



HIV/Aids Reporting in Annual Financial Statements in South Africa

by

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"A tragedy of unprecedented proportions is unfolding in Africa. Aids today in Africa is claiming more lives than the sum total of all wars, famines and floods and the ravages of such deadly diseases as Malaria. We must act now for the sake of the world. Aids is no longer a disease, it is a human rights issue."

Nelson Mandela (29 November 2002)

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SUMMARY

HIV/Aids is one of the largest risks facing Africa today. The disease has spread at a rapid rate throughout the continent and South Africa in particular. To date it remains an epidemic without any cure. It is systematically destroying the economic progress made over centuries. HIV/Aids is most prevalent in the economically active groups in South African society and could ultimately change the demographic, social and economic landscape in South Africa.

Business is taking up the challenge and response strategies are being developed and implemented to contain and mitigate the risks posed by the disease. Stakeholders have a direct interest in being kept informed on both the risks and the responses to the disease. As such, information pertaining to HIV/Aids should be disclosed in the annual report of a company, and such information should be useful, relevant, reliable and comparable. HIV/Aids disclosure is currently voluntary and adheres to the characteristics of social accounting. Social accounting aims to inform beyond the traditional financial aspects and is increasing as stakeholders demand more information from reporting entities for decision-making purposes.

In South Africa, a number of developments have increased the prominence of voluntary HIV/Aids disclosure in annual reports. These include the Second King Report on Corporate Governance, the Global Reporting Initiative's proposals for HIV/Aids disclosure in South Africa and a joint disclosure project between the South African Institute of Chartered Accountants and the JSE Securities Exchange.

This study investigates current practices related to HIV/Aids disclosure in an attempt to develop a framework for future disclosure practices through thematic content analysis. The study covered a six-year period from 1998 to 2003. The annual reports of all listed South African companies on the JSE Securities Exchange were investigated for that period.

The study found that there was an increase in disclosure related to HIV/Aids over the period under review, but that by the end of 2003, still fewer than half of all JSE-listed companies disclosed HIV/Aids information. An upward trend in disclosure was identified, and it is expected that the number of reporting entities will continue to increase. The information disclosed varied considerably between the disclosing entities. This dilutes the usefulness and comparability of HIV/Aids information for stakeholders. Valuable information was obtained as to preferential themes and data related to HIV/Aids that are disclosed voluntarily in annual reports.

The study concludes with a recommended framework based on the literature review and the results of the empirical study. The framework proposes minimum disclosure content focusing on two main risks, namely the risk to employees and the South African community and the associated responses by the company. The framework also proposes the disclosure of current and future costs and losses related to HIV/Aids, where such information exists. The proposed framework aims to find a balance between the normative and the descriptive in HIV/Aids disclosure, and proposes that fewer issues be disclosed, thereby focusing on specific issues that will enable consistency and comparability in HIV/Aids disclosure practices.

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LIST OF ABBREVIATIONS

AAA	American Accounting Association
AICPA	American Institute of Certified Public Accountants
AIDS	Acquired Immune Deficiency Syndrome
ART	Anti-retroviral therapy
ASB	Accounting Standards Board
ASSA	Actuarial Society of South Africa
BER	Bureau of Economic Research
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Practice
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HSRC	Human Sciences Research Council
IASB	International Accounting Standards Board
IOD	Institute of Directors
SABCOHA	South African Business Coalition on HIV/Aids
SAICA	South African Institute of Chartered Accountants
SEC	Securities and Exchange Commission
STD	Sexually Transmitted Disease
UNAIDS	Joint United Nations Programme on HIV/Aids
VTC	Voluntary Testing and Counselling
WHO	World Health Organisation