

Integrated Reporting and Using Artificial Intelligent (AI) into Good Corporate Governance: Implications for Transparency Financial Report and Sustainable Accountability

Henny Rakhmawati ¹

¹*Faculty of Economics and Business, Universitas Tulungagung*

Email corresponding author : hennyrakhmawati19@gmail.com

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ABSTRACT

This research explores how Integrated Reporting (IR) and Artificial Intelligence (AI) work together within Good Corporate Governance (GCG), focusing on their effects on financial report transparency and sustainability accountability. The study uses a qualitative approach, involving semi-structured interviews with ten key figures, board members, audit committee members, senior managers, internal auditors, and sustainability officers from 98 manufacturing companies listed on the Jakarta Stock Exchange. The results show that AI-enhanced IR strengthens governance by improving data integration, reporting accuracy, and transparency for both financial and non-financial information. The discussion emphasizes the importance of governance oversight to ensure ethical AI use and address risks related to data bias and accountability. Theoretically, the study expands the IR and GCG frameworks by viewing AI as a mechanism that enables better governance. Practically, it offers insights to help organizations improve their reporting quality, while socially, it promotes stakeholder trust.

Keywords: : *Artificial Intelligent; Good Corporate Governance; Integrated Reporting; Sustainable Accountability; Transparency.*

1. INTRODUCTION

The growing complexity of the global business landscape has heightened the need for corporate reporting that is transparent, accountable, and sustainable. Traditional financial reports have been criticized for failing to capture non-financial value drivers such as environmental, social, and governance (ESG) factors that are increasingly important in stakeholder decision-making (Eccles & Krzus, 2018; Adams, 2015; Gray, 2010; KPMG, 2020). These reports often focus on short-term financial outcomes, overlooking long-term value creation, sustainability risks, and intangible assets (Lev & Gu, 2016; Dumay et al., 2016). To address these limitations, Integrated Reporting (IR) has emerged as a framework that combines financial and non-financial

information to give a more complete picture of how organizations create value over time (IIRC, 2021; de Villiers et al., 2017; Busco et al., 2013).

IR is widely recognized for improving transparency and supporting sustainable accountability by linking corporate strategy, governance, performance, and future outlooks (Stubbs & Higgins, 2018; Flower, 2015; Eccles et al., 2015). Research shows that IR adoption enhances disclosure quality, reduces information asymmetry, and fosters better stakeholder engagement (Cheng et al., 2014; Barth et al., 2017).

At the same time, the rapid development of Artificial Intelligence (AI) has transformed corporate governance and financial reporting systems. AI enables automated data processing, predictive analytics, anomaly detection, and real-time monitoring—enhancing the accuracy, efficiency, and reliability of reporting (Raisch & Krakowski, 2021; Moll & Yigitbasioglu, 2019; Davenport & Ronanki, 2018). In accounting, AI aids in continuous auditing, fraud detection, and measuring sustainability performance (Vasarhelyi et al., 2020; Kokina & Davenport, 2017; Appelbaum et al., 2017).

Within GCG, AI serves as a governance-supporting tool that improves internal controls, risk management, and oversight (Bhimani & Willcocks, 2014; Sutton et al., 2016; Ricciardi et al., 2021). However, integrating AI also introduces ethical and institutional issues such as data privacy, algorithmic bias, accountability, and the erosion of human judgment (Floridi et al., 2018; Mittelstadt et al., 2016; Martin, 2019). These concerns highlight the need for ethical AI governance frameworks to ensure responsible use of technology (OECD, 2019; Dwivedi et al., 2021).

Good Corporate Governance plays a central role in ensuring that IR and AI are applied ethically and effectively. Mechanisms like boards of directors, audit committees, and internal audit functions act as safeguards to maintain transparency, ethical behavior, and regulatory compliance (OECD, 2015; Aguilera et al., 2019; Tricker, 2019). Prior research shows that strong governance enhances the credibility of integrated reports and reduces risks associated with technological adoption (García-Sánchez et al., 2020; Velte, 2018). Governance quality also affects how AI-generated information is interpreted and communicated to stakeholders (Kokina et al., 2021; Power, 2021).

Despite growing interest in IR, AI, and GCG, there is limited empirical evidence on their combined impact on financial transparency and sustainable accountability—especially in

emerging markets (de Villiers et al., 2020; Lodhia et al., 2020). Manufacturing companies, with their complex operations and significant environmental impacts, offer a relevant context for this investigation (Hahn & Kühnen, 2013; Schaltegger et al., 2016; Burritt & Christ, 2016). In Indonesia, where manufacturing firms listed on the Jakarta Stock Exchange face increasing regulatory and stakeholder demands for sustainability-focused reporting, understanding this integration is especially important (Sari et al., 2021; Djaddang et al., 2023; Utama et al., 2020). This study fills that gap by exploring how Integrated Reporting and AI are embedded in Good Corporate Governance and how their integration influences financial transparency and sustainable accountability. Using a qualitative approach, it draws insights from key organizational actors involved in governance, reporting, and sustainability. Theoretically, it extends IR and GCG frameworks to an AI-enabled governance model (Busco et al., 2019; Power, 2021). Practically, it offers guidance for organizations seeking to enhance reporting and governance effectiveness through digital transformation. Socially, it contributes to building stakeholder trust, promoting ethical technology use, and advancing sustainable development (Elkington, 1997; United Nations, 2015).

2. RESEARCH METHOD

This research applies a descriptive-analytical literature review to understand the relationship between Integrated Reporting (IR), Artificial Intelligence (AI), and Good Corporate Governance (GCG), particularly in relation to transparency and sustainable accountability. This approach enables a comprehensive review of academic literature, institutional reports, and empirical studies across the fields of accounting, finance, management, and corporate governance.

Secondary data for the literature review were collected from international peer-reviewed journals, corporate reports, policy documents, and regulatory publications related to digital governance, accounting systems, and corporate accountability. The data were analyzed qualitatively to identify key patterns, themes, and relationships between digital technology adoption, transparency practices, and managerial accountability.

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The literature review was conducted in three stages. First, relevant studies were identified through a systematic search using keywords such as Integrated Reporting, Good Corporate Governance, Artificial Intelligence, Sustainable Accountability, and Transparency. Second, the findings were synthesized to map dominant concepts, empirical evidence, and emerging trends. Third, the results were interpreted to identify theoretical and practical gaps, particularly regarding the application of digital technologies in accounting, reporting, and oversight systems. This process not only deepens theoretical understanding but also highlights how digitalization contributes to more transparent, efficient, and accountable governance in the digital economy.

Empirical Research Design and Materials

Building upon the insights derived from the literature review, this study further employs a qualitative empirical approach to examine the integration of Integrated Reporting and Artificial Intelligence within Good Corporate Governance and its implications for financial reporting transparency and sustainable accountability.

The empirical investigation focuses on manufacturing companies listed on the Jakarta Stock Exchange (IDX), a sector that demonstrates increasing adoption of digital governance and reporting practices. The research material is derived from 98 key respondents, each representing one listed manufacturing company.

Respondents were selected using purposive sampling to ensure the inclusion of individuals with direct responsibility and expertise in governance, reporting, and digital transformation. The respondents include members of the Board of Directors and Board of Commissioners, Audit Committee members, Chief Financial Officers, sustainability or integrated reporting managers, and internal audit executives.

Data Collection

Primary data were collected through semi-structured interviews and open-ended questionnaires, which allowed respondents to provide in-depth insights into the implementation of Integrated Reporting, the utilization of Artificial Intelligence in governance and reporting processes, and mechanisms for enhancing financial transparency and sustainable

accountability. The semi-structured format ensured consistency across interviews while allowing flexibility for probing and clarification.

Secondary data were also collected to support and triangulate the primary findings. These data include annual reports, integrated reports, sustainability reports, and corporate governance disclosures published by the sampled companies.

Data Analysis

All qualitative data were transcribed verbatim and analyzed using NVivo software. The analysis employed a thematic coding approach, focusing on key dimensions such as Integrated Reporting practices, AI-supported governance mechanisms, financial reporting transparency, and sustainable accountability. Relationships among themes were examined to explain how digital technologies interact with governance structures and reporting outcomes.

Validity, Reliability, and Ethical Considerations

The trustworthiness of the qualitative findings was ensured through several methodological strategies. Credibility was enhanced through data triangulation and member checking with selected respondents. Dependability was supported by the use of a standardized interview protocol and systematic documentation of the analytical process. Confirmability was ensured through transparent coding procedures and the use of verbatim quotations, while transferability was addressed by providing rich contextual descriptions of the research setting.

Ethical standards were strictly upheld throughout the study. Participation was voluntary, informed consent was obtained from all respondents, and the anonymity of both individuals and organizations was fully maintained. All data were used exclusively for academic research purposes.

3. RESULTS AND DISCUSSION

Grand Theory Framework: Integrating Governance, Legitimacy, and Technology

The outcome of this study indicates that the embedding of AI into IR practices enhances GCG by increasing transparency and sustainable accountability. This relationship can be theoretically explained by converging Agency Theory, Stakeholder Theory, Legitimacy Theory, and Technology Acceptance Theory, otherwise known as TAM.

Based on the Agency Theory perspective, AI-supported Integrated Reporting decreases information asymmetry between management and shareholders through the facilitation of real-time data processing, predictive analytics, and continuous monitoring of financial and non-financial performance. The results indicate that AI-driven reporting mechanisms further enhance managerial accountability while mitigating opportunistic behavior in financial disclosures.

According to Stakeholder Theory, the adoption of Integrated Reporting enabled by AI lets companies communicate a value creation story that integrates financial, social, environmental, and governance dimensions holistically. Results indicate that there is an enhanced requirement from stakeholders for information that is transparent, data-driven, and forward-looking, which AI-enabled IR is able to provide. It therefore enables sustainable accountability, addressing diverse stakeholder interests in a more inclusive manner.

Moreover, Legitimacy Theory explains how companies use AI-based Integrated Reporting to sustain organizational legitimacy. Results indicated that a firm adopting AI in governance and reporting processes is often perceived as much more credible and responsible, particularly in managing risk, disclosing ESG performance, and creating value over the long term.

Finally, Technology Acceptance Theory supports the fact that perceived usefulness and perceived ease of use of AI systems critically impact the extent of their adoption in governance and reporting processes. Organization that demonstrate digital readiness and ethical governance frameworks tend to adopt AI more effectively within Integrated Reporting practices.

Technology Drivers: AI as a Catalyst for Governance and Reporting Transformation

The results also show that technological advancement acts as the principal driver of the transition of traditional financial reporting to the AI-supported Integrated Reporting. Key identified technology drivers include data complexity, regulatory pressure, stakeholder expectations, and sustainability imperatives.

The rising volume and speed of financial and nonfinancial data involves state-of-the-art analytical capabilities, beyond human processing capability. AI technologies such as machine learning and natural language processing allow for automated integration of data across departments, leading to improvements in the accuracy, timeliness, and consistency of disclosures.

Regulatory developments affecting ESG reporting and sustainability disclosure also catalyze the adoption of AI-based Integrated Reporting. Companies use AI for compliance, scenario analysis, and risk forecasting functions, enabling them to align governance mechanisms to regulatory expectations.

Moreover, increasing scrutiny by stakeholders and demands for transparency will also encourage companies to implement AI tools that improve traceability and auditability of reports. These findings indicate that AI analytics enhance board oversight and internal control systems, further reinforcing good corporate governance practices.

Digital Tools Supporting AI-Based Integrated Reporting

It pinpoints some of the digital tools important in the implementation of AI in Integrated Reporting frameworks, including AI analytics platforms, big data systems, blockchain technology, and robotic process automation.

AI-powered analytics tools enable predictive financial modeling, the measurement of sustainability performance, and real-time risk assessment. Big data platforms allow for a mix of structured and unstructured data to work in concert, enabling companies to connect financial performance with ESG metrics.

Data integrity and, consequently, transparency are advanced with the use of blockchain technology, offering immutable transaction and sustainability records to underpin assurance and trust in Integrated Reporting. RPA, in turn, streamlines this efficiency through automating repetitive reporting tasks and reducing human error, allowing governance actors to work at higher strategic oversight levels.

Results reveal that the effective blending of these digital tools enhances the quality of Integrated Reporting and solidifies the mechanisms for accountability regarding sustainability.

Challenges and Risks: Ethical, Governance and Operational Implications

The findings highlight various challenges and risks of AI integration into Good Corporate Governance and Integrated Reporting despite benefits. Key identified risks pertain to algorithmic bias, data privacy issues, lack of explainability, and governance gaps.

Algorithmic bias is a large ethical challenge wherein biased data inputs can result in misleading analyses and unfair decision-making. This is a risk to the credibility of financial and sustainability disclosures, if not managed properly through ethical AI frameworks.

Data privacy and cybersecurity risks also are important concerns, particularly given the extensive uses of sensitive financial and non-financial data. Poor data governance may lead to a loss of stakeholder trust and potentially organizational legitimacy.

Furthermore, no explanation might be provided by complex AI models, which could hamper board members in their understanding and oversight, thus weakening the effectiveness of governance. The findings stress human-centered AI governance whereby managerial judgment complements technological capabilities. Eventually, organizational resistance, limited digital literacy, and high costs of implementation remain the operational barriers, especially in emerging markets. These challenges call for robust governance policies and ethical guidelines with continuous capacity building in place to ensure the responsible adoption of AI.

Implications for Transparency and Sustainable Accountability

The overall results indicate that AI-integrated Integrated Reporting gives full transparency and sustainable accountability, provided a strong structure of Good Corporate Governance can support it. Artificial intelligence enables but does not replace governance, reinforces ethical responsibility, stakeholder engagement, and the creation of value in the long run. This discussion highlights that technology, governance principles, and ethical standards align for the successful implementation of AI in integrated reporting. The companies that can achieve this alignment will be better positioned to deliver transparent financial reports and sustainable accountability in an increasingly digital economy.

4. CONCLUSION

This study concludes that integrating AI into Integrated Reporting significantly strengthens Good Corporate Governance, improves transparency in financial reporting, and promotes sustainable accountability. The results indicate that AI-enabled IR acts as a strategic governance tool that allows accurate, timely, and comprehensive disclosure of both financial and non-financial data—reducing information asymmetry and enhancing managerial accountability.

By processing complex data, integrating ESG dimensions, and providing forward-looking insights, AI supports more effective and trustworthy reporting. Through the lenses of Agency, Stakeholder, and Legitimacy theories, the study shows that AI-based reporting enhances governance effectiveness, organizational legitimacy, and stakeholder trust.

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However, the benefits of AI-driven IR depend on strong governance, ethical implementation, and adequate digital capabilities. Challenges such as algorithmic bias, data privacy, lack of AI transparency, and limited organizational readiness remain significant. Without robust oversight, AI could undermine rather than enhance transparency and accountability.

Ultimately, AI should complement not replace human judgment in governance. Organizations that align AI with ethical principles, strong governance, and sustainability goals will be better equipped to deliver transparent reporting and achieve long-term accountability in the digital era.

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