A proposed reporting framework  
for HIV/AIDS disclosure by listed  
South African companies  

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Abstract  
This article proposes a disclosure framework for the reporting of HIV/AIDS-related information in annual reports to address the lack of consistency in current disclosure practices. A literature review was undertaken to determine business risks and responses relating to the disease, followed by an empirical investigation into voluntary disclosure on HIV/AIDS by companies listed on the JSE Securities Exchange. The investigation consisted of a thematic content analysis for the period 1998 to 2004. The results of both the literature review and the empirical investigation are used to recommend a disclosure framework that companies can use when reporting on HIV/AIDS in their annual reports. The framework recommends the disclosure of HIV/AIDS risks and responses by organisations.  

Key words:  
Annual report  
Disclosure  
HIV/AIDS  
Reporting  

1 Introduction  
The Human Immunodeficiency Virus (HIV) and its associated Acquired Immune Deficiency Syndrome (Aids), commonly referred to as HIV/AIDS, emerged as a new virus in the 1980s. South African companies are becoming increasingly aware of the serious threat HIV/AIDS is posing to productivity and profitability. In order to survive the impact of the disease, businesses need to address increased labour costs, changes in consumer spending and changes in the economic environment in which South African companies operate.  

The NMG-Levy Annual Report on Labour Relations and Employee Benefits in South Africa for 2001/2002 predicted that close to 30% of South Africa’s workforce would be HIV positive by 2005 (NMG-Levy 2002). By 2006, no reliable data were available on the actual prevalence of HIV/AIDS in the South African workforce. According to UNAids, the United Nations Programme on HIV/AIDS, it was estimated that by the end of 2005, more
than 5.5 million South Africans from a population of approximately 40 million were infected with the disease (UNAids 2005:6). Official data from the South African Department of Health indicated that by end of 2004, 25% of the population over 15 years of age was HIV positive (Department of Health 2004).

In recent years, the impact of HIV/AIDS on business, as well as company responses to the disease, have gained prominence through the publication of various studies (see, for example, Deloitte and Touche 2002; BER 2003; and NMG-Levy 2002). Companies operating in South Africa form part of the broader South African society, and as such they should not only direct their planning and policies to address risks, such as HIV/AIDS facing the country, but also communicate these to their stakeholders. A company’s annual report represents the most authoritative document of a particular management’s views on a company’s position, performance and practices.

Users of annual reports should be made aware of the impact of this disease on the companies in which they have an interest, whether directly or indirectly. The South African Institute of Chartered Accountants (SAICA) and the JSE Securities Exchange have acknowledged this fact (Sykes 2002:8). SAICA released a draft document on HIV/AIDS and corporate governance for public comment at the end of 2004, while the JSE Securities Exchange is contemplating minimum listing requirements specifically related to HIV/AIDS disclosure (Newton-King 2004). Apart from being informed about the impact of the disease, it is in the stakeholders’ interest to know what response strategies companies employ to mitigate the risks posed by HIV/AIDS. Current practices concerning the disclosure of HIV/AIDS occur on a voluntary and inconsistent basis, thereby limiting the usefulness of such information to users of the annual report (Du Bruyn & Venter 2006:1).

The results of this study, which proposes a disclosure framework for HIV/AIDS, will assist SAICA and the JSE Securities Exchange in their efforts to guide companies on the disclosure of HIV/AIDS in annual reports. Listed South African companies could also utilise the recommended framework to disclose HIV/AIDS information in a more consistent and comparable format in future. This would, in turn, enhance the quality of the information passed on to stakeholders.

This article comprises a literature review, combined with an empirical investigation into the current voluntary disclosure practices of listed companies in South Africa. This particular empirical investigation is limited to the disclosure of HIV/AIDS in the annual reports of companies listed on the JSE Securities Exchange at the end of each calendar year, for the period from 1998 to 2004. The main focus of the investigation is a thematic content analysis of the HIV/AIDS information disclosed, and as such it does not attempt to evaluate the quality of the content or the presentation of such information. The objective is to find common ground between the literature on the effect of HIV/AIDS on companies and response strategies, comparing the latter to current practices of disclosure. A framework for future disclosure is developed from these results.

2 The impact of HIV/AIDS on South African companies

The impact of HIV/AIDS on companies is mostly felt as a labour issue (see, for example, BER 2003; Deloitte and Touche 2002; ING Barings 1999; and Deutsche Securities 2000). The demographic profiles of the disease indicate that the economically active part of the
population in their twenties and thirties is most frequently affected by the disease (BER 2003).

Business in South Africa is faced with an enormous challenge in dealing with HIV/AIDS. Few entities will escape the scourge of the disease. Randall (2002:86) summarises the impact of HIV/AIDS on business as follows:

- Increased illness and deaths among employees will increase company expenditure and reduce revenue.
- Expenditure on health-care costs, funeral costs and the recruitment and training of replacements will increase.
- Revenue will decrease as a result of increased absenteeism due to illness and employees taking care of infected relatives or taking time off to attend funerals.
- Labour turnover will increase, leading to a loss of skills, knowledge and experience, which in turn leads to declining morale and lower productivity. Resultant replacement will incur increased administration and production costs.
- An increased demand for benefits (including insurance cover, retirement funds, health and safety provisions, medical assistance and disability benefits) will not only lead to increased payroll costs, but also erode competitiveness.
- Customer/client bases will change, particularly those related to changes in spending patterns.
- An increase in investment in capital-intensive technology/production is likely.

Deloitte and Touche (2002), Boston University’s Center for International Health and Development (2003) and the Bureau for Economic Research (BER) (2003) form the basis of the literature review on the impact of the disease on business in South Africa. These three studies were conducted independently and some of their results are summarised below.

The first step in addressing the disease in a company is to assess the current prevalence figures amongst employees. The results of such studies can form the basis for assessing the future internal impact of HIV/AIDS on an organisation. Only two of the three studies addressed prevalence. The Deloitte and Touche (2002) study found that only 7.3% of the respondents had carried out anonymous blood screening, while 4.5% of respondents had conducted anonymous saliva testing.

The effect of HIV/AIDS on absenteeism is a result of increased sick leave taken by infected employees, as well as the time taken off work by HIV-negative employees who are affected by family and relatives suffering from the disease. According to the results of the BER (2003) study, 39% of the companies in the study have indicated a noticeable increase in absenteeism among employees over the past few years.

Apart from the Deloitte and Touche (2002) study, the other two studies included research into the effect of HIV/AIDS on productivity. The BER (2003) study found that 12% of the respondents indicated that HIV/AIDS had had a moderate to large impact on productivity in their organisations, while 27% noted a small impact. In combination, the results show that almost 40% of the respondents had noted an effect on productivity that could be directly attributed to HIV/AIDS. The Boston University (2003) study found a reduction in productivity of between 22% and 63% in the last year of service of employees diagnosed with AIDS.
Almost a third of the companies surveyed in the BER (2003) study indicated that they had experienced an increase in staff turnover due to HIV/AIDS. Of the respondents in this study, 27% reported that they had lost experience and skills because of HIV/AIDS and 24% had incurred additional recruitment and training expenses as a direct result of the disease.

One of the most notable costs of the disease is the increased use of medical benefits, both by HIV-positive employees and, to a larger extent, by infected individuals in the AIDS stage of the disease. The Deloitte and Touche (2002) study found that 63% of the respondents provided medical scheme benefits to all employees, while a further 20% did the same for only a limited number of employees.

A total of 42.7% of the respondents in the Deloitte and Touche (2002) study reported that HIV/AIDS had had an impact on employee benefits relating to retirement, disability and death benefits. A total of 9.1% reported increased contributions, but when stratified, 16% of the employers with a workforce in excess of 500 reported increased contributions as a result of HIV/AIDS. The study also revealed that, in certain cases, increased contributions were accompanied by a decrease in the benefits offered.

Reports emerging in South Africa indicate that some companies are considering the effect of HIV/AIDS on the size of their consumer market, prices, levels of saving, spending patterns and skills. A number of companies have developed strategic plans to reduce their dependency on the local market and to find new consumers in foreign markets. These companies have cited the influence of HIV/AIDS as part of their justification for foreign expansion (see, for example, Barac & Otter 2001; Randall 2002; ING Barings 1999; and Deutsche Securities 2000).

The information discussed above indicates that the HIV/AIDS epidemic is gradually beginning to have an impact on business in South Africa. Based on the characteristics and prevalence of the disease discussed earlier, its impact is likely to increase even further. Bearing this in mind, there is a real need to establish how business is responding to the increased threat posed by HIV/AIDS.

3 Business responses to HIV/AIDS

Organisations need information on the current and future risks that the disease poses, in order to develop a strategy that addresses and responds to the challenges created by the disease. This entails setting aside funds to conduct research and perform a risk assessment for the company. Responses to the disease should be based on company-specific research and risk assessments if they hope to be successful.

Family Health International (FHI) (2002:35) describes an HIV/AIDS policy in an organisation as a document that defines an organisation’s position and practices in terms of preventing HIV transmission and handling HIV infection among employees. The policy provides guidelines for supervisors who deal with the day-to-day issues and problems that arise in the workplace. Such policy also informs employees about their responsibilities, rights and expected behaviour.

Awareness programmes seek to inform employees about HIV/AIDS, promote behavioural change that will reduce the spread of the disease and provide services to reinforce behavioural change (FHI 2002:45). These programmes consist of educational initiatives, providing material to inform workers about the disease and the distribution of condoms by a company.
Voluntary testing and counselling (VTC) for HIV is acknowledged to be an effective and essential strategy for both HIV prevention and AIDS care. High-quality counselling and testing promote safer sex practices because individuals who test positive are made aware of the risk they pose to others. Studies indicate that individuals who test negative for the disease are normally committed to remaining disease free (HSRC 2002:67).

Support and care programmes involve the approved formation of on-site support groups for HIV-positive employees, helping employees to join outside support groups, allowing flexible work schedules for infected employees, assisting in setting up home-based care and free clinic services to proactively address other opportunistic infections such as tuberculosis, and enlisting the services of professionals to educate HIV-positive employees on matters as diverse as nutrition and financial planning for the HIV-positive individual (FHI 2002:59).

In an attempt to prolong the life of infected employees and defer the costs associated with absenteeism, lower productivity and termination of service, and for humanitarian and business reasons, a few South African companies have decided to assist HIV-positive employees in obtaining the necessary drugs and treatment (Van Bassen 2003:29).

No comprehensive research was found on company strategy regarding responses to possible changes in the consumer market. Reports in the media indicated a move by certain companies to decrease their dependence on the South African market. Such strategies may be seen as socially and politically incorrect, and considered a vote of no confidence in the future of the country.

Based on the literature review it was found that there is a high degree of correspondence between area of impact and business responses to HIV/AIDS. These areas of impact and response will form the basis of the investigation into the disclosure practices being applied by listed companies in the study.

4 The annual report as a communication method

The term “annual report” is generally used to refer to more than just the financial statements as required by Generally Accepted Accounting Practice (GAAP), and may include additional statements, non-financial information, statistics and future assessments. To avoid confusion, this article will refer to the annual report, which includes both the statutorily required financial statements and all other information (whether mandatory or voluntary) disclosed by the reporting entity in the formal and final document reporting on the company’s activities for a financial year that will be of interest to stakeholders.

4.1 Stakeholder groups’ information needs relating to HIV/AIDS

Carrol (1993:59) is of the opinion that the term “stakeholder” evolved from the well-known term “stockholder” and defines a stakeholder as follows:

A stakeholder, then, is an individual or group that asserts to have one or more of the kinds of stakes in a business. Just as stakeholders might be affected by the actions, decisions, policies, or practices of the business firm, these stakeholders also may affect the organisation’s actions, policies, or practices.

It is stated that the annual report of a company, which includes the financial statements, serves as the main communication medium between the directors of a company and its stakeholders. With this in mind, stakeholders would expect companies to inform them of
the organisation’s HIV/Aids risks and responses, even though various stakeholder groups have different information needs. Research on stakeholders and their different information needs (see, for example, Belkaoui 1984:21–44; Lubbe 1995:81–91; Shotter 1994:16–21; and Van Niekerk 1998:23–26) can be related to HIV/Aids as follows:

- **Investors** (shareholders/stockholders) require information in order to make decisions about their investment in a company. Shareholders would thus be interested in assessing the risk posed by HIV/Aids to their investment. Apart from any possible negative effects, it can also be argued that they have an interest in the responses of the company from a social perspective. Arnold, Boyle, Carey, Cooper and Wild (1991:6) argue that improved disclosure may lead to shareholders’ understanding and loyalty. It is reasonable to expect that shareholders with insight into the risks posed by HIV/Aids, as well as an organisation’s responses to the disease, will feel less threatened by the potential impact of the disease on their investment.

- **Employees** are interested in information about the stability and profitability of their employer, including its ability to provide remuneration and retirement and other fringe benefits. Employees have a direct interest in a company’s responses to HIV/Aids, because this group has been found to be the most direct link between the disease and organisations. It could be argued that the company’s responses to the disease will take precedence over the risk of the disease on profitability for employees.

- **Lenders of funds and creditors** require interest security and information on the company’s ability to service its debts. Risks posed by HIV/Aids will probably be more important to this group than companies’ responses to the disease.

- **Suppliers**’ main concern will be the company’s ability to continue business and its ability to pay for products and services. Their main concern would thus be the possible negative impact of the disease on the company’s operations and profitability.

- **Company clients** will be mainly concerned about the continuance of the company and the possible negative impact of HIV/Aids on the company’s ability to deliver products and services. Clients will also be interested in a company’s social involvement in, *inter alia*, the community.

- **Government** is interested in a company’s contributions towards the country on the financial front and is increasingly focusing on its contribution in terms of social upliftment, job creation and empowerment. Because HIV/Aids represents one of the principal challenges faced by government, its interest lies in company policy and practices in terms of responding to the disease.

- **Public interest in companies** is varied, and ranges from the company’s financial well-being and its impact on the economy, to an interest in the effects of the company’s activities on society. Lobby groups are increasingly seeking information on company policies and activities relating to the environment, black economic empowerment (BEE), transformation and other socially relevant issues, such as HIV/Aids.

- **Labour unions**, as representatives of employees, are mainly concerned with company policy on HIV/Aids from a human rights perspective, and the policies and practices followed by companies to prevent the spread of the disease, as well as programmes relating to the treatment of affected employees. The importance of the disease from a labour union perspective is emphasised in the Global Reporting Initiative’s (GRI) document. This document states that the Congress of South African Trade Unions...
(COSATU), a major South African federation, stressed the need to link any HIV/AIDS reporting initiative to the negotiations/agreements reached at national level in negotiations between business, government and labour, since voluntary HIV/AIDS reporting was not likely to achieve broad acceptance amongst employers (GRI 2003:18).

In her study on the influence of external pressure groups on corporate social disclosure, Tilt (1994:63) found that external groups representing stakeholders support the use of the annual report as the main medium of communication of a company’s social activities. Disclosing such activities forms the basis of what is today known as social accounting.

4.2 Developments relating to HIV/AIDS reporting in South Africa

Disclosure of HIV/AIDS information by South African companies in their annual reports is still voluntary. Recent developments in this regard, however, have contributed to an increased company awareness of the issue.

The Second King Report on Corporate Governance (King II)

King II addresses HIV/AIDS in no uncertain terms. The matter is specifically mentioned as part of section 4 of the report, which deals with sustainable reporting. A full page is set aside for HIV/AIDS in this section as part of the guidelines on health. The report specifically mentions the lack of business action in South Africa with regard to the disease, and states the following:

The South African corporate community has, with some notable exceptions, thus far offered little by the way of public accounting and reporting on its strategies and actions for combating the potential social and economic impact of HIV/AIDS on business activities. In other words, there is little evidence of measures taken to promote business sustainability in the face of the HIV/AIDS pandemic.

The report recommends that directors should (IOD 2002:109):

- ensure that they understand the social and economic impact that HIV/AIDS will have on business activities;
- adopt an appropriate strategy, plan and policies to address and manage the potential impact of HIV/AIDS on business activities;
- monitor and measure performance regularly, using established indicators; and
- report on all the above to stakeholders on a regular basis.

The above clearly indicates that the King Committee acknowledged that too little was done by business in the face of the epidemic, and imposes a responsibility on directors to take action. More notably, the report highlights the importance of reporting on these actions to stakeholders. Adherence to these recommendations will lead to increased HIV/AIDS reporting in the annual report. The report also recommends that directors consider guidelines offered by the GRI’s Sustainable Reporting Guidelines on economic, environmental and social performance as part of disclosure relating to non-financial information (IOD 2002:36).

Although Du Bruyn and Venter (2006) concluded that King II led to increased HIV/AIDS disclosure by listed companies, as required by JSE listing requirements, it should be noted that only non-compliance with principles in King II needs to be disclosed by listed companies in instances where principles in King II have not been fully complied with.
However, it should also be noted that King II is a set of principles and does not purport to determine the detailed course of conduct by directors (IOD 2002:21).

The Global Reporting Initiative (GRI)
Guidelines issued by the GRI are for voluntary use by organisations. They focus on the concept of a “triple bottom line” which implies that reporting should encompass economic, social and environmental issues. A document entitled “Reporting guidance on HIV/Aids: a GRI resource document” was issued in 2003. The document describes 16 indicators on HIV/Aids reporting that have been developed in a multi-stakeholder process (GRI 2003:7).

SAICA/JSE HIV/Aids reporting Initiative
The JSE Securities Exchange, in conjunction with the South African Institute of Chartered Accountants (SAICA), is also promoting a more formalised approach to HIV/Aids reporting. In 2002, the JSE Securities Exchange announced that it was investigating the introduction of listing requirements for all companies on the Exchange to report on HIV/Aids.

In December 2004, a major development in the process of formalising an approach to deal with the issue of HIV/Aids in the South African business environment occurred with the issuing of a draft document entitled “Corporate Governance and HIV/Aids” by SAICA (2004).

The document discusses risk management, with specific reference to the King II Report, and relates these risks to HIV/Aids. The document was issued as part of its technical information guides offered to members, and serves as a guideline only. The document incorporates the majority of issues addressed in the GRI document. Since the issuing of these draft guidelines, no further developments on the issue have been noted by SAICA.

5 Research objective
The lack of a consistent framework for reporting on HIV/Aids in annual reports is addressed in order to develop and recommend a framework for HIV/Aids reporting by listed companies. The recommended framework aims to not only to give guidance to companies on HIV/Aids reporting, but also to enable users of annual reports to better evaluate the impact of the disease on companies and assess responses to address the impact.

6 Research method
6.1 Introduction
Data were collected from annual reports and analysed to determine whether the reporting practices employed by organisations could be linked to the theoretical framework discussed in the first part of this study. Tricker’s (1978) feedback model for accounting research was used as a basis to combine the literature review with the empirical study (cited in Inanga & Schneider 2005:232–233). The approach is presented in figure 1 below.
In the above approach, the researcher observes the real-world situation, and in the light of known theory, formulates a model, assessing the generality of its application. If the model is found to be consistent with observations of the real world, the findings of the research are added to the body of knowledge. The objective of this study is the development of a reporting framework that draws on the literature review (known theory) and the reporting practices that were voluntarily applied by companies in the past (real world).

The study reviewed the annual reports of all companies listed on the JSE Securities Exchange on 31 December of each year (for the period 1998-2004) to investigate the disclosure of HIV/AIDS information. Companies that were found to disclose information on HIV/AIDS were investigated further.

To gather empirical information from the annual reports, the McGregor BFA Word Raid® software program was utilised. This software enables a user to access the annual reports of all companies listed on the JSE Securities Exchange for a specific year from the McGregor BFA® data base.

The main advantage of using this electronic database is the fact that it consists of full electronic copies of annual reports, and not only their financial statements.

A word search function was then performed on the reports. The key words HIV, AIDS and HIV/AIDS were used. Where the search produced successful hits in a report, the parts of the report in which the words appear were analysed for content.

The information was then processed per company (where there was more than one reference to HIV/AIDS), and then per annum for all companies that disclosed such information. Finally, a comparative result for the entire seven-year period was produced. The results of this study were interpreted to obtain an indication of the voluntary HIV/AIDS reporting practices followed by these companies for the set period.

The results were compared with the literature review in terms of the risks posed by HIV/AIDS and associated responses. A conclusion was drawn about the degree of sufficiency in current voluntary HIV/AIDS reporting. This formed the basis for the recommendation of an HIV/AIDS reporting framework for companies.

6.2 Classification scheme

The information provided in the literature review was used in conjunction with the GRI framework to identify factors that companies might report on to their stakeholders. It was
important to include both the risks posed by the disease and responses to address these risks, and also to identify disclosure about social involvement relating to the disease from a non-business point of view. This information was used to construct a classification scheme.

Milne and Adler (1999:240–241) describe a classification scheme for social disclosure as “defining a set of boxes into which to put data” and devising a set of rules on how and what to code, measure and record from the data to be classified.

6.3 Data preparation, processing and interpretation

A post-graduate research assistant was employed to do the content analysis and code the results. The information gathered from the analysis of the financial statements was summarised on a spreadsheet. The spreadsheet was designed with columns for the company name and the number (and sub-content number) for each of the individual questions. Specific company information was then entered in the row allocated to the company, based on the content found in the annual report. Separate worksheets were created for each year to facilitate comparability.

With regard to the reliability of content analysis, Milne and Adler (1999:238) note the following considerations. They state that content analysts need to be certain, firstly, of the reliability of the results produced, and, secondly, of the reliability of the coding instrument itself. They recommend the following courses of action:

- There are two options for addressing the reliability of the results produced. The first is the use of multiple coders for the same data, comparing results, and either reporting that the number of discrepancies between them was small, or that the discrepancies have been re-analysed and the differences resolved. Alternatively, a single coder can be used, and the reliability of coding decisions can be determined on the basis of a sample that is reviewed by the study leader prior to allowing the coder to proceed to the main set of data.

- Actions recommended for the coding instrument itself can be achieved through well-specified decision categories, with equally well-specified decision rules that will enable relatively inexperienced coders to interpret the data correctly.

As a quality control approach for this study, the above recommendations by Milne and Adler (1999) were combined to enhance the reliability of the results. As a first step, the Top 100 companies, based on market capitalisation for 2003 as determined by the Financial Mail (South African edition), were selected. The post-graduate coder, the author and an independent researcher (from a different university) with experience in analysing annual report content all analysed the annual reports of these companies for HIV/AIDS disclosure, and prepared their results on the basis of the classification scheme.

The results of all three parties were compared and very few discrepancies were identified. These were resolved by re-analysing the applicable data. In addition to this approach, the author of this study continually selected 10 companies randomly for each year and performed and compared his own analysis to that of the coder. No material discrepancies were identified.

To enhance quality even further, the classification scheme was designed in a questionnaire format, including different options for questions that might elicit different alternatives. This was done to ensure that the coder needed to do as little interpretation as possible of what is meant in the classification scheme.
6.4 Limitations of the research

The empirical investigation in this study was limited to voluntary HIV/Aids disclosure by companies listed on the JSE Securities Exchange for the period from 1998 to 2004. The analysis was performed using a classification scheme to determine content categories.

Milne and Adler (1999:240–241) argue that, as the number of the content categories in a classification scheme increases, the potential for inter-rating errors increases accordingly. Although every effort has been made to reduce the possibility of such errors, they may still be present to a limited degree. It is also necessary to bear in mind that content analysis remains subject to some degree of subjective interpretation.

Most studies of voluntary social disclosure review the quality of such disclosure, the criteria being the number of words or sentences allocated to a topic, or the position of a topic in the annual report (see, for example, Beattie, McInnes & Fearnley 2004; Cormier & Gordon 2001; Deegan 2002; and Gray, Owen & Adams 1996). These studies assume that the amount of disclosure or its position in the annual report is a proxy for the quality of such disclosure. Beattie et al. (2004:210) refer to such studies as “disclosure index studies”.

In this article, however, the research was limited to a “thematic content analysis”. The latter is described as a detailed review of the entire content of voluntary disclosure in annual reports, without any attempt to quantify the amount of disclosure on a topic. Instead it provides examples of disclosure considered to be useful and to represent good practices (Beattie et al. 2004:212). For this study, the “thematic content analysis” was confined to HIV/Aids disclosure instead of all voluntary disclosure in the annual reports.

7 Results

There has been a dramatic increase in HIV/Aids disclosure for the seven-year period under review, as indicated in table 1.

At the end of 2003 and 2004, almost half of all the listed companies referred to the disease in their annual reports, compared to a meagre 4.83% that did so at the end of 1998.

Table 1 Percentage of listed companies reporting on HIV/Aids

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of disclosing companies</th>
<th>Total number of listed companies</th>
<th>Percentage of listed companies disclosing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>31</td>
<td>642</td>
<td>4.83%</td>
</tr>
<tr>
<td>1999</td>
<td>57</td>
<td>644</td>
<td>8.85%</td>
</tr>
<tr>
<td>2000</td>
<td>84</td>
<td>592</td>
<td>14.19%</td>
</tr>
<tr>
<td>2001</td>
<td>112</td>
<td>519</td>
<td>21.58%</td>
</tr>
<tr>
<td>2002</td>
<td>148</td>
<td>450</td>
<td>32.89%</td>
</tr>
<tr>
<td>2003</td>
<td>186</td>
<td>426</td>
<td>43.66%</td>
</tr>
<tr>
<td>2004</td>
<td>181</td>
<td>403</td>
<td>44.91%</td>
</tr>
</tbody>
</table>

More frequent reporting on this matter can be attributed to the growing prominence of the disease in South African society, and its increasing impact on South African companies. Du Bruyn and Venter (2006) also concluded in their study that the Second King Report on Corporate Governance played a major role in increased HIV/Aids disclosure by listed companies. This is evident in the increased disclosure since 2002, compared to the period 1998 to 2001.
The number of companies that actually disclosed information on HIV/AIDS in their annual reports was deemed the “population” for each respective year. An investigation into the content of HIV/AIDS disclosure in this population of companies was completed.

For the interpretation of the classification scheme, these populations would represent 100% for their respective years, unless stated otherwise. Since the objective of this study was to propose a reporting framework, it would be meaningful to establish which aspects enjoyed prominence amongst companies that voluntarily disclose information on the disease.

Table 2 Percentage of disclosing companies acknowledging the impact of HIV/AIDS on employees, customers, the SA community and shareholders

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
<th>Customers</th>
<th>SA Community</th>
<th>Shareholders and/or shareholder perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>61%</td>
<td>29%</td>
<td>42%</td>
<td>0%</td>
</tr>
<tr>
<td>1999</td>
<td>65%</td>
<td>12%</td>
<td>75%</td>
<td>2%</td>
</tr>
<tr>
<td>2000</td>
<td>57%</td>
<td>23%</td>
<td>80%</td>
<td>0%</td>
</tr>
<tr>
<td>2001</td>
<td>61%</td>
<td>23%</td>
<td>79%</td>
<td>3%</td>
</tr>
<tr>
<td>2002</td>
<td>83%</td>
<td>21%</td>
<td>74%</td>
<td>5%</td>
</tr>
<tr>
<td>2003</td>
<td>90%</td>
<td>28%</td>
<td>61%</td>
<td>6%</td>
</tr>
<tr>
<td>2004</td>
<td>92%</td>
<td>22%</td>
<td>66%</td>
<td>3%</td>
</tr>
</tbody>
</table>

An analysis of the above table produces some interesting results. Whereas it was expected that employee impact would be a prominent disclosure subject area for business, based on the literature review conducted, it shares unexpected prominence with disclosure on the impact of the disease on the South African community (92% and 66% respectively in 2004).

In 1998, 2002, 2003 and 2004, the impact of the disease on employees was the most disclosed impact area. For the three years 1999, 2000 and 2001, however, the impact of HIV/AIDS on the South African community was cited more often by companies disclosing information on HIV/AIDS.

The empirical research conducted also indicated that in 1998, companies reporting on current HIV/AIDS-associated costs and losses to the organisation represented 10% of all companies disclosing HIV/AIDS information. In the next year that figure jumped to 26%, the highest for the period under review. In 2000 and 2001, the percentage fell back to just below 20% for both years. It is interesting to note that the figure declined to 9% in 2002. In 2003, the figure increased to 11% and doubled to 22% in 2004.

Very few companies disclosed information relating to the expected future costs and losses associated with HIV/AIDS. For the four-year period from 1998 to 2001, the percentage of companies disclosing such information was between 12% and 16%. As with current costs, the figure dropped to 9% in 2002 and to 4% in 2003. The reasoning behind these material decreases in disclosure in respect of current and future costs for the said periods is yet to be determined. In 2004, 10% of the disclosing entities indicated future costs and losses relating to the disease. This might indicate unwillingness on the part of companies to disclose on issues where monetary values are attached to HIV/AIDS, and these values are based on future estimates.
An investigation into the areas of research performed by companies on HIV/Aids yielded no indication of a preferential area for research over the seven-year period. In 1998, only 10% of the disclosing companies reported research into the impact of the disease on their organisation. Percentages for 2003 and 2004 on this research area were 6% and 11% respectively.

Disclosure relating to involvement in or funding of research on the disease is a cause for concern. Figure 2 indicates the downward trend in disclosing such information.

**Figure 2** Disclosed involvement in or funding of research relating to HIV/Aids

![Disclosed involvement in or funding of research related to HIV/Aids](image)

Figure 2 may indicate that listed companies have done very little research into HIV/Aids, since the involvement in or funding of such projects would generally be considered a positive action, making involvement of any kind likely to be disclosed.

The GRI proposal recommends that companies should have an HIV/Aids policy and strategy as part of good corporate governance to manage the risks associated with the disease. Figure 3 shows the number of companies disclosing the existence of such a policy.

**Figure 3** Companies disclosing the existence of an HIV/Aids policy

![Companies disclosing the existence of an HIV/Aids policy](image)

It is encouraging to see that the number of companies disclosing the existence of a policy on HIV/Aids has increased dramatically over the last three years (see figure 3). In 2003, no fewer than 51% of companies in a population of 186 disclosing companies reported the existence of such a policy. This, however, decreased to 46% in 2004. When the data are applied to all listed companies on the JSE Securities Exchange for the last two years of the
study, it seems that almost a quarter of South African listed companies disclosed the existence of an HIV/Aids policy.

Figure 4 shows encouraging facts about awareness programme disclosure. For 2002 to 2004, more than 60% of entities disclosing information on HIV/Aids indicated that they have operational awareness programmes.

**Figure 4 Companies reporting on HIV/Aids awareness programmes**

![Companies reporting on HIV/Aids programmes and interventions in the workplace](image)

There has been a steady increase in the number of listed companies disclosing the fact that they offer a voluntary testing and counselling service to their employees. The percentages of companies in the population disclosing the availability of a service of this kind showed an upward trend from 3% in 1998 to 38% in 2004.

Compared to other areas of disclosure, a relatively high number of the population reported involvement in HIV/Aids-related community projects. The percentages of the population disclosing such involvement remained constant at about 35% in the period 1999 to 2003, escalating to 46% in 2004.

This indicates that, since 1999, the percentage of entities in the population disclosing community involvement has remained relatively stable. It shows that where an organisation does report on HIV/Aids, information on this particular aspect of community involvement is made available more readily than other issues investigated in this study.

The results of the empirical investigation correspond well with the risks and responses identified in the literature review, in that most aspects identified in the literature review were also included in the disclosure practices of companies that do report on HIV/Aids in their annual report.

Based on the empirical investigation, one could conclude that the disclosure of HIV/Aids information is low and that it is also inconsistent between different companies.

**8 Proposed reporting framework for HIV/Aids disclosure**

Based on the literature review and the results of the empirical study, the framework for HIV/Aids disclosure set out below is recommended. The aim of the literature review is to
identify all possible aspects of the disease and how it relates to business entities in South Africa, while the empirical study evaluated recent voluntary disclosure concerning HIV/AIDS by listed companies. The purpose of the recommended framework is to find a balance between a normative and a descriptive approach to HIV/AIDS disclosure. The proposed framework is summarised in figure 5.

**Figure 5 Proposed framework for HIV/AIDS disclosure**

1 To be disclosed as a minimum
2 To be disclosed where known or performed
3 To be disclosed at own discretion
4 To be disclosed with prudence
5 Disclosure not recommended
The footnotes to figure 5 represent disclosing actions relating to the numbering used for applying the framework. The framework proposed in figure 5 and the degree of disclosure indicated in the footnotes address the following areas:

- Organisations need to decide whether the reporting entity has a committee that accepts responsibility for risks, and in particular the risks associated with, and responses required for, HIV/AIDS. The committee should preferably be a sub-committee of the Board of Directors (such as the audit committee or risk committee), and this fact should be disclosed.

- Next, the impact of the disease should be communicated to ensure that users of the annual report know why information on this issue is being disclosed. The impact on employees, which is the most noticeable form of impact according to surveys conducted, and one of the most disclosed areas according to the empirical study, could then be disseminated. The impact on the South African community, which is currently being disclosed by the majority of the population included in this study, should be avoided, unless the reasoning for such disclosure can be explained in relation to the entity’s business. A general statement acknowledging that the disease has an impact is too vague and leaves users to make a subjective interpretation of the reasons for the inclusion of the information in the annual report.

- Disclosure on the impact of the disease on employees (as a risk to operations) should be followed by information on how the disclosing entity responds to this risk. Disclosure should start with an indication of the existence of a formalised HIV/AIDS policy, as was done by almost half of the empirical study’s population in 2004. It should disclose whether the HIV/AIDS policy is available to stakeholders for perusal and input. A detailed disclosure of the content of the policy is not recommended if the policy is available for perusal. If the policy was developed through a consultative process with various stakeholders, this fact should be mentioned.

- Detailed information on an awareness programme should also be disclosed, because this remains one of the most significant responses to fighting the disease. However, it is questionable whether an extensive discussion of the methods that could be used in such a programme would be beneficial to users of the annual report. The effectiveness of the various methods in preventing the spreading of the disease has not yet been proven scientifically. A more comparable disclosure practice would be to give an indication of the money spent on such programmes per employee (the total cost of awareness programme divided by the number of employees).

- The importance of an awareness programme in informing employees about the disease is closely linked to affording employees an opportunity to determine their status. It is thus recommended that companies disclose whether their employees have access to Voluntary Testing and Counselling (VTC) facilities, irrespective of whether the company or a third party provides such facilities at the workplace.

- Following from the above, entities should give a brief description of support and care programmes available to HIV-positive employees. Access to anti-retroviral (ARV) treatment could be mentioned here, but is not a prerequisite, because access to this treatment is now also available through the public health system.

- An indication of the current or expected prevalence rates among employees and/or the community at large should be avoided because disclosing any quantifiable percentage,
whether it is higher or lower than the national average, may lead to unfounded reassurances or concerns, depending on the rate disclosed. Kelly (2002:15) and Family Health International (2002:23) note that prevalence rates determined through voluntary testing and counselling are usually based on saliva testing and are influenced by non-participation by high-risk individuals and generally low viral loads in saliva.

The next area of disclosure recommended focuses more specifically on business issues from an investor’s or business partner’s view.

□ Information on increased cost of production and financial losses as a direct result of the disease (or future costs and losses) should be disclosed where such information exists. Costs such as increases in medical aid and other benefits, directly affecting the entity, are easily determinable and should be reported. Other cost implications, such as the cost of production, are more difficult to calculate, but where such figures are available, they should be disclosed in conjunction with a description of the basis and underlying assumptions used in calculating the cost and/or loss.

□ Any cost information should be based on research, and so should responses to the above. Research undertaken into the business impact and strategies to address these risks remain an area neglected by South African companies – both from a business point of view and a disclosure perspective.

□ Response strategies should be disclosed where the relevant information would not have a negative impact on the business’s strategic position in relation to that of its competitors. Such disclosure would require a balancing act from the reporting entity in disclosing that a strategy exists without divulging sensitive information. Examples of information that could be disclosed include changes in retirement benefit schemes (for example, from a defined benefit to a defined contribution), increased investment in capital equipment (a reduction in labour dependency) and the development of new markets. Although such strategies are sensible from a business perspective, companies should be sensitive to the social environment in South Africa, where unemployment and the need for more investment and business confidence in the country are prominent issues.

Social involvement relating directly to HIV/AIDS should be disclosed where an entity is involved in such activities. Examples of such projects include sponsorships, donations or community involvement.

9 Conclusion and further research

The disclosure framework recommended above was formulated using Tricker’s feedback model for accounting research, and incorporated a literature review on the impact of the disease on South African business and responses to these impact areas. The empirical study analysed current disclosure practices and found a high correlation between areas of impact and the disclosure of such areas and responses to them in the annual reports included in the population. These areas were incorporated into a disclosure framework on the basis of the degree of impact to enhance consistency in disclosure and provide guidelines on the importance and content of each disclosure area.

It is recommended that the developed reporting framework be used for disclosure in the annual report under the corporate governance section, with a sub-heading specifically allocated to HIV/AIDS. The Second King Report on Corporate Governance brings HIV/AIDS
into the sphere of South African corporate governance in no uncertain terms, and the GRI and SAICA also link the disease to corporate governance.

Finally, according to Myburgh (2001:214), a balance between useful information and information overload needs to be achieved. She argues that it may ultimately be necessary to publish separate, supplementary or summarised reports meeting the needs of different stakeholder groups. These could be made available through securities exchanges’ electronic gathering and distribution systems, and could be applied to HIV/AIDS information in a highly successful manner. The success and usefulness of such additional reporting methods, however, fall beyond the scope of this study and are a possible area for further research.

Bibliography


Du Bruyn


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