

**Original Article**

# Does Sustainability Report Give more Value Relevance Rather Than Integrated Report? : A Study among G-20 Countries

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**ABSTRACT:** *The changing nature of the business environment has seen an increase in awareness on the importance of nonfinancial data when valuing companies and looking at their long-term sustainability. This is due to the argument that traditional reporting methods did not meet all stakeholders' demands of information. The more business entities disclose nonfinancial information, the better it is for reducing market issues and increasing capital market efficiency. The sustainability report and the integrated report, is a revolutionary reporting structure that aims to combine financial and nonfinancial data into a single cohesive report. However, it should be noted that simply creating sustainability or integrated reporting does not ensure greater value for the organization. It is critical that sustainability and integrated reporting go beyond simply delivering information and data, that demonstrate value-relevance by drawing a direct line between a company's sustainability initiatives and its financial performance. This research is designed to examine the value-relevance of integrated and sustainability through a comparison of integrated reports to sustainability reports and assess what effect of these reports has on the investment decisions of their stakeholders. Using of the value-relevance model by Ohlson to assess the relevance of disclosed information to market valuation, of which sample uses companies from G20 that report Integrated Report on IIRC as community member of GRI from 2020-2024. The results indicate that value-relevance for integrated reports is higher than sustainability reports, which means Integrated report can improve the value-relevance of accounting data, but unable to enhance the earnings per share. Integrated reporting indeed offering stakeholders more insight into the financial health and valuations of their assets.*

**KEYWORDS:** *Sustainability Report, Value Relevance, Integrated Report.*

## 1. INTRODUCTION

The methods for preparing financial statements have changed markedly over the past few decades in order to keep pace with changing corporate and stakeholder requirements. Primarily concerned with presenting basic, comparable information about a firm's profitability, position and cash flow; financial reports have traditionally been simple affairs. However, the changing nature of the business environment has seen an increase in awareness on the importance of nonfinancial data when valuing companies and looking at their long-term sustainability. This is due to the argument that traditional reporting methods did not meet all stakeholders' demands of information (Utami, 2016). The more business entities disclose nonfinancial information, the better it is for reducing market issues and increasing capital market efficiency (Romito & Furro, 2020). Non-financial information has come to be known to have important value and importance in assisting stakeholders decision-making processes. It forms an important source of information that transcends financial measures to offer more about the operations, strategies, and general success for the company. Besides, in the recent past, nonfinancial disclosure has been described by regulators and policymakers alike as one way of highlighting activities for corporate activities to ensure proper functioning. It is understandable that higher reporting standards, such as sustainability or integrated reports, enable businesses to make full and verifiable disclosure of their sustainability performance. The disclosures allow stakeholders to have trust in the evaluation of environmental, social, and governance practices of organizations for financial decision-making. Customers and the wider public are getting increasingly sensitive to social and environmental implications of products and services they consume. Thus, it might be visionary to say that companies will have to become more open to the general public with regard to the sustainability performance achieved and to the ethical standards applied. Nonfinancial disclosure has been considered one of the most important complements, reducing their problems related to information asymmetry between companies and capital markets by providing more information in regard to the firm's operations management, stakeholder handling, and profit making.

Nowadays, stakeholders, regulators, customers, and society are asking for more transparency and accountability. Sustainability or integrated reports meet this demand by providing full and verifiable information about the sustainability performance of an organization. Sustainability Report is currently a reporting method that is commonly used as a separate report from the traditional financial report because it is mandatory for financial institutions and companies in several countries, so this

reporting is more common among the public. Developing a sustainability report shows the value the company gives on the environment and its surroundings. Sustainability reports may be used as a form of company transparency by disclosing information on how the company's actions impact society. The environment where we live will determine the continued existence of life. The sustainability report demonstrates that the firm is capable of functioning without negatively impacting the environment or society. The Sustainability Report is more than just reporting environmental, social, and governance (ESG) operational performance; it is also a strategic assessment tool and communication platform with investors and various stakeholders. The Global Reporting Initiative (2024) explains that sustainability reporting is the process of assessing and revealing a company's activities, as a responsibility to all stakeholders in terms of organizational performance in achieving sustainable development goals, with sustainability reports serving as one medium for describing economic, environmental, and social impact. The sustainability report is a supplementary reporting tool to supplement standard financial reporting. The integrated report, on the other hand, is a revolutionary reporting structure that aims to combine financial and nonfinancial data into a single cohesive report. Integrated reports go beyond the usual limitations of financial reporting by including nonfinancial elements, such as ESG issues, in the reporting structure. It highlights the interdependence of financial and nonfinancial performance, demonstrating how a company's strategy, governance, and resource allocation contribute to its long-term success. Integrated Report emerges because the discussion financial and nonfinancial information are usually released in the form of separate reports and not easily accessible. As a result, most stakeholders are unaware of it, perhaps rendering the information provided less useful.

Integrated reporting is a tool for increasing the quality of data delivered with a productive reporting strategy. The objective is to increase responsibility and guardianship for the diverse array of capitals, including financial, manufactured, intellectual, human, social and relational, and natural resources. Additionally, it seeks to promote integrated decision-making, thinking, and actions that give precedence to the creation of value over the short, medium, and long term (International Integrated Reporting Council, 2021). The Stakeholders decisions are based not only on full disclosure, but also on the company's transparency. Full disclosure and transparency are essential components in determining the relevance of the value given to stakeholders. When organizations embrace transparency and provide full disclosure, it establishes the foundation for the value presented to stakeholders. The quality of full disclosure, which provides value to the capital market, has an important impact on stakeholders' decisions to contribute money to the company. Sustainability or an Integrated Report that is disclosed by the company can have a significant impact if it is presented in high quality and provides value-relevance and impacts the stakeholders' viewpoints. The concept of value relevance is critical to understanding how information influences investment decisions and how the capital market evaluates firm performance. In the context of sustainability or integrated reports, value relevance refers to how nonfinancial information, such as environmental performance or sustainability activities, influences stakeholders' opinions. One of the most challenging issues in determining the value-relevance of nonfinancial information is the reliability and accuracy of measurement and reporting. To address these aspects, this study aims to test the value-relevance of information disclosed in sustainability and integrated reports for G20 countries, which indicates that these countries need to make all possible efforts to participate fully in the process of accomplishing the Sustainable Development Goals (SDGs). Hence, this study differs from previous studies, such as those that evaluated the value relevance of Integrated Report without comparing it with Sustainability Report, or evaluated the value relevance of Sustainability Report without comparing it with Integrated Report. Furthermore, this study is not the same as that of Ika Permatasari, who examined the value-relevance of early adopters' IR and SR. (Permatasari, 2022)

Sustainability Report and Integrated Reports give a thorough analysis of a company's environmental, social, and governance (ESG) procedures. including specific information on sustainability efforts, environmental impact, societal contributions, and corporate governance procedures. However, it should be noted that simply creating sustainability or integrated reporting does not ensure greater value for the organization. As a result, it is critical that sustainability and integrated reporting go beyond simply delivering information and data. It must also demonstrate value-relevance by drawing a direct line between a company's sustainability initiatives and its financial performance. If reporting is carried out without adding value-relevance, it will be in vain. This research examines several problems that may arise, including whether IR publications have higher value-relevance than SR publications, whether IR publications are able to improve value-relevance in the form of Earnings per Share, and whether IR publications are able to improve value-relevance in the form of Book Value per Share.

By examining the value relevance of data revealed in integrated and sustainability reporting, it may help the stakeholders in finding out how much information released can affect their decisions and subsequent valuations concerning a company's security. This research focuses solely on the G20 countries, which may limit the findings' relevance to other areas or countries. The cultural, legislative, and market circumstances in certain regions may differ from those in others, thus impacting the findings in a broader global context. Furthermore, the research is based on the availability and quality of sustainability and integrated reports from companies in G20 countries. Because this research focuses on the value-relevance of nonfinancial data included in sustainability and integrated reports, other elements that may influence stakeholders' investment decisions, including financial performance, market conditions, and individual stakeholders' preferences, are not specifically addressed in this research. Despite these constraints, the research attempts to provide useful insights into the value-relevance of information given in sustainability and integrated reports for G20 countries. The findings can help companies, policymakers, and

stakeholders understand the potential influence of nonfinancial information on stakeholders' decision-making and company valuation.

## **2. THEORY, LITERATURE REVIEW, AND HYPOTHESIS**

### **2.1. SUSTAINABILITY REPORT**

The Global Reporting Initiative, (2024) describe sustainability reporting as the act of measuring, revealing, and expressing an organization's accountability, both internally and publicly, for its progress toward achieving sustainable development goals. According to the KPMG Survey of Sustainability Reporting (2020), which analyzed the reporting practices of the world's 100 largest companies (N100) the vast majority of these major corporations are now producing sustainability reports as part of their corporate disclosure, more precisely, 80% of N100 companies as reported by the survey, now publish sustainability reports. This number has increased by 5% since the last survey was carried out in 2017 and increased by 68% since 1993 when KPMG began collecting data on sustainability reports. The sustainability report indicates a positive trend, companies have identified this report as providing disclosure for elements and information not addressed in the Annual Report or Financial Statements (Pujiningsih, 2020). Sustainability reporting draws stakeholders' enthusiasm and trust in the entity's future stability and potentially increases the company's value, the reporting of sustainability in company reports informs the entity's level of accountability, responsibility, and transparency for stakeholders, resulting in greater value of the organization (Yulistia M et al, 2023). Sustainability reports have emerged as just an important complement to traditional financial reporting because Sustainability Report provides self-contained opportunities for companies to express most aspects of their ESG performance and initiatives to a wide range of stakeholders, through detailed disclosure of their sustainability practice and impact, a company would be rendering an affirmation of its commitment to responsible sustainable business operations that turn into concrete financial and nonfinancial benefits (Permatasari & Narsa, 2020).

### **2.2. INTEGRATED REPORT**

An organization's strategy, governance, performance, and prospects can be communicated through an integrated report, which can help create value in the short term while also benefiting the business and enhancing its capacity to create value for stakeholders in the long run, long-term objectives of the integrated report include attracting foreign investment and building sustainable communities in each of the countries in which the business operates (International Integrated Reporting Council, 2021). Integrated reporting is a wider and more transparent means of reporting to stakeholders, with the ultimate goals of enhancing sustainability because IR provides investors, consumers, and the general public with a bigger picture of the company with regard to sustainability practices and impacts by giving details about social, environmental activities, and financial performance it will impact the visibility in reducing damage to nature, protecting workers' rights and the local community, and ensuring financial viability in a much more open manner (Di Vaio et al., 2021). The purpose of creating an integrated report is to present stakeholders with a combined view of the company which consolidates all previously published reports in one document, the intention is to enable stakeholders to appreciate the performance, strategy and value creation by just reading an Integrated Report as opposed to gathering information from various unrelated sources (Permatasari & Narsa, 2020). Integrated Reporting is a developing corporate reporting approach that aims at providing a more coherent and comprehensive system of disclosure related to the ability of companies to create value over time, at the core of Integrated Reporting lies the need to redress deficiencies of the traditional silo-based reporting model, often unable to capture intangible drivers of value creation. (International Integrated Reporting Council, 2021). IIRC's standards are mostly principle-based rather than rule-based; this, in part, reflects a quite strategic decision of the IIRC, providing integrated report preparers with a good deal of flexibility in terms of how they can adopt and progress implementation of Integrated Reporting within their organizations (O'Dwyer et al., 2024).

### **2.3. VALUE-RELEVANCE ON SUSTAINABILITY REPORT AND INTEGRATED REPORT**

When it comes to information quality, value relevance serves as the baseline standard when measuring information quality. It indicates data reliability and transparency to help information users make wise decisions (Quoc Think et al., 2023). Information is considered acceptable when it is reliable and valuable to both present and future stakeholders (Serna et al., 2021). Ohlson (1995) is the most commonly used value-relevance model. The Ohlson Price Model examines the relationship between stock prices and accounting variables, as represented by financial and income statement components. The share price symbolizes an investor's decision made using the information accessible to them. Information has value relevance when stock value responds to financial statement information (Mubarika & Handayani, 2022).

Integrated reports improve the quality of financial reporting by eliminating information asymmetry, improving decision-making, and boosting stakeholder confidence through the disclosure of financial and nonfinancial information (Muhi & Benaissa, 2023). According to Haleem (2020), integrated reporting and organizational capital have a favorable impact on company value relevance, notably in Sri Lanka's banking sector. Integrated Reporting based on the International Integrated Reporting Framework increases the value relevance of accounting information for investors (Cooray et al., 2020). IR effectively reduces the asymmetries of information that may exist between the management of a company and its stakeholders, particularly investors. IR is associated with an increase in the market value of adopting companies rather than the companies that do not adopt IR (Cortesi & Vena, 2019).

H1: IR publications have higher value-relevance than SR publications.

Integrated Reporting indirectly changes the relevance of financial variables, especially in the format of Book Value per Share and Earnings per Share, it means that Integrated Reporting increases corporate disclosures in quality and completeness and, therefore, modifies investor perception of these financial variables (Permatasari & Narsa, 2020). Firms that make adequate and timely disclosures, much of the mystery that shrouds investor perception; this lower uncertainty may thus translate to a finer valuation of BVS and EPS (Cortesi & Vena, 2019).

H2: IR publications are able to improve value-relevance in the form of Earnings per Share.

Integrated Report impact on these financial indicators relates to a decline in the asymmetry of information, Integrated Reporting fosters such transparency, which in turn further refines the view of BVS, as companies continue to disclose more about their assets and liabilities and the strategic decisions that guarantee valuation, investors begin to obtain a clear idea about the actual value of each share (Cortesi & Vena, 2019).

H3: IR publications are able to improve value-relevance in the form of Book Value per Share.

#### **2.4. THE G20**

The G20 represents the key platform for global economic governance, and it has already had three major institutional transformations since its first meeting in Berlin in 1999, with the enormous destruction in which the crisis of 2008 caused to the whole global financial system. The leaders of the leading world economies decided to move the G20 as a platform into global summits that involve heads of state and government, and hence, the G20, over time, has turned into a flexible crisis-management mechanism born through innovative institutional reforms (Dubey, 2023). The G20's strengths and weaknesses come from the organization's informality and flexibility because the organization has no legal status, no written charter, and no permanent secretariat (Fues & Messner, 2024).

The G20 is a forum of the largest economies in the world that meets regularly to discuss the most pressing issues facing the global economy. Together, the G20 accounts for around 85% of world GDP, a percentage that has grown in the past 20 years, more than 75% of global trade, and around two-thirds of the population of the planet. It consists of 19 countries and two regional bodies. The current members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, and the United States, plus the African Union and European Union.

The value the G20 offered the global public was the established real and expected returns that served as important incentives for their continuing participation, and the G20 continues to be a critical hub of contemporary global economic governance (Larionova, 2022). The European Union and the other 19 members comprise a diverse coalition of both established and emerging economic powers, selected primarily due to the economic crises of the 20th century rather than for their representativeness and ability to confront the unprecedented global challenges of the 21st. (Fues & Messner, 2024).

The initial G20 agenda, as conceived by US, Canadian and German policymakers, was very much focused on the sustainability of sovereign debt and global financial stability, in an inclusive format that would bring in the largest developing economies as equal partners. During a summit in November 2008, the leaders of the group pledged to contribute trillions to international financial organizations, including the World Bank and IMF, mainly for re-establishing the global financial system. Since its inception, the recurring themes covered by G20 summit participants have related in priority to global economic growth, international trade, and financial market regulation. The G20 has led the Debt Service Suspension Initiative, through which official bilateral creditors suspended debt repayments of 73 of the poorest debtor countries. Nowadays, the forum primarily deals with global economic and financial matters, but its agenda has expanded to include issues like trade, climate change, sustainable development, health, and more, including the majority of carbon emissions. The G20 also develops strategies to promote a greener and more sustainable global economy, with local realities and access to clean energy sources into account.

### **3. RESEARCH METHODS**

Data for this research comprises sustainability and integrated reports of G20 countries from the period 2020 to 2023. These reports were judiciously sourced from several credible sources, including the IIRC website for materials and guidance on integrated reporting, and the GRI reporting community, a well-established framework on sustainability reporting. Company annual report websites were also tapped for purposes of gathering the relevant data directly from the organizations themselves. In applying these diverse sources, the study tries to develop a strong dataset that serves as a true representative of changing scenarios pertaining to sustainability and integrated reporting in key economies. This study used an Ohlson value-relevance analysis or model and used documentary approaches to obtain research data.

Sugiyono, (2019) explained that there are variables involved in the research where researchers identify and investigate, then draw a conclusion from the data gathered. In any research, the variables involved can also be divided based on their relationship to one another into independent, dependent, moderator, and control variables. This study examines BVS and EPS

with the moderating variable to examine how the adoption of IR or SR influences the relevance of these financial metrics in the context of stock prices. This interaction allows us to test whether the quality and comprehensiveness of disclosures through integrated reporting can enrich the perceived value of the BVS and EPS, influencing investor perceptions and market valuation.

The first hypothesis tries to establish whether IR provides higher value relevance than SR. To facilitate the analysis, this study created a dummy variable that was labelled IRSR. In this respect, the variable has been coded as IR=1 when the company issued an Integrated Report and IR=0 in cases where the company used the Sustainability Report. In testing the second hypothesis, an interaction of the IRSR dummy variable was done with key financial measures of BVS and EPS. This interaction was intended to test whether these financial indicators impact the degree of association between the accounting information and the Market Value of Equity.

Book Value per Share and Earnings per Share were used as independent variables and played an essential role in relating them to the stock price. Interactions of these financial indicators with the moderating variable of IRSR pointed out that this piece of nonfinancial information can be assumed to affect the influence of accounting information on the valuation of the shares of the company. BVS refers to the net asset value of a share in a company. This would give an indication of the intrinsic worth of equity in a firm. This reflects the financial health of an organization and is, at times, used by investors in determining whether a stock is undervalued or overvalued within the market.

The Market Value of Equity is defined as the total market capitalization of the firm divided by the number of shares outstanding. More precisely, MVE is computed by multiplying the share price three months following the financial reporting period by the total number of shares issued by the company. MVE is even more of an independent variable because it captures the dynamic nature by which the market reacts to a firm's performance. This research investigates the MVE together with other variables, such as BVS and EPS, that provide a full insight into how integrated reporting practices can enhance market valuations.

In this research, a dummy variable named IRSR played the role of a role as moderator variable. This was accordingly coded in a manner that separates the companies that practice Integrated Reporting (IR) and those that practice Sustainability Reporting (SR). As such, the variable assumes the value of IRSR=1 any time a firm publishes an Integrated Report; on the other hand, the variable is coded as IRSR=0 when the firm uses a Sustainability Report. Interaction analyses between the IRSR and related financial variables will enable further investigation into the effectiveness of integrated reporting practices in shaping investor perceptions and the general market valuation ability of firms.

In explaining the control variable, Bepari (2015) stated that declining financial health and highly extreme ROE could significantly impact the value relevance of the Book Value and Earnings. This was an important insight into contextual factors that could distort the relationship between financial indicators and market valuations. Consciously, this research adopted a comprehensive approach by controlling for the influence of several factors such as leverage, firm size, and ROE.

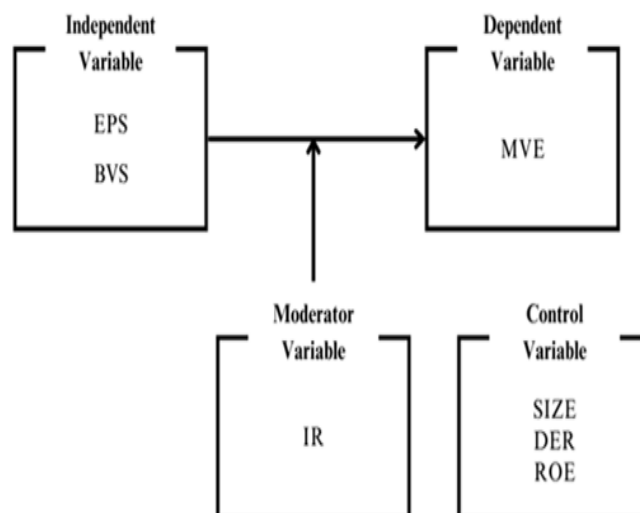


FIGURE 1 Research Framework

(Source: Authors)

## 4. RESULTS AND DISCUSSION

### 4.1. DATA SAMPLE AND ANALYSIS RESULT

The data obtained for this study includes the sustainability and integrated reports of G20 countries from 2020 to 2023. The reports were obtained from the IIRC website, the Global Reporting Initiative reporting community, and the annual report websites of companies. The following are the results of the selection procedure based on the researcher's criteria and availability of data:

**TABLE 1 Population and samples**

| Integrated Report Sample Selection Result |  |        |
|---|--|--------|
| No  | Criteria   | Number |
| 1   | All companies from G20 countries reported IR on IIRC from 2020 - 2023  | 249    |
| 2   | Companies do not consistently provide, such as a public company, delisted and inaccessible annual reports and/or integrated reports from 2020 - 2023 | (179)  |
|   | Total number of companies used in this research  | 70     |
|   | Data as sample for the years 2020-2023 (70 x 4)  | 280    |
| Sustainability Report Sample Selection    |  |        |
| 1   | All companies from G20 countries joined as community members of GRI Reporting and reported SR from 2020 - 2023                                       | 311    |
| 2   | Companies do not consistently provide, not a public company, delisted and inaccessible annual reports and/or sustainability report from 2020 - 2023  | (226)  |
|   | Total number of companies used in this research  | 85     |
|   | Data as sample for the years 2020-2023 (85 x 4)  | 340    |

(Source: Authors)

**TABLE 2 Description of Statistic Analysis**

|             | MVE      | EPS       | BVS       | SIZE     | DER       | ROE       |
|-------------|----------|-----------|-----------|----------|-----------|-----------|
| Mean        | 45482.66 | 127.5207  | 98.86248  | 8.387026 | 55.90374  | 13.50384  |
| Median      | 10.64740 | 6.085000  | 6.492723  | 8.166648 | 57.62500  | 10.72500  |
| Maximum     | 3328977. | 5713.000  | 5955.210  | 13.96858 | 105.2700  | 285.9300  |
| Minimum     | 7.62E-05 | -3693.400 | -0.566898 | 4.852596 | -304.3700 | -400.2200 |
| Std. Dev.   | 262438.4 | 482.1060  | 523.2595  | 1.552072 | 26.61898  | 41.50680  |
| Observation | 620      | 620       | 620       | 620      | 620       | 620       |

(Source: Authors)

Table 2 shows that the number of observations for each variable in this study is 620, which is the total number of Integrated Reports and Sustainability Reports obtained from G20 countries from 2020-2023, as explained below:

1. MVE, as the dependent variable in this study, has a median of 10.64740, a maximum of 3328977, and a minimum of 7.62E-05. Ajinomoto Co, Inc had the highest MVE score in 2023, indicating that the company has high value from an investor's point of view. Greenstone had the lowest MVE value in 2023. The mean value of 45482.66 is less than the computed standard deviation value of 262438.4, indicating that the distribution is more varied, so the values on the items are more inaccurate to the mean.
2. EPS, as the independent variable in this study, has a median of 6.085000, a maximum of 5713.000, and a minimum of -3693.400. Exxaro had the highest EPS score in 2022. Wilson Bayly Holmes-Ovcon had the lowest EPS value in 2022. The mean value of 127.5207 is less than the computed standard deviation value of 482.1060, indicating that the distribution is more varied, so the values on the items are more inaccurate to the mean.
3. BVS, as the independent variable in this study, has a median of 6.492723, a maximum of 5955.210, and a minimum of -0.566898. MS&AD Insurance Group Holdings, Inc. had the highest BVS score in 2022. While Air Canada had the lowest BVS value in 2022. The mean value of 98.86248 is less than the computed standard deviation value of 523.2595, indicating that the distribution is more varied, so the values on the items are more inaccurate to the mean.
4. Size, as the control variable in this study, has a median of 8.166648, a maximum of 13.96858, and a minimum of 4.852596. Prologis had the highest Size score in 2023. While Ferrovie dello Stato had the lowest Size value in 2020. The mean value of 8.387026 is more than the computed standard deviation value of 1.552072, indicating that the distribution is less varied, so the values on the items are more accurate to the mean.
5. DER as the control variable in this study has a median of 57.62500, a maximum of 105.2700, and a minimum of -304.3700. Air Canada had the highest DER score in 2022. While Transnet had the lowest DER value in 2021. The mean value of 55.90374 is more than the computed standard deviation value of 26.61898, indicating that the distribution is less varied, so the values on the items are more accurate to the mean.
6. ROE, as the control variable in this study, has a median of 10.72500, a maximum of 285.9300, and a minimum of -

400.2200. Air Canada had the highest ROE score in 2023. While Air Canada had the lowest ROE value in 2021. The mean value of 13.50384 is less than the computed standard deviation value of 41.50680, indicating that the distribution is more varied, so the values on the items are more inaccurate to the mean.

**4.2. PANEL DATA REGRESSION ESTIMATION MODEL**

**4.2.1. CHOUW TEST**

In order to determine the appropriateness of the chosen approach for the regression in a panel data model, we focus on comparing the Common Effect Model and the Fixed Effect Model. This test will show whether there are significant differences between these two models and give insight into which model is more appropriate to use. The Chow test was performed using the EViews 13 application, and the result is presented below.

**TABLE 3 Chow Test Analysis Result**

| Statistic                | Value       | d.f. | Prob.  |
|--------------------------|-------------|------|--------|
| Cross-section Chi-square | 2711.404317 | 154  | 0.0000 |

(Source: Authors)

**4.2.2. HAUSMAN TEST**

In order to assess more properly the suitability of the test model more properly, the Hausman test was carried out. This will help decide which one, between FEM and REM, is more suitable for the analysis of panel data. The result is presented below.

**TABLE 4 Hausman Test Analysis Result**

| Test Type            | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob.  |
|----------------------|-------------------|--------------|--------|
| Cross-section random | 13.621770         | 7            | 0.0583 |

(Source: Authors)

Table 4 displays the test result, with a p-value of 0.0623>0.05. It asserts that the Random Effect Model (REM) is a suitable model for this analysis.

**4.2.3. LAGRANGE MULTIPLIER (LN) TEST**

The Lagrange Multiplier (LM) has been applied to see whether REM fits better than CEM for the panel data analysis. Using the EViews 13 application, the result is presented below.

**TABLE 5 Lagrange Multiplier Test**

| Test          | Cross-section | Time     | Both     |
|---------------|---------------|----------|----------|
| Breusch-Pagan | 856.7284      | 1.497631 | 858.2260 |
|               | (0.0000)      | (0.2210) | (0.0000) |

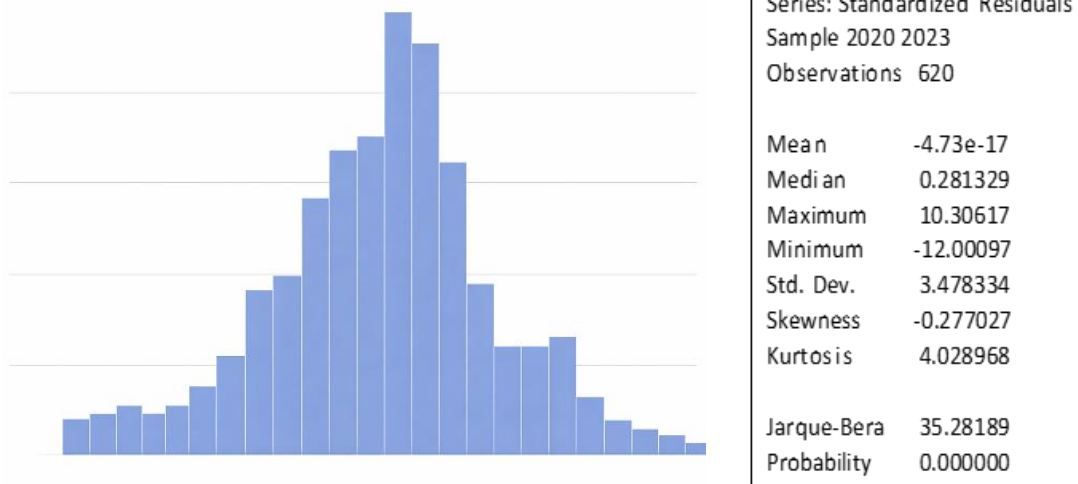
(Source: Authors)

In Table 5, it shows the probability is shown to be 0.00, which is far below the cut-off criterion set at 0.05, which asserts REM (random Effect Model) as an adequate model to address this analysis.

**4.2.4. CLASSICAL ASSUMPTION TEST**

A normality test is conducted to ensure that the residual values of the regression model are normally distributed. The Jarque-Bera statistical test was used in this study for the purpose of a normality test. In particular, as long as the value of Jarque-Bera is >0.05, it would imply that the residual values are normally distributed. A Jarque-Bera value >0.05 implies there is an abnormal distribution of the residuals. The normality test analysis was therefore done using EViews 13, and the result is presented below.

**TABLE 6 Normality Test Analysis Result**



(Source: Authors)

The probability value obtained from the test was 0.000. The result is significantly <0.05, indicating that the data are not regularly distributed. Gujarati & Porter (2009) mentioned that normality is considered not as important and can be ignored if the sample size of the data is sufficiently large. The Central Limit Theorem also asserts that, given big enough sample sizes, the sampling distribution of a mean will be roughly normally distributed, regardless of the original data distribution's form. Big samples sometimes permit the relaxation of this assumption (Pertwi & Hersugondo, 2023).

**4.2.5. MULTICOLLINEARITY TEST**

Table 7 explained that the coefficients of all the variables tested are below the threshold of 0.85, demonstrating that the independent variables in this regression model do not exhibit any signs of multicollinearity disorder.

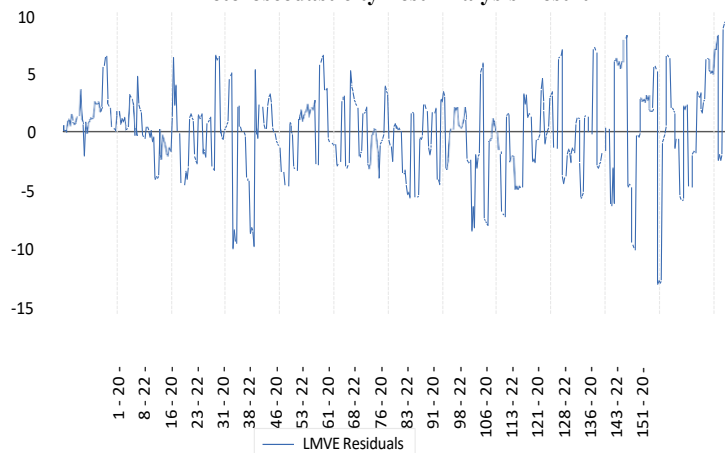
**TABLE 7 Multicollinearity Test Analysis Result**

| Variable     | EPS       | BVS       | IRSR    | IRSRXEPS    | IRSRXBVS   | SIZE      | DER               | ROE        |
|--------------|-----------|-----------|---------|-------------|------------|-----------|-------------------|------------|
| EPS          | 1         | 0.025302  | 0.55504 | 0.50063824  | 0.16062221 | -0.197914 | -<br>0.1380<br>47 | 0.1390349  |
| BVS          | 0.025302  | 1         | -0.2532 | -0.17505647 | 0.35622834 | 0.175194  | -<br>0.0690<br>48 | -0.1059804 |
| IRSR         | 0.555040  | -0.253220 | 1       | 0.33250915  | 0.17090568 | -0.477822 | -<br>0.1600<br>07 | -0.0452210 |
| IRSRXEP<br>S | 0.500638  | -0.175056 | 0.32509 | 1           | 0.03414412 | -0.160311 | -<br>0.0605<br>75 | 0.1001978  |
| IRSRXB<br>VS | 0.160622  | 0.356228  | 0.17090 | 0.03414412  | 1          | -0.133640 | 0.0426<br>05      | -0.0639763 |
| SIZE         | -0.197914 | 0.175194  | -0.4778 | -0.16031139 | -0.1336405 | 1         | 0.1760<br>42      | 0.0649443  |
| DER          | -0.138047 | -0.069048 | -0.1600 | -0.06057571 | 0.04260509 | 0.176042  | 1                 | 0.1151543  |
| ROE          | 0.139034  | -0.105980 | -0.0452 | 0.10019781  | -0.0639763 | 0.064944  | 0.1151<br>54      | 1          |

(Source: Authors)

4.2.6. HETEROSCEDASTICITY TEST

TABLE 7 Heteroscedasticity Test Analysis Result



(Source: Authors)

From Table 7, it can be seen that the residual values remain well within the prescribed limits of 500 and -500. To be more specific, the maximum residual value that has been recorded is 10, which comfortably remains underneath the upper limit of 500, while the minimum residual value has touched as low as -13, overshooting below the prescribed lower limit of -500. Given that the residuals are within the set limits, it can be concluded that the data does not show any heteroscedasticity.

4.2.7. AUTOCORRELATION TEST

TABLE 8 Autocorrelation Test Analysis Result

| (Statistic)        | (Result) |
|--------------------|----------|
| Durbin-Watson stat | 1.634955 |

(Source: Authors)

There are 620 observations in this study, so from the calculation, DL obtained 1.86257, DU obtained 1.86925, and 4-DU obtained 2.13075. In the table, we report the Durbin-Watson statistic, which is 1.634955. In particular, the corresponding inequality of the bounds is  $DU > DW < 4 - DU$  or, in numerical terms,  $1.86925 > 1.634955 < 2.13075$ . This result implies that there is an autocorrelation disorder. Basuki and Prawoto (2016) mentioned that testing for autocorrelation is a procedure pertinent to time series data, whereby observations are collected at successive points in time. However, in the case of data that is not structured in time series, for example, cross-sectional data and panel data, the application of the test for autocorrelation becomes irrelevant, and testing for autocorrelation in such cases will result in a confusing result about the nature of the data.

4.2.8. ANALYSIS OF PANEL DATA REGRESSION

$$LMVE = 2.82455943615 + 0.00041614811989 * EPS - 0.0074621195373 * BVS + 4.88371948797 * IRSR - 0.000290469024299 * IRSRXEPS + 0.00684566844063 * IRSRXBVS - 0.256486391423 * SIZE + 0.00671487576747 * DER - 0.00232550398771 * ROE + [CX=R]$$

The constant obtained is 2.82455943615, which means that if all the independent variables are zero, the MVE value is 2.82455943615. The EPS coefficient is 0.00041614811989, meaning the EPS value has a positive effect on MVE. If EPS increases by one time, then MVE will increase by 0.00041614811989. The BVS coefficient is -0.0074621195373, meaning that the BVS value has a negative effect on MVE. If BVS increases by one time, then the stock price will decrease by 0.0074621195373. The IRSR coefficient is 4.88371948797, meaning the IRSR value has a positive effect on MVE. If IRSR increases by one time, then MVE will increase by 4.88371948797. The IRSRXEPS coefficient is -0.000290469024299, meaning that the IRSRXEPS value has a negative effect on MVE. If IRSRXEPS increases by one time, then the stock price will decrease by 0.000290469024299. The IRSRXBVS coefficient is 0.00684566844063, meaning the IRSRXBVS value has a positive effect on MVE. If IRSRXBVS increases by one time, then MVE will increase by 0.00684566844063. The SIZE coefficient is -0.256486391423, meaning that the SIZE value has a negative effect on MVE. If SIZE increases by one time, then the stock price will decrease by 0.256486391423. The DER coefficient is 0.00671487576747, meaning the DER value has a positive effect on MVE. If DER increases by one time, then MVE will increase by 0.00671487576747. The ROE coefficient is -0.00232550398771, meaning that the ROE value has a negative effect on MVE. If ROE increases by one time, then the stock price will decrease by 0.00232550398771.

#### 4.2.9. SIMULTANEOUS SIGNIFICANT TEST (F TEST)

When 620 observations are included in a scenario with two independent variables, the critical value for the F-statistic is found to be 3.01025 based on the F-table. The null hypothesis is accepted if the p-value of the F-statistic is  $>0.05$ , it implies that the dependent variable is not significantly impacted by the independent factors at the same time. If the calculated F-statistic value is  $>F$ -table, the null hypothesis is rejected. The panel data regression estimation findings with the Random Effect Model (REM) are as follows.

**TABLE 9 F-Statistic Test Analysis Result**

| (Statistic)       | (Value)  |
|-------------------|----------|
| F-statistic       | 18.78962 |
| Prob(F-statistic) | 0.000000 |

(Source: Authors)

Table 9 shows that the regression output above indicates that the F-statistic value is higher than the value found in the F-table. In particular, the F-statistic's computed critical value is 18.78962, which is higher than 3.01025, the critical value. This also has a p-value of 0.000, which is less than the generally acknowledged significance limit of 0.05. This demonstrates even more how the independent factors significantly affect the MVE at the same time.

#### 4.2.10. INDIVIDUAL PARAMETER SIGNIFICANT TEST (T TEST)

The t-table value calculated to be approximately 1.9638. This will be a critical value to either accept or reject the hypothesis test regarding the variables for the regression. The panel data regression estimation findings using the Random Effect Model (REM) are as follows.

**TABLE 10 T-Statistic Test Analysis Result**

| Variable     | Coefficient | Std. Error | t-Statistic | Prob   |
|--------------|-------------|------------|-------------|--------|
| C (Constant) | 2.824559    | 0.844721   | 3.343777    | 0.0009 |
| EPS          | 0.000416    | 0.001348   | 0.308665    | 0.7577 |
| BVS          | -0.007462   | 0.002181   | -3.420662   | 0.0007 |
| IRSR         | 4.883719    | 0.585672   | 8.338658    | 0.0000 |
| IRSRXEPS     | -0.000290   | 0.001350   | -0.215091   | 0.8298 |
| IRSRXBVS     | 0.006846    | 0.002200   | 3.111001    | 0.0020 |

(Source: Authors)

The T-Statistic Test Result can be explained as follows:

1. The analysis of Earnings Per Share (EPS) reveals that the t-statistic value is 0.308665, which  $>1.9638$ . This comparison indicates that EPS does not have a statistically significant impact on the Market Value of Equity (MVE). Furthermore, the probability value associated with this t-statistic is 0.7577, which  $0.7577 > 0.05$ . This high probability value reinforces the conclusion that there is no meaningful relationship between EPS and MVE in this context.
2. The analysis of Book Value per Share (BVS) reveals that the t-statistic value is -3.420662, which  $>1.9638$ . This comparison indicates that BVS does have a statistically negative impact on the Market Value of Equity (MVE). Furthermore, the probability value associated with this t-statistic is 0.0007, which  $0.0007 < 0.05$ . This value reinforces the conclusion that BVS negatively and significantly impact MVE in this context.
3. The analysis of IRSR reveals that the t-statistic value is 8.338658, which  $>1.9638$ . This comparison indicates that IRSR does have a statistically significant impact on the Market Value of Equity (MVE). Furthermore, the probability value associated with this t-statistic is 0.0000, which  $0.0000 < 0.05$ . This value reinforces the conclusion that IRSR has a significant impact on MVE in this context. With these significant results, it can be concluded that Integrated Reporting (IR) has a higher value of relevance compared with Sustainability Reporting (SR). This is supported by the statistical evidence showing that the influence of the IRSR variable on MVE is significantly positive. With this result, it can be concluded that H1 is accepted, meaning IR publications have higher value-relevance than SR publications.
4. The analysis of IRSRXEPS with IRSR as a moderator variable that interacts with EPS reveals that the t-statistic value is -0.215091, which  $<1.9638$ . This comparison indicates that IRSRXEPS does not have a statistically significant impact on the Market Value of Equity (MVE). Furthermore, the probability value associated with this t-statistic is 0.8298, which  $0.8298 > 0.05$ . This value reinforces the conclusion that EPS did not impact MVE with IRSR as a moderator variable in this context. With these results, it can be concluded that Integrated Reporting (IR) publications are not able to increase the value relevance of Earnings per Share. With this result, it can be concluded that H2 has declined.
5. The analysis of IRSRXBVS with IRSR as a moderator variable that interacts with BVS reveals that the t-statistic value is 3.111001, which  $>1.9638$ . This comparison indicates that IRSRXBVS does have a statistically significant

impact on the Market Value of Equity (MVE). Furthermore, the probability value associated with this t- statistic is 0.0020, which  $0.0020 < 0.05$ . This value reinforces the conclusion that BVS significantly impacts MVE with IRSR as a moderator variable in this context. With these results, it can be concluded that Integrated Reporting (IR) publications are able to increase the value-relevance of Book Value per Share. With this result, it can be concluded that H3 is accepted.

6. The analysis of Firm Size reveals that the t-statistic value is -2.916363, which  $> 1.9638$ . This comparison indicates that Firm Size does have a statistically negative impact on the Market Value of Equity (MVE). Furthermore, the probability value associated with this t-statistic is 0.0037, which is  $0.0037 < 0.05$ . This value reinforces the conclusion that Firm Size negatively and significantly impact MVE in this context.
7. The analysis of Leverage (Debt-to-Equity) reveals that the t-statistic value is 4.818501, which  $> 1.9638$ . This comparison indicates that Firm Size does have a statistically significant impact on the Market Value of Equity (MVE). Furthermore, the probability value associated with this t-statistic is 0.0000, which is  $0.000 < 0.05$ . This value reinforces the conclusion that Leverage (Debt-to-Equity) significantly impact MVE in this context.
8. The analysis of ROE (Return on Equity) reveals that the t-statistic value is -3.277561, which  $> 1.9638$ . This comparison indicates that ROE (Return on Equity) does have a statistically negative impact on the Market Value of Equity (MVE). Furthermore, the probability value associated with this t-statistic is 0.0011, which is  $0.0011 < 0.05$ . This value reinforces the conclusion that ROE (Return on Equity) negatively and significantly impacts MVE in this context.

**4.2.11. DETERMINATION COEFFICIENT TEST (R2 TEST)**

An essential R-squared (R2) test in any regression model is one of the measures to assess the model's goodness of fit. This clarifies how well the analysis's independent variables capture the variability of the dependent variable. The dependent variable's variation can be fully explained by R2 when it is 1, indicating that it explains all of the variation, and it varies from 0 to 1. The panel data regression estimation findings using the Random Effect Model (REM) are as follows.

**TABLE 11 Adjusted R-Squared Test Analysis Result**

| (Statistic)        | (Value)  |
|--------------------|----------|
| Adjusted R-squared | 0.186935 |

(Source: Authors)

From Table 11, the adjusted R-square is 0.186935 or 18.65%. This indicates that the independent variables taken into account in this study account for roughly 18.65% of the variation in MVE. The results further support this, indicating that 81.35% of the volatility in MVE occurs outside the parameters that this study was designed to examine. In conclusion, while a significant portion of the variation in MVE remains unexplained, the independent variables in our study do account for some of it. This is a natural consequence of the complexity of the variables influencing market prices and suggests deeper investigation into additional variables that may help provide a more comprehensive understanding.

**5. RESULTS AND DISCUSSION**

Table 12 describes the hypothesis analysis results. The results can be summarized as follows.

**TABLE 12 Hypothesis Analysis Result**

| Hypothesis  | Result   |
|---|----------|
| H1 IR publications have higher value-relevance than SR publications                         | Accepted |
| H2 IR publications are able to improve value-relevance in the form of Earnings per Share.   | Declined |
| H3 IR publications are able to improve value-relevance in the form of Book Value per Share. | Accepted |

(Source: Authors)

**5.1. THE VALUE-RELEVANCE OF SUSTAINABILITY REPORTING IS HIGHER THAN INTEGRATED REPORTING**

The findings of this research support the fact that the Integrated Report (IR) provides a better value relevance than the Sustainability Report (SR). This is supported by the outcome of the t-test for the IRSR variable. The computed value of the t-statistic for IRSR is about 8.3387, while the critical t-table value remains way below at 1.9638. The probability for this effect has been further said to be less than 5% conventional alpha level value, at 0.000. This lies well below 0.05 and thus provides a good indication of supporting the first hypothesis. These statistics will, in essence, imply that IR is not only more value relevant but also plays a more critical role in explaining variations in the market perception and evaluation than SR. In general, the findings indicate that the adoption of IR as a form of corporate reporting has greater significance, related to a more significant market valuation impact.

The new evidence of the value-relevance framework introduced by IR, in conjunction with the main accounting information it embraces. IR proves to have higher value relevance than SR; it would reasonably imply that disclosed information is of a

higher quality. High- quality disclosure is imperative so that stakeholders, investors in particular, will have confidence and begin to make decisions based on credible and comprehensive information. This finding has been supported by other previous studies conducted by Cortesi & Vena (2019) that IR publications create a positive impact on market prices for firms disclosing integrated reporting practices. It basically points out that those companies that have adopted IR are perceived positively by investors and thus usually result in an increase in the market valuation of entities. It is also in line with Pavlopoulos et al. (2019), who stated that there is a positive relationship between IR disclosure and market value per share, and that the market value per share for IR reporters is correspondingly high. IR strengthens transparency, allowing stakeholders to gain a much better view of the financial soundness of an organization and its strategic link and it also confirms the view of IIRC, (2021) that IR has the highest potential to effectively mitigate information asymmetry-a situation where investors are less well-informed compared to the management of the company because IR provides more insight into the performance of a company than solely financial metrics, the use of nonfinancial measures allows stakeholders to better grasp how to enhance the value proposition of the organization. This finding in this study is inconsistent with what was obtained by Permatasari & Narsa (2021), who stated that SR presents a higher value than IR to investors in the capital market. The inferred investigation of these researchers shows that investors may attach greater importance to some environmental and social disclosures in SR than to the information encapsulated within IR.

### ***5.2. IR PUBLICATIONS ARE NOT ABLE TO IMPROVE VALUE-RELEVANCE IN THE FORM OF EARNINGS PER SHARE***

The findings of this research rejected the perception that Integrated Report (IR) publications are able to increase the value-relevance of Earnings per Share (EPS). In particular, this was concluded from the results obtained in the t-test for the variable IRSRXEPS, which measures the relationship between Market Value of Equity and Earnings per Share (EPS) with Integrated Report as a moderator variable. From this analysis, the calculated t-statistic of the interaction is approximately -0.21509. This value is well below the critical t-table value of 1.9638. This would then imply that there is insufficient evidence from a statistical point of view to show that a significant relationship does indeed exist between affecting MVE and the value relevance of EPS with publications of IR. This is presented with a probability value of 0.8298 for the t-statistic, which is way above the generally accepted alpha of 5%. This large probability of being in the null confirms that any effect of the IRSRXEPS variable is not significant. What this essentially means, in practical terms, is that from this data set and the performed analysis, one cannot say that IR publications meaningfully affect how stakeholders perceive the value represented by EPS. This result is in line with Eloff & Steenkamp (2023), who found that IR negatively affects the earnings; the firms that are less likely to engage in income-increasing earnings activities present higher quality integrated reports. King & Stewart (2004) stated that rather than relying on measures of EPS as an indicator of corporate performance, an integrated approach is one that represents a greater variety of nonfinancial and financial information that enables an organization to better convey its overall performance and value more effectively and transparently. These practices would eventually bring together the widened gap between investor expectations and the realities of what management can deliver. With an integrated approach, companies may create a better picture through all channels of corporate disclosure: integrated reporting, sustainability reports, and strategic communication. This all-inclusive outlook is needed in today's confusing business world, as investors call for more input on the survival and sustainability of a firm in the long run.

### ***5.3. IR PUBLICATIONS ARE ABLE TO IMPROVE VALUE-RELEVANCE IN THE FORM OF BOOK VALUE PER SHARE***

The findings of this research support the fact that Integrated Report (IR) publications are able to increase the value-relevance of Book Value per Share. This conclusion was based on the results obtained from the t-test conducted for the variable IRSRXBVS, representing the interaction between Market Value of Equity and Book Value per Share with Integrated Report as a moderator variable. The computed value of the t-statistic for IRSRXBVS is about 3.111001, while the critical t-table value remains below 1.9638. The probability for this effect has been further said to be less than 5% conventional alpha level value, at 0.0020. This lies well below 0.05 and thus provides a good indication of supporting the third hypothesis that IR publications do enhance the value relevance of BVS. This finding is consistent with the study of Cortesi and Vena (2019), which states that IR possesses a strong propensity to improve the disclosures of companies, reducing the information asymmetry and enhancing the quality of the reported book value per share. IR is what enhances the depth and quality of the information disclosed and plays a vital role in bridging the gap between what management understands about the company and what is outside. This increased transparency may lead to a higher degree of investor confidence through assurance that stakeholders are quite sure that the information presented is true. It is also in line with Pavlopoulos et al. (2019) that the BVS significantly influences the value of firms' market, considered one of the significant indicators used in some financial theories when assessing a company concerning its financial health and stability. Firms with high BVS are generally perceived as less risky, which can increase demand for their shares and, thus, the market price of these shares.

## **6. CONCLUSION**

This research focuses on analysing the effect of nonfinancial disclosure on value-relevance, with a particular focus on the Integrated Report and the Sustainability Report. From the analysis, it can be concluded that the Integrated Report has more value-relevance than the Sustainability Report. Integrated Report effectively weaves both financial and nonfinancial

information into one compact report, which means that stakeholders can pursue a more significant perception of the performance, strategy, and potential value creation in the long run for a company. In fact, the Integrated Report strengthens transparency and diminishes the information asymmetry between management and investors through this integrated view, not confined to only financial results but considering other relevant ones, such as environmental, social, and governance factors. These findings have considerable implications in that firms that invest in high-quality integrated reporting are more than likely to eventually gain a competitive edge in the marketplace and attain business growth, together with increased stakeholder trust, that will be stable. This research also demonstrates how an integrated report improves the value-relevance of accounting data, such as book value per share, but is not able to enhance the form of earnings per share. Integrated reporting indeed offers stakeholders more insight, and full insight at that, into the financial health and valuations of their assets. This integration might facilitate investors' assessments of the underlying value of the company, which may lead to increased perceptions about the overall worth of the firm. On the other hand, while an integrated report is bound to enhance the significance of book value per share, this attribute does not flow to earnings per share. Such results do give rise to certain interesting questions regarding the market interpretation of different financial measures. This phenomenon underpins the changing investor priorities, moving gradually from pure short-term profitability to the inclusion of sustainability and asset management in the long run. Companies may have to, therefore, renew their means of communicating financial performance, with integrated reporting being argued as a way to communicate the big picture of operations and strategy.

There are several limitations to this research that should be taken into consideration. The major limitation consists of having a relatively limited number of available reports accessible for review. This alone could limit the generalization ability of findings, since a wider dataset shows wider coverage of trends and patterns associated with integrated and sustainability reporting. This research also has limitations in the measurements used within this study itself. After all, market reactions can take some time to unfold; a longer observation period may offer an improved insight into how these disclosures take their effect on investor behavior and corporate value. The limitations of reports available for analysis and measurement against which they were tested provide a scope for more cautious interpretation of findings. Besides, the good insights of this research may provide information on how corporate reporting practices are linked with market valuation. Further research in this critical area would be enhanced by an expanded scope of analysis, such as the impact of integrated reporting and sustainability reporting on specific stakeholder groups (e.g., employees, local communities). Researchers may use earlier work to improve study topics, create appropriate measurement instruments, and implement reliable techniques. Future research can look into the other sources of variance in MVE that take place outside of what was considered within the scope of this research. This perhaps means that there are a number of other variables explaining stock prices, which could also relate to macroeconomic factors, market conditions, investor sentiment, or firm-specific characteristics, not captured in this present analysis. Meanwhile, future research also has the opportunity to further investigate how diverse types of reporting are perceived by different investor groups. For instance, institutional investors with a strong mandate for ethical investing may favor a sustainability report because it specifically focuses on sustainability metrics, while other investors may appreciate the holistic view provided by an integrated report, as it encompasses both financial and nonfinancial performance indicators.

## CONFLICTS OF INTEREST

In this research, the authors declare that there is no conflict of interest concerning the publication of this paper.

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