



Maximizing Agency Theory in Integrated Reporting of Companies Listed in Kompas100 Index

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Abstract

This study aimed to examine the effect of the audit committee, independent commissioners and stakeholder pressure on integrated reporting either directly or moderated by profitability. The object of research was companies listed in Kompas100 index for three consecutive years from 2018-2020. The research sample was determined by using purposive sampling method, and obtained 231 units of analysis. The analysis tool used descriptive and moderated regression analysis. The results of the descriptive analysis showed that on average the number of audit committees and independent commissioners was ideal and according to the rules, institutional ownership was more than 50% of all companies in all industrial sectors. The test results showed that the audit committee and stakeholder pressure had a significant positive effect on integrated reporting, while the independent commissioner had a significant negative effect. Profitability was able to weaken the effect of the audit committee, strengthen the effect of independent commissioners, and was not able to moderate the effect of stakeholder pressure on integrated reporting. Suggestions from this study are to increase the number of audit committees and independent commissioners for the company indexed Kompas100 that does not meet the minimum standards, as a form of corporate responsibility and a form of company compliance with OJK rules.

Abstrak

Penelitian ini bertujuan menguji pengaruh komite audit, komisaris independen dan tekanan stakeholder terhadap pelaporan integrasi baik secara langsung maupun dimoderasi dengan profitabilitas. Objek penelitian yaitu perusahaan yang terindex Kompas100 selama tiga tahun berturut-turut sejak tahun 2018-2020. Sampel penelitian ditetapkan menggunakan metode purposive sampling, dan diperoleh 231 unit analisis. Alat analisis menggunakan deskriptif dan moderated regression analysis. Hasil analisis deskriptif, secara rata-rata jumlah komite audit dan dewan komisaris sudah ideal dan sesuai aturan, kepemilikan saham oleh institusi lebih dari 50% seluruh perusahaan pada semua sector industry. Hasil pengujian hipotesis menunjukkan komite audit dan tekanan stakeholder berpengaruh positif signifikan terhadap pelaporan terintegrasi, sedangkan komisaris independen berpengaruh negative signifikan. Profitabilitas mampu memperlemah pengaruh komite audit, memperkuat pengaruh positif komisaris independen, dan tidak mampu memoderasi pengaruh tekanan stakeholder terhadap pelaporan terintegrasi. Saran dari penelitian ini adalah penambahan jumlah komite audit dan komisaris independen bagi perusahaan terindeks Kompas100 yang belum memenuhi standar minimal, sebagai bentuk tanggung jawab perusahaan dan wujud kepatuhan perusahaan atas aturan OJK.

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INTRODUCTION

Corporate reporting to stakeholders continues to develop, starting from the form of financial reports, management reporting, green reporting that focus on Corporate Social Responsibility (CSR), sustainability reporting, and integrated reporting. The International Integrated Reporting Council (IIRC) and supported by the Global Reporting Initiative (GRI) in 2011 developed the concept of Integrated Reporting (IR). An integrated reporting is a concise communication of how an organization's strategy, governance, performance and prospects, in the context of the external environment, lead to value creation (IIRC, 2013). Sustainability reporting shows the relationship between various performance dimensions, while integrated reporting is not only about accountability and external reporting but also about disseminating integrated thinking ideas and changing decision-making and actions within companies (Guthrie et al., 2017; Katsikas et al., 2017). Sustainability reporting targets a wider stakeholder than integrated reporting whose main focus is investors, sustainability reporting focuses on environmental, social and economic impacts, not on the impact of capital on value creation over time (Adams, 2015). In many cases, IR has become the main advice for companies to communicate with stakeholders (Maroun, 2018).

Agency theory explains that companies are built on a contractual relationship between shareholders as principals and management as principals (Jensen & Meckling, 1976). Agency problems can occur due to differences in interests between management and shareholders, resulting in asymmetric information between management and shareholders. Shareholders need to improve monitoring of management performance to ensure the company runs in the interests of shareholders. Integrated Reporting as an integral part of corporate reporting has become an important tool for shareholders in monitoring management performance. Through good implementation of Integrated Reporting, companies can minimize the occurrence of information asymmetry between management as agents and shareholders as principals.

Eccles et al. (2019) explored the extent to which companies around the world used the IR Framework to prepare reports and whether integrated reporting varied in quality and content from country to country. The results showed that countries could be grouped into three categories of disclosure quality: High (Germany, Netherlands, and South Africa), Medium (France, Italy, South Korea, and the United Kingdom), and Low (Brazil, Japan, and the United Kingdom) and United States of America. The same thing for the phenomenon of integrated reporting occurred in Indonesia. The level of disclosure of IR elements in Indonesia was still relatively low at 51% (Chariri & Januarti, 2017; Nur Aisyah Kustiani, 2016). The low IR in Indonesia is due to the fact that IR disclosure is a voluntary disclosure and there is no special regulation that regulates the IR reporting mechanism. Disclosure of IR for companies is a signal given by the company to external parties for various forms of information, both directly observable and which must be studied more deeply. Through the disclosure of information in the IR, it shows that management has higher information about the condition of the company and the future prospects of the company. Thus according to Brown & Dillard (2014); Simnett & Huggins (2015) IR should provide a more comprehensive view of the company from a value creation perspective, including information on strategies, business models, risks and opportunities and fostering relationships between financial and non-financial statements.

Previous researchers contributed to the development of research on Integrated Reporting, such as research on the benefits, developments, and challenges faced by companies in implementing Integrated Reporting (Burke & Clark, 2016), political and economic influences (Dragu & Tiron-Tudor, 2013), legal system and cultural aspects (García-Sánchez et al., 2013) on IR. Previous research formulated several determinants of Integrated Reporting disclosure, including company characteristics (Ahmad & Sari, 2017; Buitendag et al., 2017; Indrawati, 2017; Kurniawan & Wahyuni, 2018; Prawesti, 2019), Good Corporate Governance (GCG) (Ahmed Haji & Anifowose, 2016; Chariri & Januarti, 2017; Frias-Aceituno et al., 2013; Hapsari et al., 2019; Kılıç & Kuzey, 2018; Kurnianto et al., 2020; Mandalika et al., 2020), and stakeholder pressure (Kurnianto et al., 2020; Kurniawan & Wahyuni, 2018).

The characteristics of companies as factors that influence the implementation of integrated

reporting have been empirically and thoroughly proven by previous researchers. Ahmad & Sari, (2017); Buitendag et al. (2017); Indrawati (2017) stated that the company's characteristics proxied by company size had a positive and significant effect on IR. There is also research on the effect of company characteristics on Integrated Reporting with different proxies, such as company age, and profitability (Indrawati, 2017; Kurniawan & Wahyuni, 2018; Mardiah, 2020; Prawesti, 2019). These studies show a fairly stable acceptance results. That is, the characteristics of the company have an important role in influencing the implementation of Integrated Reporting.

The control and governance mechanisms in the company are suspected to have an effect on the implementation of Integrated Reporting. This is because the right control and corporate governance mechanisms will be able to harmonize the differences in interests between management and shareholders (Bendickson et al., 2016). Companies with good corporate governance indicate that the company has the ability to disclose company information from a financial and non-financial perspective to the fullest. In accordance with agency theory, the existence of good corporate governance shows that management as an agent has complied with regulations; the existence of an audit committee is a signal that management's performance has been properly monitored and the financial and non-financial reports disclosed have shown the real condition. The Audit Committee as one of the attributes of good corporate governance plays an important role in ensuring that the management of the company has been carried out properly by the management in accordance with the principles of governance and the company's internal policies. The Audit Committee is a committee responsible for the Board of Commissioners in assisting in carrying out the duties and functions of the Board of Commissioners (Pembentukan Dan Pedoman Pelaksanaan Kerja Komite Audit, 2015). The Audit Committee plays a role in overseeing the implementation of the company's financial and accounting policies. The presence of the Audit Committee is believed to reduce information asymmetry (Akhtaruddin & Haron, 2010). The scope of implementation of Integrated Reporting cannot be separated from the role of the Audit Committee (Chariri & Januarti, 2017). Supervision by the Audit Committee will pressure management to improve the quality of the Integrated Reporting produced to suit the needs of stakeholders and applicable standards (Hapsari et al., 2019; Kurnianto et al., 2020; Mandalika et al., 2020). Committee board attributes, company attributes, and audit committee attributes have a significant positive relationship with integrated reporting quality (Erin & Adegboye, 2021). The gap in the results of previous studies regarding the variables that affect the application of IR, is the reason for the use of other variables that are thought to be able to influence the above variables on IR. This study used the profitability variable as a moderating variable, companies that have high profitability will be more motivated to convey complete information in the IR. Profitability is the company's ability to generate profits so as to increase shareholder value (Nasir et al., 2014). Profitability had a positive and significant effect on corporate reporting (Buitendag et al., 2017; Diono et al., 2017; Lucia & Panggabean, 2018; Pratama & Yulianto, 2015). High profitability will increase management's confidence to provide complete information on IR. In this study, it is expected that high profitability will strengthen the audit committee's oversight of IR disclosure.

H1a: Supervision of the Audit Committee has a positive effect on Integrated Reporting disclosure

H1b: High profitability will strengthen the positive effect of audit committee supervision on Integrated Reporting disclosure

Independent Commissioner is a member of the Board of Commissioners who comes from outside the issuer or public company and has fulfilled certain requirements as an Independent Commissioner (*Peraturan Otoritas Jasa Keuangan No. 34/POJK.04/2014 Tentang Direksi Dan Dewan Komisaris Emiten Atas Perusahaan Publik*, n.d.). Independent Commissioners are appointed based on their neutrality and level of professionalism for the benefit of the company as a whole including the interests of majority and minority shareholders, as well as all stakeholders (Agoes & Ardana, 2009). The existence of a strong Independent Board of Commissioners is believed to be able to create more trustworthy and accountable supervision (Sari, 2020). The Independent Commissioner is responsible for conducting general and specific oversight to enable him to promote corporate reporting at a higher level. Effective supervision by the Independent Commissioner will

pressure management to produce reports in accordance with the IR framework. Supervision from the Independent Commissioner is as a medium to reduce information asymmetry between management and users of financial statements. Independent commissioners are at odds with management and demand companies to disclose more information to external investors, so the presence of independent commissioners improves the quality of IR (Eng & Mak, 2003; Frias-Aceituno et al., 2013; Hapsari et al., 2019; Omran et al., 2021). On the other hand, Mandalika et al. (2020); Qashash et al. (2019) stated that the Independent Commissioner had no effect on the implementation of IR. Al-Gamrh et al. (2020) found that independent commissioners had a negative relationship to corporate finance and social performance. The result of the refusal shows the ineffectiveness of the Independent Commissioner's supervision due to miss-coordination between members of the Independent Commissioner. Supervision of independent commissioners will be more effective when the company has high profitability. The company will more voluntarily disclose all financial and non-financial information as well as the company's future expectations in the integration report.

H2a: The independent commissioner's supervision has a positive effect on Integrated Reporting disclosure

H2b: High profitability will strengthen the positive effect of the independent commissioner's supervision on Integrated Reporting disclosure

Implementation of IR can be influenced by pressure from stakeholders. Without the support of stakeholders the company cannot run its business properly (Fernandez-Feijoo et al., 2014). The existence of stakeholders always pressures the company to convey information openly related to the company's activities and their impact on stakeholders. Companies with high stakeholder pressure tend to have high IR implementation scores to maintain the company's value to stakeholders. In line with the concept of agency theory, the existence of stakeholder pressure, as measured by institutional ownership, becomes a tool to pressure management as an agent in maximizing performance, including its disclosure. Stakeholder pressure was more influential on the motivation of companies to issue integrated reporting than stakeholder interests (Injeni et al., 2021; Manes-Rossi et al., 2021; Robertson & Samy, 2020). Stakeholder pressure had a negative and significant effect on the implementation of IR (Kurniawan & Wahyuni, 2018). These results indicate that when stakeholder pressure increases, companies tend not to disclose more information in the IR. Kurnianto et al. (2020) stated that stakeholder pressure had no effect on IR. These results indicate that the company has a low level of sensitivity to stakeholder pressure and the company's limited ability to implement Integrated Reporting. Pressure from stakeholders, especially institutional ownership, will motivate management to disclose IR if it is supported by a high level of profitability. Management will be happy to report both financial and non-financial information if it is supported by a level of profitability that can be proud of.

H3a: Stakeholder pressure has a positive effect on the Integrated Reporting disclosure

H3b: High profitability will strengthen the effect of stakeholder pressure on the Integrated Reporting disclosure

This study aimed to determine the effect of supervision from the audit committee and independent commissioners as well as pressure from stakeholders on the Integrated Reporting disclosure either directly or moderated by the profitability variable. The discourse of narrative and sustainable reporting that will be required and formed in integrated reports, and the change of investors' views from financial statements to non-financial reports are important issues to assess how far the company considers the importance of integrated reports. The difference between this study and previous research is that it uses an agency theory approach in examining the role of management in carrying out its duties and functions to provide comprehensive information including short- and medium-term business predictions presented in the integrated report, and using the profitability variable as a moderating variable in the research model.

METHOD

The population in this study were go-public companies listed in Kompas100 index in 2018-2020. The choice of Kompas100 was because the indexed company shares represented around 70-80% of the market capitalization value of all shares listed on the IDX. Investors have a tendency to pay more attention to the performance of companies indexed by Kompas100. In addition, the Kompas100 company should not have financial and non-financial constraints in implementing Integrated Reporting. Sampling used purposive sampling method with the requirements that the company for the last three years is registered in Kompas100, publishes annual financial reports, and has complete data on research variables. Based on the identification results, it is known that out of 100 companies only 77 companies were registered in Kompas100 for three years in a row so that obtained 231 units of analysis were used as research samples.

The dependent variable in this study was Integrated Reporting (IR) which was measured in 6 elements consisting of (1) organizational overview and business model (7 units); (2) operating context (9 units); (3) strategic objectives and strategies to achieve them (7 units); (4) governance (8 units); (5) performance (10 units); (6) future outlook (7 units). Each revealed unit was given a score of "1" and a score of "0" if it was not disclosed. Furthermore, the total score disclosed was divided by the total units that should be disclosed (48 units) to obtain the IR index (Ahmed Haji & Anifowose, 2016; Chariri & Januarti, 2017). The independent variables consisted of (1) the Audit Committee (AC) measured by using the total number of audit committee members (Ahmad & Sari, 2017; Ahmed Haji & Anifowose, 2016; Chariri & Januarti, 2017; Terzaghi et al., 2018). (2) Independent Commissioners (IC) measured by dividing the number of independent commissioners by the total members of the board of commissioners (Ahmad & Sari, 2017; Mandalika et al., 2020). (3) Stakeholder pressure (SP) measured by the percentage of the number of institutional ownership by comparing the number of shares owned by the institution with the total number of shares outstanding. While the moderating variable, namely Profitability (Prof) measured by using Return on Assets (ROA) which was calculated by dividing total net income by total assets. Data analysis used descriptive analysis and moderated regression analysis (MRA) using interaction test. Before testing the hypothesis, the classical assumption test was first carried out to assess the regression model that was worth testing. The moderating regression model to be tested is as follows.

$$IR = \alpha + \beta_1AC + \beta_2IC + \beta_3SP + \beta_4AC*Prof + \beta_5IC*Prof + \beta_6SP*Prof + e$$

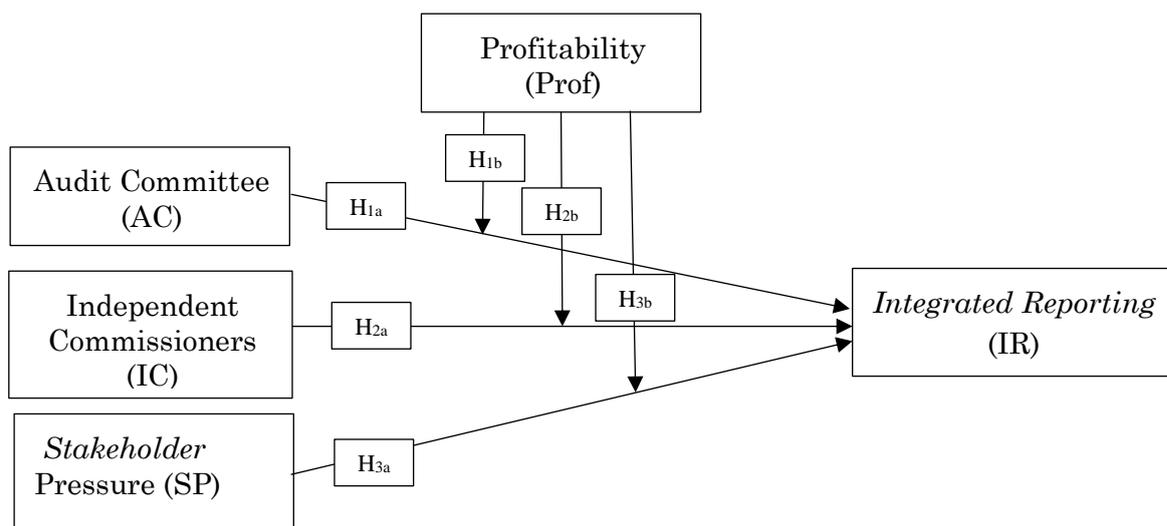


Figure 1. Research Model

RESULTS AND DISCUSSION

Descriptive analysis

Descriptive analysis was used to determine the empirical conditions of the research variables observed in the study. The descriptive data included value of the minimum, maximum, mean and standard deviation of the research variables. Based on Table 1, it is known that the mean of IR disclosure by companies was 0.699, which means that of the 48 items that should be disclosed in the IR, only 33 items were disclosed. The minimum value of 0.152 indicated that there were still companies that only disclosed 7 items in the IR disclosure. The mean of Audit Committee showed a score of 3,430 which means that the majority of companies listed in Kompas100 had met the minimum requirements from the Financial Services Authority (OJK), namely the number of audit committees that must be owned by a minimum of 3 people (Pembentukan Dan Pedoman Pelaksanaan Kerja Komite Audit, 2015). However, from the descriptive data, there were still companies that only had one audit committee. The number of independent commissioners owned by the company showed the mean of 45%, this value was higher than the value required by the OJK, namely the proportion of the number of independent commissioners at least 30% of the entire board of commissioners. The number of share ownership by institutions showed the mean of 64.5% and even the maximum number reached 98.9%, this means that the pressure from institutional shareholders was getting higher on companies that were included in Kompas100. The mean for ROA showed 0.051 which was lower than the standard deviation value of 0.083 which indicated that the level of ROA gap between Kompas100 companies was high.

Table 1. Results of Descriptive Analysis of Research Variables

	N	Minimum	Maximum	Mean	Std. Deviation
IR	231	0.152	0.979	0.699	0.145
AC	231	1.000	8.000	3.430	1.140
IC	231	0.200	0.800	0.455	0.123
SP	231	0.013	0.989	0.645	0.183
Prof	231	-0.451	0.463	0.051	0.083
AC*Prof	231	-2.255	1.389	0.160	0.285
IC*Prof	231	-0.169	0.370	0.024	0.047
SP*Prof	231	-3.984	0.797	0.023	0.277
Valid N (listwise)	231				

Source: Secondary Data Processed, 2021

The distribution of industry types (Table 2), the majority of companies included in Kompas100 were in the Property & Construction sector (19.5%), and in second place were companies in the Trade, Service & Investment sector (15.6%), the finance and materials sector had the same amount that was equal to 14.3%. The lowest sector in the Kompas100 was Agriculture and Misc Industry (3.9%). The majority of stock investors from institutions chose to invest in Consumer Goods sector companies, as evidenced by the highest average value of institutional ownership, which was 74.4%. The Finance sector was the most prestigious sector, apart from being the third in the sector with the most companies listed on Kompas100, it was also the second most sought after sector by institutional investors, with an average ownership of 73.3%. Companies engaged in the Misc Industry sector had the lowest average institutional sector ownership, comparable to the number of companies from this sector included in the Kompas100 index.

Table 2. Description of Company Distribution in the Kompas100 index

Sector	Distribution Percentage	Average Institutional Ownership
Agriculture	3.9	68.6
Chemical Industry	10.4	69.5
Consumer Goods	9.1	74.4
Finance	14.3	73.3
Infrastructure & Transportation	9.1	57.6
Materials	14.3	60.2
Misc Industry	3.9	56.3
Property & Construction	19.5	57.1
Trade, Service & Investment	15.6	65.4
Total	100	

Source: Secondary Data Processed, 2021

Moderated Regression Analysis (MRA)

The goodness of fit test of the moderated regression model shown in Table 3 showed that the model had met all the prerequisites for the moderation regression test. The significance value of the one-sample Kolmogorov-Smirnov test of 0.053 indicated the data had been normally distributed. Furthermore, the next prerequisite test was the multicollinearity test which showed that the tolerance value for no variable had a value above 1 and the VIF value did not show a value above 10. This means that this research model was free from multicollinearity symptoms. The regression model in this study was free from autocorrelation between variables as indicated by the Durbin-Watson value of 1.795, which was lower than the DW table value of 1.810. So that this research model can be concluded that it had met the prerequisite test for moderation testing. The results of hypothesis testing in Table 3 showed that the audit committee and stakeholder pressure directly had a significant positive effect on integrated reporting, while independent commissioners had a significant negative effect on integrated reporting. Profitability was able to moderate the effect of the audit committee and independent commissioners on integrated reporting. However, it failed to moderate the effect of stakeholder pressure on integrated reporting. The moderated regression equation obtained in this study is as follows.

$$IR = 0.623 + 0.034AC - 0.222IC + 0.106SP - 0.180AC*Prof + 0.791IC*Prof - 0.009SP*Prof + 0.055$$

Table 3. Hypothesis Testing Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.623	.055		11.323	.000		
AC	.034	.008	.271	4.192	.000	.936	1.068
IC	-.222	.084	-.188	-2.649	.009	.777	1.287
SP	.106	.052	.134	2.036	.043	.905	1.105
AC*Prof	-.180	.063	-.355	-2.883	.004	.258	3.873
IC*Prof	.791	.402	.255	1.966	.051	.232	4.313
SP*Prof	-.009	.034	-.018	-.273	.785	.905	1.106

a. Dependent Variable: IR

One-Sample KS Test 0,053

Durbin-Watson 1.795

Adjusted R2 0.100

F Count 5.274

Sig. 0.000

Source: Secondary Data Processed, 2021

The Effect of the Audit Committee on Integrated Reporting

The results of testing hypothesis 1 showed that the significance value for the effect of the audit committee on integrated reporting was 0.000, smaller than 0.05 with a coefficient value of 0.034 (H1a was accepted). The higher the number of audit committees, the greater the number of disclosures in the integrated report. One of the duties and functions of the Audit committee according to OJK Regulation No. 55/POJK.04/2015 is to review financial information, projections and other reports that will be issued by issuers or public companies to the public. Thus, the more the audit committee maximizes its duties, the wider the disclosure of information in the integrated reporting. Based on the results of the descriptive analysis, the average number of audit committees owned by Kompas100 company was more than 3 people in accordance with the minimum standards requested by OJK. This showed that there was compliance with the rules carried out by the Kompas100 company. The results of this study were in line with agency theory which states that the Audit Committee is an attribute of Good Corporate Governance (GCG) which plays an important role in ensuring that management has compiled corporate reports and oversees the management of the company so that it is in accordance with the principles of governance and internal company policies. In the corporate world, the audit committee is responsible for enforcing corporate governance ethics and overseeing financial reporting, a strong audit committee will perform an effective supervisory function to ensure management complies with regulations regarding integrated reporting (Chariri & Januarti, 2017; Erin & Adegboye, 2021; Tumwebaze et al., 2021). Audit committee members are part of the organization's stakeholders, the responsibility lies with the audit committee to ensure integrated reporting quality (Alfiero et al., 2017). The audit committee plays an important role in the corporate governance system and ensures the quality of effective financial reporting (Uwuigbe et al., 2019). The audit committee is as a tool to minimize agency costs and improve internal control and introduce it as an effective monitoring tool to strengthen agency relationships (Salehi et al., 2018).

Hypothesis H1b states that profitability will strengthen the positive effect of the audit committee on integrated reporting. The high ROA obtained by the company will further increase the audit committee in ensuring the quality of integrated reporting, including the number of items to be reported. The test results showed the coefficient value of -0.180 with a significance of 0.004, which means that Hypothesis 1b was rejected because statistical testing showed that the level of

profitability weakened the audit committee's task to ensure the quality of integrated reporting. Profit is a series of events and conditions that are effective in a business unit, which are realized and measured based on a series of applicable accounting principles (Salehi et al., 2018). ROA which is a comparison of profit with total assets shows that the higher ROA indicates the audit committee has carried out its duties to ensure financial reporting in accordance with Financial Accounting Standards. As an agent in agency theory, management continues to improve the highest quality to drive ROA as evidence of success. Financial ratios such as ROA which is believed to be an indicator of management performance, are considered more important than narrative reports which are believed to be only a complementary symbol and are still voluntary. Strong confidence in their duties has guaranteed an increase in profitability, causing the audit committee to not supervise other accounting reports, namely integrated reporting. The average item reported in the integrated report was 69% or only 33 items out of 48 items that should be disclosed, indicating the lack of the audit committee's role in supporting management to disclose more of the company's condition, especially reports on future projections of the company's performance.

The effect of Independent Commissioners on Integrated Reporting

Efficient communication, monitoring, and coordination within the board are necessary conditions to improve the quality of integrated reporting, board attributes such as independent directors, board size, board competence, gender of the board have an effect on integrated reporting (Erin & Adegboye, 2021). Hypothesis 2a which states that the supervision of independent commissioners will increase integrated disclosure was rejected. This was evidenced by statistical testing which produced a coefficient value of -0.222 with a significance of 0.009, which means that the independent commissioner had a significant negative effect on integrated reporting. The higher the supervision of the independent commissioner, the fewer the number of items disclosed in the integrated reporting. This happens when the results of supervision over the policies carried out by management are not good, then the independent commissioner has the right to limit the integrated reporting items that will be disclosed. The limitation function is a step taken by the independent commissioner to reduce excessive but meaningless disclosure of information that will reduce the quality of reporting. On the other hand, it was found that the supervision of the integrated reporting process was very low; this became a gap for management not to disclose the integrated report completely. The large number of directors who came from outside the company caused independent commissioners to be not truly independent and could affect manipulation in reporting practices (Barako et al., 2006). The negative relationship between independent commissioners and the extent of disclosure was also found by Eng & Mak (2003), which stated that the negative effect occurred because disclosure was used as a substitute for the supervisory function.

The effect of profitability in strengthening the positive effect of independent commissioners on the disclosure of integrated reporting as expressed in hypothesis 2b was empirically proven. The findings showed the coefficient value of 0.791 with a significance of 0.051 which means that Hypothesis 2b was accepted. The Independent Commissioner's supervision will be better when the company is at a high level of profitability. This is because in good financial performance the Independent Commissioner will focus more on overseeing corporate reporting. In line with agency theory which explains the principal's desire to get the highest profit, if certain profitability has been achieved, the owner of the company will see the company's performance from a non-financial perspective in Integrated Reporting. Therefore, the monitoring function by the Independent Commissioner will increase when the company is able to generate high profits. Independent Commissioner is a Board of Commissioners who has no affiliation with management or major shareholder of a company. The presence of an Independent Commissioner in the composition of the Board of Commissioners is expected to be able to provide neutrality and objectivity in every organization of the company's activities so as to cover the interests of all stakeholders. The high profitability of the company must be balanced with good non-financial performance as evidenced by reporting that discloses the company's values in non-financial terms such as social responsibility, the environment, and the company's future prospects. In this case, the monitoring function by the Independent Commissioner allows him to provide input to management and promote the

improvement of the company's reporting quality so that it is in line with the Integrated Reporting framework. The average number of independent commissioners was 45%, indicating management compliance with OJK regulations which require a minimum number of IC of 30%. The high number of independent commissioners is proportional to the level of supervision on IR. Management's policy to comply with OJK regulations is a form of responsibility carried out by management as a company activist (agent in agency theory). The ability to earn profits and obedience in compiling integrated reports is proof that management plays its role well.

The Effect of Stakeholder Pressure on Integrated Reporting

The number of shareholdings by institutions will further enhance the supervisory role of external parties on disclosures provided by management. Hypothesis 3a states that there is a significant positive relationship between stakeholder pressures from institutional ownership on integrated reporting disclosures. The results of the study supported hypothesis 3a with a coefficient value of 0.106 with a significance of 0.043. The higher stakeholder ownership, the wider the IR disclosure will be. Based on the descriptive table in Table 1 and 2, it showed that the average institutional ownership of Kompas100 company shares exceeded 50% in all sectors. This showed that institutional investors preferred to invest in Kompas100 companies. As the principal in agency theory, institutional investors demand complete disclosure of all information in the company to reduce information asymmetry through integrated reports. The pressure given by institutional investors is natural because investors need complete and detailed information about the company. The results of this study supported previous research which stated that environmental stakeholder pressure had a positive and significant effect on the quality of corporate reporting, among others, by Fernandez-Feijoo et al. (2014); Rudyanto & Siregar (2018); Suharyani et al. (2019). Improving the quality of the Environmental, Social and Governance (ESG) disclosure score was influenced by high institutional ownership (Conway, 2019). Pressure from the majority stakeholder to disclose more information, shows the role of the principal (agency theory) in demanding the right to obtain all complete information on the company's internal information which cannot be obtained using financial statements.

Increasing the company's ability to earn profits can strengthen institutional investors in pressuring management to disclose broader integrated reporting. The role of the principal in agency theory supports institutional investors demanding transparency of information owned by management, especially when the company is experiencing an increase in profits. The results of this study could not prove profitability in moderating the positive effect of stakeholder pressure on integrated reporting disclosure (H3b was rejected), as evidenced by a significance level greater than 0.05, which was 0.785. Based on the results in Table 2 which showed that institutional ownership in companies indexed in Kompas100 exceeded 50% of the total outstanding shares, it shows a high interest from institutions to invest a certain amount of money as capital investment. This high trust is a separate pressure for management to be able to disclose quality reports so that investors continue to invest their capital, without having to be moderated by profitability. The proportion of institutional ownership which for three consecutive years has not changed shows the satisfaction of investors with the performance of the companies in Kompas100. One of the indicators for companies that can be indexed by Kompas100 is that companies do not experience financial difficulties, and are included in companies with high capitalization, so that the profitability factor is not the main factor for investors to suppress integrated disclosure, but is one thing that is required as a form of management responsibility to stakeholders.

CONCLUSIONS AND SUGGESTION

Integrated reporting is a communication medium to bridge the resolution of information asymmetry between the agent and the principal. The emergence of integrated reporting is motivated by the weakness of the formula from the previous reporting. The absence of standard rules governing how integrated reporting is ideal has become a gap for management to be limited in disclosing information. Based on the phenomenon that existed in go-public companies in Indonesia, it showed

that integrated disclosure was still low. This study aimed to examine the effect of audit committees, independent commissioners and stakeholder pressure on integrated reporting (IR) disclosures either directly or moderated by profitability.

The results showed that the audit committee had a significant positive effect on IR disclosure, but a significant negative effect with the moderating of profitability. The ideal number of audit committees indicated management's compliance with OJK regulations, and a positive effect indicated the optimization of the audit committee's performance in supervising disclosure items by management. Independent commissioners had a significant negative effect on IR disclosure; this was supported by the results of descriptive analysis on the items of supervision on IR disclosures which were still low. Lack of supervision was a gap for management not to disclose much information in IR. Profitability was able to strengthen the effect of independent commissioners on IR disclosure. Thus, in companies that obtained high ROA, independent commissioners demanded wider disclosure in the IR. The high share ownership by institutions had put pressure on management to provide more detailed and quality information. The results showed that there was a significant positive effect of stakeholder pressure on IR disclosure. The high level of institutional ownership demanded the reduction of information asymmetry from management with complex disclosures in IR.

Based on the results of the study, it shows that management as an agent in agency theory has carried out its obligations well by obeying and complying with the regulations of the OJK, besides trying to meet the expectations of the principal by increasing ROA and reporting information in integrated reports even though the amount is not yet maximized. On the other hand, institutional investors as principals always demand agents to provide complete information to find out more detailed company conditions that cannot be obtained from financial statements. Suggestions for further researchers are to use more complete attribute variables from the board such as the number of meetings, the total number of boards, the competence of the board and the audit committee to better know the effectiveness of the supervision carried out by top management in supporting the quality of IR.

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