CORPORATE GOVERNANCE AND INTEGRATED REPORTING: EVIDENCE FROM SELECTED LISTED COMPANIES IN NIGERIA

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Abstract

This study examine the extent of integrated reporting disclosures in annual reports of companies in Nigeria Stock Exchange between 2013 and 2017 and examined the relationship between corporate governance and the level of integrated reporting. Using purposive sampling, 90 firms were selected as the sample. Content analysis was used to quantify the integrated reporting disclosures and the corporate governance proxies. The results found that the companies had an integrated reporting disclosure compliance level that is above average. Within the seven elements of the integrated reporting framework, risk and opportunities was the most reported, while performance reporting was the least disclosed element. There were increased levels of integrated reporting between 2013 and 2017. With the aid of panel least square regression analysis, it was discovered that there was a significant positive relationship between board activism and integrated reporting in Nigeria, while an insignificant correlation existed between integrated reporting and other corporate governance proxies such as: board size, board independence, auditor type, board share ownership and female board membership. The study concludes that board activism positively impact on integrated reporting in Nigeria. It is recommended therefore that frequent board meetings should be held by listed entities in order to be abreast of the demands of various stakeholders and aligning these varying demands with the overall objectives of the company.

Keywords: Integrated reporting; corporate governance; content elements; board activism; integrated reporting disclosures

1.0 Introduction

Corporate governance consists of the mechanisms by which the shareholders (principal owners) ensure that the board of directors' interests align with those of the managers, shareholders and other stakeholders. It is aimed at improving an organisation's performance and resolving conflicts between management and stakeholders, so as to ensure that organisational goals and individual interests are achieved.

It is argued that the absence of quality corporate governance practices will result in information asymmetry and overall loss of stakeholders' confidence in the reports prepared by corporate entities which could result in corporate collapses (Lawrence & Marcus, 2004; Suleiman, 2014). The concern over the spate of corporate failures and bankruptcies globally and in Nigeria, resulted in the proliferation of codes of corporate governance by several regulatory bodies such as the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN), National Insurance Commission (NAICOM), Pension Commission and lastly the Financial Reporting Council of Nigeria (FRC).

Findings from prior researches provide evidence that implementation of corporate governance mechanisms improves the extent of voluntary disclosure (O'Sullivan, Percy & Stewart, 2008; Al-Najjar& Abed, 2014). This suggests that implementation of the Integrated Reporting (IR) framework may be significantly influenced by the corporate governance mechanisms entrenched in corporate entities (Wang & Hussainey, 2013; Frías-Aceituno, Rodríguez-Ariza,& García-Sánchez, 2013).

Research efforts have supported the need for the Integrated Reporting (IR) framework. Morros (2016) for instance advocated that using the integrated reporting framework, would make organisation more accountable to stakeholders about its performance in reaching its vision (long-term) through the use of multi-dimensional resources that comprise of financial, non-financial, social, and environmental components.

Considering the relative newness of the presence of IR framework in Nigeria and in sub Saharan Africa, its adoption has not been taken seriously, as evidenced by the low awareness promotion among regulatory bodies and the sparse concentration of research from developing countries, especially, Nigeria (Iyoha, Ojeka, & Ogundana, 2017). The flexible reporting style of the existing corporate sustainability reporting framework and the absence of a regulatory compulsion for companies in Nigeria and most developing countries to report under the IR framework creates room for non-compliance by companies and information asymmetry.

The paucity of literature on a composite evaluation of possible relationships between implementation of IR framework and driving factors makes it imperative for financial reporting researchers to conduct more in-depth studies in the field of IR in Nigeria. This study is designed to address this inadequacy in corporate reporting and the extent to which corporate governance may influence integrated reporting among listed entities in Nigeria.

The aim of this study is to determine the extent to which corporate governance supports integrated reporting among listed companies in Nigeria. It particularly investigates the extent which: board independence, board size, board gender diversity, board ownership of shares, board activism and auditor type support integrated reporting in Nigeria.

The findings from this research would provide insights into the corporate governance variables which drive IR implementation in Nigeria. Management of Nigerian listed companies would be able to assess and make necessary changes if any on the current level of compliance with disclosure of certain elements of the IR framework and the code of corporate governance so as to improve information disclosure.

Regulatory bodies such as the Nigerian Securities and Exchange Commission and Financial Reporting Council of Nigeria would find the results of this study significant in making future policy decisions bordering on mandatory adoption of the IR framework in Nigeria.
Finally, it contributes to extant literature from a developing country's perspective by, highlighting the existing gaps in the current corporate reporting framework of listed companies and the driving factors in corporate governance mechanisms which could support the implementation of the IR framework in Nigeria.

This study investigated the influence of corporate governance on integrated reporting among listed companies in Nigeria. It analysed the annual reports of companies listed on the Nigeria Stock Exchange from 2013 - 2017. With the aid of content analysis and the disclosure methodology developed by Kilic and Kuzey (2018) and Kilic, Kuzey and Uyar (2015), the score of indicators of IR framework sourced from the IIRC content elements (2013) were regressed with corporate governance drivers of IR to assess the relationships among the research variables under study.

The following are the hypotheses formulated and tested in the study
H_i: Board gender diversity supports IR among listed companies in Nigeria;
H_{ii}: Board size supports integrated reporting among listed companies in Nigeria;
H_{iii}: Board share ownership supports IR among listed companies in Nigeria;
H_{iv}: Auditor type supports IR among listed companies in Nigeria;
H_v: Board activism supports IR among listed companies in Nigeria;
H_{vi}: Board independence supports IR among listed companies in Nigeria.
Following the introduction, section two: reviews related literature. Section three: the methodology. Section four: data analyses, conclusion and recommendations.

2.0 Literature review

2.1 Theoretical framework

This study is anchored on the stakeholder theory as propounded by Freeman Edward in 1984. Stakeholder theory is a farther advancement on the concept of stakeholder and its tie to any business corporation. Freeman (1984, cited in Schilling 2010) defined a stakeholder as “any group or individual who can control or is controlled by the achievement of the organisation’s objectives. The term stakeholder may, then, comprise a large group of players, in fact anybody who has a direct or indirect “stake” in the business (Carroll 1993, cited in Schilling 2000). Direct stakeholders are shareholders, investors, employees, suppliers and customers that have their interests align with the company. The Government is an example of an indirect stakeholder, which is indirectly affected by the company’s activity (Kiel & Nicholson 2003).

The stakeholder theory views organisations as multilateral arrangement between the enterprise and its numerous stakeholders. The tie between the company and its internal stakeholders (such as employees, managers, owners) is wrapped by formal and informal guidelines developed through the history of the relationship. While management may accept finance from shareholders, they rely upon employees to achieve the productive goal of the company. External stakeholders (customers, suppliers, and the community) are important as well and also constrained by formal and informal rules which business must respect.

Stakeholder theory is an expansion of the agency view that expects board of directors to care for the interests of shareholders. Nevertheless, this narrow focus on shareholders has been broadened to take into account the stake of many different stakeholder groups, including interest groups connected to social, ethical and environmental considerations (Freeman, Wicks & Parmar 2004). Sundaram and Inkpen (2004) assert that shareholder value increase is material because it is the only goal that leads to decisions that improve results for all stakeholders. They contend that recognizing a large number of stakeholders and their core values is an impossible duty for managers.

Proponents of the stakeholder perspective also argue that shareholder value addition will lead to seizure of value from non-shareholders to shareholders. In order to reward the various stakeholders, information should be made available to them as at when appropriate. They information enable make decision and monitor the managers/ agent.

2.2 Overview of the Integrated Reporting Framework

Internationally, the need for integrated reporting, which culminated in the creation of the IR framework in December 2012 to guide companies in the preparation of integrated reporting, followed the admission by Rowbottom and Locke (2016) that sustainability went beyond compliance with the triple bottom line reporting and GRI framework. By simply following these frameworks and practices only, preparers of corporate reports could not provide information on the state of the social and ecological systems on which an organisation relies (Buhr, Gray, & Milne, 2014).

An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment leads to the creation of value in the short, medium and long term (Dey & Burns,2010; De Villiers, Venter & Hsiao, 2016; Massie, 2010). The bedrock of Integrated Reporting lies on financial reporting, environmental, social and governance reporting practices of entities. The report enables businesses to provide not only an update on past performance but also a long-term perspective of future value generation. It equips companies to manage their operations, brand and reputation strategically and to deal with any risks that may compromise the long-term sustainability of the business (Black, 2014).

2.2.1 Content Elements of the Integrated Reporting Framework

The IR framework describes eight content elements that should be covered in any integrated report. These eight content elements are discussed below:

i. Organisational Overview and External Environment: An integrated report explains the organisation's activities, its business environment, market position, board structure, ethics, values and organisational structure and how these activities may affect the organisation's value creation (Jhunjhunwala, 2014). Mmako and Rensburg (2017) observed that most of this information can be found in the Chairman's statement of the annual report of companies. A cursory look at the annual report of Companies in Nigeria confirms this assertion.

ii. Governance: This element explains how the organisation's governance structure supports its ability to create value in the short, medium and long term. It provides details on the skills and diverse qualifications of the Board of Directors and their contributions to value creation, the company's values and risk management approach, cultural and ethical values, among others.

The current annual reports of listed entities in Nigeria provide details of the guiding contents of this element in the Director's and Audit committee 's report, however, the inter relationship between value creation and the company's strategic decisions, culture and ethics are not comprehensive. The SEC Code (2011) requires the board to establish a system to undertake an annual and rigorous performance appraisal of its committees, chairman and individual directors whose results would serve as a guide for re-election purposes. The chairman is to supervise the performance appraisal of the Chief Executive Officer (CEO) while the CEO oversees that of the executive directors. The board may choose to outsource this activity by engaging the services of external consultants. Similarly, the code of corporate governance of the Central Bank of Nigeria, Pension Commission, National Insurance Commission and Nigerian Telecommunications also provides that the performance of members of the board should be evaluated by independent consultants annually on all aspects of the board's structure, composition, responsibilities, processes and relationships and this appraisal report must be presented to the shareholders in the general meeting as well as the respective regulatory body of the organisation.

The limited provisions in these codes suggest that a more elaborate discussion on the linkages between the governance structure and value creation strategies adopted will be required in the corporate reports of quoted companies in Nigeria to conform to the requirements of the IR framework.

***Corporate governance board cost*:** Corporate governance is a system of rules, practices and process by which a firm is directed and controlled(Chen 2019). The corporate governance is managed by the board of directors influence the corporate governance. The board symbolizes the balances of interests of the company's stakeholders. The board has the primary responsibility of making important decisions, which affect the firms short and long run survival among others. The corporate board acts on behalf of shareholders, the board monitor and restrict the activities of managers (Krishnan & Visvanathan, 2008; Chen 2019). This is to ensure that managers act in the best interest of shareholder interest behavior maximizes shareholder value. The cost running and maintaining the board of directors is monitoring cost.

iii. Business Model: The integrated report should provide information on the six most significant capitals (financial, manufactured, social and relationship, human, intellectual and natural capital) the business activities undertaken and the outputs from these activities. These inputs should be relevant to the business model for long term value creation (Adams, 2015). The business model forms the basis for determining the measures of performance to disclose in an Integrated Report and Management should understand that shareholders consider this element as key to the use and creation of capitals. The business model and capital focus will vary according to the nature of the company's activities.

iv. **Risks and Opportunities:** The report should explain some particular sources of risk and opportunities arising from both internal and external business activities. Disclosures should include an assessment of the likelihood of each item of risk and opportunity, its potential magnitude and strategies to deal with these risks and opportunities (Lipunga, 2015). The Chairman's statement usually provides a general overview of the risk and opportunities in the global and local business environment. The CBN and SEC Codes also require the board to disclose its risk management policy in its annual report, but it may appear very difficult for Management of listed entities in Nigeria to disclose information on opportunities or risk of major magnitude to external stakeholders to avoid loss of competitive advantage.

v. **Strategy and Resource Allocation:** The Integrated report should identify the company's strategies, the implementation of these strategies and its likely impact on business activities and firm's capital. Some strategies may reduce the value of one capital in the short term and may increase another capital in the future (Fried, Holtzman & Mest, 2014). This element is minimally disclosed in the annual report of listed entities in Nigeria.

vi. **Performance:** Financial and non-financial performance measures should be used to disclose the company's ability to create value and achieve its desired objectives, using the six capitals. The positive or negative impact of these capitals and the link between past performance, present results and future expectations should be disclosed (Jhunjhunwala, 2014).

vii. **Outlook:** The report should provide future information on the challenges and uncertainties the organisation is likely to encounter when pursuing strategy the implication of these challenges on the business model and future value creation, the strategies developed to mitigate these challenges as well as the basis of assumptions for declaring the future expectations or targets (Lipunga, 2015). The Chairman's statement in Nigeria's corporate annual report usually discloses information on the company's outlook. However, the relationship between these capitals and value creation is not well detailed.

viii. **Basis of Presentation:** IIRC (2013) laid down seven guiding principles in the preparation and presentation of an integrated report. These guiding principles include: strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability.

2.3 Corporate governance and Integrated Reporting

In this study the corporate governance variables considered are: board gender diversity, board size, board independence, board share ownership, board activism and auditor type. These mechanisms are discussed below:

a. **Board gender diversity:** A diverse board characterised by varying gender, ages, race, education, technical skills and expertise may introduce a wide range of knowledge, ideas and strategies that foster the company's ability to manage the needs of different stakeholder groups (Harjoto& Lee, 2014). Barako and Brown (2008) and Bear, Rahman and Post (2010) propose that introducing female members to the board introduces diverse opinions and ideas that enhance decision making. Women directors often stimulate more participative communication among board members which could better assess the needs of the stakeholders. Kilic and Kuzey (2018) used a sample of 50 non-financial listed companies whose reports are available in the Integrated Reporting Examples Database for the year 2014, to examine the impact of corporate governance variables on forward looking disclosures in integrated reports. They found that while board size and board independence had no significant impact on forward looking disclosures, board gender diversity was found to have a positive and significant impact.Similarly, Frias-Aceituno et al. (2013) and Rao et al. (2012) found a significant impact of board gender diversity on adoption of the integrated reporting framework.

b. **Board size:** The board of directors is responsible for determining the plans and guidelines that management will follow. The Board comprises of executive and nonexecutive directors. An effective board can mitigate managerial opportunism, ensure higher ESG reporting quality, improve decision making and information disclosure (Amran et al., 2014; Adeyemi, Akinteye & Udofia, 2015).

Prior studies have produced mixed and inconclusive results on the impact of board size on company disclosures and board effectiveness (Wang & Hussainey, 2013; Amran et al., 2014). Wang and Hussainey (2013) suggested that unlike small boards which are associated with high information quality, very large board sizes are ineffective due to problems in communication, coordination, monitoring and control of processes. Akhtaruddin, Hossain, and Yao (2009) argued that a large board comprises of members with financial expertise, business experience which could create effective governance mechanism, corporate transparency, and forward-looking disclosures (Elzahar & Hussainey, 2012; Wang and Hussainey, 2013). Elzahar and Hussainey (2012) and Kiliç et al. (2015) found an insignificant association between board size and voluntary corporate disclosures. Further, Qu et al. (2015) reported that board size has a significant and positive influence on the quality of information disclosure. In view of this, it would be interesting to observe how the disclosure of the content elements of the IR framework is influenced by the size of the board.

c. **Board independence:** A typical Board comprises executive and non-executive (independent) members. Board composition is the ratio of independent directors to the total number of directors (Hossain & Reaz, 2007). From an agency perspective, a higher proportion of independent directors in a board create room for more effective monitoring, controlling and directing of management towards long-term value creation (Jizi et al., 2014). A major characteristic of independent directors is the fact that they suffer less from agency related problems and could persuade management of companies to adopt the IR framework (Michelon & Parbonetti, 2012). Elzahar and Hussainey (2012), Uyar and Kilic (2012) and Al-Najjar and Abed (2014) found that a higher percentage of independent directors has an insignificant impact on forward-looking disclosures. On the other hand, Qu et al. (2015), Wang and Hussainey (2013) and Liu (2015) reported higher and precise information disclosures are made especially on sales, earnings and other forward-looking disclosures when the independent directors percentage is higher. The conflicting result from prior literature on the effectiveness of independent directors stimulates the need to investigate the situation in Nigeria.

d. **Board Activism**

The board meeting frequency is a major way of measuring the effectiveness of a board (Vafeas, 1999; Beasley Carcello & Hermanson, 2000; Carcello,Hermanson, Neal & Riley, 2002). The board meeting provides an opportunity for board members to meet and discuss diverse issues confronting a firm's achievement of its goals and objectives. The frequency of this meeting influences firm performance and serves as indicators of the diligence of the Board (Vafeas, 1999; Carcello, *et al*.

2002). A diligent board improves the level of oversight functions, results in better organisational performance as well as creates opportunity to satisfy the needs of external and internal stakeholders.

e. Auditor type

The external auditors aid organisations in determining the policies and practices of the firm as well as limit the opportunistic behaviour of management (Ali, Durtschi, Lev & Trombley, 2004). Fama and Jensen (1983) suggested that large audit firms have a greater incentive to qualify reports or report to the respective regulatory bodies if the client makes inadequate disclosures, or does not comply with regulations and laws stipulated by the statutory and regulatory framework guiding the operations of the entity. They are also more experienced than small audit firms (Gupta &Nayar, 2007).

Interestingly, the propagation of the IR framework has been largely dominated by the Big 4 audit firms,the IIRC has the support of Deloitte, Ernst & Young among others. This in turn will influence the dissemination of IR framework by client companies audited by them. Thus, this study considered the influence of auditor type on the implementation of the IR framework in corporate Nigeria.

f. Board ownership

Ho and Wong (2001), Haniffa and Cooke (2002) Ahmed and Ghazali (2013) argue that there is a negative correlation between family ownership structure and voluntary corporate reporting. Their studies suggest that Company share structures comprising of higher Board member ownership would result in lesser voluntary reporting and by extension integrated reporting. Where there is a lower proportion of board share ownership in a company's share structure, the issues of public accountability, voluntary and mandatory reporting would be demanded by all stakeholders involved. Muttanachai, Suttipun, Anchalee and Bomlai (2019) could not find any significant relationship between ownership structure and integrated reporting in Thailand

O'Sullivan et al. (2008) analysed the relationship between a firm's corporate governance characteristics) and the forward-looking information disclosed in the annual reports of UK companies for the years of 2000 and 2002. Studies in China such as,Qu et al. (2015), Liu (2015) and Ho and Taylor (2013) found that effective corporate governance mechanisms enhance disclosure of information especially in the area of corporate strategies, financial information, forward-looking information and corporate social responsibility information.

Based upon the arguments discussed above, this study expects a positive association between corporate governance mechanisms and Integrated Reporting (IR), and proposes the following six

3.0 Methodology

This study adopted longitudinal research design. Panel least square regression analysis was employed to investigate the effect of corporate governance on integrated reporting on a five year balanced panel data spanning 2013- 2017.

The population of the study consisted of companies listed on the Nigerian Stock Exchange. As at December 31, 2017, there were 170 companies from 11 sectors quoted on the floor of the Nigerian Stock Exchange (NSE Fact book, 2017). These eleven sectors were grouped into the extractive, manufacturing, financial, and other services sector. Consumer goods, industrial goods, conglomerates and healthcare were grouped to form the manufacturing sector. The financial services sector was a combination of banks and insurance companies. The extractive sector consisted of natural resources, agriculture, construction, and oil and gas while the others consisted of ICT and services sector.

Purposive sampling technique was adopted to select a sample of 90 listed companies operating on the Nigeria Stock Exchange (NSE) as of December 31, 2017. This sample accounted for 53 per cent of the total listed companies in NSE. Table 3.1 provides a brief description of the effective sample size used for the study. This consisted of 18 companies in the extractive sector, 37 companies in the manufacturing sector, other sector consisted of 11 companies, while the financial service sector consisted of 24 companies.

Table 3.1
Effective Sample of Quoted Firms in the Nigeria Stock Exchange from 2013 to 2017

S/N	INDUSTRIAL SECTOR	COUNT
	All Quoted companies as at 2017	170
	Eliminated[1]	80
	Population Size (*N*)	90
A:	Manufacturing Companies	37
B:	Extractive Companies	18
C:	Financial Services	24
D:	Others	11
	Effective planned sample size (*n*)	90

Source: Compiled by the Researcher (2019)
Notes:

1. These companies were eliminated on the grounds that the companies did not have the relevant information for the period under study. Banks that merged or had been taken over as well as insurance companies that have been converted to private limited liabilities companies were eliminated from the design. Companies that were not delisted until 2018 were included in the study.

3.2 Source of data and data collection technique

Secondary data were extracted from the annual reports of the selected listed companies for the period 2013 -2017. This period had more reliable, updated and current results (as at the period of this study) about the trends in corporate reporting of quoted companies in Nigeria pre and post IR framework adoption by developed countries. Secondly, improvements in the regulatory and statutory frameworks for corporate reporting such as the new FRC code of corporate governance and the SEC sustainability disclosure code became effective in the year 2020, which is beyond the scope of this study.

Similar to the approach used by Kilic and Kuzey (2018), a disclosure index was constructed that focused on the content elements of the IIRC (2013) integrated reporting framework. The disclosure index included a total of 50 items within seven categories, including: 1. "organizational overview and external environment" which had 13 items; (2) "governance" consisted of 5 items (3) "business model" had 15 items (4) "risk and opportunities" consisted of 2 items, (5) "strategy and resource allocation consisted of 6 items" (6) "performance" had 5 items; and (7) "outlook" consisted of 4 items. The eighth content element was not included in this study because only companies who have fully adopted IR provide the basis for preparation and presentation of the integrated report.

3.3 Validity and Reliability of Research Instrument

The annual reports of listed companies are certified by independent auditors and submitted to the Nigeria Securities and Exchange Commission for ratification. This provides a justifiable basis for assessing the reliability and validity of the secondary data research instruments.

3.4 Measurement of Variables

Integrated Reporting: Appendix I lists the disclosure items and demonstrates the match of those items with the content elements required in the IIRC (2013) integrated reporting framework. All narrative sections of the annual reports including the chairman's statement, directors' report, operating review, management discussion and analysis were content analysed. The existence or absence of each item with a non-weighted disclosure approach was used by Frías-Aceituno et al., (2013); Garcia-Sánchez et al., (2013); and Kilic and Kuzey (2018). A score of 1was assigned if the company disclosed a certain item at least once and 0 if otherwise. Hence, a company received a score ranging from 0 to 50, depending upon the number of items disclosed. The mean IR Score was calculated by dividing the items disclosed to a maximum number of items that a firm could disclose. The IR score is mathematically represented as: $IRScore = \quad (\sum_{i=1}^{t} \mathrm{IR}i)/t$

where: IRi = 0 or 1, as follows:

IRi = 0 if the disclosure item was not found;

IRi = 1 if the disclosure item was found; and

t = the maximum number of integrated reporting disclosure items a firm could disclose (i.e. 50 items)

Corporate governance: To evaluate drivers, the measurement scales adopted by Kilic ,Kuzey and Uyar (2015) was adapted to assess the drivers of IR. Table 3.1 presents the variables under consideration and the measures used.

Table 3.2 Measurement of variables

	Corporate governance characteristic		
Proxies	**Symbol**	**Criteria**	**Source**
Board share ownership	*BO*	Ratio of board of directors shares to total shares	Kilic, Kuzey and Uyar (2015)
Board size	*BS*	Number of members on the Board	Kilic, Kuzey and Uyar (2015)
Board gender diversity	*GD*	Ratio of women on the board to total board members	Kilic, Kuzey and Uyar (2015)
Board independence	*BI*	Ratio of non-executive directors to total board size	Kilic, Kuzey and Uyar (2015)
Board activism	*BA*	Number of board meetings per annum	Kilic, Kuzey and Uyar (2015)
Auditor type	*AT*	Identity of external auditor 1= Big 4 0= Non Big 4	Kilic, Kuzey and Uyar (2015)

Source: Compiled by Researcher (2019)

3.5 Model specification

Corporate governance variables and IR

This can be expressed explicitly as

Error! Reference source not found.………………….... Eq. (1)

4.0 Data Presentation and Analysis

The descriptive statistics as presented in Table 4.1, shows that corporate governance practices of the 90 sampled companies for the period 2013 to 2017 is adequate. The results show that the mean of board size of quoted companies is 10. The minimum board size is 4 and the maximum is 21. The Board owns about 34% of the total shares in the company. Some board members had no shares at all in a company and in other cases; they owned 94% of the shares of the company. It is observed that majority of board members were independent non-executive directors but had minimal representation of women on the Board. The mean value was 13% while some companies had no female member on the board. Most of the sampled companies complied with the minimum statutory requirement of 4 meetings per year (Nigerian code of corporate governance, 2018). The average number of meetings was approximately 5. About 60% of the sampled companies were audited by Big 4 audit firms. The results show that Nigerian quoted companies have a moderately adequate practice of corporate governance.

Table 4.1 Descriptive Statistics on Corporate Governance Attributes

	BSIZE	BOWNER	BINDE	BGENDER	BACTIVISM	AUDTYPE
Mean	9.7230	0.34253	0.62733	0.126081	4.565315	0.601351
Median	9	0.0625	0.635	0.11	4	1
Maximum	21	75	0.94	0.4	12	1
Minimum	4	0.000000	0	0	0	0
Std. Dev.	3.0897	3.561285	0.15191	0.116107	1.62313	0.490172
Skewness	0.8099	20.82179	-0.68761	0.463712	0.334757	-0.414
Kurtosis	3.6370	436.9617	4.43516	2.090647	5.822069	1.171396
Jarque-Bera	56.054	3516053	73.0921	31.21021	155.628	74.54347
Probability	0.0000	0.000000	0.00000	0.000000	0.000000	0.000000
Sum	4317	152.0832	278.536	55.98	2027	267
Sum Sq. Dev.	4228.9	5618.46	10.2223	5.971981	1167.106	106.4392
Observations	450	450	450	450	450	450

Key: BSIZE (Board size); BOWNER (board ownership) BINDE (Board independence);BGENDER (Board gender diversity); BACTIVISM (board activism); AUDTYPE (auditor type)

Source: Author's compilation using E-views 10.0 (2019)

The correlation analysis in Table 4.2 shows that at 5% level of significance, Board size is positively correlated with all the corporate governance variables but is significantly related with gender diversity, board activism and the size of the audit firm, Board ownership is positively correlated but not significantly related with any of the corporate governance variables. Board independence is positively correlated with board activism and auditor type is significantly but negatively correlated with board gender diversity. Board gender diversity is positively correlated with all the corporate governance variables except board independence, however, board gender diversity had a significant relationship with board size, board independence, board activism and auditor type. Board activism was found to be positively correlated with all the corporate governance attributes and had a significant relationship with board size, gender diversity and auditor type. Auditor type also had a positive and significant correlation with board size, board gender diversity and board activism, but an insignificant and positive correlation with board ownership and board independence.

Table 4.2 not only shows the pair wise correlation or degree of dependence among the variables but the absence of multicollinearity because the highest correlation is 0.23. Thus, it can be inferred that there is no multicollinearity and the result of the panel data is not spurious.

Table 4.2 Correlation Analysis

	BSIZE	BOWNER	BINDE	BGENDE	BACTVSM	AUDTYPE
BSIZE	1.000000					
BOWNER	0.011777	1.000000				
BINDE	0.074932	0.003146	1.000000			
BGENDER	0.203865*	0.053658	-0.08758*	1.000000		
BACTIVISM	0.196943*	0.065566	0.016959	0.222955*	1.000000	
AUDTYPE	0.236940*	0.023572	0.055535	0.147007*	0.130685*	1.000000

*Correlation is significant at 95% level of confidence
Source: Author's compilation using E-views 10.0 (2019)

Table 4.3 presents a summary of the compliance level of Nigerian quoted companies with the IR framework. Employing the ranking disclosure score developed by Ernst and Young (2014) for assessing level of IR disclosure of quoted companies in South Africa. A score of 1 was awarded when there is compliance and 0 when there is deviation from the requirement for each of the content elements. The compliance level was based on the availability of relevant information on each of the content elements as required by the IR framework (2013). Table 4.3 displays the total IR disclosure score for each content element for the 90 sampled companies from 2013- 2017. The mean Integrated Reporting disclosure scores (Mean IRS) were derived by dividing total number of items in each IR content element disclosed divided by the 90 sampled companies. Table 4.3 shows that most of the quoted companies between the periods 2013-2017 improved their levels of disclosure across firms from a mean score of 37.5 out of a total score of 50 to 37.63 out of 50 at the end of 2017. Most of the improvements were mainly in the area of risk and opportunity while the least disclosures were in the area of performance. According to the Ernst and Young rating, the IR disclosures contained in the annual reports of Nigerian quoted companies could be rated as good.

Table 4.3 Level of Corporate Disclosure Compliance with the Integrated Reporting framework for sampled companies

IR CONTENT ELEMENT	**OOEE**		**GO**		**BM**		**RO**		**SR**		**P**		**FO**		**Total**
Total nos. of IR disclosure items	**(13)**		**(5)**		**(15)**		**(2)**		**(6)**		**(5)**		**(4)**		**(50)**
YEAR	**Total IRS**	**%**	**Total IRS**	**%**	**Total IRS**	**%**	**Total IRS**	**%**	**Total IRS**	**%**	**Total IRS**	**%**	**Tota l IRS**	**%**	**Total Mean IRS**
2013	978	84	391	87	877	65	161	90	367	68	280	62	315	88	37.5
2014	979	84	391	87	877	65	164	91	366	68	280	62	314	87	37.46
2015	982	84	390	87	871	65	167	93	365	68	280	62	315	88	37.44
2016	984	84	391	87	877	65	169	94	366	68	280	62	316	88	37.59
2017	988	85	391	87	875	65	171	95	364	67	281	62	317	88	37.63

KEY: OOEE (Organisational Overview and External Environment); GO (Governance); BM (Business Model); RO (Risk & Opportunity); SR (Strategy & Resource Allocation); P (Performance); FO (Future Outlook); RG (Report Guidance);IRS (IR Disclosure Score)

MEAN IR SCORE % RATING: 0-40% -PROGRESS TO BE MADE; 41-60% - AVERAGE; 61-80% - GOOD; 81-100% - EXCELLENT

Source: Compiled by researcher (2019)

Organizational overview and external environment: From the results in Table 4.3, out of a total score of 13 disclosure elements, the 90 companies had a steady increase from 978-988 from 2013-2017, which is equivalent to approximately 85% at the end of 2017.

Governance: Governance had a total mean score percentage of 87%, the results were constant over the study period.

Business model: This was the second least disclosed item across all the period of study (65%). These findings revealed that company reports generally fail to provide information about the business model

Risk and opportunities: This had the highest mean disclosure ranging between 90% - 95%. Most companies appear to disclose "internal or external risks" and "opportunities" relating to their political, legal and economic environment and other company-specific matters.

Strategy and resource allocation: Between 67-68% of the entities presented their short-, medium- and long-term strategic objectives without specific time periods for execution. There was however a minor decline in the level of corporate disclosure in 2017.

Performance: The least disclosed item was performance (62%). Most of the sampled companies disclosed key financial performance indicators only. This low disclosure could be as a result of the lack of interconnectivity between financial and non- financial performance.

Future Outlook: The findings in Table 4.3 revealed that the Chairman's statement provided generic expectations about the future expectations, risks and environmental uncertainties. It had a total disclosure score of 88% for the years 2015-2017.

Test of Hypotheses I-VI: Corporate governance does not support IR for listed companies in Nigeria

The Hausman test was used to determine the most appropriate model for estimating the equation. The results in Table 4.4 show that the random effect estimator is the most suitable model for testing the hypothesis because the probability value is 0.109 which is greater than 5% (0.05) statistical significance.

Table 4.4 Correlated Random Effects - Hausman Test
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.371543	6	0.1099

Source: Author's compilation using E-views 10.0 (2019)

Regression Results

Table 4.5 below shows the panel least square regression analysis using the random effect estimator used to test the formulated hypotheses. This analysis reported an adjusted R^2 value of 0.686, which signifies that about 69% systematic variation in the dependent variable (IR) is accounted for by the explanatory variables- board size, board activism, board independence, auditor type, board gender diversity and board ownership. The F-statistics of 11.2 and the associated probability value of 0.0 show a significant relationship between the variables. This agrees with the studies of Datta (2018), Umoren, Udo and George (2015), Elzahar and Hussainey (2012) and Al-Najjar and Abed (2014). Thus, hypotheses i,ii, iii, iv and vi were not retained. Only hypothesis v was retained because there is a positive and significant relationship between board activism and integrated reporting among listed companies in Nigeria.

Table 4.5 Radom Effect Regression

Dependent Variable: IR
Method: Panel Least Square (Cross-section random effects)
Sample: 2013 2017
Periods included: 5
Cross-sections included: 90
Total panel (unbalanced) observations: 450

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BSIZE	0.039812	0.099779	0.399004	0.69
BOWNER	0.013852	0.038924	0.355877	0.72
BINDE	1.448665	1.193603	1.213691	0.23
BGENDER	-1.601644	2.200468	-0.727866	0.47
BACTIVISM	0.281033	0.144073	1.950627	*0.05
AUDTYPE	1.143052	0.871679	1.311323	0.19
C	34.43768	1.600306	21.51943	0.00

Weighted Statistics

R-squared	0.753005	Mean dependent var	37.50676
Adjusted R-squared	0.685578	S.D. dependent var	4.609584
S.E. of regression	2.584747	Sum squared resid	2324.958
F-statistic	11.16774	Durbin-Watson stat	1.540623
Prob(F-statistic)	*0.000000		

***Significant at 5%**

Source: Author's compilation using Eviews 10.0 (2019)

Discussion of Findings

Nigerian quoted companies are yet to publish an integrated report; however, there are several companies with high reporting scores whose reports included nearly all the content elements of IR, in compliance with the requirements of the IR framework. Some deficiencies in current reporting practices of quoted companies in Nigeria could be overcome by the adoption of integrated reporting. For instance, the sampled companies reported more positive information while dismissing or deemphasising negative information. Most of the negative information was reported in the Chairman's statement especially in the area of the impact of environmental uncertainties. In addition, most sampled companies focused their reports on past performance while lacking expectations and forecasts about future performance, the reports also did not adequately link the financial and non-financial performance with the overall business model and strategies (Kilic & Kuzey, 2018).

The F-statistics of 11.2 and the associated probability value of 0.00 show a significant relationship between IR and corporate governance. Only board activism was positively significant ($p< 0.05$) with IR. This finding agrees with the studies of Datta (2018); Umoren, Udo and George (2015). In addition, board size, board independence and board ownership are positive but statistically insignificant in driving IR disclosures at 5% level of significance. Board gender diversity was also found to have a negative and statistically insignificant relationship with IR. Elzahar and Hussainey (2012), Uyar and Kilic (2012) and Al-Najjar and Abed (2014) had similar results with the findings of this study.

As the board frequently meets to discuss strategies to achieve the organisation's goals as well as interact with their stakeholders, they quickly become abreast of the needs of powerful stakeholders in the business environment, including their demand for more holistic information such as integrated reporting. Thus, it can be concluded that among the corporate governance mechanisms, board activism has a statistically significant relationship with IR among listed companies in Nigeria.

5.0 Conclusion and Recommendations

The results of this study indicate that the 90 companies sampled provided more than average disclosure of the elements of integrated reporting in their annual reports during the period being studied. Within the seven elements of the IR framework, risk and opportunity was the most commonly reported category while performance (financial and non- financial) was the least disclosed element of integrated reporting. There were significant increases in the level of integrated reporting in the annual reports during the period 2013 to 2017. There was a significant positive relationship between of integrated reporting and board activism. The non-relationship between some of the corporate governance drivers and the implementation of integrated reporting may be related to a lack of pressure or mandatory regulations requiring preparation of integrated reporting by corporate entities. The results of this study provide some contributions to existing knowledge relating to reporting practices. Firstly, it contributes to the sparse literature on the relationship between corporate governance and integrated reporting by listed companies in Nigeria. Furthermore, the study provides valuable information to the FRC and SEC who regulate the disclosure of information by all listed companies in Nigeria.

However, the study has certain limitations. First, this study used corporate annual reports as the medium through which to quantify integrated reporting, although there are other media used by listed companies to communicate with their stakeholders, such as websites, stand-alone reports and corporate letters. Secondly, the study spanned a period of five years and the eighth content element was not analysed in this study due to the fact that Nigeria is yet to adopt integrated reporting. Consequently, future studies could improve on these gaps.

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Table 4.1: Disclosure levels of Nigeria listed companies with IR content elements

	Content element group		N	%
Organizational overview and external environment	OOEE1	Mission and vision	80	89%
	OOEE2	Description of organisational culture, ethics, or values	82	91%
	OOEE3	Code of conduct	87	97%
	OOEE4	Proprietorship or operating structure	90	100%
	OOEE5	Competitive landscape and market positioning	88	98%
	OOEE6	Employee size	86	96%
	OOEE7	Geographic spread of organization's business activities	85	94%
	OOEE8	Legal factors	88	98%
	OOEE9	Political factors	84	93%
	OOEE10	Social factors	74	82%
	OOEE11	Market forces	76	84%
	OOEE12	Key stakeholders	83	92%
	OOEE13	Environmental factors	70	78%
Governance	GOV1	Names of Board members	89	99%
	GOV2	Board qualifications and expertise	90	100%
	GOV3	Culture, ethics and values are reflected in its use of and effects on the capitals	46	51%
	GOV4	Strategy monitoring activities	74	82%
	GOV5	Board remuneration and reward guidelines	71	79%
Business model	BM1	Key inputs	46	51%
	BM2	Product differentiation	76	84%
	BM3	Delivery channels and marketing	62	69%
	BM4	After sale service	59	66%
	BM5	Innovation	84	93%
	BM6	Employee training	84	93%
	BM7	Key products and services	83	92%
	BM8	GHG emissions	0	0%
	BM9	Water waste	0	0%
	BM10	Employee morale	78	87%
	BM11	Organizational reputation	87	97%
	BM12	Revenue, cash flows	90	100%
	BM13	Customer satisfaction	70	78%
	BM14	Rise in resources (create value)	84	93%
	BM15	Drop in resources (diminish value)	54	60%
Risks & opportun	RO1	Internal or external risks	80	89%
	RO2	Internal or external opportunities	68	76%
Strategy and	SR1	Short-, medium- and long-term strategic objectives (without time frame)	87	97%
	SR2	Short-, medium- and long-term strategic objectives(with time frame)	55	61%

	SR3	Strategies in place, or intends to implement, to achieve those strategic objectives	87	97%
	SR4	The measurement of achievements and target outcomes	65	72%
	SR5	An understanding of the organization's ability to adapt to change to achieve goals	64	71%
	SR6	The link between strategies and key capitals	73	81%
Performance	PE1	KPIs that present financial measures	65	72%
	PE2	KPIs that combine financial measures with other components (i.e. the ratio of greenhouse gas emissions to sales)	0	0%
	PE3	The linkages between past and current performance	53	59%
	PE4	The comparison between regional/industry benchmarks	63	70%
	PE5	Financial implications of significant effects on other capitals	68	76%
Future Outlook	FO1	Expectations about future or explanations about uncertainties	82	91%
	FO2	Forecast about KPIs	88	98%
	FO3	Assumptions related to those forecasts	75	83%
	FO4	The linkages between current performance and the organization's outlook	60	67%

N= 90 sampled companies with IR disclosure from analysis of 2017 annual reports
%= percentage of sampled companies that disclosed the IR framework content element
Source: Survey results (2019) with scales adapted from Kilic and Kuzey (2018)