts to create shared value. In general, the narrative on this theme shows how the company strives to build harmonious, fair, and sustainable relationships with all its stakeholders, in line with the principles of long-term business sustainability.

3. Transparency and Accountability

The theme of transparency and accountability was found in 40 companies with 61 narratives. This theme shows that most companies prioritize information disclosure and a willingness to take responsibility for their sustainability activities. The narrative encoded in this theme usually explains the statement about the importance of corporate disclosure not only in financial statements, but also in reporting the company's sustainability performance, decision-making process, and willingness to be evaluated internally and externally. One example of a narrative that supports this theme is:

"*We are committed to transparency in the face of the current decline in turnover and believe that an honest evaluation of the company's condition is the first step towards recovery.*" (PIPA)

This quote reflects the company's attitude of prioritizing information disclosure even in challenging situations, as part of efforts to build stakeholder trust and improve company performance in a sustainable manner.

Another narrative that reinforces this theme comes from the INDX company: "*Transparency for us is not just the disclosure of financial information, but also openness in every decision-making process. Accountability is a principle that we uphold in every aspect of our operations.*" (INDX)

This quote shows how companies view transparency and accountability as core values underlying the entire business process, not just as a formal obligation to report on performance. Overall, the narrative in this theme shows that companies are striving to build a management system that is open, accountable, and responsive to evaluation, both internal and external, as part of sustainability governance principles.

4. Value-Based Decision-Making

The theme of value-based decision-making was identified in 12 companies with 15 narratives. This theme is one of the themes with the least narrative distribution in the analyzed data. The narratives in this theme reflect the company's efforts to prioritize moral values, ethical principles, or fundamental beliefs as the basis for strategic sustainability decision-making. Most of the narratives on this theme raise corporate decisions that explicitly consider the principles of justice, integrity, common welfare, humanity, and long-term sustainability as the foundation of every strategic policy. For example, one of the companies stated:

"*We also uphold the principle of independence in decision-making, to ensure that every decision is based on the best interests of the Company and its stakeholders, without undue influence or pressure.*" (INDX)

The decision shows how the company prioritizes the value of independence, which is putting the best interests with top priorities, and rejects inappropriate intervention in decision-making. In addition, the narrative in this theme mentions the company's policy of refusing to cooperate with business partners that violate human rights, or choosing environmentally friendly production technology even though it costs more. These narratives suggest that companies in this theme seek to highlight the moral commitment that underpins their sustainability strategic decisions, even though they may not be formally required by external regulations or norms.

5. Increased Professionalism and Human Values

The theme of increasing professionalism and human value is found in 12 companies with 20 narratives. This theme emphasizes strengthening the capacity of human resources and appreciation for human values in their sustainability operations. The narrative in this theme often speaks to the company's efforts to develop employee capacity through training programs, skills development, and continuing education as part of a sustainability strategy. In addition, some of the narratives underscore the company's commitment to the protection of workers' rights, employee welfare guarantees, and the implementation of non-discrimination policies in the workplace. One example of a narrative encoded in this theme is as follows:

> "*The implementation begins with the identification of improvement areas in all business lines, followed by the preparation of specific work programs such as supply chain optimization, process digitalization, and strengthening human resource capabilities.*" (PIPA)

The quote describes the company's efforts to strengthen its human resources capabilities through a structured work program, which focuses not only on process efficiency but also on increasing human resource capacity as part of its sustainability strategy.

Other narratives that represent this theme mention:

> "*The Company is also committed to respecting human rights by running a fair and equal employment system and striving to create a safe, decent and healthy work environment for all employees.*" (SYDNEY)

This narrative demonstrates the company's commitment to ensuring that human values and the principles of justice are truly applied in employment practices. In addition to upholding equality, the company also emphasizes the importance of creating a work environment that supports the physical and psychological well-being of employees. Overall, the narrative in this theme reflects the company's efforts to build a work culture that values human dignity, empowers employees, and supports their professional and personal growth as part of the sustainability agenda.

6. Social and Environmental Responsibility

The theme of social and environmental responsibility was recorded in 11 companies with 17 narratives. This theme is the theme with the least narrative distribution in the analyzed report. The narrative of this theme contains an explanation of the company's programs or policies that directly contribute to environmental conservation, community empowerment, and support for sustainable development.

One example of a narrative encoded in this theme is as follows:

> "*The Company also strives to reduce negative impacts on the surrounding environment, both through sustainable natural resource management and through reforestation and nature conservation programs.*" (AMFG)

This narrative reflects the company's commitment to minimizing environmental impacts with a more responsible approach to conservation and resource management. This effort is carried out as part of the company's sustainability strategy to balance the ecosystem in its operational area. Other narrative examples that reinforce this theme are:

> "*The company is also designed to replace various traditional building products that have higher carbon emissions. Impack products are more environmentally friendly and have the benefit of ease of installation. The commitment to provide sustainable building product solutions is also realized through the establishment of PT Sirkular*

Karya Indonesia. This unit carries green initiatives and focuses on recycling low-value waste into value-added building products with low carbon emissions." (IMPC)

This narrative shows the company's innovation in presenting products that are not only functional but also oriented towards environmental sustainability. In general, the narrative in this theme explains how companies do not only run social or environmental CSR programs as a formality, but really strive to present solutions and initiatives that have a positive impact on the long term for society and the environment.

Thematic Meaning Analysis and *Moral Reasoning Tendencies*

This section discusses the moral meaning contained in the narrative of the sustainability report of industrial sector companies which has been coded into six *moral reasoning themes*. The analysis was carried out to connect the meaning of the theme with *the Cognitive Moral Development* (CMD) stages of Kohlberg, so that the company's moral reasoning tendencies in the preparation of sustainability reports can be identified.

Tahap Pre-Conventional

The pre-convention*al* stage in *the theory of Cognitive Moral Development* (CMD) proposed by Lawrence Kohlberg describes the earliest and most basic form of *moral reasoning*. At this stage, individuals or entities such as companies judge the right or wrong of actions solely based on the direct consequences for them. *Moral reasoning* at this stage is not based on social norms, universal ethical principles, or considerations of shared values. Instead, actions are chosen out of fear of punishment, want to avoid losses, or want to gain personal gain.

The pre-conventional stage is usually divided into two sub-stages:

1. The stage of obedience and punishment, in which moral actions are taken to avoid punishment or direct negative consequences.
2. The reward orientation stage, where the action is chosen because it benefits oneself or there is a promise of a certain reward.

The main characteristic of this stage is an egocentric nature. In the context of the individual, morality has not developed into concern for others or social structures. Meanwhile, in the context of an organization or company, this stage can be reflected if the company carries out sustainability measures only to avoid sanctions, or simply to obtain practical benefits for its internal interests, without being based on a broader awareness of moral values.

Based on the results of data processing on the narrative of sustainability reports of industrial sector companies, no narratives or themes were found that explicitly reflected the *moral reasoning* of *the pre-conventional stage.* There is no narrative to suggest that companies implement sustainability programs solely out of fear of punishment or out of expectation of immediate rewards. This is natural and understandable when looking at the function and character of the sustainability report itself. A sustainability report is essentially an external communication document that aims to build a positive image of the company in the eyes of the public, regulators, and other stakeholders. This document is a medium to show the company's commitment to the principles of governance, sustainability, and social responsibility.

Therefore, companies tend to highlight narratives that depict formal compliance, moral commitment, and positive contributions to society and the environment. Narratives that show low or superficial motivation such as actions that are only done to avoid punishment or seek momentary gain will not be exposed in publicly accessible official reports. In addition, in the context of modern business ethics, especially in companies that are mature in governance, *the pre-conventional* stage is no longer the main basis for formulating sustainability policies or programs. Large companies that have the status of issuers in the capital market, compile sustainability reports to demonstrate their added value and commitment to global sustainability principles, not just to meet minimum obligations or avoid sanctions.

However, even though there is no explicit narrative that shows *pre-conventional* moral reasoning, it does not mean that there is absolutely no hidden motivation in *pre-conventional* company operations.For example, there may be companies that run more sustainability programs due to market pressures, regulatory obligations, or to obtain certain incentives. Motivations like this are not publicly stated in sustainability reports. Methodologically, this reminds us that sustainability reporting is a construction of strategic communication. Therefore, *the analysis of moral reasoning* in documents like this tends to find the dominance of *moral reasoning* at the *conventional* and *postconventional* levels, because the narrative built aims to show obedience, social responsibility, and commitment to universal moral principles.

Tahap *Conventional*

The *conventional stages* in the theory *of Cognitive Moral Development* (CMD), according to Kohlberg, describe a form *of moral reasoning* that develops from an orientation on personal interests to an orientation to a broader social norm and system. At this stage, moral actions are no longer carried out to avoid punishment or to obtain personal rewards, but to meet social expectations, gain approval from others, and comply with applicable legal rules or norms. *Conventional moral reasoning* is divided into two main sub-stages, namely:

1. Good boy/good girl orientation (stage 3): moral actions are taken to gain approval, maintain a good image in the eyes of others, and meet the expectations of the group.
2. Law and order orientation (stage 4): *moral reasoning* is based on obedience to the law and formal obligations in order to maintain social order.

In the company's sustainability report of the industrial sector, the majority of the themes and narratives identified reflect *the conventional stages.* This is because sustainability reports are indeed prepared as a form of formal accountability as well as strategic communication to the public to show that the company complies with the rules, meets stakeholder expectations, and maintains good reputation.

a. Ethical and Compliance Commitments

The themes of ethical and compliance commitment are very dominant in the sustainability report. The narrative in this theme highlights how the company strives to ensure that all its activities and operations run in accordance with national regulations, international standards, and the principles of good corporate *governance* (GCG). The moral values contained in this theme are the company's orientation to fulfill formal obligations, maintain social order, and comply with the law as a form of moral legitimacy before the public, regulators, and other stakeholders. This theme is clearly in line with stage 4 (*law and order orientation*). The company views compliance with laws and regulations as essential to maintain social order and business sustainability. Narratives that support this theme often cite compliance with capital market regulations, global sustainability reporting standards such as GRI, or the achievement of certain certifications as evidence of compliance and a company's ethical commitment.

b. Responsibility to Stakeholders

The theme of responsibility to stakeholders contains a narrative that affirms the company's commitment to meet the expectations of various parties interested in the company's existence, such as employees, consumers, business partners, the surrounding community, and the government. The moral values underlying this theme focus on building and maintaining good relationships, gaining approval, and fostering trust. This theme reflects stage 3 (*good boy/good girl orientation*), as companies tend to emphasize the image of a good, responsible, and trustworthy organization. The narrative in this theme often highlights CSR programs, social initiatives, community empowerment, and environmentally friendly product innovation as a form of the company's concern for stakeholder needs and expectations. The company seems to want to be seen as a "good member of corporate society" who behaves according to social values and norms.

c. Transparency and Accountability

The theme of transparency and accountability underlines the company's commitment to be open in conveying information both related to financial and sustainable aspects. In addition, the company also affirms its willingness to take responsibility for every policy, action, and performance outcome. Transparency in this case is not only a form of formal openness, but also a means for companies to build public and stakeholder trust. This theme reflects a combination of stage 3 and stage 4. In stage 3, transparency is implemented as an effort to gain trust and approval from stakeholders, while in stage 4, transparency and accountability are carried out as part of fulfilling formal obligations in good governance. The narrative in this theme often emphasizes the importance of honest reporting, open performance evaluation, and willingness to accept criticism or input as a form of corporate moral and social responsibility.

Post-Conventional Stages

The *post-conventional stage* in the theory *of Cognitive Moral Development* (CMD) proposed by Lawrence Kohlberg describes the most mature form *of moral reasoning*. At this stage, moral action is no longer based solely on adherence to formal rules or social expectations, but rests on universal moral principles, social contracts, and belief in ethical values that apply across contexts and cultures. *Post-conventional moral reasoning* marks the realization that laws and rules are critically examined, and that justice, human rights, and the common good are the cornerstones of decision-making.

This stage is divided into two sub-stages:

1. Social contract orientation (stage 5), where moral action is based on social agreement and respect for the values of justice, freedom, and collective well-being.
2. Universal ethical principles (stage 6), where actions are taken based on universal moral principles (such as justice, equal rights, and respect for human dignity), even if they are contrary to the prevailing positive law.

a. Value-Based Decision-Making

The theme of value-based decision-making in sustainability reports shows how some companies assert that their strategic decisions are not only geared towards fulfilling formal obligations, but also based on higher moral principles. Values such as integrity, justice, independence, and sustainability are the main compasses in decision-making. In this case, the company rejects any improper intervention and seeks to ensure that every decision is taken in the best interest of all parties involved, not just to meet formal norms. This theme is in line with stage 5 (*social contract orientation*), as companies position themselves as part of the broader social community and make decisions based on mutually agreed values for the collective good. In some narratives, there are even indications of stage 6 (*universal ethical principles*), for example when a company affirms its commitment to justice or rejects business practices that are contrary to human rights principles, even though they are not expressly regulated in law. This reflects moral *reasoning* that puts universal morality above short-term interests.

b. Increased Professionalism and Human Values

The theme of improving professionalism and human values emphasizes the company's respect for human dignity, equality, and individual capacity building as part of moral responsibility. The narrative in this theme often contains the company's commitment to creating a fair, equitable, safe, and supportive work environment for employees. The company not only fulfills legal obligations related to employment, but also strives to uphold broader human values. This theme is in line with stage 5 (*social contract orientation*), because the company emphasizes that every individual in the organization has rights, obligations, and dignity that must be respected for the sake of creating common prosperity. Its commitment to training, professional development, and non-discrimination policies shows that companies view sustainability not only as a matter of economic gain, but also as a contribution to a more just and humane social civilization.

c. Social and Environmental Responsibility

The theme of social responsibility and sustainability describes the company's efforts to make a positive contribution to society and environmental conservation voluntarily, not just to comply with formal obligations. The narrative in this theme often contains the company's commitment to reducing environmental impact, managing resources responsibly, and innovating to present products that support sustainability. This theme is very consistent with stage 5 (*social contract orientation*) because the company displays *moral reasoning* that places sustainability, community welfare, and common interests as top priorities. Companies view their existence as part of a binding social contract with society and the environment. A commitment to green initiatives, recycling programs, or local community empowerment are concrete examples of how a company translates collective moral values into its business strategy.

General Patterns *of Moral Reasoning* and Their Implications

Overall, the results of this study show that the sustainability narrative in industrial sector company reports in Indonesia is dominated by moral reasoning patterns at the *conventional* stage in Kohlberg's *Cognitive Moral Development* (CMD) theory. This can be seen from the dominance of themes and narratives that emphasize compliance with regulations, *good corporate governance* (GCG), transparency in reporting, and responsibility to stakeholders. Themes such as ethical and compliance commitments, responsibility to stakeholders, and transparency & accountability dominate sustainability reporting, reflecting that companies generally portray cira as a responsible, law-abiding entity, and striving to meet social expectations. The narrative that is built portrays the company as a *good corporate citizen* who obeys the law and contributes to social order.

This orientation to *conventional moral reasoning* is in line with the purpose of sustainability reporting as a formal communication medium designed to gain public trust, fulfill regulatory obligations, and secure corporate social legitimacy. The company wants to ensure that the public, regulators, and stakeholders view them as trustworthy entities that are worthy of sustainability and sustainability. Meanwhile, narratives that indicate *post-conventional* moral reasoning *only* appear in a relatively small portion. Themes such as value-based decision-making, improving professionalism and human values, and social and environmental responsibility were found, but their distribution was limited when compared to conventional themes. The narrative on this theme shows a commitment to universal moral principles, such as respect for human rights, social justice, equality, environmental sustainability, and cross-generational interests.

The fact that *post-conventional moral reasoning* has not yet become mainstream in the sustainability narrative shows that despite the efforts of some companies to promote intrinsic ethical values and higher moral awareness, this is a minority tendency. In many cases, commitment to universal moral values is more often narrated as an adjunct to reinforce a good image, rather than as the primary foundation of a company's strategic decision-making. These findings show that sustainability reports in the industrial sector in Indonesia are currently still functioning as a tool of legitimacy and normative communication rather than as an in-depth reflection on the universal moral consciousness that is integrated into business strategy. This should be of concern to stakeholders, regulators, and business ethics drivers to encourage companies to internalize sustainability principles not only at the level of formal compliance, but also to the realm of intrinsic value that the company truly lives by in all aspects of its operations.

In addition, the dominance of *conventional moral reasoning* also shows the importance of strengthening a governance ecosystem that is able to direct companies not only to comply with regulations, but also to encourage innovation based on universal moral principles. This can be achieved through policy incentives, an emphasis on principles-based sustainability reporting (e.g. stricter GRI standards or ESG *disclosure* with global ethical benchmarks), and increased sustainability ethics literacy among business people. Thus, the general pattern of *moral reasoning* found in this sustainability report is also a reflection of the level of maturity of corporate ethics in

Indonesia. This pattern provides direction for the next strategic steps so that the company's sustainability is not only seen as a normative obligation, but really becomes part of the corporate culture based on the moral reasoning of the post-conventional stage.

Discussion

The results of this study show that *the moral reasoning* that underlies the narrative in the sustainability report of industrial sector companies in Indonesia is mostly at the *conventional* stage, in accordance with *the Cognitive Moral Development* (CMD) theory from Kohlberg. At this stage, moral actions are carried out to meet social, legal, and external expectations, rather than solely based on universal moral principles. This is reflected in the dominance of the themes of Ethical and Compliance Commitment, Responsibility to Stakeholders, and Transparency and Accountability in the analyzed sustainability reports. This trend is in line with previous research showing that CSR disclosure in Indonesia often serves as a symbolic strategy to strengthen corporate legitimacy, even to mask profit management practices (Santoso, 2022). Similarly, the disclosure of social and environmental responsibility is heavily influenced by the ownership structure of the company and is more geared towards meeting the economic interests of the capital owner than as a reflection of universal moral values (Dewi & Honggowati, 2023).

Manager morality is also an important factor in supporting sustainable decision-making, as stated in research conducted by Yang & Ha-Brookshire (2021). Meanwhile, the *moral reasoning* that CEOs demonstrate in social responsibility reports often remains rooted at the conventional stage, even if it is influenced by company values and external pressures (Garcia-Ortega *et al.*, 2022). Sustainability reports are essentially used as a communication channel to demonstrate social legitimacy and communicate a company's sustainability commitment (Amoah & Eweje, 2023).

Some studies have also shown that companies that are environmentally proactive tend to feel a moral obligation to be responsible for their social and environmental impacts. This can be seen in companies that take the initiative to express CSR more than just an obligation, but as part of the moral values held (Morrison *et al.*, 2022). Even so, the results of this study show that the themes of *moral reasoning* in *the post-conventional* stage such as Value-Based Decision Making and Social and Environmental Responsibility are not dominant.

The company's commitment to compiling sustainability reports shows that there are efforts to respond to the expectations of the community and stakeholders more broadly. Research shows that sustainability reports are not only a tool to meet legal demands, but also as a medium for companies to build social added value and maintain legitimacy in the eyes of stakeholders (Omotilewa *et al.*, 2024). However, the results of this study still confirm that *conventional* moral reasoning *dominates* sustainability reporting in Indonesia today and that universal moral values are only beginning to be seen in a small number of companies.

CONCLUSION

This study concludes that *the moral reasoning* reflected in the sustainability report of industrial sector companies in Indonesia is mostly at the *conventional* stage in the theory of moral development. The narrative in the report reflects more of the themes of ethical and compliance commitment, responsibility to stakeholders, and transparency and accountability. This shows that companies tend to compile sustainability reports to meet regulations, gain social legitimacy, and respond to external expectations. Themes that reflect post-conventional *moral reasoning,* such as decision-making based on universal moral values, do exist but are not yet dominant.

These findings indicate the need for further efforts to encourage the internalization of universal moral values in corporate sustainability strategies. This is a common challenge for regulators, professional associations, and companies to strengthen sustainability ethics literacy and make sustainability reporting a form of true moral commitment, not just a compliance formality. This study has limitations in the scope of analysis which only includes narratives in the 2024 sustainability report of industrial sector companies. Future research suggests extending the object to other sectors, or combining it with primary data such as manager interviews to enrich understanding of how *moral reasoning* influences sustainability practices in real terms, not just at the reporting level.

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