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Disclosures in integrated reporting in Indonesia: Do corporate governance and ownership structures matter?

Heri Yanto[1+]
Ain Hajawiyah[2]
Niswah Baroroh[3]
Ahmad Fadhly bin Arham[4]

[1,2,3]*Accounting, Faculty of Economics and Business, Universitas Negeri Semarang, Semarang, Jawa Tengah 50229, Indonesia.*
[1]*Email: heri.yanto@mail.unnes.ac.id*
[2]*Email: ainhajawiyah@mail.unnes.ac.id*
[3]*Email: niswahbaroroh@mail.unnes.ac.id*
[4]*Faculty of Business and Management, Universiti Teknologi MARA, Cawangan Melaka, Malaysia.*
[4]*Email: ahmad490@uitm.edu.my*

(+ Corresponding author)

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ABSTRACT

This study aims to analyze the impact of corporate governance and ownership structure on implementing elements of integrated reporting (IR) in the annual reports and sustainability reports of firms in Indonesia. This study includes corporate governance elements such as the size of the board of directors, the independence of the board of commissioners and the presence of audit and risk management committees. Meanwhile, the ownership structures examined in this study are institutional ownership and managerial ownership. The data were obtained through the content analysis of firms' annual and sustainability reports. This research uses secondary data from the firms' websites and the Indonesia Stock Exchange (IDX) website. The data were then analyzed further using multiple regression analysis. The results show that only the risk management committee positively affects IR disclosure. At the same time, other independent variables do not affect IR disclosure. All control variables positively affect IR disclosure. This study adds to the literature by demonstrating that the risk management committee, firm size, profitability and leverage influence the extent of integrated reporting disclosure. This research contributes to corporations by illustrating that a risk management committee can enhance the importance of IR disclosure in Indonesia.

Contribution/Originality: This is the first study that examined the extent of integrated reporting information disclosed in Indonesian firms' annual and sustainability reports. This study uses independent variables that combine corporate governance elements and ownership structure. Previous studies only examined these factors separately. Most prior research has concentrated on elements of corporate governance in developed countries. However, limited studies have explored the effect of ownership structure on the level of IR disclosure especially in developing countries.

1. INTRODUCTION

Nowadays, companies have expanded their focus beyond just economic concerns, recognizing their influence in societal and environmental areas. Stakeholders increasingly demand more extensive information especially the non-financial aspects of firms' activities (Velte & Stawinoga, 2017). In Indonesia, many companies publish corporate social responsibility (CSR) and sustainability reports separately from their annual reports (Sebrina, Taqwa, Afriyenti, & Septiari, 2023). This situation means that there are several areas for improvement, one of which is the reduced usefulness of the report. The information in annual reports (AR) and sustainability reports (SR) commonly called conventional reporting comprises financial and non-financial components. However, it lacks integration and only portrays historical performance, neglecting insights into future risks and objectives. Consequently, it does not facilitate informed decision-making by stakeholders (Suttipun & Bomlai, 2019).

Voluntary disclosure which consistently details company activities is a way for companies to enhance their public legitimacy (Hummel & Schlick, 2016). Thus, the benefit of the information provided by the company becomes added value. Shareholders and stakeholders want a report that presents an overall picture of the short-, medium- and long-term condition in a report format.

Integrated reporting (IR) provides forward-looking insights through the following six core elements: organizational overview and external environment, business model, governance, risks and opportunities, strategy and resource allocation, and performance (International Integrated Reporting Council, 2013). It was designed to address criticisms that traditional reporting models inadequately reflect a company's prospects, strategy and value creation (Lodhia & Stone, 2018). IR offers a comprehensive view of long-term performance by integrating multiple perspectives, business models, and value creation processes unlike stand-alone sustainability or social responsibility reports (Burke & Clark, 2016). The goal of IR is to deliver clear, cohesive disclosures and enhance strategic communication. It also explains how a company interacts with its external environment and manages various forms of capital to enhance value creation (Mullins & Schoar, 2016).

Governance mechanisms are essential in monitoring the information disclosed outside the firm ensuring the stakeholder's rights (Shu & Chiang, 2020). Disclosure of company reports transparently is encouraged by Good Corporate Governance (GCG). GCG can minimize agency conflicts between shareholders as owners and management as managers. One of the key principles of GCG is transparency. GCG can encourage companies to disclose more extensive information by implementing IR disclosure items that are more transparent. Governance plays a significant role in a firm's ability to adopt IR.

GCG can encourage the transparent disclosure of company reports. The Organization for Economic Cooperation and Development (OECD) defines corporate governance as managing and regulating business corporations. It defines how rights and responsibilities are allocated among various stakeholders, including the board, management, shareholders and others. This framework establishes the rules and procedures for corporate decision-making and outlines the structure for setting, pursuing, and monitoring company objectives.

The board of directors is crucial in protecting stakeholders' interests by ensuring that information is shared to mitigate problems associated with information asymmetry and avoid opportunistic behavior by agents (Fuente, García-Sanchez, & Lozano, 2017). Larger boards might struggle to gain consensus on identifying critical issues related to materiality disclosures which can result in less effective materiality disclosures (Fasan & Mio, 2017). In contrast, Frias-Aceituno, Rodríguez-Ariza, and Garcia-Sánchez (2014) contended that firms with larger board sizes have more experienced directors with varied expertise which improves the IR.

Independent commissioners can pressure companies to provide more comprehensive integrated reporting and enhance transparency (Ofoegbu, Odoemelam, & Okafor, 2018). The audit committee actively reviews both financial and non-financial reports to ensure consistency and prevent contradictions between them so positively related to IR disclosure (Haji & Anifowose, 2016).

A specialized risk management committee can improve the information transparency related to risks therefore affecting IR disclosure (Tao & Hutchinson, 2013). The risk management committee is one of the company's committees responsible for risk assessment and response. Similar research has been conducted by Dilling and Caykoylu (2019) and Chariri and Januarti (2017).

Institutional shareholders' presence forces management to improve disclosure quality, satisfy information needs, and minimize information asymmetry. Numerous institutional shareholders motivate companies to produce higher-quality integrated reports (Raimo, Vitolla, Marrone, & Rubino, 2020). Eng and Mak (2003) also concluded that a high company's shares owned by management have a negative impact on the information presented.

Most previous research has focused on specific aspects of corporate governance such as the board of directors' characteristics, risk management, and audit committees primarily in developed countries. However, research examining the impact of ownership structure on the extent of Integrated Reporting (IR) disclosure remains limited. Raimo et al. (2020) investigated the influence of managerial, institutional, and state ownership on IR finding that institutional ownership positively impacts IR while state and managerial ownership have negative effects.

This research uniquely studies the effects of CG and ownership structure on IR in Indonesia. Previous research has shown that a company's ownership structure is important because it enhances internal control and can serve as a mechanism for improving information disclosure (Ghaleb, Kamardin, & Tabash, 2020). Therefore, this issue necessitates a more in-depth analysis.

Indonesia has mandated that firms publish annual reports on the IDX or Indonesia Stock Exchange. Firms can publish CSR-related information in their annual report or separately in a stand-alone sustainability report. However, Indonesia has not yet mandated IR disclosure for IDX-listed firms. Firms should be prepared to disclose the information in Integrated Reporting (IR) to quickly adapt to the IR framework with the possibility of switching from a sustainability report to an IR. The determinants of IR disclosure in Indonesia are interesting topics to research.

This paper is structured as follows: Section 2 reviews the literature and the development of hypotheses, followed by the methodology described in section 3. Section 4 details the study's findings and discussion, and section 5 concludes with a summary of the findings, limitations, and recommendations for future research.

2. LITERATURE REVIEW and HYPOTHESIS DEVELOPMENT

This section summarizes the development of hypotheses based on theory and previous study findings. The results from earlier studies have been inconsistent indicating that the impact of independent variables on dependent variables remains inconsistent.

The board of directors is accountable for effectively managing the company to meet the objectives established by the owner (Kusmayadi & Hermansyah, 2018). The size of the company's board of directors will affect the corporate disclosure level. Indonesia's Financial Service Authority (FSA) requires a minimum of two directors according to 33/PJOK.03/2014. Suttipun and Bomlai (2019) and Qashash, Hapsari, and Zultilisna (2019) concluded that the size of the board of directors has a positive effect on the scope of IR. Vitolla, Raimo, Marrone, and Rubino (2020) discovered that having female directors, non-executive members and a larger board size improved the quality of Integrated Reporting (IR).

Some research indicates that smaller boards are more effective at monitoring compared to larger boards as the latter may struggle to reach agreements and thus have poorer disclosures (Fasan & Mio, 2017). Other studies by Prado-Lorenzo and Garcia-Sanchez (2010) and Alnabsha, Abdou, Ntim, and Elamer (2018) concluded that board size negatively affects information disclosure quality. Larger boards may face inefficiencies due to challenges in coordination and communication (Said, Hj Zainuddin, & Haron, 2009).

Conversely, Akhtaruddin, Hossain, Hossain, and Yao (2009) argued that a larger board size could be more effective in governance by reducing managerial opportunism, thereby increasing voluntary corporate disclosure and transparency. Frias-Aceituno et al. (2014) observed that larger board sizes consist of experienced directors with various backgrounds which can enhance the integrated report. Similarly, Wang and Hussainey (2013) reported a positive relationship between board size and the relevance and integration of company information. Alfraih (2018) confirmed a positive relationship specifically for intellectual capital disclosure. Furthermore, Busco, Firgo, Riccaboni, and Quattrone (2013) found that larger board sizes positively impact the integration reporting index.

Vitolla et al. (2020) also confirmed this conclusion in the context of integrated reporting. Qu, Janssen, and Shi (2015) identified a significant positive impact of board size on information disclosure quality.

We can conclude that there are two opposite arguments regarding the effect of board size on the scope of IR disclosure. Previous studies found that board size affects IR disclosure positively while other studies affect it negatively. However, this study emphasizes the positive relationship because larger boards have more experienced directors with different backgrounds so that it can improve the extent of IR disclosure.

H_1: The size of a board of directors positively affects the scope of IR.

Independent commissioners are those who are not affiliated with the company and have no business or family ties with controlling shareholders, members of the board of directors, or the board of commissioners. Independent commissioners oversee company activities to voice the interests of debtors, creditors, and other stakeholders following Financial Service Authority Regulation 57/POJK 04/2017. Independent commissioners can pressure companies to disclose broader IR to achieve transparency. Ofoegbu et al. (2018), Yulyan, Yadiati, and Aryonindito (2021) and Mawardani and Harymawan (2021) concluded that board independence has a positive effect on the broad scope of IR.

There is a positive relationship between independence of the board and disclosure (Alfraih, 2018; Prado-Lorenzo & Garcia-Sanchez, 2010; Rao & Tilt, 2016) board independence and forward-looking disclosures (Liu, 2015). Additionally, Al-Dah, Dah, and Jizi (2018) demonstrated that an independent board leads to increased social disclosure which has a positive impact on firm performance. Previous studies have suggested that external board members play a role in encouraging companies to engage in voluntary disclosure (Elfeky, 2017). Ong and Djajadikerta (2020) determined a favorable relationship between independent directors and sustainability disclosure among listed companies in Australia. Independent commissioners can compel firms to provide broader and more information to promote transparency and encourage voluntary disclosure. We propose the following hypotheses:

H_2: The board of commissioners' independence positively affects the scope of IR.

The audit committee is formed by and reports to the board of commissioners to help carry out the board's duties and functions as specified in 55/POJK.04/2015. It is commonly linked to the quality of financial reporting (Lisic, Silveri, Song, & Wang, 2015). The audit committee actively reviews both financial and non-financial reports to ensure consistency and prevent contradictions (Haji & Anifowose, 2016; King, 2009). The audit committee oversees company activities including reporting. Chariri and Januarti (2017) and Adiwibowo and Ifnapiya (2020) concluded that the audit committee influences the broad scope of IR positively.

This committee is an integral component of the corporate governance framework contributing to resolving issues related to agency conflicts (Cohen, Hoitash, Krishnamoorthy, & Wright, 2014). Additionally, it is critical to conduct oversight duties (Rahim, Johari, & Takril, 2015). Be´ Dard, Chtourou, and Courteau (2004) suggested that these committees are better equipped to mitigate potential issues in the financial reporting process due to the broader perspectives and collective expertise within more prominent audit committees. This enhanced monitoring capacity is supported by Li, Mangena, and Pike (2012). The audit committee is responsible for monitoring all business operations including reporting. More prominent audit committees are more capable of reducing possible problems in the reporting procedure. So, we hypothesize that

H_3: The audit committee positively affects the scope of IR.

Establishing a risk management committee could drive firms to enhance their disclosure practices particularly regarding firms' risks. Organizations that have dedicated risk management committees aim to give thorough, helpful information to stakeholders focusing on relevant risk-related details and how they are anticipated. On the other hand, the audit committee may require additional expertise to manage emerging risks in a volatile business environment (Al-Hadi, Hasan, & Habib, 2016). A separate risk management committee could improve transparency of the information related to a firm's risk (Tao & Hutchinson, 2013).

Risk management aims to safeguard the company's value, thereby ensuring the sustainability of the firm. Consequently, it is crucial to thoroughly incorporate risk-related matters into the integrated report. Furthermore, companies producing integrated reports should insist on the presence of an enterprise risk management system. Research by Bertinetti and Gardenal (2016) revealed a growing trend in companies issuing integrated reports and implementing risk management systems over time. A study by Yanto and Hajawiyah (2022) also found that risk management committees positively affect the scope of IR disclosure.

Companies with separated risk management committees try to give decision-makers comprehensive and insightful information, particularly relevant data about company risks and how they anticipate them. So, we propose the following hypotheses:

H_4: The risk management committee positively affects the scope of IR.

Institutional ownership is company ownership by banks, limited liability companies, insurance companies, investment companies, pension funds, foundations, and other institutions. Increasing institutional ownership leads to stricter supervision of management performance by the institutions, thereby reducing agency conflicts (Sofiamira & Haryono, 2017). Suttipun and Bomlai (2019) concluded that institutional ownership positively affects the broad scope of IR.

The existence of institutional investors with their significant holdings creates a strong incentive for actively supervising disclosure policies (Barako, Hancock, & Izan, 2006). This incentive motivates management to disseminate a larger volume of information which can effectively address the information requirements of these influential institutional shareholders (Barako et al., 2006). Consequently, the intensified oversight conducted directly by institutional shareholders and their keen interest in disclosure can drive companies with substantial institutional ownership to offer more comprehensive information in their integrated reports.

Institutional shareholders are exceptionally well-equipped for efficient and cost-effective monitoring due to their professional qualifications. Their monitoring activities also encompass the evaluation of disclosure policies (Raimo et al., 2020). As a result, the presence of institutional shareholders pressures management to improve disclosure, address information needs and reduce information asymmetry. Additionally, multiple institutional shareholders further encourage firms to produce integrated reports with better quality (Barako et al., 2006; Raimo et al., 2020; Rouf & Harun, 2011).

Institutional shareholders are particularly suitable for effective oversight because of their professional qualifications. Institutional shareholders' presence forces management to improve disclosure quality and minimize information asymmetry. We propose the following hypotheses:

H_5: Institutional ownership positively affects the scope of IR.

Managerial ownership seeks to align managers' interests with those of the shareholders ensuring that managers' acts according to the shareholders' objectives can reduce agency conflicts. Managerial ownership has a supervisory role in the company's overall activities. Each of these elements works together and can solve existing problems within the company including agency problems and information asymmetry.

Consistent with Jensen and Meckling (1976) external shareholders require greater oversight when managerial ownership decreases. This situation amplifies the information asymmetry between ownership and management, prompting shareholders to seek more extensive monitoring. Furthermore, Eng and Mak (2003) discovered that managerial ownership has a negative effect on the information disclosed. Consequently, higher levels of managerial ownership result in reduced information content within integrated reports (Raimo et al., 2020). In European companies, a substantial level of managerial ownership is linked to a diminished degree of voluntary disclosure which includes integrated reporting (IR). Additionally, these managers are inclined to withhold essential information from external parties as they prioritize channeling the company's advantages towards their interests rather than extending them to external shareholders as documented by Zouari and Dhifi (2022).

Managerial ownership tends to keep important information from other parties since they are more inclined to concentrate the company's benefits in their own pockets than distribute them to outside shareholders.

H6: Managerial ownership negatively affects the scope of IR.

The larger the firm's size, the greater the agency conflict. Large companies have high political costs that require broader disclosure (Lee & Yeo, 2016). Companies with high leverage disclose more extensive information to meet creditors' demands (Lan, Wang, & Zhang, 2013). Companies audited by large public accounting firms have excellent intentions to disclose more extensive information (Uyar, Kilic, & Bayyurt, 2013). Botosan and Plumlee (2000) concluded that firm size positively affects the extent of voluntary disclosure. Agency theory supports this suggesting that larger firms present more extensive information to manage the political costs (Sierra-García, Zorio-Grima, & García-Benau, 2015).

More profitable companies are likely to disclose more information and offer higher-quality information compared to less profitable ones (Lopes & Coelho, 2018). According to agency theory, creditors demand more information as debt increases because they try to minimize the information asymmetry. Companies that need external funding will voluntarily disclose information based on the theory of capital requirements. Previous studies have shown that voluntary sustainability disclosures are positively correlated with corporate debt levels. One study found that this only applies to the disclosure of financial information (Gallego-Álvarez & Quina-Custodio, 2016).

Figure 1 shows the research framework of this study.

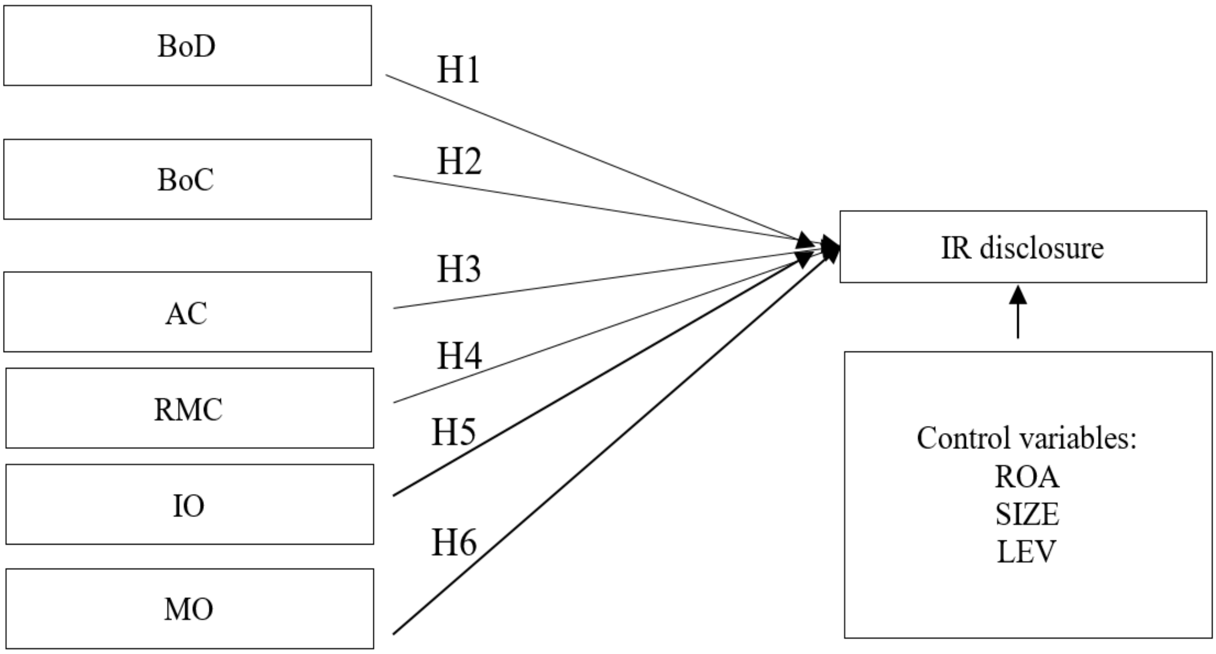

Figure 1. Research framework.

BOD: Board of directors' size.

BOC: Board of commissioners' independence.

AC: Audit committee.

RM: Risk management committee.

IO: Institutional ownership.

MO: Managerial ownership.

SIZE: Firms' size.

PRO: Profitability.

LEV: Leverage.

3. METHODOLOGY

This study used secondary data from the annual and sustainability reports of firms in Indonesia. The population consisted of non-financial companies listed on the Indonesia Stock Exchange in 2019. The year 2019 was selected as it represents the most recent period before COVID-19 was officially declared in Indonesia in 2020. A purposive sampling method was applied to select samples from the population based on specific criteria as detailed in Table 1.

The final sample included 143 firms. Data were analyzed using multiple regression analysis with STATA software following normality and classical assumption tests. This method was deemed appropriate for the research design.

Table 1. Sample selection criteria.

Criteria	Quantity
Non-financial companies listed in IDX	159
Firms without an annual report	(16)
Quantity of samples	143

The dependent variable in this study is IR disclosure. The formula used to calculate the IR disclosure is the amount of information disclosed in the annual and sustainability reports divided by the maximum score in the IIRC framework.

IR disclosure is calculated using the criteria based on IR disclosure items from the IIRC framework. The criteria used follow Cooray, Gunarathne, and Senaratne (2020) comprising 38 items with a total score of 74. A score of one is for disclosed items and zero is for otherwise. The percentage of disclosure is calculated using the following formula (see Equation 1).

$$IR = \frac{\text{Number of items disclosed}}{\text{Total number of items disclosed according to IIRC}} \times 100\% \qquad (1)$$

IR = Level of IR information disclosed in firms' annual reports.

The independent variables in this study were the size of the board of directors, the independence of the board of commissioners, the presence of an audit committee, the presence of a risk management committee, institutional ownership, and managerial ownership. Table 2 shows the definitions of the variables and the operationalization used in this study.

The research equation is shown in Equation 2.

$$IR_{i,t} = \alpha + \beta_1 BOD_{i,t} + \beta_2 BOC_{i,t} + \beta_3 AC_{i,t} + \beta_4 RM_{i,t} + \beta_5 IO_{i,t} + \beta_6 MO_{i,t} + \beta_7 SIZE_{i,t} + \beta_8 PRO_{i,t} + \beta_9 LEV_{i,t} + \varepsilon_{i,t} \qquad (2)$$

IR: Percentage of IR information disclosed in firms' annual and sustainability reports.

BOD: Board of Directors' size.

BOC: Board of Commissioners' Independence.

AC: Audit Committee.

RM: Risk management committee.

IO: Institutional ownership.

MO: Managerial ownership.

SIZE: Firms' size.

PRO: Profitability.

LEV: Leverage.

ε: Error term.

Table 2. Variable definitions and operationalization.

Variables	Symbol	Measurement
Board of directors' size	BOD	Number of board directors' member.
Board of commissioners' independence	BOC	The number of independent commissioners compared to the total number of boards of commissioners (Ningrum & Hendrawati, 2018). Members of the board of commissioners who come from outside issuers or public companies and meet the requirements referred to in FSA regulation number 55/POJK.04/2015.
Audit committee	AC	Number of audit committee members (Diantari & Ulupui, 2016).
Risk management committee	RM	One, if there is a stand-alone risk management committee; 0 otherwise.
Institutional ownership	IO	IO = $\frac{\textit{number of institutional share}}{\textit{number of shares outstanding}}$ Shares held by governments, financial institutions, incorporated institutions, foreign institutions, trust funds, and other institutions (Ningrum & Hendrawati, 2018).
Managerial ownership	MO	MO = $\frac{\textit{Number of shares owned by directors}}{\textit{Number of shares outstanding}}$ The percentage of capital owned by the leaders and the board of directors in the company (Boussaidi & Hamed, 2015).
Firms size	SIZE	Natural logarithm total asset (Dilling & Caykoylu, 2019).
Profitability	PRO	Return on asset (Dilling & Caykoylu, 2019).
Leverage	LEV	Total debt divided by total asset (Dilling & Caykoylu, 2019).

4. RESULTS AND DISCUSSION

Table 3 presents the descriptive statistical result of the data. Table 3 shows that Indonesian companies disclose 40% of IR information in their annual and sustainability reports. This result is acceptable because Indonesia has not made it mandatory for IR. IR is still voluntary in Indonesia on average.

Table 4 demonstrates that the risk management variable significantly influences Integrated Reporting (IR) disclosure. Companies with dedicated risk management committees tend to disclose more IR-related items in their annual and sustainability reports. This finding supports the hypothesis that the presence of a risk management committee positively impacts the extent of IR disclosure in Indonesia. It aligns with the research of Al-Hadi et al. (2016) and Tao and Hutchinson (2013) as well as agency theory which posits that increased disclosure helps companies lower agency costs (Suttipun & Bomlai, 2019). Moreover, the risk management committee plays a crucial role in assessing the methods and assumptions used in providing this information (Richardson, Taylor, & Lanis, 2013).

Table 3. Descriptive statistics.

Variables	Mean	Std. dev.	Min.	Max.
IR	0.403	0.063	0.256	0.540
LNBOD	1.458	0.424	0.693	2.397
BOC	0.414	0.108	0.000	0.744
AC	2.993	0.365	0.000	5.000
RM	0.118	0.324	0.000	1.000
IO	0.737	0.256	0.000	0.999
MO	0.055	0.116	0.000	0.446
SIZE	28.523	1.543	25.495	33.494
PRO	0.046	0.100	-0.400	0.607
LEV	0.191	0.332	0.000	3.575

Variable	% no. of the sample with RM=1	% no. of the sample with RM=0
RM (Dummy variable)	11.88%	88.12%

Table 4. Hypothesis testing result

Variables	Predicted sign	Coef.	P>t	Significance	Decision
BOD	+	0.002	0.427	Not significant	Not supported
BOC	+	0.008	0.433	Not significant	Not supported
AC	+	-0.008	0.292	Not significant	Not supported
RM	+	0.373	0.049	***	Supported
IO	+	-0.011	0.320	Not significant	Not supported
MO	-	-0.036	0.244		Not supported
SIZE	+	0.008	0.015	***	Supported
PRO	+	0.145	0.003	***	Supported
LEV	+	0.027	0.033	***	Supported

Note: ***significance at 1%.

The board of directors' size, board of commissioners' independence, audit committee, managerial ownership, and institutional ownership do not significantly affect IR disclosure. The hypotheses are not supported. This may be because IR in Indonesia is not mandatory. Unlike South Africa, the Indonesian government does not mandate the implementation of the IR framework in firms' reporting. FSA only requires publicly listed companies to publish annual reports with social responsibility disclosure included in that report.

Previous studies demonstrated that the board of directors affects IR positively. However, the result of this study is not in line with previous research by Suttipun and Bomlai (2019), Mawardani and Harymawan (2021) and Qashash et al. (2019) who concluded that the size of the board of directors has a positive effect on the broad scope of IR. This is possible because the company is independent of the number of directors who determine the scope of information disclosure in the annual report. The research results are in line with Fuente et al. (2017), Giannarakis (2014) and Songini, Pistoni, Tettamanzi, Fratini, and Minutiello (2021) who found that the size of the board of directors does not affect the level of CSR disclosure.

The independence of the board of commissioners does not affect IR disclosure because they are concerned with financial disclosure rather than non-financial disclosure stated in IR. This result follows Al-Najjar and Abed (2014) who stated that there is no correlation between a board's independence and disclosure. The weak relationship between board independence and a company's disclosure might be attributed to the limited involvement of independent members in the organization's reporting practices, as they are not directly involved in the company's daily operations (Amran & Manaf, 2014).

The audit committee did not affect the extent of IR disclosure because the audit committee in the sample firms is still concerned with financial and CSR information separately and not in an integrated form. Haji and Anifowose (2016) state that the enhanced monitoring function of more prominent audit committees is not associated with the extent of IR disclosure. This result does not support the study by Chariri and Januarti (2017) and Adiwibowo and Ifnapiya (2020) which concluded that the audit committee positively affects the broad scope of IR.

Institutional ownership in this study did not affect IR disclosure. This result did not follow agency theory and the hypothesis formed. It was argued that institutional shareholders are particularly suitable for effective oversight because of their professional qualifications. Institutional shareholders' presence forces management to improve disclosure. This result is not in line with the study by Raimo et al. (2020), Barako et al. (2006) and Rouf and Harun (2011) because institutional shareholders are more concerned with improving financial performance and disclosure than IR disclosure which is not mandatory in Indonesia.

Managerial ownership did not affect IR disclosure. This result did not support the hypothesis and agency theory. According to agency theory, higher managerial ownership can align the position of managers with shareholders so that they act according to the wishes of that shareholder to reduce agency conflicts (Jensen & Meckling, 1976). Eng and Mak (2003) stated that managerial ownership has a negative impact on the amount of information disclosed. The result of this study implies that managerial ownership may only be concerned with its financial performance and disclosure instead of fulfilling its disclosure under the IR guidelines.

This study shows that all control variables influence Integrated Reporting (IR) disclosure. Specifically, size, profitability, and leverage positively impact IR disclosure. These findings align with previous research. For instance, company size positively affects IR disclosure (Sharif & Rashid, 2014). This result supports agency theory which suggests that larger companies present more extensive information due to their sensitivity to political costs (Sierra-García et al., 2015). High profitability is associated with greater disclosure, as profitable firms seek to differentiate themselves from less profitable ones consistent with Lopes and Coelho (2018). Additionally, firms with high leverage tend to disclose more IR information indicating that creditors require more information to reduce information asymmetry supporting the findings of Gallego-Álvarez and Quina-Custodio (2016).

Generally, only the risk management committee affects IR disclosure. It means that firms with separate risk management committees have broader IR disclosure than firms without separate risk management committees. On the other hand, other governance policies (including BoD size, BOC, audit committee) and ownership structure (institutional and managerial ownership) did not affect the disclosure. This overall result shows that almost all the independent variables did not follow the hypothesis formulated. This may have happened because IR in Indonesia is still voluntary. Control variables are proven to affect IR disclosure levels. Larger, more profitable and more leveraged firms are proven to have more IR disclosure.

5. CONCLUSION

This study aims to analyze the impact of corporate governance and ownership structure on the implementation of IR in Indonesia. IR is the most recent instrument in the context of voluntary disclosure intended to enhance comprehension of a company's capacity to generate value over time. The quality of disclosure may be ensured by utilizing IR disclosure determinants. This study has found that the existence of a risk management committee in a firm will increase the extent of IR disclosure in Indonesia. The risk management committee evaluates the fairness of the methodologies and assumptions used to present information, supporting more comprehensive disclosure. The study also finds that size, profitability, and leverage significantly impact Integrated Reporting (IR). Firms that are larger, more profitable, and more leveraged have more extent of disclosure to minimize asymmetric information and agency costs.

This study implies that the presence of the risk management committee significantly affects the extent of IR disclosure. Indonesia's authorities could consider making it mandatory for firms to have risk management committees to increase disclosure. This research makes several significant advances in the field of IR research. First, it explores the factors that determine the extent of IR disclosures. Second, it seeks to pinpoint certain essential factors that influence the extent of IR disclosure about corporate governance and ownership structures. This study implies that risk management committees, firm size, profitability and leverage significantly positively affect the extent of IR disclosure. Further studies need to be conducted in different countries and with different samples.

This study was conducted in a developing country. The effects of those variables and other determinant variables could be tested in developed countries. This study is also limited because it uses only one year of observations. The determinants of IR disclosure still need to be studied in the long run. IR disclosures are scored in firms' annual and sustainability reports because IR has yet to be implemented in Indonesia. Future studies could replicate this once IR has been implemented in Indonesia. Future studies related to IR still need to be explored because the new reporting spirit of IR is a unique and different reporting format compared with traditional reporting. IR reporting has a better quality than corporate reporting and is more advantageous for stakeholders but it still needs to be studied. The factors that motivate companies to adopt IR also need to be checked.

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