Original Research Article

FORWARD-LOOKING INFORMATION BASED ON INTEGRATED REPORTING PERSPECTIVE: VALUE

RELEVANCE STUDY

IN INDONESIA STOCK EXCHANGES

Abstract

The International Integrated Reporting Council (IIRC) in 2013 has formulated the Integrated Report Framework. Integrated reporting provides forward-looking information related to the company's holistic picture, future targets and the relationship between financial performance and non-financial performance. Indonesia does not require companies to report integrated reporting, but many voluntary ones have provided partial disclosures about aspects that are regulated in the integrated report framework. This study aims to provide empirical evidence about the effect of forward-looking disclosure on firm value. The research population is a manufacturing company on the Indonesia Stock Exchange for the 2015 and 2016 annual reports. The sample is selected based on the availability of annual reports accessed through the company's web and the Indonesia Stock Exchange. The population are 144 manufacturing and sample companies were 70 which was collected for two years so there were 140 firms years. The forward-looking measurement is based on the disclosure index. GCG variables are used as control variables because empirically GCG can affect the value of the company. The results of the study showed that forward-looking disclosure has a significant effect on the value of the company and can explain 20.9% variation in the value of the company.

Keywords: Firms Value, Forward-looking, disclosures, Good Corporate Governance, Indonesia

1. Introduction

Rapidly evolving information technology has had an impact on increasingly diverse information needs for the purpose of economic decision making. Decision makers (investors and creditors) have long relied on historical earnings and cash flow information to predict the future value of the company. This approach does not provide an opportunity to obtain significant abnormal returns. (look for empirical references)

Accounting produces historical financial statements about the company's performance that have been achieved by management. In a rapidly changing economic condition due to the effects of globalization, past performance cannot be used as a predictor of future performance. Decision makers need additional information that can be used to better predict future performance. Information that can provide future orientation is forward-looking information can come from various sources.

Empirically, some researchers have proven that disclosures in annual reports conducted by management were responded by investors [1,2,3,4]. However, studies on disclosure by management remain interesting to do because of different types of disclosures (mandatory and voluntary). Factors that triggered management to provide voluntary disclosures were company size, management performance, analyst following, share issuance, institutional ownership and others [5,6]. Management who want to provide private information when the information is not yet an

37 obligation (mandatory) or when other parties do not want to disclose it will have an impact on the good corporate

38 image and subsequently have an impact on reducing the cost of equity [7].

39   [8] Conducted a study of forward-looking information in the form of profit and sales projections expressed in the

40 annual report. Companies that have better earnings quality (earnings persistent) tend to provide more forward-looking

41 information. Investors give positive and significant responses to forward-looking earnings and sales information.

42 Forward and looking earnings and sales disclosures, in this case, are voluntary disclosures.

43   Companies that conduct an initial public offering must present mandatory disclosures and also voluntary

44 disclosures in the prospectus. How much voluntary disclosure is presented in the prospectus depends on

45 management policy. Companies that conducted IPOs in Italy which provide more forward-looking voluntary

46 disclosures had experience lower underpricing [9]. Forward-looking information can also be used as a reference to

47 make the optimal portfolio. In general, the stock portfolio is formed based on historical data [10] If the portfolio was

48 formed based on historical stock data, it does not provide optimal returns. A better way is to create a portfolio based

49 on the forward-looking information [11].

50   The International Integrated Reporting Council (IIRC) in 2013 has formulated the Integrated Report Framework.

51 Integrated reporting shows a holistic picture of the company about future targets and the relationship between

52 financial performance and non-financial performance [12]. Thus, integrated reports provide future information to

53 stakeholders. Forward-looking information revealed in integrated reporting consists of 6 elements, namely: (1)

54 *Organizational overview and external environment;(2) Governance;(3) Business model;* (4) *Risks and opportunities;*

55 *(5) Strategy and resource allocation and (6) Performance.*

56   In Indonesia, the implementation of integrated reporting is still voluntary and has not been specifically regulated

57 by the accounting standard board (regulator). Some companies present separate sustainability reports from annual

58 reports, and many still incorporate various information in an annual report.

59   This study aims to examine whether companies who do voluntary disclosures related to forward-looking

60 information based on the integrated reporting perspective has value relevance. Besides that, it also provides

61 empirical evidence that the forward-looking information presented in the annual report is needed by stakeholders so

62 and regulators can use it as a basis for policy to change from voluntary to mandatory disclosures.

63

64 **2. LITERATURE REVIEW AND THEORY**

65 **Signalling Theory and Forward-Looking Information**

66   Signaling theory explains how signals of success or failure of management (agent) are conveyed to the

67 owner (principal). Signaling theory indicates that a company will try to show a signal in the form of positive information

68   to potential investors through disclosures in financial statements [13]. Information published in annual reports can be

69   grouped into two categories: "backward-looking information" and "forward-looking information. Forward-looking

70   disclosure is a set of information that refer to the current year plan and future forecasting that can be used by

71   investors and other information users to assess the future financial performance of a company [14]. Future

72   information disclosure is a disclosure that is not required by regulation but depends on the manager's policy

73   (voluntary disclosure).

74   Future information can be quantitative, qualitative, financial, and non-financial. The financial forecast

75   includes next year's income, expected income, and anticipated cash flow. Whereas those included in non-financial

76   information include information about risks and uncertainties that can significantly affect actual results and cause

77   differences with previous projections [14]. The business reporting elements related to forward-looking information are

78   as follows: (1) Opportunities and risks, including those resulting from important trends; (2) The management plan,

79   including key success factors and (3) Comparison of actual business performance with opportunities, risks, and

80   management plans revealed earlier. Study in Canadian companies related to   publication of the chairmen's

81   statements in Management Discussion and Analysis (MDA) reveal that 19.2% is forward-looking information and

82   contain 97.5% are good news. Thus, management tends to provide more positive forward looking information[15].

83

84   **Integrated Reporting**

85   In August 2010 the concept of Integrated Reporting (IR) was introduced by the International Integrated

86   Reporting Committee (IIRC) which consisted of various community groups, professions, and business institutions,

87   regulators, non-governmental organizations. The mission of IIRC is to build an acceptable and globally integrated

88   reporting framework which is presented together with financial, environmental, social and governance information in a

89   clear, concise, consistent and comparable format. Integrated reporting are strongly supported by stakeholders to be

90   implemented because they contain information related to financial capital, intellectual capital, social capital, and

91   environmental capital [16].

92   There are three benefits that can be identified in implementing integrated reporting, namely (1) for internal

93   parties can be used to make optimal allocation of company resources; establish better communication with

94   stakeholders and raise reputation [17]; (2) for the market or external who want sustainability index information and

95   ensure that vendors report accurate non-financial information; (3) used as a means of managing risks prepared for

96   possible waves of global regulation, responding to requests from the stock exchange and other parties.

97   On the other hand, there is still perception that the current annual report is considered sufficient because the

98   information in the annual report is comparable and reliable, while sustainability reporting is still in its early stages [18].

99   Some support voluntary approaches for implementing integrated reporting because the majority of participants

100   thought that it was too early for regulatory reform. Integrated reporting will become the reporting norm over time if

101   market forces companies adopting integrated reporting practices. There is no doubt that integrated reporting is an

102   important tool for business organizations [19,20,21]. The benefits of adopting internal reporting are very clear that

103   companies can provide all reports and benefit from it by increasing internal business [22,16]. Integrated reporting

104   provides a comprehensive picture of the company in terms of future targets and the relationship between financial

105   performance and reporting on corporate social and environmental responsibilities. Integrated reporting also help

106   improve business strategies and models with integrated thought processes and decision support [23].

107

108   **The value of the company**

109   Firm value is defined as the stock market value because the value of a company can provide maximum

110   shareholder prosperity if the company's stock price increases [24]. The higher the stock price, the higher the value of

111   the company.   Measuring company value according to [25] can use 3 approaches, namely, (1) Price Earnings

112   Ratio; (2) Price to Book Value and (3) Tobin's Q. Tobin's Q approach is considered more comprehensive because it

113   is the ratio of the market value of the company's stock to the book value of the company entity. The following formula:

114

115   $$Q \ = \ \frac{(EMV + D)}{(EBV + D)}$$

116

117   Q   =   value of the company   D   = total Amount of debt

118   EMV   = equity market value   EBV = book value of total assets

119   Tobins' Q ratio is a ratio that explains the value of a company in the market, the market value of a company

120   should be the same as the cost of changing its assets. If the value of Tobin's Q is more than one company, it means

121   that the company's market value is greater than the assets of the listed company. The market will appreciate

122   companies that have high Tobin's Q value. Conversely, if the Tobin "s Q value is less than one, it indicates that the

123   cost of changing assets is greater than the market value of the company. It means that the company performance is

124   relative low.

125

126   *Relationships forward looking information and firm value*

127   A study of forward-looking information in the form of profit and sales projections expressed in the annual

128   report showed that investors give positive and significant responses to forward-looking earnings and sales

129   information [10]. The other study give empirical evidence that IPO companies that provide more forward-looking

130   voluntary disclosures will experience lower underpricing. Low underpricing means that the company has a relatively

131   high share value. Conversely, if the forward-looking information is related to many business risks, the underlying gets

132   higher, or the stock price becomes cheap [9].

133   There are several researchers who had researched forward-looking information, good corporate governance

134   on company value. According to [26] good corporate governance has a positive and significant impact on the

135   precision of sales forecasting choices. Companies with good corporate governance are more likely to disclose sales

136   forecasts more precisely than providing qualitative discussions about the company's sales trends. Companies that

137   are well managed are found to be more likely to provide appropriate non-financial information.

138   It was believes that integrated reporting is a form of integration of ethical aspects in the core business of the

139   company. There was a study to find out whether integrated reporting which is an integration of environmental, social

140   and governance (ESG) reports has an impact on external performance [27]. The analysis was done by comparing

141   companies that have implemented integrated reporting with: (a) companies that have no ESG reporting and (b)

142   companies whose ESG reporting is presented in the annual report. The result shows that companies that have

143   implemented integrated reporting have superior return on asset (ROA) performance compared to companies that do

144   not make ESG reports. If the application of integrated reporting has an impact on improving performance, investors

145   will respond to the information presented in integrated reporting and subsequently have an impact on the value of the

146   company.

147   The reason for supporting integrated reporting adoption for business are: (1) integrated reporting is a tool

148   that integrates all business processes comprehensively; (2) increase the reputation of the company; and (3) is a

149   medium of communication and negotiation with stakeholders so as to reduce the cost of equity which has an impact

150   on the increase in the value of the company [22,16].

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153

154   **Hypothesis**

155   Referring to the purpose of this study is to examine the effect of forward-looking information on the value of the

156   company, the research hypothesis are as follows:

157   H0: Disclosure forward-looking information that refers to the integrated reporting perspective does not affect the value

158   of the company

159   H1: Disclosure Forward-looking information that refers to the integrated reporting perspective has a positive effect on

160   the value of the company

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161

3. METHODOLOGY AND MODEL SPECIFICATION

163   The population is a manufacturing company listed on the Indonesia Stock Exchange. Samples were

164 selected for the 2015 and 2016 reporting periods and have complete annual report data for both periods. Reasons

165 for using 2015 and 2016 data due to Financial Services Authority regulation No. 8 / POJK.04 / 2015 which regulates

166 the disclosure of annual report and should be start implemented for annual report in 2015.

167   The dependent variable is the value of the company that is proxy by Tobin's Q [28]. Tobin's Q is calculated

168 by comparing the ratio of the market value of a company's stock to the book value of total assets. The formula is as

169 follows:

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171
$$Q \; = \; \frac{(EMV + D)}{(EBV + D)}$$

172

173   Q = company value   D = total Amount of debt

174   EMV= equity market value   EBV= book value of total assets

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176   EMV is obtained from the multiplication of the number of shares outstanding with the share closing price in

177 April. April closing price is used because annual reports in Indonesia should be published within 90 days after the end

178 of the financial year. If the financial year ends December, the annual report must have been published in March.

179 Therefore, investors will respond to the publication of the annual report in April.

180   The independent variable is forward-looking information that refers to the perspective of disclosure in

181 integrated reporting. According to IIRC, 2013, there were six categories (perspectives) which were break down into

182 27 disclosure items as presented in Table 1. The forward-looking score measurement was based on the disclosure

183 index.

184

185   **Table 1. Disclosure Topic in Integrated Reporting Perspectives**

186   **Based on IIRC 2013**

Categories	Topics of Informations
I. Organizational Overview and External Environment (ORG)	1. The organization's culture, ethics and values 2. The organization's ownership and operating structure 3. The organization's principal activities and markets 4. The organization's competitive landscape and market positioning 5. The organization's position within the value chain 6. Significant factors affecting the external environment and the organization's response

II. Governance (GOV)	7. The organization's leadership structure including the skills and diversity 8. Specific processes used to make strategic decisions and to establish and monitor the culture of the organization 9. Particular actions charged with governance to influence and monitor the strategic direction of the organization and its approach to risk management 10. The relationship between culture, ethics and value with key stakeholders and capital 11. Remuneration and incentives
III. Business Model (BUS)	12. Key inputs 13. Key business activities 14. Key outputs 15. Key outcomes
IV. Risks and Opportunities (RISK)	16. Specific external source of risks and opportunities 17. Specific internal source of risks and opportunities 18. The organization's assessment of the likelihood that a risk or opportunity will come to fruition and the magnitude of its effect if it does 19. The specific steps being taken to mitigate or manage key risks or to create value from key opportunities
V. Strategy and Resource Allocation (STR)	20. The organization's short, medium and long term strategic objectives 21. The strategies to achieve strategic objectives 22. The resource allocation plans to implement the strategy 23. The linkage between the organization's strategy and resource allocation plans 24. What differentiates the organization to give it competitive advantage and enable it to create value
VI. Performance (PERF)	25. The organization's effects on the capitals 26. The state of key stakeholder relationship and how the organization responds to key stakeholder's legitimate needs and interests 27. The linkage between current performance and the organization's outlook

187

188   Control variables are the implementation of corporate governance that can be seen from the structure,

189 ownership and governance activities. The use of GCG as a variable control is based on the consideration that

190 Indonesia has not implemented integrated reporting so that aspects of governance are still presented in the annual

191 report. Some previous studies provide evidence that GCG can affect the company's performance and also the value

192 of the company [4,3,29,30,31,32]. The implementation of GCG is proxied by 4 variables, namely: (1) Institutional

193 Ownership; (2) Frequency of board meeting meetings; (3) the size of the audit committee; and (4) educational

194 background of the commissioner.

195   **Table 2. Measurement of Variables**

Variables	Proxy	Measurement

Dependent Firm Value	Tobin's Q	$Q = \dfrac{(EMV + D)}{(EBV + D)}$
Independent Forward-looking	Disclosure forward looking	Index disclosures
Control Variable Good Corporate Governance	Institutional Ownership	Ratio between the number of share ownership owned by the institution with the number of shares outstanding
	Frequency of Meetings the Board of Commissioners	The number frequency attendance of meeting in one year
	Audit Committee	Number of audit committees in a company's annual report
	Education background	Percentage of board of commissioner had business/ economic education background

196

197 The analysis method for testing hypotheses was multiple regression model as follows:

198 Tobin's Q = α + $\beta1$ KEP_INST + $\beta2$ FREK_RAPAT + $\beta3$PROP_KOM + $\beta4$ KOMITE_AUDIT + $\beta5$ FORWARD + e

199

200 Tobin's Q = The value of the company
201 KEP_INST = Institutional Ownership
202 FREK_RAPAT = Frequency of Board of Commissioners Meetings
203 EDUC = Background of the Board of Commissioners
204 KOMITE_AUDIT = Size of the Audit Committee
205 FORWARD = Forward-Looking Information Disclosure
206
207

208

209 **4. RESULT AND DISCUSSION**

210 The population of manufacturing companies are 144 companies consisting of 19 sub-sectors. The number of

211 samples based on the availability of financial statements is 70 companies or 48.61% of the population. The period of

212 the financial statements for 2015 and 2016 so that the number of samples are 140 firm's years. An overview of the

213 number of samples for each sector and sub-sector is presented in Table 3. The largest samples came from basic and

214 chemical industries (28 companies), then the goods and consumption industry (27 companies), the rest came from

215 various industries (15 companies). There are 3 sub-sectors with incomplete financial statement data.

216

217 **Table 3. List of Populations and samples**

No	Sector	Total population	Sample	Population
	Chemical Base Industry	**28**		
1	Cement Sub-Sector	6	5	83.33%

8

2	Ceramic, Porcelain and Glass Sub-Sector	6	3	50%
3	Metal and the like	16	6	37.50%
4	Chemical Sub-Sector	10	4	40%
5	Plastic and Packaging Sub-Sector	13	6	46.15%
6	Animal Feed Sub-Sector	4	2	50%
7	Wood and Processing Sub-Sector	2	0	0%
8	Pulp and Paper Sub-Sector	9	2	22.22%
	Various Industries	**15**		
9	Machinery and Heavy Equipment Sub	2	0	0%
10	Automotive and Component Sub	13	5	38.46%
11	Textile and Garment Sub	17	4	23.53%
12	Footwear Sub	2	1	50%
13	Cable Sub	6	5	83.33%
14	Electronic Sub	1	0	0%
	Consumer Goods Industry	**27**		
15	Food and Beverage Sub	14	11	78.57%
16	Cigarette Sub	4	3	75%
17	Pharmaceutical Sub	10	7	70%
18	Cosmetic and Household Goods Sub	6	4	66.67%
19	Home Appliances Sub	3	2	66.67%
	Total	**144**	**70**	**48.61%**

218

219   Based on Table 4 reveal that forwarding-looking information disclosures referred to 2013 IIRC framework is

220   still very low. The average number of disclosure items during 2015 and 2016 are 13 item from 27 item that should be

221   disclosures. The low level of integrated reporting disclosure was due to being voluntary. Only companies who had

222   high attention to the issue of integrated reporting consistently presented disclosures. Disclosures related to

223   environmental issues are the most widely implemented.

224

225

226   **Table 4. Forward Looking Information in 2015 and 2016**

Information on the Web	Mean item disclosure 2015	Mean item disclosure 2016

Organizational Overview and External Environment (ORG) [6 item]	3.39	56.5%	3.40	56.6%
Governance (GOV) [5 item]	2.71	54.2%	2.81	56.2%
Business Model (BUS) [4 item]	2.17	54%	2.17	54%
Risks and Opportunities (RISK) [4 item]	1.73	43%	1.81	45,2%
Strategy and Resource Alloc (STR) [5 item]	2.57	51.4%	2.57	51.4%
Performance (PERF) [3 item]	0.47	15,6%	0.50	16.6%
Avarage index score	13.04	48,3%	13,26	49,1%

227

228   Disclosures related to the governance are also still low at around 54.2%. The lowest disclosure is

229   performance. This disclosure is more comprehensive because it involves operational effects on past and future

230   performance. Table 5 presents descriptive variables. The average level of forward-looking disclosure is 48.76%. The

231   average institutional ownership was 67.86% and the frequency of meetings in a year was 3.84. There is company

232   whose meeting frequency is 9.84. This indicates that there is strong coordination of the overall operational activities

233   of the company. The educational background of the board of commissioners minimum is 0%, means that all the

234   board of commissioner had non business education, maximum 100% means that all the board of commissioner had

235   business education background. Mean score for education background is 46.77%, this means that education

236   background of the board of commissioners varies. The average number of audit committees is 4.27, and the highest

237   number of audit committees are 12 person.

238   **Tabel 5 Descriptive independent variables and controls**

Variabel	*Min*	*Max*	*Mean*	*Standard Deviation*
Forward Looking	22,22	85,19	48,76	14,93
Institutional	1,96	99,42	67,85	19,83
Meeting	1,20	9,84	3,84	1,63
Education	0.00	100	46.77	23.09
Audit Committee	2,00	12,00	4,27	1,90

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241

242   **Test of multiple regression models**

243   The requirement of regression model to be unbiased are normal distribution, autocorrelation, multicollinierity,

244   and heteroscedasticity. The result of regression test assumption was presented in Table 6, Table 7, Table 8, Graph 1.

10

245 **Table 6. Normality test**

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		140
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.66786856
Most Extreme Differences	Absolute	.062
	Positive	.062
	Negative	-.044
Test Statistic		.062
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

246

247 Based on the data in the Table 6, it can be seen that the Kolmogorov-Smirnov Z value is 0.612 and have probability

248 of 0.200 ≥ 0.05, which means that the residual data is normally distributed

249 **Table 7. Autocorrelation Test**
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.581[a]	.338	.308	.65828	1.897

a. Predictors: (Constant), Comm Independen, Commisioner, institutional, Education, Forward looking, Meeting
b. Dependent Variable: Firm Value

250

251 According to Table, the D-W value obtained from the regression model is 1.897. This value will be compared

252 with the table value using a significance value of 5%, the number of samples 140 (n) and the number of independent

253 variables 6 (k = 6). Then in the Durbin Watson table, the lower limit value (dl) is 1.636 with the upper limit (du) of

254 1.814. Durbin Watson statistical test results obtained were 1.897 in the area du <dw <4-du (1,814 <1,897 <2,186) or

255 in the area without autocorrelation. Then it can be concluded that there is no autocorrelation in the regression model

256 used.

257 **Table 8. Coefficients Multicollinearity Test**

| Model	Collinearity Statistics	
	Tolerance	VIF
Institusional	0.964	1.037
Meeting	0.153	6.520
Education	0.941	1.063
Forward looking	0.614	1.628
Commissioner	0.174	4.747
Committee Independent	0.923	1.084

258 The calculation results in Table 8 show that no independent variable has a tolerance value of less than 0.10 which

259 means there is no correlation between independent variables whose values are more than 95%. The results of the

260 calculation of the value of the Variance Inflation Factor (VIF) also shows the same thing no one independent variable

261   has a VIF value of more than 10 [33]. So, it can be concluded that there is no multicollinearity between independent

262   variables in the regression model.

263   <center>**Graph 1.** Heteroscedasticity Test</center>

Scatterplot
Dependent Variable: Firm Value

264
265
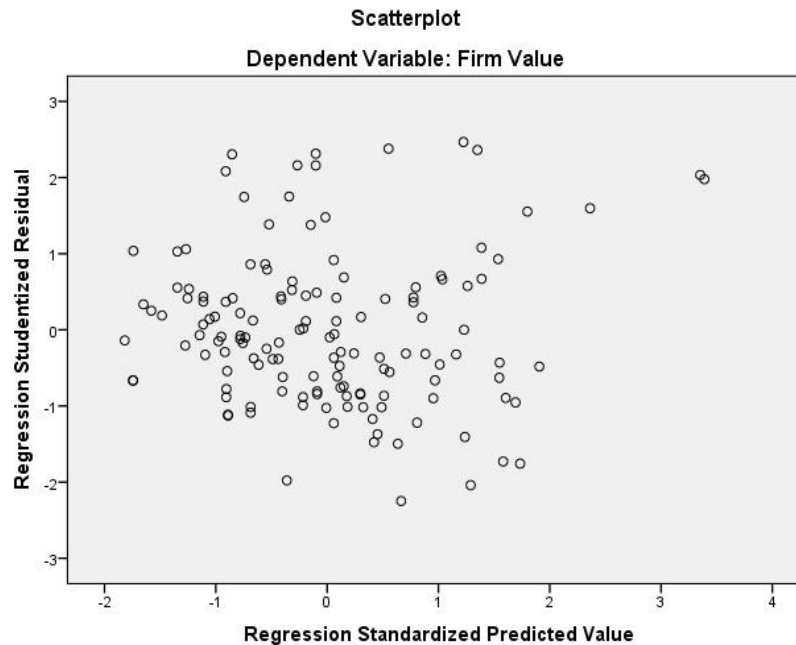
266   Based on the scatterplots (Graph 1) chart above, it can be seen that the points spread randomly and spread

267   both above and below 0 on the Y-axis. It can be concluded that there is no heteroscedasticity in the regression model

268   so that the regression model is feasible to predict firm value based on input from the variable independent and

269   control.

270   <center>**Table 9. Goodness of Fit, R square**</center>

<center>**ANOVA[a]**</center>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.366	6	4.894	11.295	.000[b]
	Residual	57.633	133	.433		
	Total	87.000	139			

a. Dependent Variable: Firm Value
b. Predictors: (Constant), Comm Independen, Commisioner, institutional, Education, forward looking, Meeting

271

272   In Table 9, by using a 95% confidence level, $\alpha = 5\%$, df1 (number of variables-1) = 6 and df2 (n-7) or 140 - 7 = 133,

273   the results obtained for F table are 2.257 with F calculated at 11.295. In conclusion, because F arithmetic> F table

274   (11.295> 2.167) and significance <0.05, that is (0.005 <0.05), it can be concluded that variables (Institutional,

275   Meeting, Education, Forward looking, Commissioner and Independent Comm) are jointly affect the Firm Value. It

276   means that regression model was fit as a prediction tool.

<center>12</center>

277 **Table 10. Test of coefficient regression**

Independent variable	t table	Sig
Forward Looking	4.822	0.000
Education	3.008	0.003
Commissioner Independent	2.690	0.008
Commissioner	2.569	0.011
Meeting	-2.336	0.021
Institutional	1.490	0.139

278

279   Based on Table 10 showed that the forward-looking variable affects the Firm Value at significance value of

280   0.000. Next, to find out how much independent variables contribute to explaining the variation in firm values, the

281   stepwise analysis is needed.

Table 11 .Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.463[a]	.214	.209	.70378
2	.503[b]	.253	.242	.68859
3	.536[c]	.287	.272	.67519

a. Predictors: (Constant), Forward looking
b. Predictors: (Constant), Forward looking, Comm Independen
c. Predictors: (Constant), Forward looking, Comm Independen,
Education

282

283   Based on Table 11, by stepwise regression method, it can be seen that forward looking disclosures provide

284   the greatest contribution in explaining the value of company values. Adjusted R square was 0.209 which meant that

285   forward-looking information was able to explain 20.9% of the variation in firm value. If the regression added by the

286   independent commissioner variable, the ability to explain increase to 24.2%. Thus, empirically it is proven that

287   forward-looking information has a significant effect on firm value. The regression coefficient in Table 10 is positive,

288   showed that the higher of disclosures integrated reporting will get higher company value.

289   Based on signal theory it can be said that forward looking information is the strongest signal captured by

290   investors compared to other information. Management should pay attention to provide information to fulfil the forward

291   looking aspect which refers to the concept of integrated reporting. In Indonesia the regulator has not yet regulated the

292   necessity to refer   integrated reporting disclosures, but later the company will voluntary   willing to provide such

293   information if empirically investors consistently appreciate the forward looking.

294

295   **5. CONCLUSION AND RECOMMENDATION**

296   Forward looking information based on integrated reporting perspective have significance effect on firm value.

297   Regulator in Indonesia has not yet required public companies to present integrated reporting. Investors really

298   appreciate the issuers who voluntarily provide disclosures with integrated reporting insight. Management needs to

299   study more forward looking information concept based on integrated reporting because it will have an impact on

300   increasing investor confidence and increasing the value of the company. The accounting standard board needs to

301   participate in popularizing the integrated reporting framework so that the company will voluntarily implements it. This

302   finding may have similarity in the other country who has emerging capital market.

303

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