



# **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

## CHAPTER 1

### BACKGROUND AND PROBLEM DEFINITION

#### 1.1 INTRODUCTION

In this chapter, background is given regarding the study and the importance of the research project is considered. The problem is defined and the limitations of the study are discussed. The chapter concludes with an overview of the structure of the study.

#### 1.2 BACKGROUND

The Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (Aids), commonly referred to as HIV/Aids, were identified as a new virus and syndrome nearly two decades ago. Few could then have imagined the influence this disease would have on the world. Today the disease, without any form of a cure available, affects every country in the world. HIV/Aids may ultimately affect more people than any other disease in recent history (Hill 1989:11).

An estimated 34.3 million people worldwide were living with HIV/Aids at the turn of the century (SABCOHA 2002:13). Sub-Saharan Africa alone accounts for an estimated 70% of people infected with the disease. HIV/Aids is rapidly weakening economic stability in the already fragile economies of sub-Saharan Africa.

In 1992 research indicated that in some African countries crops remained unharvested, and labour shortages were reported in the mining industries of several African countries due to HIV/Aids (Scheer 1992:397). HIV/Aids is becoming the

biggest threat to Africa's development and its quest to bring about an African Renaissance (Barnett and Whiteside 2002:3 – 4).

According to UNAids (2004), the Joint United Nations Programme on HIV/Aids, it is estimated that more than 20% of South Africans are infected with the disease. This makes South Africa the country with the highest number of people living with HIV/Aids in the world (UNAids 2004:6). Companies operating in South Africa form part of its broader society. Hence, they should also direct their plans and policies to address risks, such as HIV/Aids, facing the country. However, information on the impact of HIV/Aids on the country's economy and on individual companies is not readily available. There is a dire need for research into these areas.

The NMG-Levy Annual Report on Labour Relations and Employee Benefits in South Africa for 2001/2002 predicted that about 30% of South Africa's workforce will be HIV-positive by 2005 (NMG-Levy 2002). This alarming statistic should be a cause for concern for companies that operate in the South African market. The impact of such a level of infection is not limited to dealing with a human resources problem, but will also have an impact on the markets of these companies.

Research done in the field of HIV/Aids and companies so far tends to focus mainly on HIV/Aids as a human resources problem (see, for example, Deloitte and Touche 2002; Keeble 1987; and SABCOHA 2002). In 2002, the media began to report on another dimension of the disease and its influence on business, when a number of companies issued media releases on the impact that the disease is having on company profits.

In April 2002, South Africa's second largest gold mining company, Gold Fields Limited, issued a statement that they estimated an additional cost of \$10 per ounce of gold produced, unless some form of intervention takes place with regard to the HIV/Aids epidemic in South Africa (Gold Fields 2002). By the end of April of the same year, another gold producer, AngloGold Limited, followed Gold Fields' example, issuing a press release that the company was currently spending an extra

\$4 to \$6 an ounce, costs that are directly related to an HIV/Aids infection rate of between 25% and 30% among its 44 000 employees (News24.com 2002).

Research indicates that labour-intensive companies will be most affected by HIV/Aids (Whiteside 2001:3). This statement is obvious in terms of HIV/Aids as a human resources problem, but few companies have so far disclosed the influence of the disease as a business risk that influences company profits.

The annual report is the responsibility of the Board of Directors and is mandatory in terms of the *Companies Act of 1973 (as amended)*. The Board of Directors is entrusted with the resources of the company they manage and the annual report, which includes the financial statements, serves as their medium of communication and accountability to all stakeholders as to how they manage the responsibilities entrusted to them. In this regard, Macintosh (1984:6) argues that non-financial information deemed important to interested parties should also be provided by management.

### **1.3 PROBLEM FORMULATION AND HYPOTHESES**

The purpose of the study is to investigate HIV/Aids disclosure in the annual reports of companies listed on the JSE Securities Exchange. This is done to determine whether companies communicate the risks posed by the disease and their responses to HIV/Aids to stakeholders via the annual report.

Companies currently disclose HIV/Aids information on a voluntary basis, and no standardised framework is available as yet. This leads to a lack of consistency and comparability in the disclosed information. The lack of a consistent framework for reporting on HIV/Aids in annual reports is therefore addressed in this study with the purpose of recommending a framework for HIV/Aids disclosure. This recommendation will aim not only to give guidance to companies with regard to HIV/Aids reporting, but will also enable users of financial statements to evaluate the impact of the disease on companies and associated company responses better.

Hypotheses testing will be used to investigate various aspects related to the problem formulation of the study as described above. The different hypotheses formulated for the study are the following:

*Hypothesis 1:*

*Subject: An investigation into current voluntary HIV/Aids disclosure by South African companies listed on the JSE Securities Exchange for the period from 1998 to 2003.*

- H0            There is a high level of voluntary HIV/Aids disclosure by companies for the period under review.
- H1            There is a low level of voluntary HIV/Aids disclosure by companies for the period under review.

*Hypothesis 2:*

*Subject: A comparative investigation into changes in voluntary HIV/Aids disclosure by South African companies listed on the JSE Securities Exchange for the period from 1998 to 2003, as HIV/Aids prevalence increased in the South African population.*

- H0            There is no increase in the level of voluntary HIV/Aids disclosure by companies for the period under review, even though prevalence levels of the disease in the South African population has increased dramatically.
- H1            There is a noticeable increase in the levels of voluntary HIV/Aids disclosure by companies for the period under review as prevalence levels of the disease in the South African population has increased dramatically.

*Hypothesis 3:*

*Subject: Where there is voluntary HIV/Aids disclosure by companies in their annual reports, the information is expected to be mainly presented as a human resources issue.*

- 
- H0 Voluntary HIV/Aids reporting is not disclosed as only a human resources issue in the annual reports of companies that disclose HIV/Aids information.
- H1 Voluntary HIV/Aids reporting is disclosed as only a human resources issue in the annual reports of companies that disclose HIV/Aids information, and additional risks and the impact of HIV/Aids is not described.

*Hypothesis 4:*

*Subject: An investigation into the number of companies that disclose their strategies to deal with the impact of HIV/Aids on the company.*

- H0 The majority of companies that voluntarily disclose HIV/Aids information in their annual reports also refer to a strategy to address the risks posed by HIV/Aids.
- H1 The minority of companies that voluntarily disclose HIV/Aids information in their annual reports also refer to a company strategy to deal with HIV/Aids.

*Hypothesis 5:*

*Subject: An investigation into the impact of the King II Report on Corporate Governance on HIV/Aids disclosure by companies listed on the JSE Securities Exchange.*

- H0 HIV/Aids disclosure in annual reports increased substantially after King II was issued when compared to previous years.
- H1 HIV/Aids disclosure levels remained unchanged after King II was issued when compared to previous years.

These hypotheses were applied to obtain descriptive information that was compared to the literature study, with the objective of addressing the problem formulation and secondary problem described above.

## 1.4 IMPORTANCE OF THE STUDY

According to UNAids, South Africa is currently in the undesirable position of being the country with the highest number of HIV positive people in the world. The characteristics of this disease make it one of the most difficult risks to assess in a business environment. HIV/Aids targets people in the most economically active section of the population, moves through the population, giving no or little indication of being present, and only transforms itself into a noticeable illness and death after seven to ten years (see Chapter 2 for a comprehensive discussion of the characteristics of HIV/Aids).

Certain sectors in South Africa are labour intensive, and they should note the estimates that one in five economically active people in this country are due to become ill and eventually perish from HIV/Aids in the next decade (UNAids 2003:14).

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. This fact has been recognised by the South African Institute of Chartered Accountants (SAICA) and the JSE Securities Exchange (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. Apart from the impact of the disease, stakeholders also have an interest in knowing what response strategies companies employ to mitigate the risks posed by HIV/Aids.

The results of this study will assist SAICA and the JSE Securities Exchange in their efforts to develop a disclosure framework for HIV/Aids disclosure in annual reports. The recommended disclosure framework could also be utilised by listed South African companies to disclose HIV/Aids information in a more consistent and comparable format.

## 1.5 LIMITATIONS OF THE RESEARCH

This study consists of a literature review, combined with an empirical investigation on the current voluntary disclosure practices of listed companies in South Africa.

The empirical investigation is limited to HIV/Aids disclosure 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 2003.

The empirical investigation will only consist of a thematic content analysis of the HIV/Aids information disclosed and will not attempt to evaluate the quality of the content or the presentation of such information. A thematic content analysis can be described as a detailed review of the entire contents 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, McInnes and Fearnley 2004:212).

## 1.6 RESEARCH METHOD

Trickers' feedback model (1978) for accounting research is used for the study. The model proposes that a model or framework be inferred from known theory and the observation of real world situations. A literature review is performed to investigate existing theory regarding HIV/Aids, the impact of the disease on business and disclosure in annual reports as a medium of communication between companies and their stakeholders. The second part of the study aims to observe real world situations through an empirical investigation.

In the empirical investigation, the annual reports of all listed companies as on 31 December for the six years from 1998 to 2003 were analysed according to a classification scheme to determine the extent and content of the HIV/Aids information disclosed in these annual reports.

The results were analysed per year and according to disclosed themes in an attempt to identify trends in disclosure and to determine the type of HIV/Aids information disclosed voluntarily by listed South African companies.

## **1.7 STRUCTURE OF THE STUDY**

The study is divided into eight chapters as set out below. This introductory chapter sets out the background to the study, identifies a research problem and hypotheses, notes the importance of the study, and describes the limitations of the research.

The study consists of a literature review and an empirical review. Chapter 2 represents the first of the four chapters focused on a literature review. The chapter investigates the history of HIV/Aids and its epidemiology, the impact of the disease on society, preventative and detective measures and policies for the management of the disease. Chapter 3 investigates the macro-economic impact of HIV/Aids, the disease in relation to government and legislation, the impact and cost of HIV/Aids in the South African business environment and business responses to the disease.

Financial reporting, the theories related to accounting and the importance of the annual report as a communication tool between management and stakeholders are investigated in Chapter 4. Social and voluntary disclosure are also addressed and the objective of the chapter is to indicate how HIV/Aids can be incorporated in the annual report. Chapter 5 represents the last of the literature review chapters and investigates developments specifically related to HIV/Aids disclosure in annual reports, such as the Global Reporting Initiative's guidelines, the JSE Securities Exchange's recommendations and the SAICA draft document for public discussion on corporate governance and HIV/Aids.

Chapter 6 describes the empirical study. This includes the research objectives, hypotheses, data selection, research method, classification scheme, data preparation, processing and interpretation. It concludes with a detailed discussion of the limitations of the study.

The results of the empirical investigation on current voluntary HIV/Aids disclosure practices are presented in Chapter 7, while Chapter 8 draws conclusions. The hypotheses are accepted or rejected and a disclosure framework is presented, based on the literature review and the results of the empirical investigation.

## **CHAPTER 2**

# **AN INTRODUCTION TO THE HUMAN IMMUNODEFICIENCY VIRUS (HIV) AND ACQUIRED IMMUNE DEFICIENCY SYNDROME (AIDS)**

### **2.1 INTRODUCTION**

Acquired Immune Deficiency Syndrome (Aids) was first documented over 20 years ago. The Human Immunodeficiency Virus (HIV) was first identified as a causative agent for Aids more than 15 years ago (Ward 1999:343). Today, HIV/Aids is the dominant health issue facing Sub-Saharan Africa, its impact being felt in all aspects of society.

Five years ago, HIV/Aids became the world's fourth largest cause of death, after heart disease, strokes and acute respiratory infections. Since then, the epidemic has continued to spread throughout the world, but at an uneven pace. The incidence of HIV/Aids has increased throughout Africa, while infections in the western world declined. In 2002 it was estimated that more than 60 million people worldwide had been infected with HIV/Aids since the beginning of the epidemic, and 20 million of these had died (UNAids 2002:4).

The World Health Organisation identified the disease as the largest cause of mortality in Sub-Saharan Africa in 2000, accounting for three million deaths in 1999,

more than double the number of deaths from malaria, and one and a half times the mortality from tuberculosis in the region (World Health Organisation 2000:6).

In this chapter, the history and epidemiology of the disease are investigated by means of a literature review. This chapter acts as background for the rest of the study.

## 2.2 THE HISTORY OF HIV/AIDS

The first cases of HIV/Aids were documented in the United States of America in 1979, when clusters of previously extremely rare diseases were noted. These included *Pneumocytis carinii*, a type of pneumonia carried by birds, and Kaposi's sarcoma, a type of cancer. According to Barnett and Whiteside (2002:28), the Morbidity and Mortality Report published by the United States Center for Disease Control on 5 June 1981 carried a report on the increased prevalence of these diseases in clusters of the population that had specific characteristics. Scientists realised that they were dealing with a new disease and called it GRID (Gay Related Immune Deficiency Syndrome), as almost all the sufferers were young gay men.

Other groups in American society were also found to be susceptible to the disease. High prevalence was noted amongst hemophiliacs, recipients of blood transfusions, injecting drug users and infants born to mothers who had the disease. Subsequently the disease was renamed the Acquired Immune Deficiency Syndrome (Aids). Simultaneously, similar illnesses were being reported worldwide. In Africa, the University Teaching Hospital in Lusaka, Zambia, reported a significant rise in the number of cases of Kaposi's sarcoma (Bayley 1984:1318). In 1982, the Ugandan Ministry of Health launched an investigation into high mortality rates in the south of the country. The investigation concluded that the cause was Aids (Kaleeba, Kadowe,

Lalinaki and Williams 2000:26). In the same period, similar phenomena were noted in countries such as Tanzania, Congo (Brazzaville) and Rwanda (Hooper 1999:23).

In South Africa, the first cases of HIV were reported in 1983, when the *South African Medical Journal* reported the deaths of two South African men, apparently from Aids, based on information obtained from US studies. By the end of 1985, no fewer than 22 South Africans had been diagnosed with Aids, all cases being restricted to white males. However, in 1987 the first cases of HIV infection among heterosexual patients were identified through antenatal testing at Baragwanath hospital in Soweto (Pegge 1995:18).

Once the new syndrome had been identified, the pace of scientific and epidemiological activity to identify the cause of the disease increased. In 1983, the virus known today as HIV-1 was first identified. In 1985, a second Human Immunodeficiency Virus, known as HIV-2, was also isolated. This virus, although it is very similar to HIV-1, is less aggressive, as it appears to cause disease less frequently and only after a longer period (Ward 1999:343 & 358). South Africa, and Southern Africa in general, is plagued by the more aggressive HIV-1 strain of the virus.

## **2.3 THE MEDICAL BACKGROUND OF HIV/AIDS**

### **2.3.1 Introduction**

Human Immunodeficiency Virus (HIV) is a virus that enters the human body and uses its host to multiply. Viruses are infectious particles that multiply only after invading a host cell and they do so by using the host cell's energy and protein-producing machinery to synthesize viral proteins and copies of viral genetic material (Grové 2001:11). The virus then systematically attacks the infected person's immune

system, and eventually the person's immune system becomes so weak that the person has very little ability left to fight opportunistic diseases, ultimately leading to death.

### **2.3.2 Virology**

Viruses are considered to be the entities at the very frontier of life, as a virus resembles very few life-like characteristics on its own, but has the ability to multiply and grow once it finds host cells. During the process of multiplying, copies of the viral genetic material is also produced and these copies, known as virions, are released as free viral particles to infect other host cells. The effect of the virus on its host cells and the immune system's response to the virus determine the course of the infection and the symptoms the host experiences (Ward 1999:329 – 334). A weak response by the immune system will advance the development of the final stages of the infection, as discussed below.

### **2.3.3 The Human Immunodeficiency Virus (HIV)**

HIV attacks a particular set of cells in the immune system, known as CD4 cells. The human immune system has two main sets of CD4 cells, the first set being CD4-positive T cells which organise the body's overall immune response to foreign bodies and infections, while the second set, known as Macrophagers, engulf foreign invaders and ensure that the body's immune system will recognize them. HIV uses CD4 cells as hosts, and copies the CD4 cells' DNA, thereby ensuring that it cannot be identified and destroyed (Barnett and Whiteside 2002:30 – 34).

The virus uses the host cell to multiply and release more viruses to attach themselves to other CD4 cells, which they eventually destroy. During the first phase of infection, prior to the virus's being able to attach itself to a CD4 cell and replicate its DNA, the body manufactures immense numbers of antibodies to attack the virus.

The body of the host takes approximately two weeks to develop anti-bodies specifically to target the virus.

There is a window period, which is the period directly after infection but prior to the body identifying the virus and developing antibodies to attack the new virus. In this period the HIV virus cannot be detected using standard testing, which tests for HIV antibodies, rather than for the virus itself. The window period is followed by a long incubation stage. During this phase, the virus and the cells it attacks are reproducing rapidly and are destroyed as quickly by one another. Up to 5% of the body's CD4 cells (about 2 000 million cells) may be destroyed per day (Schoub 1999:51).

After this initial period, the infection will stabilise and the person will be HIV-positive without actually showing any symptoms. The person will test HIV-positive based on the presence of HIV antibodies. Eventually the virus destroys immune cells more quickly than they can be replaced, and slowly the number of CD4 cells falls. In a healthy person, the number of CD4 cells per microlitre of blood is 1 200 (Ward 1999:49 – 52), while in an HIV-infected person it can drop to below 200.

#### **2.3.4 Acquired Immune Deficiency Syndrome (Aids)**

When an infected individual's CD4 count falls below 200, the infected person is said to have Aids, as susceptibility to opportunistic diseases, such as pneumonia is very common at this stage, and the body has very few defence mechanisms left. Death is the final consequence (Barnett and Whiteside 2002:32). This process from HIV infection to developing Aids can occur over a period as long as ten years (Garnett, Grassly and Gregson 2001:391). In the late 1980s, Aids was also diagnosed based on the following:

- laboratory evidence of infection with HIV;
- cell-mediated immune deficiency; and

- clinical evidence of the existence of opportunistic diseases, infections or certain cancers (Goddard 1989:17).

Today CD4 counts are widely accepted as the only method of identifying the onset of Aids, as opportunistic infections may be present in HIV-positive patients with a CD4 count higher than 200, which facilitates recovery from such diseases (Ward 1999:59). An additional motivation for using the CD4 count as parameter is that many individuals who are HIV sufferers die from infections associated with pathogenic organisms such as *salmonellae* or *pneumococci*, which are not Aids-defining conditions (Colvin 1999; Gilks 1993; and Ward 1999).

While HIV can be scientifically identified as a viral infection, Acquired Immune Deficiency Syndrome (Aids), as the name states, is a syndrome, since it is not a single diagnosable disease, but a characteristic combination of diseases, due to the low CD4 count present in the sufferer (Da Silva 2003:12). Table 1 provides a summary of the different stages of HIV infection, their duration and corresponding CD4 counts.

**Table 2.1: The stages of HIV**

Clinical indicator	Average duration	Symptom
Asymptomatic (no symptoms)	4 – 6 years	CD4 > 500
Some opportunistic infections	2 – 3 years	CD4 between 350 – 500
Opportunistic infections	2 – 3 years	CD4 between 200 – 350
Continuous, various infections - Aids	6 months – 1 year	CD4 < 200

Source: Da Silva 2003:13 (adapted)

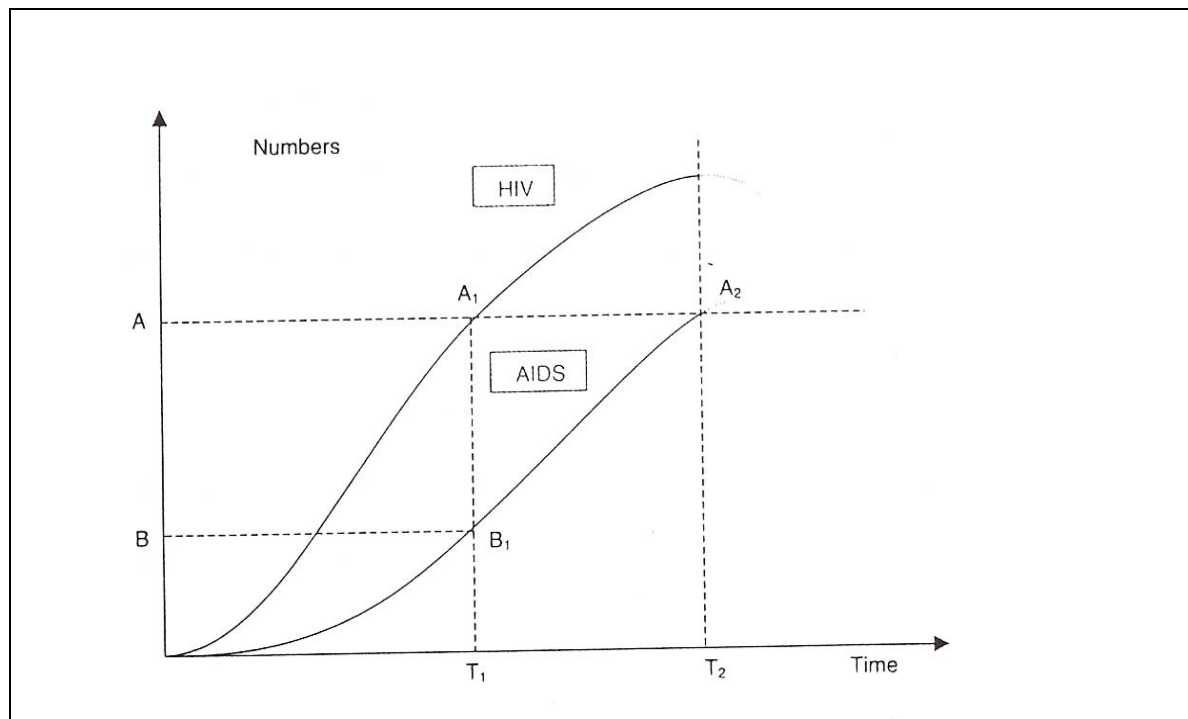
The table above clearly illustrates the direct link between an individual's CD4 count and associated susceptibility to opportunistic infections as HIV develops into Aids.

over a period of approximately ten years. The real impact of the disease is only felt during the final stage where the onset of Aids occurs in infected individuals.

### 2.3.5 The epidemic curve of HIV/Aids

As an epidemic, HIV has very unique characteristics. The spread of the epidemic is represented by two curves (see Figure 2.1), compared to other diseases, represented by only one curve. While the impact of the disease is currently assessed based on HIV prevalence (A1), the real impact will only be felt at A2 (approximately ten years after A1), when Aids mortality will equal A1. At A1, the effect of the disease is not tangible, as infected individuals are still healthy, and most might not even be aware of their HIV status.

**Figure 2.1: The two epidemic curves of HIV/Aids**



*Source: Barnett and Whiteside (2002:48)*

If T1 on the timeline is taken as 2003, then A1 would represent the current HIV infection rate in a population, while B1 would represent Aids cases. In approximately ten years time, the A1 figure at T1 would become Aids cases (A2) at T2.

## 2.4 THE TRANSMISSION AND SPREAD OF HIV

### 2.4.1 Introduction

From the above, it is clear that HIV has a unique and prolonged impact on infected individuals. It is also important to understand how the virus spreads in the community and to utilise this information in the fight against further infections. HIV transmission can occur only through contaminated body fluids. For infection to occur, the virus needs to be present in a sufficient quantity to take hold. Viral loads in saliva, for example, are insufficient to lead to infection (Ward 1999:36).

Ward (1999:35) lists three possible ways of transmission, namely:

- through sexual contact, either homosexual or heterosexual – although HIV/Aids was originally mainly a homosexual disease, heterosexual contact is now the leading means of transmission worldwide;
- through contact with blood and other body fluids, blood products or tissue of from infected person; this usually occurs by inoculation of HIV through needle-sharing amongst users of illicit drugs; much more rarely, by accidental needle stick or splashes of blood on mucous membranes (such as the eyes); and extremely rarely, through sustained contact of infected blood with breaks in the skin; and
- through the transfer of the virus from an infected mother to her infant before or during birth, or shortly after birth, through breast-feeding - this mother-to-child transfer is also known as “perinatal transmission”.

### 2.4.2 Sexual intercourse

In South Africa the main method of transmission of HIV is heterosexual intercourse with an infected person (Kirigia and Muthuri 1999:484). Grobbelaar (1992:495) confirms that sexual contact is the main transmission method in South Africa, and states that the incidence in the white community has remained relatively low, and largely confined to homosexuals, intravenous drug users and prostitutes – the same pattern as that in Western Europe. The situation with the African population is different, and follows the pattern of the disease in Central Africa, where it is a primarily heterosexual disease, which is spread by normal heterosexual contact, with the majority of infected persons being young women.

The presence of other sexually transmitted diseases (STDs) greatly increases the possibility of contracting HIV. STDs involving ulcers and discharges causes broken skin and exposed membranes through which the virus can enter the body, and the CD4 cells that the virus needs to replicate will be concentrated in the infected area as they mass together to fight the STD infection (Barnett and Whiteside 2002:126; and Cohen, Hoffman, Royce and Kazembe 1997:1871). Attwell and Grosskurth (1999:67) found that the presence of an STD increases the risk of acquiring or transmitting HIV by a factor of three to five times, or as much as 10- to 500- fold in the presence of a genital ulcer.

HIV infection is typically higher in younger women (see the prevalence rates according to age and gender presented in Figure 2.5), reflecting the early age at which women become sexually active and the common occurrence of older men, with possible prior exposure to the virus, having multiple sexual relationships with younger women (Berkley 1990; and Gregson and Garnett 2000).

### **2.4.3 Exposure to infected blood**

Blood transfusion accounts for very few new infections in South Africa, as the South African Blood Transfusion Service screens all units received for HIV (Bird, Heyns and Jacobs 1997:162). Needle-stick injuries in the workplace for health workers have a small risk attached to them, and a few cases of HIV infection in intravenous drug users have been reported in South Africa (Department of Health 1993:80). Exposure of the mucous membranes, present in the eyes, tongue and nose, to infected blood is also associated with a relatively small risk of infection (Ward 1999:44).

### **2.4.4 Mother-to-child transmission**

A review of the literature (Barnett and Whiteside 2002; Chinnock 1996; Conner 1994; and Gershon, Vlahov and Nelson 1990) related to mother-to-child transmission, or perinatal transmission, indicated that transmission occurs in approximately 15% to 30% of cases where HIV positive women give birth. Infection at delivery is the most common mode of transmission, where exposure of the infant's mucosal membranes to maternal blood is the main reason for infection.

The development of the foetus within an HIV-positive body, without acquiring the virus, remains an area of research in the medical fraternity. Most pre-birth infections occur when there is a prolonged period between the mother's water breaking and the time of delivery. Breast milk can also transmit the HIV virus to HIV-negative babies born to HIV-positive mothers and the use of formula feed is usually recommended to reduce the risk of post-birth transmission in such cases.

The use of anti-retroviral drugs to reduce the incidence of perinatal transmission is discussed more comprehensively under prevention and treatment in this chapter.

## 2.5 PREVALENCE AND FUTURE PROJECTIONS

### 2.5.1 Introduction

Prevalence refers to the absolute number of people infected in a population at a given time, and is expressed as a percentage of a population. The ideal prevalence survey would be based on a 100% testing rate in a population. The two most widely used surveillance methods for HIV is antenatal clinic (ANC) surveys, and to a lesser extent, population-based surveys (World Health Organisation 2003:1 – 3).

### 2.5.2 Survey methods

Most prevalence figures presented for country specific populations (by the Department of Health – South Africa and by UNAids, for example) are based on ANC surveys that are conducted amongst pregnant women attending public antenatal clinics. The underlying assumption is that prevalence rates among pregnant women would correspond to the prevalence levels in the rest of the adult population.

Testing in South Africa occurs on an anonymous and sample basis at selected clinics throughout the country. Estimates are then projected annually for the population as a whole, based on the following assumptions (HSRC 2002:59):

- the male infection rate is equal to 85% of the rate of infection among women;
- the number of births is equal to the number of pregnant women;
- 35% of children born will become HIV positive; and
- the HIV positive rate in pregnant women is equal to the rate in non-pregnant women.

Indications are that antenatal clinic estimates may tend to overstate the true levels of infection within the general population, as younger and more sexually active women

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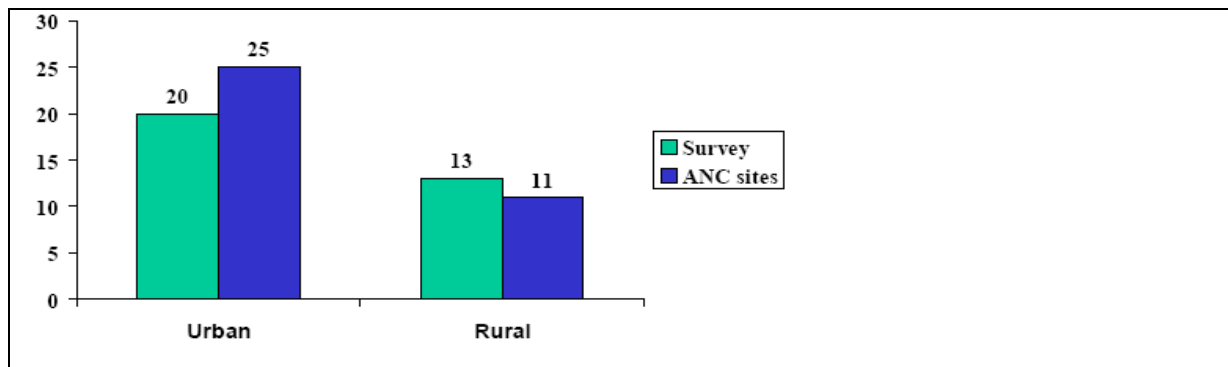
are more likely to fall pregnant and have a higher risk of HIV infection (Zaba 2000; and Gregson, Waddell and Chandiwane 2001). On the other hand there is some evidence that HIV-positive women are likely to be underrepresented as HIV infection reduces fertility (Barnett and Whiteside 2002:176; and World Health Organisation 2003:7).

Population-based surveys differ in methodology and sample collection, as the population is not stratified according to gender, age or any other differentiating characteristics (World Health Organisation 2003:11). Although population-based surveys capture a wider representation of the population, non-response may be a factor to be considered, as such studies need consent from participants. Antenatal surveys, on the other hand, are conducted as part of the normal screening procedure for attendees of public clinics.

A study by the World Health Organisation in 2003 on discrepancies between antenatal and population-based surveys in the same cluster produced conflicting results for urban and rural communities. Figure 2.2 indicates prevalence rates based on population-based surveys, compared to antenatal clinic (ANC) prevalence rates conducted at an urban and rural test site in Zambia in 2002.

Family Health International (2002) reports that an increasing number of companies perform population-based studies amongst employees to determine prevalence rates. Testing is predominantly done on an anonymous and voluntary basis, using saliva testing. Non-participation in such surveys and low viral loads in saliva should be considered in evaluating any results.

**Figure 2.2: A comparison of prevalence according to ANC and population-based surveys in Zambia**



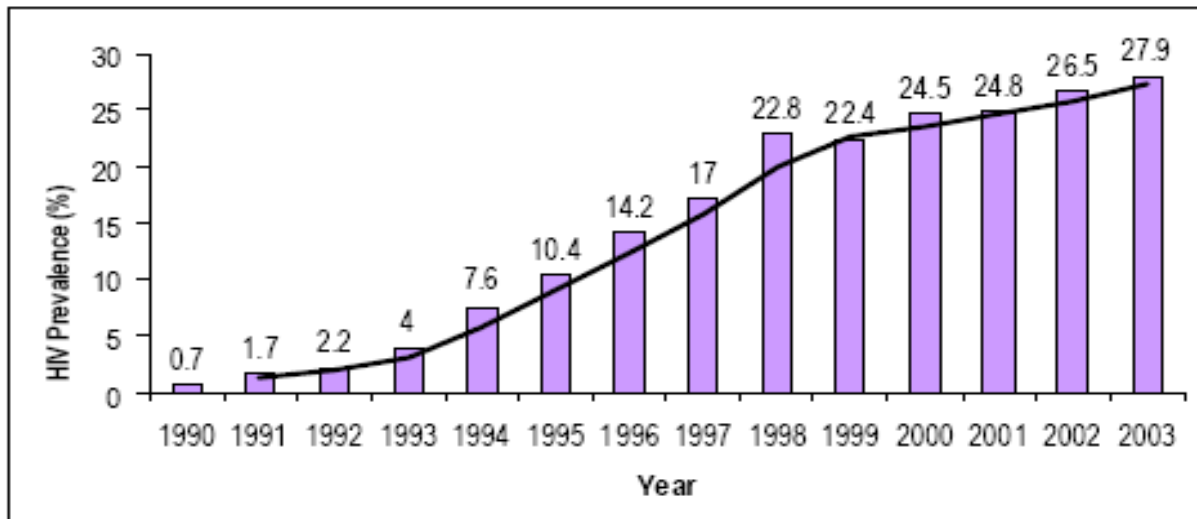
*Source: World Health Organisation (2003:23)*

### 2.5.3 Global prevalence

According to the latest UNAids figures, released in December 2003, the number of people infected with HIV worldwide is estimated at 40 million, with Sub-Saharan Africa accounting for 70% (28 million), and South Africa for approximately 13.25% (5.3 million) (UNAids 2003:3 and 7 – 9). These figures clearly indicate that South Africa, whom also holds the title as the country with the highest number of individuals with HIV, is the epicentre of the disease. The latest prevalence figures available from the South African Department of Health are presented and discussed below.

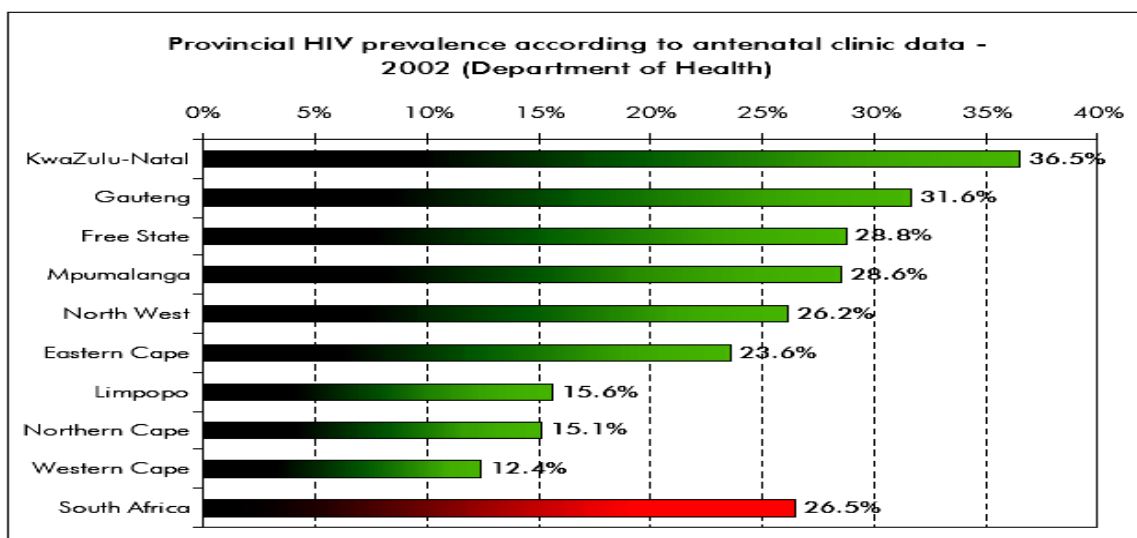
### 2.5.4 Antenatal prevalence in South Africa

Figure 2.3 indicates the rapid increase in HIV prevalence in women attending antenatal clinics over the past 14 years. Prevalence in 2003 reached a staggering 27.9%. It should be remembered that the data produced below is based only on women who are attending public sector health facilities, and excludes pregnant women covered by private medical schemes.

**Figure 2.3: Antenatal prevalence in South Africa**

Source: Department of Health (2003:6)

Figure 2.4 gives a more detailed geographical breakdown of the antenatal prevalence rates per province for 2002. Reasons for the large difference between KwaZulu-Natal (36.5%) and the Western Cape (12.4%) are varied, and mostly based on speculation.

**Figure 2.4: South African HIV prevalence according to province in 2002**

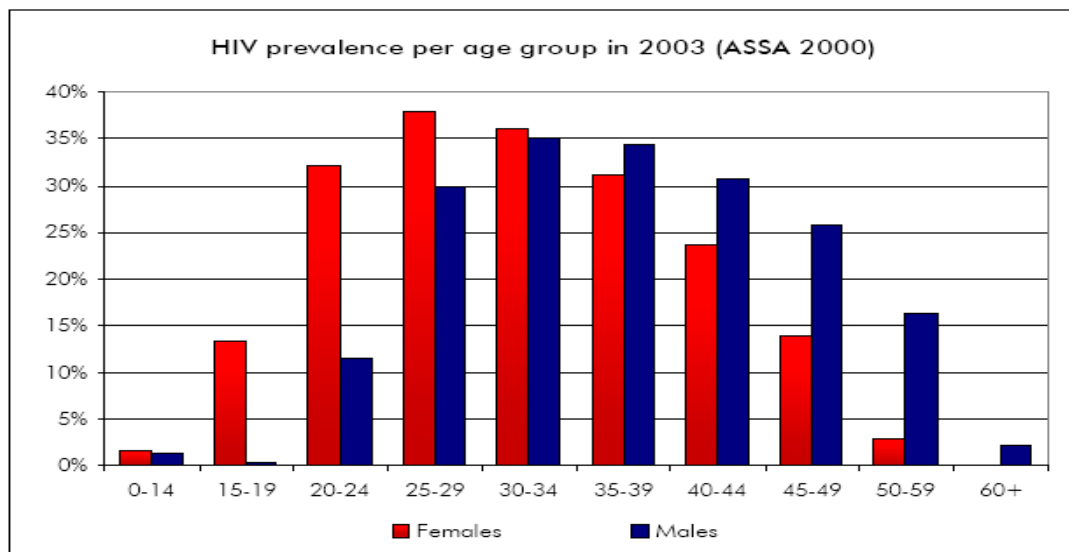
Source: BER (2003:6)

A matter of concern should be the high prevalence rate in Gauteng, the financial and industrial heart of the South African economy. A rate of almost 32% at T1 in 2002, is cause for grave concern about the consequences on a social, economic and financial front for the country in the next ten years (T2). (Refer to Figure 2.1, The epidemic curve of HIV/Aids, for an explanation of the curve).

### 2.5.5 Demographic prevalence

A further matter for concern is the demographic prevalence as indicated in Figure 2.5. The disease is most prevalent in the economically active population, aged between 25 and 39, where prevalence for both males and females exceeds 30%.

**Figure 2.5: HIV prevalence according to age**



Source: BER (2003:8)

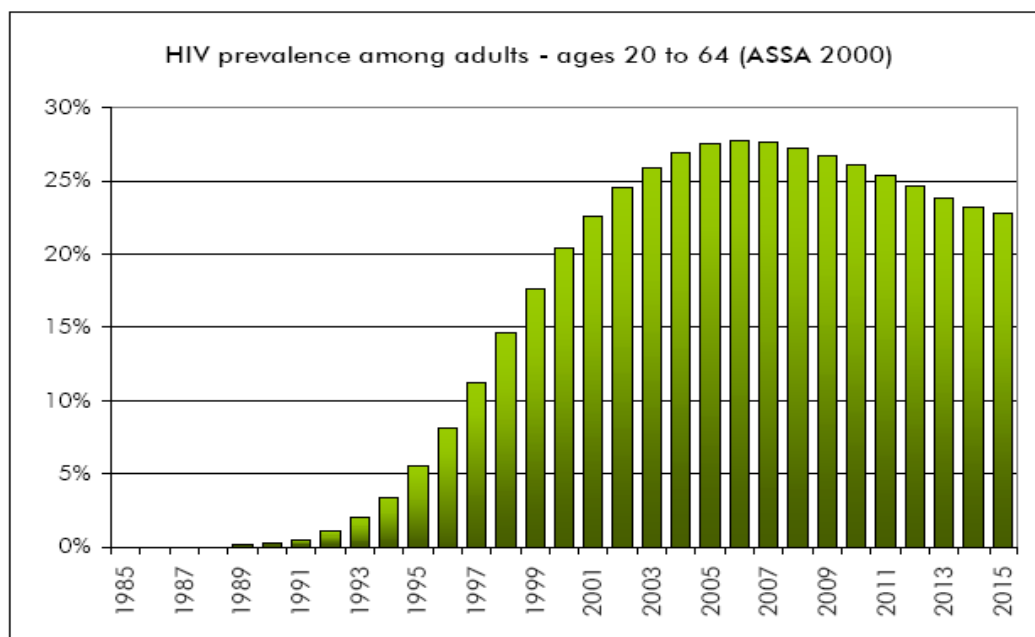
The high rate of infection among females in their twenties can be attributed to the fact that HIV is more easily transmitted from men to women, as high viral loads are found in semen, and vaginal fluids provide an ideal entry point for the virus. Another factor is the widely accepted assumptions that women become sexually active at a younger

age, and tend to have sex with much older partners (UNAids 2003:7; Berkley 1990:1239; and Gregson and Garnett, 2000:87).

### 2.5.6 Future estimates

The Actuarial Society of South Africa (ASSA) has developed a model known as the ASSA 2000 model (see Figure 2.6) to make demographic projections for the HIV epidemic in South Africa (BER 2003:8). The HIV/Aids epidemic will have a disproportionate impact on the working age population, since approximately 25% of adults aged 20 to 64 are already infected with HIV. The ASSA 2000 model projections suggest that, in the absence of any interventions, HIV prevalence among adults (20 to 64 years) could reach 28% by 2006.

**Figure 2.6: Projected prevalence according to the ASSA model**



Source: BER (2003:9)

AIDS deaths among the working age population are expected to quadruple over the next ten years, unless more successful intervention methods are developed and implemented. Stabilising or declining HIV prevalence figures may hide the fact that new infections will almost equal the number of AIDS deaths. Prevalence is only expected to level out around 2007, and all indications are that the prevalence rates of the disease might start to decline from 2009 onwards. This scenario is applicable in the absence of a viable treatment, cure or vaccination.

Although limited reliable estimates of HIV infection per skills category are available for business, it is suggested that HIV prevalence is highest among semi-skilled and unskilled workers and lowest among highly skilled workers (BER 2003:9). The impact per skills category is investigated further in Chapter 3.

## **2.6 PREVENTION AND TREATMENT OF THE DISEASE**

### **2.6.1 Introduction**

HIV and Aids remain incurable diseases, and so far there is no indication that a medical breakthrough will be forthcoming. Certain interventions, most notably antiretroviral therapy (ART), may slow the process of developing full-blown Aids once a person is HIV infected, but prevention remains the only weapon available to fight the spread of the HIV/Aids epidemic.

### **2.6.2 Prevention**

The key prevention strategies employed in preventing the spread of HIV include education, the provision of condoms, increased treatment for sexually transmitted diseases (STDs), programmes to reduce perinatal transmission and voluntary counselling and testing (Kumaranayake and Watts 2001:454).

HIV/Aids awareness programmes, as a first line of defence, are common throughout South Africa today. Studies indicate, however, that the success of these programmes remains questionable, as infection rates continue to rise and sexual behaviour patterns show very little change in high risk groups (Glenn and Gordon 2002:29). Behavioural changes are promoted through the classic ABC message: “Abstain from sex”, “Be faithful to one partner” and “Condom use.”

Condom use remains the most widely used biomedical prevention method, as it creates a physical barrier for the virus, preventing the transmission of the disease from an infected person to his or her sexual partner. However, a comprehensive multi-country study in Africa on condom use in 2001 produced disturbing results. It found that fewer than 25% of the participants reported using condoms when engaging in sexual activity with non-spousal partners (Lagarde 2001:74). Condoms are distributed widely throughout South Africa, and both government and the private sector support and sponsor such programmes.

Colvin (2000:335) argues that the prevention and treatment of other sexually transmitted diseases (STDs) should be part of the integrated approach in preventing the spread of HIV/Aids. Most STDs are treatable and even curable. Reducing the prevalence of other STDs will have a beneficial impact on limiting the transmission of HIV.

The prevention of perinatal transmission involves counselling and testing the HIV status of pregnant women, as well as providing antiretroviral therapy to HIV-positive women prior to delivery in an attempt to reduce viral loads. Delivery in suitable facilities and by professional health workers to limit infant exposure to contaminated blood is also a mitigating factor. Further intervention strategies include formula milk and replacement feeding after birth (Kumaranayake and Watts 2001:454).

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Voluntary counselling and testing for HIV is acknowledged to be an effective and essential strategy for both HIV prevention and Aids care. High quality counselling and testing increases safer sex practices, as individuals who test positive are made aware of the risk they pose to others. Studies indicate that those individuals that test negative for the disease are normally committed to remain disease-free (HSRC 2002:67). According to the official website of the Department of Health (2002), there were more than 450 voluntary testing centres operated and funded by the South African government in 2002. Infected individuals can resort to the limited treatment options available to prolong their lives.

### **2.6.3 Treatment**

Although no cure for HIV exists yet, antiretroviral therapy (ART) can be applied successfully to reduce viral loads by suppressing the replication of the virus and thereby prolonging life. Antiretroviral drugs are able to prevent the decline in an infected person's immune status or even reverse immune deficiency and prevent the onset of Aids. Antiretroviral drugs are usually taken in combination. Triple combination therapy, also known as Highly Active Antiretroviral Therapy (HAART), entails a combination of three different drugs based on an individual's disease progression and response. To ensure continuous benefit, ART has to be followed for the rest of an individual's life to avoid a relapse (Ward 1999; Evian 1998; and Kumaranayake and Watts 2001).

Providing ART to HIV-positive patients also presents a number of potential risks. These include the toxicity of the drugs, which produce a number of side effects. Studies have also indicated that the virus develops resistance to the drugs after prolonged treatment. Treatment regimes for ART treatment are complex, and should a person not be able to adhere to the times and doses of prescriptions, the treatment may lead to a faster deterioration in the health of an infected individual. This is one of the most pressing problems in South Africa, as the poor may find it difficult to use the

drugs consistently and correctly, thereby enhancing the likelihood of resistance and the development of more aggressive strains of the disease (Ward 1999; and Whiteside 2001).

Cost remains a limiting factor in providing ART. Drugs are offered at between US\$ 350 to US\$ 600 per person per year. Although this represents a dramatic fall in the prices of these drugs, current costs still put the drugs out of reach of the average South African (Brown 2003:32). Apart from the actual cost of the drugs, it should also be remembered that a person on ART therapy needs consistent monitoring of his or her CD4 counts, which entails the commitment of medical facilities and staff, and that in turn increases costs.

The South African government is currently launching a programme to provide antiretroviral treatment to HIV-positive pregnant women at selected sites to prevent perinatal transmission of the disease (Department of Health 2004). The programme is still in its initial phase and the impact and costs have yet to be determined. Antiretroviral therapy is systematically being made available to patients who rely on the public health system.

Brown (2003:34) found that in 2002 73% of the options available in private medical schemes in South Africa provided access to ART for members, translating to access for 92% of the beneficiaries of these schemes.

A review of literature indicated that numerous South African companies now also have policies of providing ART treatment to HIV-positive employees. A comprehensive discussion on these programmes, their cost and the impact thereof on the South African private sector is included in the next chapter.

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## 2.7 THE IMPACT OF HIV/AIDS

### 2.7.1 Introduction

HIV/Aids impacts on various areas of society, most notably due to increased mortality and illness. What makes this disease and an investigation into its impact unique is the fact that the HIV life cycle prevents its effects from being noticed immediately. The reality is that, in South Africa, more than 30% of economically active individuals carry a virus that will cause mortality within the next ten years. Before the mortality rates equal the current prevalence rates (refer to Figure 2.1), South Africa will be faced with a large number of people who will need health care, and who will lack the ability to be economically active.

### 2.7.2 Demographic impact

It was predicted that the year 2005, Botswana, South Africa and Zimbabwe would experience negative population growth: down to  $-0.1$  to  $-0.3\%$  from the  $1.1$  to  $2.3\%$  it would have been without Aids. This was the first time that negative population growth was projected for developing countries (Stanecki 2000, cited in Barnett and Whiteside 2002).

This decrease in population growth is projected on the basis of the characteristics of the disease. As mentioned earlier, women are at higher risk of contracting the disease than men. Women generally contract the disease at an earlier age, and being HIV-positive reduces their fertility levels. Death at a relatively young age obviously also prevents people from reproducing.

A study by Dorrington, Bourne, Bradshaw, Laubscher and Timaeus (2001:45 – 53) found that the number of female deaths in the age group from 20 to 30 were second only to deaths in the age group from 60 to 70. The same study indicated that deaths

among males in the age category from 25 to 35 years represented the largest group. The study used data for the period from July 1999 to June 2000. In any society, such mortality figures are abnormal. It should also be taken into account that death rates in 2000 were based on prevalence rates of the early 1990's.

Decreased life expectancy and negative population growth are already widely reported in Southern Africa (Arndt and Lewis 2000; and ING Barings 1999). Booysen (2002:1193) reports that Aids deaths will be a staggering 545 000 to 635 000 per annum by 2010, while Aids orphans are estimated to number 800 000 by 2005, and will increase to 1.95 million in 2010. These figures present a grim picture for family, social and economic structures in a developing country such as South Africa.

### **2.7.3 Social impact**

HIV/Aids has an adverse effect on the financial and social structure of the family unit. Not only does the disease increase the number of widows and widowers, but it also leads to the premature deaths of parents, resulting in orphanhood (see, for example, Ntozi 1997). Orphans are usually taken care of by extended family members or grandparents, or they need to be absorbed in public or non-governmental facilities. The HSRC (2002:67) reports that 13% of South African children between the ages of 2 to 14 years have lost a mother or a father or both, while UNAids (2002:17) estimated that 660 000 children in South Africa had already been orphaned due to Aids by 2002.

Households headed by children are on the increase in South Africa, with dire consequences for the children who are part of such households. These children fend for themselves, are usually not integrated in any educational system, and are trapped in a life of poverty (Gow and Desmond 2002).

Evidence also indicates that family units with HIV-positive members have a reduced income-generating capacity. Changes in their spending behaviour were noticed (Booyesen 2002:1196 – 1197). HIV-positive individuals who suffer from Aids are unable to work, need constant care, and increased spending on medical care reduces available funds for the family unit. A World Bank (1997) study found that expenditure on non-food items dropped by an average of 33% in households affected by HIV/Aids. Other negative consequences include the fact that persons in the late stages of the disease need constant care, and a family member is usually expected to take over this role in a full-time capacity.

Research by Foster (2001:4) indicates that HIV/Aids has a profound effect on community structures, especially in rural communities. Voluntary associations, burial societies and rotating credit and loan clubs are on the increase in communities affected by HIV/Aids. The research indicates that HIV-affected households rely heavily on community support, though alienation has been reported in some instances.

It remains to be seen whether community support structures such as burial societies will be able to cope with the expected increase in mortality rates as the epidemic becomes more intense. Savings are rapidly being depleted, while contributions by members of such societies are on the decrease. Government and private sector support for such community-based organisations may eventually need to help lift the burden faced by government and business.

#### **2.7.4 Economic and financial impact of HIV/Aids**

A detailed study of the macro-economic impact of HIV on South Africa and the financial impact of HIV/Aids on business, as well as business strategies to address the disease, are covered in the next chapter.

## **2.8 CONCLUSION**

The growth of the HIV/Aids epidemic in South Africa is a reason for concern. The disease, with its unique characteristics and formidable impact on all aspects of society, needs to be addressed strategically to reduce its devastating consequences.

Understanding HIV/Aids and its epidemiology is the first step in the long and cumbersome process of fighting the disease. The impact of HIV/Aids on a large part of the South African working population when they become ill and increasing Aids mortality will not only affect the economy, but will also have a direct impact on the business environment.

## CHAPTER 3

# THE IMPACT OF HIV/AIDS ON ECONOMIC GROWTH AND BUSINESS ENTITIES IN SOUTH AFRICA

### 3.1 INTRODUCTION

From the previous chapter it is clear that South Africa is one of the countries with the highest HIV/Aids infection rates in the world. The disease affects the economically active part of the population the most, with the worst still to come as infected individuals become ill and eventually die as a result of the disease (refer to Chapter 2). The impact of these findings for the South African economy in general and for business entities in particular, warrants further investigation.

The HIV/Aids epidemic has a direct impact on key factors of economic growth in a developing country such as South Africa. Ford, Lewis and Bates (2002:10) note that a sharp increase in illness and mortality rates amongst the economically active part of a population leads to a reduction in the total capital and human resources available for production and investment, a reduction in savings rates and disposable income, and a reduction in domestic consumption. The effect of the disease on fiscal spending also affects a country's ability to stimulate growth through capital investment. Increased resource allocation to health and welfare also reduces the funds available for other priority areas, such as education and housing.

Many companies recognise that the HIV/Aids epidemic poses a serious threat to their productivity and profitability. Increased labour costs, changes in consumer spending and

the effect on the economic environment in which South African companies operate will have to be addressed by businesses if they are to survive the impact of the disease. The primary objective of this chapter is to study the impact of HIV/Aids on business entities. The results will serve as a motivation for companies to report on the effects of the disease on their performance, their risk profile and their associated responses to stakeholders in their annual reports. The chapter will begin with an investigation of the impact of the disease on the macro-economic environment and the legal framework in South Africa.

## **3.2 THE MACRO-ECONOMIC IMPACT OF HIV/AIDS IN SOUTH AFRICA**

### **3.2.1 Introduction**

Macro-economic studies examine the effect of a specific event or chain of events on the gross domestic product (GDP), the human development index (HDI) or a society's total income (Guinness and Alban 2000:3). The impact of the HIV/Aids epidemic on economies has been the subject of numerous studies, though most of these studies are based on the application of modelling techniques that rely on assumptions, projections and numerous variables. Such techniques are, however, very useful in a study of the possible impact of HIV/Aids in future and may serve as a helpful planning tool in planning for the impact of the epidemic.

### **3.2.2 HIV/Aids and economic growth**

Research indicates that the disease has had a negative impact on GDP growth rates in South Africa. Studies have produced diverse results, ranging from a decline in GDP growth rates of 0.3% per annum (Stover and Bollinger 1999:13) to between 1% and 1.6% per annum (Arndt and Lewis 2000:867). The Stover and Bollinger (1999) study predicted a decline of as much as 25% in GDP growth over a 20-year period. All these studies, including a recent study by the South African Business Coalition on HIV/Aids

(SABCOHA), published in 2003, reached the same conclusion – GDP growth is declining in South Africa as a result of the HIV/Aids epidemic.

Arndt and Lewis (2000:883) predict a scenario where the HDI will be reduced by 15% by 2010 and the South African economy will have reduced in size by 17% by the same year using 2000 as the base year. This reduction in the size of the economy is based on the assumption that HIV/Aids will reduce household savings and increase the government deficit, leading to reduced investment, while the impact of the disease on the population will lead to lower levels of productivity, accompanied by a decrease in consumer demand.

Unfortunately, the limited data available does not yet allow for reliable long-term economic forecasts related to the economic impact of the disease, but the history of epidemics such as the Black Death in the Middle Ages has shown that they were turning points for economies (Goldin 1992:22).

### **3.2.3 Impact on labour**

HIV/Aids will have a dramatic effect on labour supply in South Africa, and hence on the general economic outlook for the country. The demographic profiles of the disease, as discussed in the previous chapter, indicate that the total population, and more specifically, the economically active part thereof, will decline in the near future.

The ING Barings Report (1999) suggests that infection rates are highest among unskilled and semi-skilled individuals, noting that infection rates in these groups are three times as high as those found in the skilled group. Even though there is a surplus in the labour supply of these two most affected groups in South Africa, the country is also faced with a significant skilled labour shortage (Cuddington 1993). The implication thereof will be increased staff turnover amongst lower skilled employees (characterised by a shorter life expectancy and thus fewer long-term possibilities). This trend may reduce the willingness of skilled workers to transfer skills and knowledge to these people as a long-term investment. The pool of skilled workers is consequently expected to remain small.

Research indicates that a hypothesis exists that the disease will not necessarily have a detrimental effect on labour supply in the unskilled and semi-skilled labour market, as surpluses will easily fill shortfalls created by the disease (see, for example, Barnett and Whiteside 2002; and Deutsche Securities 2000). It should, however, be noted that the infection rate among the unemployed in informal settlements was found to be higher than among the unskilled, semi-skilled and skilled employed (HSRC 2002:47). Even though low-skilled employees may be replaced in the shorter term, the turnover rate of staff will continue to be high, and will thus have a negative impact on production and productivity.

Productivity will probably decline due to Aids-related health problems and mortality amongst the working population, as well as increased time spent away from work by healthy employees as a result of increased responsibilities in caring for the sick and orphans and in attending funerals.

#### **3.2.4 Impact on foreign investment**

Fluctuations in the labour market, due to an increase in employee cost as a direct result of the increased cost of employee benefits and training to address high turnover rates, will lead to higher domestic production costs. A higher production cost will in turn have a negative impact on South Africa's international competitiveness (Stover and Bollinger 1999:12).

According to the Bureau of Economic Research (BER) (2003:8), a decrease in production, and the effect thereof on the supply chain, will present a risk profile that discourages foreign direct investment. The possibility of a slow growing, or as is predicted for South Africa, a declining economy, also increases the perception of risk, enhancing the likelihood of foreign capital withdrawals. This, in turn, places severe pressure on the balance of payment and on exchange rates.

A lack of investor confidence may lead to higher interest rates and that, combined with already reduced levels of consumer spending due to HIV/Aids, could further discourage foreign direct investment (Barr and Kantor 2002:53). As a developing country, South

Africa remains in dire need of more direct foreign investment, and government should recognize the possible negative effect that the HIV/Aids epidemic may have on attracting such investments.

### **3.3 GOVERNMENT AND HIV/AIDS-RELATED LEGISLATION**

#### **3.3.1 Introduction**

The impact of HIV/Aids on government is two-fold: first, government has a responsibility to look after the interests of its citizens and address the HIV/Aids epidemic by allocating appropriate and sufficient resources; and, second, government as a large employer faces the scourge of the disease internally, which in turn has a negative impact on its ability to address the epidemic among citizens and to deliver normal services. Government intervention related to HIV/Aids goes beyond assisting infected individuals and includes programmes to prevent the continuous spread of the disease, thereby creating larger social and economic benefits for the country.

#### **3.3.2 Government**

In South Africa, government is faced with an increased demand for financial and human resources to fight HIV/Aids. The Minister of Finance announced during his 2004 budget speech that an amount of R2.1 billion is to be reserved for the fight against HIV/Aids (Treasury 2004).

Most of these funds are channelled through the Department of Health. It should, however, be taken into account that the epidemic will also lead to increased employee costs for government, and that this impact is not separately identified in budget allocations. Quattek (2000:43) reports that Aids-related costs to government amounted to R1 493 million in 2000 and that this figure was set to increase to approximately R4 077 million by 2009.

Apart from increased expenditure, government is also faced with a possible decrease in revenue due to HIV/Aids. A study by ING Barings reported that government revenue in 2000 was 0.7% lower than in the absence of HIV/Aids, and that by 2011 it would be 4.1% lower, compared to a no-Aids scenario (reported in Quattek 2000:46). Barnett and Whiteside (2002:271 – 294) attribute this to a lower GDP, decreased foreign investment, reduced business profitability due to increased labour cost, decreased demands in certain sectors due to changes in consumer behaviour and spending, and the erosion of the individual taxpayer base, as a large number of the most economically active individuals in the population fall ill and are subject to increased mortality levels.

### **3.3.3 HIV/Aids and legislation**

In addressing the HIV/Aids epidemic, businesses should be aware of the legal framework that governs their actions related to the disease. South African law has responded to the disease, and the following is a brief summary of the most important acts that relate to HIV/Aids either directly or indirectly.

- *The Constitution of South Africa (No. 108 of 1996)*

Hailed as one of the most liberal constitutions in the world, and based on the principles of the freedom, equality and dignity of all citizens, the Constitution of the Republic of South Africa forms the basis for the country's legal framework, and no act may be in conflict with the Constitution (Kirby 2003:37). According to section 9 of the Constitution unfair discrimination is prohibited, including discrimination based on an individual's health status. Furthermore, section 14 deliberates on the individual's right to privacy, and, according to the Code of Good Practices on Key Aspects of HIV and Employment issued by Nedlac (2000), this section places no legal duty on individuals to disclose their HIV status to employers or to other employees.

In the case of *Hoffmann v South African Airways* 2001 (1) SA 1 (in Kirby 2003:36), the Constitutional Court found that prejudice against an HIV-positive individual who applied for a position and was turned down based on his HIV status represents unfair discrimination and is thus unconstitutional.

- *The Employment Equity Act (No. 55 of 1998)*

Section 6 of this Act states that no employee, or applicant for employment, may be unfairly discriminated against based on the person's HIV status and that in any legal proceedings it is the responsibility of the employer to prove that HIV was not the basis for differentiation.

Section 7 prohibits mandatory medical testing of employees, or applicants for employment, to determine their HIV status, unless such testing is declared justifiable by the Labour Court. Disclosure of any information obtained through HIV testing, whether approved by the Labour Court or based on consent by employees, is an offence in South Africa.

- *Labour Relations Act (No. 66 of 1995)*

In accordance with section 187 of this Act, an employee may not be dismissed simply because of his or her HIV status or illness due to Aids, unless the person's capacity to continue working is severely limited and fair procedures have been followed. Any such actions should be in accordance with section 188 of the Act that deals with the criteria and procedures related to service termination.

- *The Medical Schemes Act (No. 131 of 1998)*

This Act provides that a medical scheme may not unfairly discriminate, directly or indirectly, against any person on the basis of his or her HIV status. Furthermore such schemes must offer a minimum level of benefits to members with HIV/Aids, as prescribed by the Minister of Health (Smart and Stoker 1999:9). This Act is applicable to medical schemes, and not employers, but has implications for business, due to the fact that most employment contracts include some medical cover to which employers contribute.

- *Occupational Health and Safety Act (No. 85 of 1993)*

According to this Act, an employer is obliged to provide, as far as is reasonably practicable, a safe working environment. This may include ensuring that the risk of occupational exposure to HIV is minimised.

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▪ *Basic Conditions of Employment Act (No. 74 of 1997)*

Section 22 states that every employee is entitled to six weeks paid sick leave in every sick leave cycle (36 months or pro-rata adjusted for continuous employment less than 36 months), and provides for an extension of sick leave at a reduced rate, but with the provision that such a rate may not be less than 75% of ordinary remuneration. Compliance with this Act is likely to have a major cost impact on companies as increasing numbers of employees fall ill due to HIV/Aids.

### **3.4 THE IMPACT OF HIV/AIDS ON BUSINESS ENTITIES**

#### **3.4.1 Introduction**

Business in South Africa is faced with an enormous challenge in dealing with HIV/Aids. In the previous chapter it was explained that South Africa is currently at the epicentre of the epidemic and that its adverse effect on society and the economy is being increasingly felt. 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 recruitment and training of replacements will increase.
- Revenue will decrease as a result of increased absenteeism, due to illness, employees taking care of infected relatives and time spent attending funerals.
- Labour turnover will increase, leading to a loss of skills, knowledge and experience, and consequently declining morale and lower productivity. Resultant replacement will lead to 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 lead to increased payroll costs and erode competitiveness.

- Customer/client bases will change particularly related to changes in spending patterns.
- An increase in investment in capital-intensive technology/production is likely.

Three recent studies have indicated that business in South and Southern Africa is beginning to feel the impact of HIV/Aids. The remainder of this chapter focuses on these results of the three studies, which were independently conducted by Deloitte and Touche Human Capital Corporation (2002), Boston University's Center for International Health and Development (2003) and the Bureau for Economic Research (BER) (2003). The results of these studies are compared, analysed and summarized to get a better understanding of the impact of the disease on business and the responses arising from the assessed impact. A brief description of the three studies is first given as background information for the results obtained.

### **3.4.2 Recent surveys on HIV/Aids and the business community**

The Deloitte and Touche (2002) survey was conducted amongst 110 entities via a telephonic survey, based on a standard questionnaire. Of the 110 respondents, 31 employed fewer than 100 employees; 29 employed between 100 and 500; while 50 employed more than 500 employees. All the main industrial sectors were represented in this study.

Postal questionnaires formed the basis of the Bureau for Economic Research (BER) study, conducted in the second half of 2003. A total of 1006 completed questionnaires were returned from companies that were broadly representative of the formal manufacturing, trade (retail, wholesale and motor trade) and building and construction industry. This study was commissioned by the South African Business Coalition on HIV/Aids (SABCOHA).

The third study, performed by the University of Boston's Center for International Health and Development (2003), was a detailed investigation into the cost of HIV/Aids to business in Southern Africa. The study was conducted over a three-year period between

1999 and 2001. Six formal sector enterprises, of which one was located in Botswana and the other five in South Africa, were involved, and these companies provided all their human resources, financial and medical data to the research team. Known Aids cases were used as the basis for calculating both the direct and indirect cost of HIV/Aids for the companies included in the sample.

All three studies are considered recent and reliable enough to serve as a basis for this chapter, which aims to determine whether, and how, HIV/Aids affects an enterprise that is profit-orientated. Acknowledging that HIV/Aids is having an effect on companies will support and enhance the need for companies to communicate the impact of the disease to stakeholders through their annual reports.

Where applicable, reference is also made to other smaller studies performed in this field.

### **3.4.3 Prevalence**

The first step in addressing the disease within a company is to assess 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 used as basis for this chapter addressed prevalence studies. 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 conducted anonymous saliva testing. None of the respondents made the results of the testing available to the researchers. This clearly indicates that South African business has a long way to go in assessing the future impact of the disease on their employees.

The Boston University study, on the other hand, did a detailed analysis of prevalence amongst the six employers in their study (see Table 3.1 below). The average prevalence among the six respondents' employees was 17.48%. The importance of this study was that industry information and skills levels were also included in the analysis. Table 3.1 indicates that respondents in the mining and agribusiness sector had the highest prevalence rates. A matter of concern is the fact that 50% of respondents have a

difference of less than 5% in prevalence rates between unskilled and skilled workers. Overall, the results found that HIV infection is highest among unskilled workers, and the average prevalence rate among supervisors/managers was relatively low at 6.7%.

**Table 3.1: Company information and prevalence figures in the Boston University study**

Variable	Company A	Company B	Company C	Company D	Company E	Company F
Study year*	1999	1999	2000	2001	2001	2001
Location	South Africa <sup>(†)</sup>	KwaZulu Natal	Botswana	KwaZulu Natal	KwaZulu Natal	South Africa <sup>(†)</sup>
Sector	Utility	Agribusiness	Mining	Mining	Retail	Media
Workforce size	>25,000	5,000-10,000	500-1,000	500-1,000	<500	1,000-5,000
Estimated HIV prevalence in study year <sup>(§)</sup>						
Unskilled workers	12.4%	26.7%	39.4%	34.5%	12.9%	15.6%
Skilled workers	9.3%	22.7%	39.2%	18.55%	2.5%	7.2%
Supervisors/managers	4.2%	8.2%	14.3%	6.23%	2.3%	4.2%
Non-permanent	n.a.	31.2%	n.a.	n.a.	17.6%	18.4%
Company average	7.9%	23.7%	29.0%	23.6%	10.5%	10.2%

*Source: Boston University (2003:120)*

In analysing the results of the Boston University (2003) study, it should be noted that the average prevalence for the companies was lower than the national and provincial prevalence figures, as indicated in Chapter 2. The assumption that HIV prevalence is higher among the unemployed is thus indirectly supported by this study.

### 3.4.4 Absenteeism

The effect of HIV/Aids on absenteeism is both a result of increased sick leave taken by infected employees, as well as time taken off work by HIV-negative employees who are affected by the disease through family and relatives. The results from the BER (2003) study found that 392 (39%) of the companies in the study indicated that there had been a noticeable increase in absenteeism among employees over the past few years.

The Boston University study found that employees whose service was ultimately terminated due to Aids (either through death or disability retirement) took an average of

35 more days paid sick leave in their final year of service than did employees who were still in the workforce. One company's data indicated that their figure was as high as 68 days on average. Approximately 15 more days of paid sick leave was taken by infected employees in their second-last year of work.

Increased paid sick leave and the resulting absenteeism should be managed by an organisation to avoid a disruption of normal business and this is governed by legislation, as discussed earlier in this chapter. Absenteeism does not only affect costs related to an organisation's payroll as a result of increased paid sick leave, but also has an adverse effect on productivity.

### **3.4.5 Productivity loss**

Lipsey, Steiner and Purvis (1987:471) state that productivity represents the output generated per employed person. Thus producing less with same number of employees, or with an increased number of employees, would result in a decline in productivity.

Unlike 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 has had a moderate to large impact on productivity in their organisations, while 27% noted a small impact. Combined, the results show that almost 40% of the respondents had noted an effect on productivity that can be directly attributed to HIV/Aids.

A reduction in productivity of between 22% and 63% in the last year of service of employees diagnosed with Aids was found in the Boston University (2003) study. On average employees with Aids were 38% less productive in their final year, while a 15% reduction in their second last year of service was noted. This is consistent with the characteristics of the disease, as described in Chapter 2, where it was indicated that the final stage of the disease (Aids) is present for between 6 to 12 months, while stage three is only characterized by the frequent, and not continuous, presence of opportunistic diseases.

Although the Boston University (2003) study linked productivity with known Aids cases in the companies, it should be taken into account that the death of such an employee will also affect the productivity of HIV-negative employees, through lower morale, and the fact that these employees will also take time off work to attend the funerals of deceased colleagues. The study also found that supervisors reported spending increased time on dealing with affected employees in their final year of service, with one company's supervisors indicating that an affected employee in his or her final year of service took up to 25 days out of their normal working responsibilities. Termination of employment due to Aids inevitably also has an effect on labour turnover and associated recruitment and training expenses.

#### **3.4.6 Labour turnover**

Almost a third of companies surveyed in the BER (2003) study indicated that they had experienced a higher staff turnover due to HIV/Aids. Of the respondents in this study, 27% reported that they had lost experience and skills due to HIV/Aids and 24% had incurred additional recruitment and training expenses as a direct result of the disease.

According to the Boston University (2003) study, the companies surveyed took an average of 1.65 months to fill a vacancy at skilled worker level after the termination of an Aids-diagnosed employee, while a vacancy at managerial level due to Aids took on average 2.57 months to fill. Vacancies at the unskilled level are filled relatively quickly, but it can be assumed that such replacement employees will have reduced productivity levels compared to employees already in service. This can be attributed to a need for training and an inevitable learning curve.

The Deloitte and Touche (2002) study found that only 9.1% of the companies included in its survey felt the need to budget for higher training costs due to the impact of Aids deaths. The effect of the Aids deaths that are reported in these studies use prevalence figures from about ten years ago, when these rates were still fairly low, compared to current prevalence rates (refer to Chapter 2). It can thus be assumed that the reported impact in these studies represents a small part of what can be expected in future.

Companies will need to develop response plans before the worst of the disease starts to affect their labour practices.

#### **3.4.7 Medical benefits**

One of the most notable costs of the disease is the increased use of medical benefits both by HIV-positive employees and, to a greater extent by infected individuals in the Aids stage of the disease. The Deloitte and Touche (2002) study found that 63% of the respondents provide medical scheme benefits to all employees, while a further 20% provided benefits only to some of their employees. With reference to the legislation discussed earlier in this chapter, it should be remembered that medical aid schemes are prohibited from discriminating against HIV-positive individuals.

Erasmus (2002:12 & 18) found that HIV/Aids treatment by medical schemes was the most expensive treatment, compared to treatment for other chronic diseases. Normal practice dictates that employers contribute to the cost of medical cover for employees, and it can be reasonably assumed that increases in the cost of such cover, as a result of an increased demand for benefits by HIV-positive individuals, will affect the payroll cost for employers.

#### **3.4.8 Retirement, disability and death benefits**

A total of 42.7% of the respondents in the Deloitte and Touche (2002) study reported that HIV/Aids has had an impact on employee benefits related to retirement, disability and death benefits. A total of 9.1% reported increased contributions, while 16% of the employers with a workforce in excess of 500 reported increased contributions due to HIV/Aids. The study also reports that, in certain cases, increased contributions were accompanied by a decrease in the benefits offered.

The more recent BER (2003) study, conducted at the end of 2003, reported that 33% of the respondents indicated that HIV/Aids had an impact on their employee benefit cost, with 5% of respondents describing the impact as “large”.

Barnett and Whiteside (2002:303 – 307) state that there has been an increased move by employers toward defined-contribution retirement funds, and that such plans limit the exposure of employers to additional costs related to HIV/Aids, when compared to defined-benefit retirement funds. While risk mitigation is possible with regard to retirement funding, the same options are not available for death and disability benefits, the cost of which is expected to increase substantially over the next few years.

### **3.4.9 Consumer base and demand**

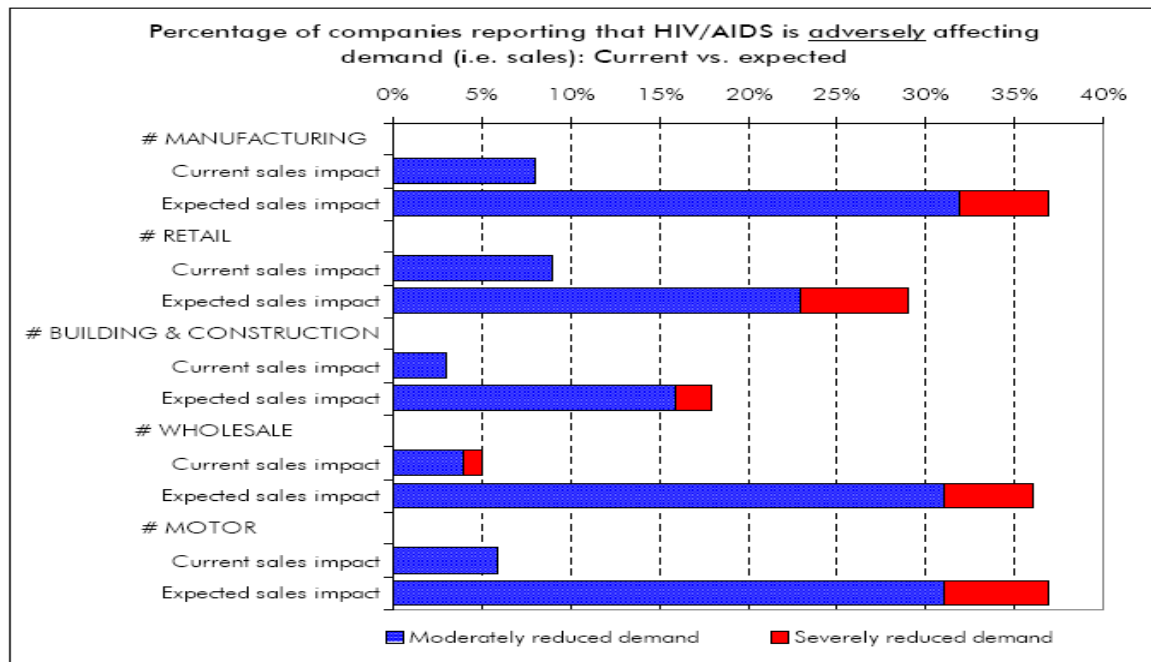
It was already argued that HIV/Aids will have an influence on consumer demand and spending patterns. Naidu (2001:8) argues that strategic marketing planning for HIV/Aids by companies will require a demographic impact analysis of the customer base, a calculation of the market segment, size and profitability, a review of current product portfolios and the identification of new markets and product opportunities, a recalculation of customer lifetime values and risk assessments with regard to unpaid customer credit and employee loans.

Reports are emerging in South Africa 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. Major companies like the retailer JD Group, Amalgamated Beverage Industries (ABI) and South African Breweries (SAB) (now SABMiller) have developed strategic plans to reduce 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 motivation for foreign expansion (See, for example, Barac and Otter 2001; Randall 2002; ING Barings 1999; and Deutsche Securities 2000).

The BER (2003) study also investigated the effect of HIV/Aids on demand amongst its respondents. The results are presented in Figure 3.1 according to sectors surveyed, and compare the current situation to the expected impact. In evaluating the results, it should be taken into account that results are based on respondents' perceptions, rather than on scientific data.

The results clearly indicate that the current impact on demand is considered very low, with only one sector, the wholesale industry, reporting severely reduced demand (by about 2% of respondents in this sector). Noticeable, however, is the fact that more than 25% of the respondents in all four sectors expected HIV/Aids to have an adverse effect on their demand levels in future.

**Figure 3.1: Companies reporting that HIV has an adverse affect on demand**



Source: BER (2003:48)

It is clear that HIV currently has a smaller impact on the demand side of organisations, compared to the production and labour cost side of business, with only 8% of organisations in the retail sector reporting moderately reduced demand. Percentages for all other sectors are lower than 8% percent.

### 3.4.10 Impact by sector

Respondents in the BER (2003) study were divided into four sectors, namely manufacturing, retail, building and construction, wholesale and motor (see Figure 3.3). It

was a limitation of the BER (2003) study that the mining industry was not separately stratified, as research indicates that this sector is probably hardest hit by the epidemic.

A study by Davies, De Bruin, Deysel and Strydom (2002:32) found that at certain mines infection rates were as high as 45% among employees, that mines already lose between 5% and 10% of their work force to premature mortality per year and that productivity is declining. In April 2002, South Africa's second largest gold mining company, Gold Fields Limited, issued a statement that the company estimated an additional cost of \$10 per ounce of gold produced, unless some form of intervention takes place with regard to the HIV/Aids epidemic in South Africa (Gold Fields 2002). Campbell (1997:273 – 278) found that mineworkers were more susceptible to HIV as a result of the fact that in 1996 95% of these workers could be classified as unskilled migrant workers.

The results of the BER (2003) study presented in Figure 3.2 below show that almost half of the manufacturers surveyed indicated that HIV/Aids has already led to lower labour productivity or increased absenteeism and higher employee benefit costs and labour turnover. The respondents from the manufacturing industry have significantly more workers in the high-risk semi- and unskilled employee categories than the other industry sectors surveyed.

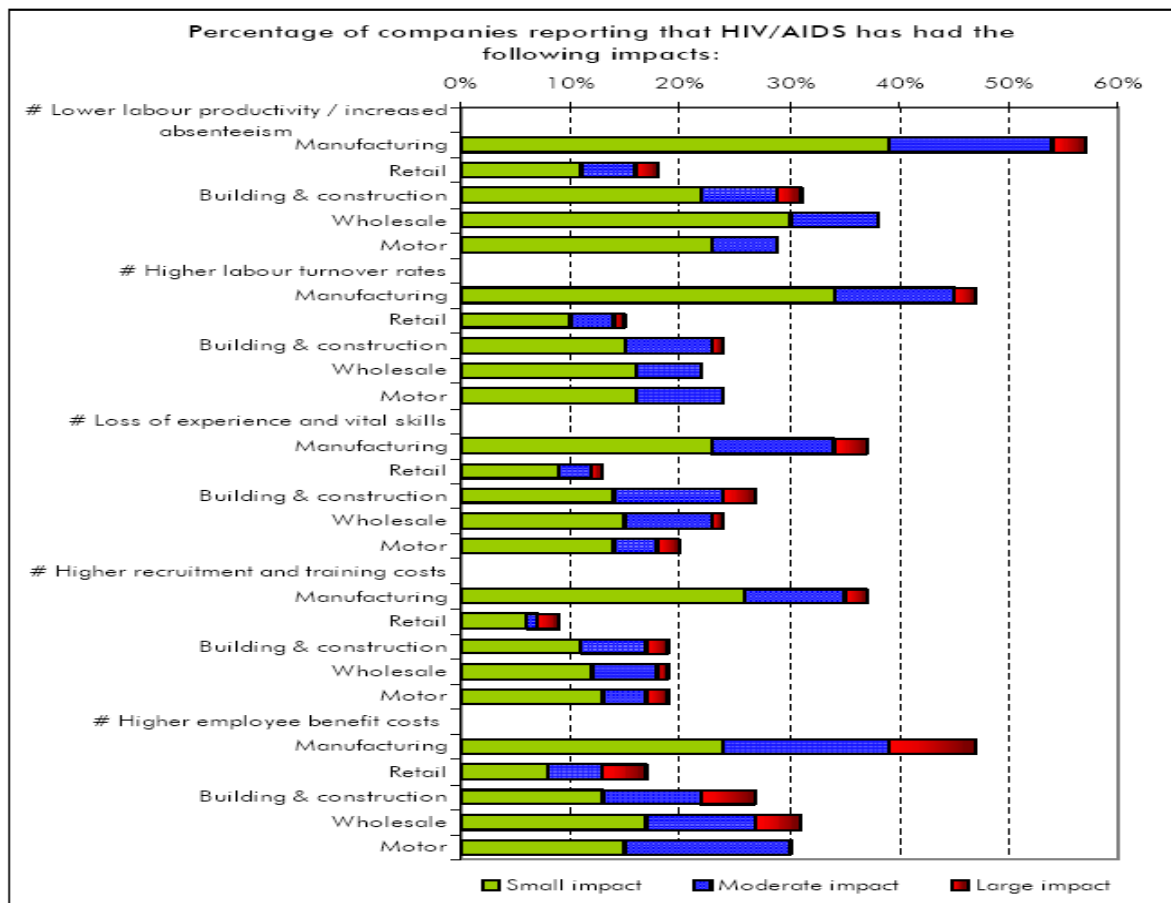
The results are thus consistent with the study by Quatteck (1999:34), who found companies with a large semi- and unskilled workforces to be at a higher risk of being exposed to the adverse effect of HIV/Aids than companies with fewer and more skilled employees.

The retail sector seems to be the least affected sector in the BER (2003) study, although more than 10% of the respondents in this sector reported feeling the impact of HIV/Aids in at least four of the five possible impact areas listed. The results for the building, wholesale and motor sectors were very similar. Lower productivity and increased absenteeism were their main areas of impact, followed by higher employee benefit costs.

Although the objective of the current study is to investigate HIV/Aids reporting by companies in their annual financial statements, and would thus be limited to the formal sector of South African business, the impact of the disease on South Africa's large informal sector remains an area of concern. Wilkens (1999:10) has found that the informal sector in South Africa is extremely vulnerable to the effects of the disease.

Further research into the effect of the disease on this sector is urgently needed, and formal sector companies should not underestimate the impact of the informal sector as part of their consumer base.

**Figure 3.2: Reported impact by sector and category of impact**



Source: BER (2003:37)

## **3.5 THE COST OF HIV/AIDS TO BUSINESS**

### **3.5.1 Introduction**

Companies' response to the epidemic is mostly based on the knowledge and awareness of its leadership of the existing and potential impact of the disease on the company. According to Barnett and Whiteside (2002:249 –251), company responses and their associated costs may be motivated by a cost-benefit analysis, where companies establish that prevention, treatment and other mitigating activities make economic sense. Another motivation for response might also be the social responsibility that companies have towards their employees and the society in which they operate (refer to Chapter 4 for a comprehensive discussion).

Irrespective of the motivating factor behind a company's response, these responses have a cost attached to them. For a profit-driven company, increased expenses have a negative impact on profits, and this in turn has an influence on the decision-making process of its stakeholders. If these costs are to be seen by companies as an investment to reduce future expenses and to mitigate risks, it is of great importance that it be communicated to stakeholders.

### **3.5.2 The cost of HIV infections**

The Boston University (2003) study calculated the cost per infection for each of the six companies included in their study. The results represent the cost from infection to death or date of service termination due to Aids. Direct and indirect costs were established based on data provided by the respondents. Indirect costs included sick leave, loss of productivity, supervisory time required by the infected employee, the duration of vacancies and the learning curve for replacement workers. Direct costs consisted of retirement, death, disability and medical benefits, as well as recruitment costs to obtain substitute employees. The average additional cost per infected employee per skill level is set out in Table 3.2 below.

**Table 3.2: Cost per infected employee per skill level**

<b>Job level</b>	<b>Average cost per infected employee</b>
Unskilled worker	<b>\$7 927</b>
Skilled worker	<b>\$12 888</b>
Supervisor	<b>\$20 320</b>
Manager	<b>\$33 974</b>

*Source: Boston University (2003:14) (adapted)*

The above costs were calculated for actual HIV-positive employees whose services were eventually terminated, either due to death or disability, and represents costs calculated retrospectively after termination of employment. The exchange rate used in the study was based on R8.60 to one US Dollar and the results obtained in 1999 and 2000 were adjusted for inflation to be comparable to the 2001 results. It is clear that there is a direct link between the job level and the associated cost. A more detailed breakdown of the distribution of the cost per infected skilled worker is provided in Table 3.3 below.

**Table 3.3: Distribution of cost per infected skilled worker**

<b>Cost component</b>	<b>Percentage of total cost</b>
Sick leave	11%
Productivity loss	34%
Medical care	6%
End of service benefits	26.5%
Replacement	22.5%

*Source: Boston University (2003:15) (adapted)*

The above results clearly indicate that productivity loss represents the main cost associated with an HIV infection, while end of service benefits and the cost of replacement also represent a substantial part of the cost. Lower productivity and sick leave are closely related. When the two are combined, they represent almost half the cost associated with an infection.

The findings of the Boston (2003) study were consistent with those of the BER (2003) study, where respondents were asked to rank HIV-related costs according to their impact. The respondents in the BER (2003) study were differentiated according to staff size. The results of the BER (2003) study are presented in Table 3.4 below.

**Table 3.4: Ranking of HIV/Aids cost according to company size**

Ranking of HIV/AIDS related costs according to the impact they have on company costs				
<u>Importance of cost factor</u>	Small companies: Less than 100 employees	Medium companies: 100 to 500 employees	Large companies: More than 500 employees	Total: All Sizes
Most important	Lower productivity / increased absenteeism	Lower productivity / increased absenteeism	Higher employee benefit costs	Lower productivity / increased absenteeism
2nd most important	Loss of experience and vital skills	Higher employee benefit costs	VCT or HIV/AIDS awareness programme	Higher employee benefit costs
3rd most important	Higher labour turnover rates	Loss of experience and vital skills	Lower productivity / increased absenteeism	Loss of experience and vital skills
4th most important	Higher employee benefit costs	Higher labour turnover rates	HIV/AIDS treatment / provision of ART	Higher labour turnover rates
5th most important	Higher recruitment and training costs	Higher recruitment and training costs	Research into the impact of HIV/AIDS	Higher recruitment and training costs

*Source: BER (2003:41)*

The above confirms that, similar to the Boston University (2003) study, respondents considered lower productivity the most important cost associated with HIV/Aids, followed by higher employee benefits. It is interesting to note that only companies with more than 500 employees considered HIV treatment and research into the impact of HIV/Aids as important costs or indicated that money spent on testing and awareness programmes had a substantial impact on their HIV/Aids costs.

None of the small or medium companies indicated that any of the above three had an impact on them. This clearly indicates that only the larger organisations are incurring substantial costs associated with the assessment, prevention and treatment of the disease. These costs indicate that larger companies are more proactive in their response

to the disease, while smaller companies' costs are mostly associated with the current impact of the disease, without incurring costs to respond to and address this impact. If these smaller companies are to survive the onslaught of the disease, they should start following the example set by their larger counterparts.

In an attempt to prolong the life of infected employees and defer the costs associated with absenteeism, lower productivity and termination of service described above, a number of companies have started to provide anti-retroviral therapy (ARV) treatment to infected employees at company cost. In 2003, ARV treatment per infected employee would have cost an employer between R750 to R1 200 per month per employee, with an added cost of a minimum of three pathology tests per annum to monitor the infected individual, at approximately R1 350 per test. The total annual cost of ARV treatment per employee per annum would thus cost a company between R13 050 to R18 450 (Van Bassen 2003:29).

From the above it is clear that the costs associated with HIV/Aids in business are substantial, and that ARV treatment is an expensive response if one considers that the majority of HIV-positive employees are found mostly in the lower paid levels of a company. A treatment cost of around R15 000 per infected employee per year will add a substantial amount to the cost-to-company of employing such an individual.

In addition to the costs associated with HIV-positive employees, substantial amounts are also allocated to prevention programmes by companies in an attempt to reduce new infections among HIV-negative employees. Among the worst affected companies, the cost of these programmes can be substantial. Gold Fields South Africa, for example, set aside R20 million in 2003 for their HIV awareness programmes, according to chief executive Ian Cockerill, while media reports indicated that AngloGold budgeted R26 million for its HIV/Aids programmes in the same year (Brown 2003).

According to Kelly (2002:101 – 103), understanding the effectiveness of prevention and awareness programmes, quantifying their results and looking into the benefits of spending large amounts on such programmes remains a complex issue that requires

further research. The most obvious benefit derived from prevention and awareness lies in the number of infections prevented and the associated secondary infections prevented because the chain of transmission is broken. Establishing a correlation between the number of HIV-negative employees and the existence of prevention and treatment programmes in a company is, however, not easily accomplished. It is widely accepted, though, that money spent on such programmes is an investment in employees. Such cost incurred per employee to prevent infections is also unlikely to exceed the cost associated with having an HIV-positive employee in the workforce.

## **3.6 BUSINESS RESPONSES TO HIV/AIDS**

### **3.6.1 Introduction**

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

Actions taken by organisations with regard to workplace responses to HIV/Aids can be broadly divided into two categories: programmes that aim to prevent or reduce new HIV infections (awareness programmes and voluntary testing and counselling) and programmes that aim to support employees and their families when they are being affected by HIV (support groups and treatment).

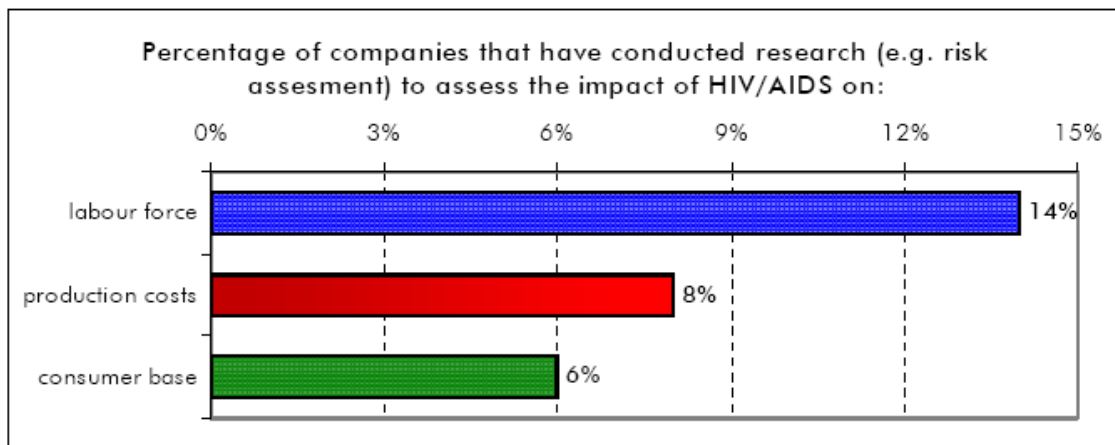
Van Niftrik (2003:27) concludes that preventative workplace programmes can be introduced at a fraction of the cost that would be incurred due to Aids illness and deaths among employees. He argues that expenditure on such programmes should be seen as an investment to reduce future expenditure related to HIV infections among employees.

### 3.6.2 Research and risk impact

Organisations need information on the current and future risks that the disease poses 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 must be developed based on company specific research and risk assessments if they are to be successful.

The BER (2003) study found that very few of the respondents in its study conducted any research to assess the impact of HIV/Aids on their organisations and that, where such research was conducted, it lacked a comprehensive approach. The results are indicated in Figure 3.3 below.

**Figure 3.3: Assessments by BER respondents**



*Source: BER (2003:31)*

The above results raise some concern, as they indicate that the majority of those respondents that did any research on the impact of the disease considered it to be a labour issue in isolation. The finding that research into the effect of HIV/Aids on production costs and the organisation's consumer base was conducted by fewer than 10% of the respondents indicates the urgent need for the business community to look seriously at the impact of the disease beyond the labour market.

On the other hand, the Deloitte and Touche (2002) study found that 27.3% of its respondents had commissioned an HIV/Aids risk assessment. It should be noted that the Deloitte and Touche (2002) study was conducted amongst only 110 companies, compared to the 1006 organisations that participated in the BER (2003) study. The BER (2003) study with its larger sample is perhaps more representative of trends in the South African business community. It indicates that the South African business sector is failing in its response to the disease. In this regard combined industry efforts are recommended to reduce costs and mobilise resources on a larger scale.

### **3.6.3 HIV/Aids policy**

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 for preventing HIV transmission and for handling HIV infection among employees. The policy provides guidance to supervisors who deal with the day-to-day issues and problems that arise in the workplace. Such a policy also informs employees about their responsibilities, rights and expected behaviour.

According to the FHI's (2002) action guide for managers, an HIV/Aids policy should:

- set a foundation for HIV/Aids prevention and care programmes;
- offer a framework for consistency of practices related to the disease within the company;
- express the standards of behaviour expected of all employees regarding the disease;
- inform all employees of assistance available and where to obtain it in the organisation;
- give guidance to supervisors and managers on how to manage HIV/Aids in their work groups; and
- ensure consistency with laws and regulations related to HIV/Aids.

South African business, operating in the country with the highest number of people infected with HIV in the world, still has a long way to go with regard to HIV/Aids policies.

The BER (2003) study found that only 26% of its respondents had a formal HIV/Aids policy, while the Deloitte and Touche (2002) study did not investigate the existence of such a policy among its sample population. The latter study did, however, ask respondents to indicate whether managers/supervisors had been trained to manage HIV/Aids-related matters in the workplace, and 36% of respondents indicated that this had been done.

Business should be encouraged to formulate HIV/Aids policies in their organisations. The existence of a formal policy regarding the disease not only indicates that the organisation is aware of the possible impact of the disease, but will also assist organisations to meet the challenges of the disease in a formalised manner.

#### **3.6.4 Awareness programmes**

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.

The BER (2003) study found that 41% of its respondents had a workplace HIV/Aids awareness programme, while 65.5% of respondents in the Deloitte and Touche (2002) study confirmed the existence of an HIV/Aids awareness or education programme in their target organisations. An interesting fact from the latter study was that 11.8% of the respondents indicated that attendance of HIV/Aids education sessions by employees was compulsory. This clearly demonstrates the importance that these organisations attach to the disease and indicates that they are willing to accept the additional cost of a loss of productivity in the fight against the disease.

It should be noted that a study performed by Barac and Otter (2001:5) in which 28 companies participated found that almost 82.8% of respondents had an HIV/Aids awareness programme in place. This high rate, compared to the BER (2003) study may

be due to the fact that companies that actively address the HIV/Aids risk could have been more willing to complete and return the questionnaire used in Barac and Otter (2001) study. It should be noted that this study was however limited to sectors in the economy most affected by HIV/Aids.

Another encouraging fact found in the Deloitte and Touche (2002) study was that a small number of respondents had also extended their awareness programmes to the dependants of employees, indicating that these companies recognized that fighting the disease beyond their own employees is also an important aspect of the fight against HIV/Aids. Chapter 4 investigates companies' social responsibility beyond the workforce as part of the response to HIV/Aids.

### **3.6.5 Voluntary testing and counselling (VTC)**

The previous chapter argued that voluntary testing and counselling (VTC) forms an important aspect of the fight against HIV/Aids. Organisations that provide such facilities to employees play an important part in addressing the disease.

The BER (2003) study found that 18% of its respondents provided facilities to employees where VTC can be performed. This service should not be confused with testing done to determine prevalence in an organisation, and represents a service to employees where the organisation does not utilise the results of such tests.

The Deloitte and Touche (2002) study asked respondents whether they encourage and assist employees to undergo VTC. Half of all the respondents indicated that they do, but no detailed data was made available on whether such testing facilities were offered by the respondents, or whether they contributed to the cost of such testing when it was performed outside the organisation.

Kelly (2002:115) argues that VTC uptake rates are likely to be poor when they are offered without treatment incentives and the availability of antiretroviral (ARV) treatment and other support structures to employees.

### **3.6.6 Support and care programmes**

Support and care programmes involve the approved formation of on-site support groups for HIV-positive employees, assisting employees to join outside support groups, allowing for flexible work schedules for infected employees, assisting in setting up home-based care and free clinic services to pro-actively address other opportunistic infections such as tuberculosis and obtaining 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).

Care should be taken that such programmes do not lead to the alienation of participants by other employees. The importance of company-wide education on HIV/Aids before such programmes are launched should not be underestimated.

Only 13% of the respondents in the BER (2003) study provided support, care and treatment (excluding the provision of ARV treatment) programmes to infected employees.

### **3.6.7 Provision of anti-retroviral (ARV) therapy**

The development of ARV treatment has raised hope for HIV-positive individuals in advanced stages of the disease. A few South African companies have decided to assist HIV-positive employees to obtain the necessary drugs and treatment, for humanitarian and business reasons.

Existing company policy on treating chronic illnesses (of which HIV is only one), the type of medical insurance provided to employees, the benefits derived from keeping employees on the job and the costs involved should be carefully assessed by companies. As discussed in Chapter 3, ARV treatment is complicated and life-long. Only 6% of the respondents in the BER (2003) study provided ARV treatment to employees at the cost of the company.

### 3.6.8 Developing new markets

No comprehensive research was found on company strategy regarding responses to possible changes in the consumer market. Apart from the JD Group, SABMiller and ABI cases discussed earlier in this chapter, companies seem reluctant to disclose strategies related to reduced demand and decreasing their dependency on the local market. Such strategies may be seen as socially and politically incorrect, and considered a vote of no confidence in the future of the country. In the next chapter the social responsibilities of profit-oriented companies and their disclosure of this responsibility are discussed in more detail.

## 3.7 CONCLUSION

The above literature survey clearly indicates that HIV/Aids has a negative impact on the economy and business entities in South Africa. Companies operating in the country are exposed to high prevalence rates in the general population, which is also reflected in the workforce. They also need to take the South African legal framework into account in addressing the disease.

The impact of the disease is being experienced in company operations through higher costs, and this is set to increase as the disease progresses to its final stage among individuals currently infected. From this chapter it is also clear that HIV/Aids is currently seen to be affecting companies mainly as a labour issue. The literature reviewed addressed possible responses by organisations to address the risk posed by HIV/Aids, and found that current responses by South African companies are below expectation and that more should be done. A more proactive approach is needed by business, and waiting for tangible signs of impact before responding is likely to be a costly exercise.

Larger companies and companies in certain sectors more exposed to the disease are more likely to take action, based on the higher level of impact already experienced by

these companies. It is expected that the same trend will be reflected in reporting on the disease in the annual financial statements of companies.

The next chapter argues that companies have a responsibility to inform stakeholders of the risks they face, including risks associated with the HIV/Aids epidemic in South Africa, the impact of such risks, responses and plans to manage the risk and the associated cost incurred in the process. The social responsibility that the disease imposes on companies is also investigated by means of a literature review.

## **CHAPTER 4**

# **THE ANNUAL REPORT AS A MEDIUM OF COMMUNICATION FOR HIV/AIDS DISCLOSURE**

### **4.1 INTRODUCTION**

The objective of this study is to investigate disclosure related to HIV/Aids in the annual reports of listed companies on the JSE Securities Exchange in South Africa and to use the results of the study, in conjunction with the literature reviewed, to develop a framework for future disclosure.

As the previous two chapters indicate, the disease is beginning to affect companies in South Africa. It was concluded that the impact of HIV/Aids is likely to increase in the future. The question arises whether companies communicate the effect of the disease to stakeholders, and if they do, whether the information is useful to these groups. As the focus of this study is the annual report, it is important to first investigate the basis on which annual reports are produced and thus the principles that govern the subject of accounting. Van Niekerk (1998:12) asserts that accounting is the core concept and the basis on which financial reporting is based. Saenger (1991:1) states that accounting in its simplest form is financial reporting.

A more detailed investigation into accounting and related theories is therefore necessary to form the basis for the empirical investigation and associated recommendations in the chapters that follow.

## **4.2 ACCOUNTING, ACCOUNTABILITY AND FINANCIAL REPORTING**

### **4.2.1 Introduction**

“Accounting”, “accountability” and “financial reporting” are terms that are often used loosely and interchangeably. It is important that these terms be clearly defined and investigated to distinguish their meanings and to use them correctly in relation to HIV/Aids.

### **4.2.2 Accounting**

Accounting initially referred to the process of documenting transactions, and evolved into the well-known double entry system developed by Pacioli in the 15<sup>th</sup> century (Chatfield 1971:4 and Goldberg 1972:12). As transactions became more complex, and the parties with an interest in them more diverse, accounting developed into a more comprehensive science than just the recording of transactions. The focus shifted towards a communication method to enable user decision-making.

The American Accounting Association (AAA) (1973:1) defines accounting as the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of information.

Rubenstein (1992:33) presents the following description of the term:

*Accounting measures the resources consumed in producing goods and services for trade and for producing public welfare, as well as the resources preserved and wealth created for future use, in accordance with conventions mutually agreed upon by both the stewards of these resources, and the stakeholders to whom they are accountable.*

Both the above definitions indicate the importance of accounting as a communication medium to facilitate decision-making. The “users of the information” in the first definition and the word “stakeholders” in the latter are significant, as these terms include parties other than the owners of the reporting entity.

### 4.2.3 Accountability

The term “accountability” is interpreted in various ways in the academic literature. Beckett and Jonker (2002:36) declare that in its basic form it refers to the principle of owing accounts to those with a legitimate interest. Shearer (2002:548) relates the term “accountability” to “answerability”, that is, an intersubjective relationship whereby one is obliged to demonstrate the reasonableness of one’s actions to those to whom one is accountable. In his study, Shearer concludes that a business entity is accountable to more than the owners of a company and argues the need for enhanced social reporting for employee groups, customers, suppliers and other parties with whom the economic entity contracts, as well as other groups with whom the entity does not contract (Shearer 2002:570).

Gray, Owen and Adams (1996:42) acknowledge accountability as a factor that may influence the future of accounting when they comment:

*Accountability does hold out the possibility for the development of accounting in a way which both contributes to and reflects the sort of democratic society in which individuals are better informed and more empowered.*

Accountability is acknowledged in the accounting framework of the International Accounting Standards Board (IASB) (previously IASC), which was also adopted by the South African Institute of Chartered Accountants (SAICA 1990:14). Although accountability in this instance refers mainly to financial accountability, it has been

argued that accountability goes beyond financial matters and should also incorporate social and environmental dimensions (Gray 1994:29 – 30; and Sandborg 1993:57).

#### **4.2.4 Financial Reporting**

In its broadest sense, Macintosh (1984:5) regards financial reporting as a means of communicating the information produced by the accounting system of an organisation to interested or affected parties. Harrington (1985:1) sees the role of financial reporting as broader, describing it as the supplier or communicator of the information produced by the accounting process to internal and external interested parties on the basis of which decisions can be made. The use of financial reporting in decision-making is thus specifically indicated in the latter description, although reference is still only made to historical information produced by the accounting process.

The basis for decision-making cannot only rest on historical information produced, and must also include some indication of future expectations. Criticising financial reporting for focusing mainly on historic information is not a recent occurrence. Daily (1970:1) already argued in the late sixties and early seventies that financial reports do not provide information that can be used in the evaluation of the future potential of a company.

Including both historical and prospective information in annual reports is important, as decisions cannot only be based on appraisals of past events, but should also be contingent upon assessments of future performance and position, as all decisions are inherently future-oriented (Peasnell 1981:99).

HIV/Aids is a risk factor that can influence the future performance of companies in South Africa and thus also warrants disclosure in annual reports as part of future-oriented information. On the other hand, expenditure on response programmes should

be disclosed from a historical perspective. To be accountable, reporting entities should disclose HIV/Aids-related information to stakeholders.

### **4.3 THE THEORETICAL FRAMEWORK OF ACCOUNTING**

#### **4.3.1 Introduction**

The objective of developing a theoretical framework for accounting is to set standards that can be used as a framework to assess the acceptability of the accounting methods used (Van Niekerk 1998:15). Hendriksen and Van Breda (1992:21) define accounting theory as a coherent set of hypothetical, conceptual and pragmatic principles forming a general frame of reference for inquiring into the nature of accounting. It can thus reasonably be expected that accounting practices should conform to the already developed theories that create a framework for the subject field.

#### **4.3.2 The foundations of accounting**

The foundations of accounting refer to the postulates, principles and rules that form the basis of accounting. Postulates are unproven assumptions that are based on observations and that are generally accepted to such an extent that they are regarded as self-evident and require no reasoning. Accounting principles are based on postulates and give an indication of how to let accounting conform with the postulates. From these accounting principles, rules are derived which form the basis for the practice of accounting, and through which conformity is ensured (Van Niekerk 1998:16).

These theoretical foundations are combined in a theoretical framework known as the conceptual framework. The most important function of the Framework is that it serves as a basis for the formulation of Generally Accepted Accounting Practice (GAAP). Although there is no single conceptual framework for accounting, several bodies

such as the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have published statements and frameworks that aim to develop a universally accepted theoretical framework. According to Van Niekerk (1998:17), there were no material differences between the principles in these publications. The South African conceptual framework as incorporated in the *Framework for the preparation and presentation of financial statements* is based on that of the IASB.

The *Framework for the preparation and presentation of financial statements* describes accounting as a communication process and states that financial statements should conform to four principle qualitative characteristics to ensure that the information provided in the financial statements are useful to users in decision making. These qualitative characteristics are discussed in more detail in Section 4.4.3 of this study.

## **4.4 FINANCIAL STATEMENTS AS COMMUNICATION METHOD**

### **4.4.1 Introduction**

Financial statements form the core of reporting by companies. They represent the financial picture of a company, both at a point in time and over a period of time, translating into financial terms many, but not all, of the events and transactions that affected the entity (AICPA 1994:31). According to the *Framework for the preparation and presentation of financial statements*, the objective of financial statements is to provide information about the financial position, performance and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions (SAICA 1990:12). This objective limits financial statements to the balance sheet, income statement, cash flow statement, a statement on changes in equity and the associated accounting policy and explanatory notes for these statements. Although these statements give comprehensive information related to

the historical financial position and performance of a company, it is debatable whether this information alone will facilitate informed decision-making. Paragraph 10 of AC 101 (*Presentation of financial statements*) (SAICA 1999) encourages management to present additional information if they believe such information will assist user decision-making. AC 101 had since changed to International Accounting Standard 1 (IAS 1).

Financial statements as described above will form part of the annual report of a company. Such annual reports include not only the financial statements, but various other sources of information that the user of such a report can use in the decision-making process.

#### **4.4.2 The annual report as communication medium**

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

The annual report is the responsibility of the Board of Directors and is mandatory in terms of par. 286 of the Companies Act of 1973 (as amended) (South Africa 1973). The Board of Directors is entrusted with the resources of the company they manage and the annual report, which includes the financial statements, serves as their medium of communication and accountability to all stakeholders on to how they manage the responsibilities entrusted to them. In this regard, Macintosh (1984:6) argues that any non-financial information deemed important to interested parties should also be provided by management. Olsson (1981:544) points out that management’s discretion in deciding to disclose such information is influenced by

whether interested parties are demanding non-financial information, because company policy and action can, and do, have an impact on the quality of life and living standards of the wider community.

The American Institute of Certified Public Accountants (AICPA) (1994:26) states that users of the annual report study information about the past and the present and search for forward-looking information. Understanding the link between events and transactions and the financial impact on a company of those events and transactions is often necessary to forecast future financial performance. It further describes forward-looking information as any prediction or information that assists in prediction. That includes management plans, assessments of opportunities, targets and risks (such as those posed by HIV/Aids).

The annual report of a company could and should thus include information over and above the minimum requirements as set out in the *Framework for the preparation and presentation of financial statements* if it is to meet the objective of informing all stakeholders. This view is supported by Qua-Enoo (2002:120), whose study found that all international accounting bodies agree that the financial report [annual report] of a company must be relevant to all its users, and that their information needs extend beyond financial statements.

No standard guidelines apart from best practices exist; therefore, additional voluntary information disclosed by a reporting entity should, where possible, be presented according to a theoretical framework for accounting, and adhere to certain qualitative characteristics.

#### **4.4.3 Qualitative characteristics of disclosure**

The *Framework for the preparation and presentation of financial statements* issued by the Accounting Standards Board (ASB) (1991) describes four principal qualitative characteristics of information disclosure that should be adhered to in order for

statements to be useful to users of such information (these principles were also adopted by SAICA in what was known as AC000, though not in specific relation to voluntary disclosure). These four characteristics are to be applied to all information disclosed, and should therefore be applied to all voluntary disclosed information, including information disclosed related to HIV/Aids. These four characteristics are understandability, relevance, reliability and comparability.

Understandability refers to the ability of the various users to interpret the information in the annual report in same way as the compilers intended it to be interpreted. Therefore, information needs to be disclosed in a format that is accessible to those for whom it was designed (Myburgh 2001a:43).

Relevance is defined by Kirk and Siegel (1996:55) as the capacity of information to make a difference in a decision by helping users to form predictions about outcomes of past, present and future events or to confirm or correct prior expectations.

Information is perceived as reliable when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent (Kirk and Siegel 1996:55). It should be noted that Lee (1987:20) states that the apparent insistence of management and reporting accountants that the disclosed information should be expressed in conservative terms [prudence], that is, to understate rather than overstate, results in a dilution and distortion of the truth and may dilute reliability. The fact that voluntary disclosure is not subject to third party verification raises further concerns about reliability.

Comparability refers to the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena (Flynn 1987:10). Conformity between disclosure practices among different organisations, and consistency in applying these disclosure practices from one year to the next by

the disclosing entity enable users to compare information more readily and to improve the quality of their decision-making.

To be useful, any information disclosed by South African companies related to HIV/Aids should preferably be in conformance with the four principle qualitative characteristics described above and based on the needs of the stakeholder groups that use such information. It can reasonably be expected that comparability will be one of the main problems related to current HIV/Aids disclosure, as a result of the lack of a disclosure framework for the disease.

## 4.5 STAKEHOLDERS AND THEIR INFORMATION REQUIREMENTS

### 4.5.1 Introduction

The groups interested in financial reporting are many and varied. When all the individuals and groups with an interest in an organisation are combined, they are referred to as stakeholders. 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. With stakeholders, therefore, there is a potential two-way interactions or exchange of influence. In short, a stakeholder may be thought of as any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organisation.*

Several other authors support the above description by Carrol and contend that the term “stakeholders” goes beyond financial interest, but encompasses any individual

or group that is affected by an organisation (Rubenstein 1992:20; Gray and Gray 1990:34; and Vorster and Lubbe 1993:36 – 38).

Organisational actions, policies and plans and the possible impact of HIV/Aids on an organisation may affect various groups. It is therefore important to investigate these stakeholder groups and their relationships with organisations.

#### **4.5.2 Stakeholder groups**

According to the *Framework for the preparation and presentation of financial statements* adopted by SAICA (1990:9), users of financial statements include investors, employees, the lenders of funds, suppliers, clients, government and the public. Although SAICA refers to the term “users” and not “stakeholders”, it can reasonably be assumed that any group who utilises information that is reported in annual reports will inherently have an interest in the information provided in such reports, and can thus be classified as a stakeholder.

Deegan and Rankin (1996:61) expand on the public as a stakeholder group and describe this group as consisting of, *inter alia*, taxpayers, political parties and community groups. The AAA (1973:7) also includes labour unions as a stakeholder group, a group that will have a large interest in HIV/Aids policies and the practices of South African companies.

The purpose of this study is not to perform a detailed investigation on who stakeholders are, but rather to look at the needs of stakeholder groups. Hence the above comments on stakeholder groups will suffice. The information needs of these stakeholder groups related to HIV/Aids are investigated further below.

#### 4.5.3 Stakeholder group's information needs related to HIV/Aids

It was argued earlier that the annual report of a company, which includes the financial statements, serves as 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, though information needs will differ between the various stakeholder groups. Research related to 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 regarding 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 shareholder understanding and loyalty. It can reasonably be expected that shareholders with insight into the risks posed by HIV/Aids and an organisation's responses to the disease will be 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, and the ability of the employer to provide remuneration, retirement benefits and other fringe benefits. Employees have a direct interest in a company's responses to HIV/Aids, as this group has been found to be the most direct link between the disease and organisations (refer to Chapter 3). It can 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 ability of the company to service its debt. Risks posed by HIV/Aids will probably be more important to this group than company responses to the disease.
- Suppliers' main concern will be the ability of the company to continue business and the ability to pay for products and services. Their main concern would thus be the possible negative impact that the disease may have on the operations and profitability of a company.
- Clients of a company will be concerned mainly about the continuance of the company and the possible negative impact that HIV/Aids could have 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 the contributions a company makes towards the country financially and is increasingly focusing on its contribution in terms of social upliftment, job creation and empowerment. As HIV/Aids represents one of the biggest 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 financial well-being of the company and its impact on the economy to an interest in the effects of the activities of the company on society. Lobby groups are increasingly seeking information on company policies and activities related to the environment, black empowerment, transformation and other socially relevant issues, such as HIV/Aids.
- Labour unions, as representatives of employees, are mainly concerned with company policy regarding 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 related to the treatment of affected employees. The importance of the disease from a labour union point of view is emphasized in the GRI's document (refer to 5.3) which states that a major federation stressed the need to link any HIV/Aids reporting initiative to the negotiations/agreement reached at national level in Nedlac (refer to Chapter 3), 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 regarding a company's social activities. Disclosing such activities forms the basis of what is today known as social accounting.

## **4.6 SOCIAL ACCOUNTING AND VOLUNTARY DISCLOSURE**

### **4.6.1 Introduction**

The social responsibility of organisations and associated disclosure regarding social and environmental issues have been the subject of numerous research projects. See, for example, Belkaoui (1984), Carrol (1993), Deegan (2002), Gray (1993 and 1994), Matthews (1993), Shotter (1994) and Van Niekerk (1998), to name but a few. Most of these authors contend that social accounting and associated voluntary disclosure are areas that have generated interest well beyond the confines of the accounting industry, and that stakeholder groups are increasingly aware of this subject area.

#### 4.6.2 Social responsibility

Increasingly businesses are being asked to exercise social responsibility, contributing more to the well-being of their workers, their customers and their communities. This is referred to by the Financial Accounting Standards Board (FASB 2001:23) as the concept of stewardship.

Drucker (cited in Belkaoui 1984:69) argues that no institution exists by itself or is an end in itself. Everyone is an organ of our society and exists for the sake of society. Business is no exception. Free enterprise cannot be justified as being good for business. It can only be justified as being good for society. This idea is echoed by Wood (cited in Moir 2002:16), who states that the underlying idea of corporate social responsibility is that business and society are interwoven rather than distinct entities.

Moir (2002:18) proposes a definition for corporate social responsibility presented by the World Business Council for Sustainable Development, which describes the term as:

*... the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.*

This definition is used as the basis for studying the activities of business in South Africa related to HIV/Aids, as disclosed in their annual reports.

#### 4.6.3 Social accounting

Gray, Kouhy and Laverns (1995:49) define social and environmental accounting as:

*... the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large. As such it involves extending the accountability of organisations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders.*

Although environmental accounting is referred to separately in the above definition, in one of his later works Gray (2002:1) argues that social accounting could be used as a generic term to cover all forms of “accounts which go beyond the economic” and would include terms such as “employee accounting and reporting”, as well as “environmental accounting and reporting”.

Matthews (1993:64) has a less comprehensive definition of the term and states that social accounting:

*... is the voluntary disclosure of information, both qualitative and quantitative made by organisations to inform or influence a range of audiences. The quantitative disclosure may be in financial or non-financial terms.*

It should be noted that, in certain countries, mandatory disclosure of what would be generally accepted as social accounting is now required (see, for example, Van Niekerk 1998:40), and such information would then contradict Matthews's definition, which argues that one of the characteristics of social accounting is that it is voluntary disclosure.

A broader definition of the term “social accounting” is presented by Matthews and Perera (1995:364) and this definition is used as the basis for this study:

*At the very least, social accounting means an extension of disclosure into non-traditional areas such as providing information about employees, products, community service and the prevention and reduction of pollution. However, the term 'social accounting' is also used to describe a comprehensive form of accounting which takes into account externalities...*

Disclosure related to the impact of HIV/Aids and responses to the disease as part of an organisation's accountability to stakeholders can thus be considered a form of social accounting practices.

#### **4.6.4 Theories to explain social accounting**

Various theories are presented by researchers as rationale for corporate social responsibility and the accompanying social disclosure in annual reports. A brief discussion of some of the main theories is presented below to determine whether HIV/Aids disclosure can be incorporated within these theories.

The *stakeholder theory* argues that a corporation's continued existence requires the support of stakeholders and that their approval must be sought and the activities of the corporation be adjusted to gain their approval. Social disclosure is thus seen as part of the dialogue between the company and its stakeholders (Gray *et al.* 1995:53).

Gray, Owen and Adams (1996:45) expanded on the above stakeholder theory with some sobering thoughts on the motivation for disclosure based on this theory when they state the following:

*Here, the stakeholders are identified by the organisation of concern, by reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interest of the*

*organisation. ... The more important the stakeholder to the organisation, the more effort will be exerted in managing the relationship. Information is a major element that can be employed by the organisation to manage (or manipulate) the stakeholders in order to gain their support and approval, or to distract their opposition and disapproval.*

The above statement describes a situation where an organisation would adhere to the stakeholder theory purely for self-enrichment purposes and may abuse the concept to “manipulate” stakeholders. Whether the above is a true reflection of the reasoning for social accounting and related disclosure has yet to be researched.

The *legitimacy theory* has a lot in common with the stakeholder theory, but has as its main objective the desire to legitimise the activities of an organisation (Lindblom 1994:2). Consistent with the view that organisations are part of a broader social system, the perspectives provided by the legitimacy theory indicate that organisations are not considered to have any inherent right to resources, or, in fact, to exist. Organisations exist to the extent that the particular society considers that they are legitimate, and if this is the case, the society “confers” upon the organisation the “state” of legitimacy (Deegan 2002:292). The legitimacy theory might be seen as a key reason for companies to disclose social information to stakeholders in an effort to obtain legitimacy from society.

The *social contracts theory* is based on the principle that describes society as a series of social contracts between members of society and society itself (Gray *et al.* 1996:37). Moir (2002:19) states that in the context of corporate social responsibility, an alternative possibility is not that business might act in a responsible manner because it is in its commercial interest, but that it is part of how society implicitly expects business to operate. Schocker and Sethi (1973:67) provide a widely cited overview of the concept of a social contract:

*Any social institution – and business is no exception – operates in society via a social contract, expressed or implied, whereby its survival and growth are based on (1) the delivery of some socially desirable ends to society in general, and (2) the distribution of economic, social, or political benefits to groups from which it derives its power.*

In his study of the different theories that could be related to social disclosure, Deegan (2002:288) found that researchers in social accounting relied more on the legitimacy theory than on the stakeholder theory. He does, however, point out that a number of critical reviews on the subject area have been influenced by other theoretical perspectives, such as those presented by, *inter alia*, Marxists and “green” literature. He also argues that the social contract is in essence the basis for the notion of legitimacy (and can thus be related to the legitimacy theory).

All three theories can provide an acceptable framework for reporting on HIV/Aids as part of social disclosure. Not only does the disease affect stakeholder groups such as employees, but it was argued that other groups that are not directly affected have an interest in the impact and responses related to the disease (stakeholder theory). With the legitimacy theory in mind, companies have to “legitimise” their action, or non-action, with regard to the disease to users of the annual report. The social contract theory can be applied on the basis that HIV/Aids is one of the most prominent issues faced by South African society, of which any South African company forms part.

The above discussion was limited to three of the more widely used theories for social accounting, and does not aim in any way to be a detailed investigation. The purpose was merely to describe a more theoretical framework to explain the need for HIV/Aids disclosure.

#### 4.6.5 Voluntary disclosure

Voluntary disclosure is defined by the FASB (2001:5) as any disclosure made, primarily outside the financial statements, that is not explicitly required by GAAP or a Security and Exchange Commission (SEC) rule in the United States of America. South African companies are not bound to adhere to SEC rules, hence, any information not statutorily required by the Companies Act, or the JSE Security Exchange listing requirements, can be considered voluntary if disclosed in the annual report. At this stage any information related to HIV/Aids as disclosed in annual reports can thus be classified as voluntary disclosure by South African companies.

According to De Villiers and Vorster (1995:45), the reasons behind voluntary disclosure can be divided into two main categories: moral reasons and pragmatic reasons. The pragmatic reason for disclosure is described as a perception by management and the board of directors that some advantage can be gained from disclosing certain information. A moral reason might be that disclosure is considered the right thing to do, without any tangible benefits being derived from such disclosure. Both these reasons can be used as a reason for disclosing HIV/Aids risks and responses by organisations. The epidemic is affecting society and the company's workforce, and communicating associated information to stakeholders can be considered morally correct. Moreover, if a company's responses to the disease are comprehensive and socially acceptable, pragmatic reasons may be the main motivation for disclosure, thereby gaining the favour of stakeholders such as employees, labour unions and even government.

Gray (1993:220 – 223) argues that there are numerous reasons for voluntary disclosure or non-disclosure (refer to Table 4.1) below. These reasons are not presented on the basis of a specific theory, but describe more tangible reasons for disclosure, or the lack thereof.

If Gray's (1993) reasons for voluntary disclosure are applied to HIV/Aids they should be considered from two perspectives. Information on HIV/Aids as a risk to the disclosing entity should be distinguished from information related to responses to the disease. HIV/Aids risks have a more negative connotation and as was discussed in chapter 3, these negative effects are varied, and, in most cases, not yet fully experienced by companies in South Africa. Chapter 3 also indicated that companies in South Africa are beginning to respond to the disease. These responses relate mainly to HIV/Aids prevention and treatment among employees. Such action has a positive connotation.

Table 4.1 summarises Gray's (1993) reason for voluntary disclosure or non-disclosure by companies.

**Table 4.1: Reasons for voluntary disclosure or non-disclosure**

	<b>DISCLOSURE</b>
1.	If not done voluntary it will become mandatory.
2.	To legitimise current activity.
3.	To distract attention from other areas.
4.	To develop corporate image.
5.	To build up expertise in advance of legislation.
6.	Positive impact on share price.
7.	Reduction in perceived (company or information) risk.
8.	Political benefits.
9.	Competitive advantage.
10.	Shareholder's and other stakeholder's right to know.
11.	To explain expenditure patterns.
12.	The desire to tell people what the company has done/achieved.
13.	To forestall disclosure by other parties.

	<b>NON-DISCLOSURE</b>
1.	Obverse of the above.
2.	No need/motivation to do so.
3.	Wait and see.
4.	Cost.
5.	Data availability (and related cost).
6.	Secrecy.
7.	Absence of demand for information.
8.	Absence of legal requirement.
9.	Never thought about it.
10.	Prioritising areas of disclosure.

*Source: Gray (1993:211)*

Reasons for disclosing HIV/Aids risk-related information may include the right of stakeholders to be informed, a reduction in perceived risk and that if it is not done voluntarily, it might become mandatory. Reasons for the non-disclosure of HIV/Aids related-risks may include, *inter alia*, that companies do not yet see the need to disclose such risks, are following a wait and see approach, the cost of obtaining information, a lack of available data on the matter or the current absence of a legal requirement to do so.

On the other hand disclosure of responses to the disease (with the exception of finding new markets) may be motivated by all the reasons for disclosure presented by Gray (1993), except for the distraction of attention from other areas and the possibility that such actions may affect the share price of a company. Because of the many reasons in favour of the disclosure of company responses to HIV/Aids, reasons for non-disclosure where responses to the disease have been undertaken will probably only be limited to the prioritising of areas for disclosure as described by Gray (1993).

## 4.7 CONCLUSION

The annual report as a medium for communication between organisations and their stakeholders should present information over and above the minimum statutory requirements to be useful for informed decision-making by users and to meet the needs of stakeholders. This chapter argues that companies have a responsibility towards stakeholders and that there are different theories and reasons why companies should voluntarily disclose information that has an impact on these parties.

In her study of the social responsibility of listed companies in South Africa, Shotter (1994:165) concluded that South African companies are not meeting the expectations of stakeholders with regard to their social responsibilities. Since 1994, various initiatives have been launched to enhance voluntary and social disclosure by organisations, including initiatives related to HIV/Aids reporting. These initiatives are be discussed in the next chapter.

## CHAPTER 5

### RECENT DEVELOPMENTS IN HIV/AIDS REPORTING

#### 5.1 INTRODUCTION

Disclosure of HIV/Aids information by South African companies in their annual reports still remains voluntary. Recent developments in this regard are, however, increasing company awareness of the issue. Although none of the reporting recommendations included in these developments are mandatory, companies are increasingly under pressure to disclose their HIV/Aids policies and practices. Some of these recent developments, with specific reference to HIV/Aids, include the Second King Report on Corporate Governance, the Global Reporting Initiative (GRI) and the proposed development of a reporting framework by the JSE Securities Exchange and SAICA, which might become part of the Exchange's listing requirements.

#### 5.2 THE SECOND KING REPORT ON CORPORATE GOVERNANCE

The King Committee on Corporate Governance was formed in 1992, under the auspices of the Institute of Directors (IOD), to consider corporate governance in the context of South Africa (IOD 2002:7). The committee issued its first report in 1994. A subsequent, revised report, generally known as King II, was issued in 2002. The report goes beyond the financial and regulatory aspects of corporate governance, to address the fundamental principles of good financial, social, ethical and

environmental practices. The report contains a Code of Corporate Practices and Conduct that, *inter alia*, applies to all companies with securities listed on the JSE Securities Exchange in South Africa. The Code is a set of principles. It does not purport to determine a detailed course of conduct for directors (IOD 2002:21). Adherence to the Code and reporting on the degree of compliance is, however, desirable.

King II addresses HIV/Aids in no uncertain terms. The matter is specifically mentioned as part of Section 4, which deals with sustainable reporting. A full page is set aside for HIV/Aids in this section as part of guidelines related to health. The report specifically mentions the lack of business action in South Africa with regard to the disease. It states that (IOD 2002:109):

*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 acknowledges that too little is currently being done by business in the face of the epidemic, and imposes a

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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 related to non-financial information (IOD 2002:36).

### 5.3 THE GLOBAL REPORTING INITIATIVE (GRI)

The GRI is a multi-stakeholder process and it is an independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. Initiated in 1997 by the Coalition for Environmentally Responsible Economies, the GRI became independent in 2002, and it is now an official collaborating centre of the United Nations Environment Programme (UNEP) (GRI 2003:4).

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. Guidelines offered by the initiative address issues related to triple bottom line reporting, and organisations are encouraged to use these guidelines in circumstances that might affect them. The document on HIV/Aids states specifically that although the document was developed with reference to the South African situation, other countries that face similar circumstances with regard to HIV/Aids (notably India, China and Brazil, which are in the early stages of their epidemics) will also be encouraged to provide HIV/Aids reporting (GRI 2003:7).

The document describes 16 indicators on HIV/Aids reporting that have been developed in a multi-stakeholder process. These indicators are arranged under four

headings. These four headings are known as “general performance indicators”. [There are 16 “key indicators”, arranged under the four performance indicators.] These performance indicators and their subsets of key indicators are presented in Table 5.1 below.

**Table 5.1: GRI Reporting Guidance indicators for HIV/Aids**

	<b>GOOD GOVERNANCE</b>
1.	Describe the organisation’s HIV/Aids policy.
2.	Describe the overall strategy for managing the HIV/Aids risk.
3.	Describe extent of preparedness and contingency planning in light of expected HIV/Aids impacts.
4.	Describe how an organisation monitors and reports in terms of indicators 1-3.
	<b>MEASUREMENT, MONITORING AND EVALUATION</b>
5.	Indicate current and projected future HIV/Aids prevalence and incidence rates.
6.	Report current HIV/Aids-associated costs and losses to the organisation.
7.	Indicate total assumed future HIV/Aids-associated costs and losses.
	<b>WORKPLACE CONDITIONS AND HIV/AIDS MANAGEMENT</b>
8.	Describe stakeholder involvement in policy formulation and implementation.
9.	Describe the workplace and workplace-related HIV/Aids programmes and interventions, and the extent to which they maintain a workplace environment respectful of human rights and legal rights.
10.	Indicate total allocated budget dedicated to HIV/Aids programmes per annum.
	<b>DEPTH/QUALITY/SUSTAINABILITY OF PROGRAMMES</b>
11.	Detail the organisation’s VCT programme.
12.	Describe other support and counselling programmes.
13.	Describe the organisation’s HIV/Aids education and training programmes.
14.	Describe the organisation’s condom and femidom distribution programmes.
15.	Describe the organisation’s general health care and wellness provision.
16.	Describe additional benefits and support for employees infected.

*Source: GRI (2003:11 – 16)*

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The above guidelines represent the most comprehensive and detailed framework available for HIV/Aids reporting at this stage. The HIV/Aids reporting document also includes recommendations for inclusion under each of the 16 indicators mentioned. The work done by the GRI is commendable and offers a much needed basis to work from in the process of developing a comprehensive and comparable reporting framework for HIV/Aids reporting.

When they are assessed critically, the above guidelines do, however, have certain shortcomings. To enable stakeholders to understand the reasoning behind HIV/Aids reporting, one would expect the reporting entity to give an indication of the current and expected impact that the disease will have on the organisation as a starting point for disclosure. As indicated in Chapter 3, different sectors in the economy are affected to different degrees by the disease, and, hence responses and disclosure of this impact will differ.

Indicator 5, dealing with prevalence and future estimates, may also be problematic to adhere to, as testing is governed by legal requirements (refer to Chapter 3) and future estimations may be very subjective. Prevalence disclosure as part of the above framework is also limited to employees in the organisation and fails to address prevalence in the geographical area in which the company operates, and more importantly, the impact of the disease on the organisation's customer base. The importance of community involvement related to HIV/Aids also warrants separate disclosure.

HIV/Aids-associated costs, addressed as part of Indicators 6 and 7, may also be a contentious issue for reporting organisations. While expenditure on HIV/Aids programmes may be relatively easy to determine, assessing losses and future losses due to the disease may prove to be more difficult. Assessment of such losses will only be useful to users of the information if the calculation of such figures is based on a comparable and generally accepted method which will decrease subjectivity in the calculation thereof.

The report also gives some guidelines for smaller companies to report on HIV/Aids. As was seen in the previous chapter, smaller companies tend to pay less attention to the HIV/Aids epidemic than larger employers. The basic indicators for smaller companies, as set out in Table 5.2 below, are considered a very positive development.

**Table 5.2: GRI Reporting Guidance for first time reporters in small or low-capacity organisations.**

Indicator	Response
1. Does the organisation have an HIV/AIDS policy? (Please attach copy)	YES/NO
2. Is there a strategic plan to manage the current and future impact of HIV/AIDS on the organisation?	YES/NO
3. Has the organisation involved stakeholders in the planning and implementation of the response to HIV/AIDS?	YES/NO
4. Has the organisation arrived at an HIV/AIDS prevalence rate for the workforce?	YES/NO
5. What is the organisation's estimated HIV/AIDS costs/losses for the current year in terms of: 5.1. The cost of programmes in questions 6-9 below 5.2. Other costs/losses arising from HIV/AIDS	R..... R.....
6. Does the organisation have HIV/AIDS awareness/education/training programmes for its workforce?	YES/NO
7. Does the organisation have a VCT (Voluntary Counselling and Testing) Programme for its workforce?	YES/NO
8. Does the organisation have HIV/AIDS prevention interventions such as behaviour change interventions, STD-treatment assistance, and a distribution programme for: 8.1. Behaviour change programme 8.2. STD-treatment assistance 8.3. Condoms 8.4. Femidoms	YES/NO YES/NO YES/NO YES/NO
9. Does the organisation have programmes to assist workforce members who are AIDS sick?	YES/NO
10. Does the organisation provide anti-retrovirals to HIV positive employees, or those who are AIDS sick?	YES/NO

Source: GRI (2003:17)

The above offers a good starting point for smaller organisations, but the shortcomings described with regard to the more comprehensive indicators set out in Table 4.2 also apply to these guidelines. This study aims to make recommendations to enhance the above framework.

## 5.4 SAICA/JSE HIV/AIDS REPORTING INITIATIVE

### 5.4.1 Introduction

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. The JSE Securities Exchange announced in 2002 that it was investigating the introduction of listing requirements for all companies on the Exchange to report on HIV/Aids. The proposed reporting requirements received a lot of media attention at the time, with contradictory reports on certain disclosure items, most notably the prevalence rates per company and the financial quantification of HIV/Aids risks.

In a letter dated 18 December 2002, distributed to all listed companies, the JSE Securities Exchange clarified the issue and indicated that prevalence rates and financial quantification of HIV/Aids risks will not be required. (A copy of the letter is attached as **Annexure A**.) SAICA also made some progress on the matter, issuing a draft document for public discussion in December 2004.

### 5.4.2 JSE Securities Exchange

The JSE Securities Exchange notes in its letter that listing requirements expect companies to indicate the extent to which they comply with the second King Report, and notes that the report does address the issue of HIV/Aids. Enquiries made to the JSE Securities Exchange in March 2004 indicated that the letter (**Annexure A**)

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represents the only correspondence on the issue of HIV/Aids disclosure to date. A follow-up enquiry in April 2005, made to the deputy Chief Executive Officer of the JSE Securities Exchange, confirmed that no further developments had occurred related to this issue.

Slow progress seems to have been made with regard to the JSE/SAICA Working Committee on HIV/Aids disclosure, and although the letter encourages companies to comply with King II on the issues of HIV/Aids, companies seem to remain in the dark as to what is expected of them in this regard. King II offers very little guidance as to what is expected as part of the requirement of reporting regularly on HIV/Aids to stakeholders. (Refer to 5.2 for a discussion on the second King Report).

#### **5.4.3 South African Institute of Chartered Accountant (SAICA)**

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 called *Corporate Governance and HIV/Aids* by SAICA (2004). The document was issued as part of its technical information guides offered to members.

The document discusses risk management, with specific reference to the King II Report, and relates these risks to HIV/Aids. Legal compliance related to HIV/Aids is also addressed. Of the 37 paragraphs in the document 15 paragraphs deal with disclosure and three with reporting. Some aspects of the document will now be discussed in more detail.

The document sets out what SAICA (2004:par.20) calls “general principles of disclosure” dealing with the following:

- the *process* of managing the HIV/Aids risk;
- efforts to *prevent* HIV infections;

- 
- *material risk* and the associated *measures* to address them; and states that
  - disclosure should not necessarily include an estimation of the prevalence rate for an organisation or monetary values related to risk evaluation.

No detail is given in the document as to what should be disclosed as part of the process of managing the risk of HIV/Aids, though the process of risk management in general is summarised in Paragraph 9. It entails identifying, measuring, managing and monitoring risks. It can reasonably be expected that the process described in Paragraph 9 should be applied to risks associated with HIV/Aids. It is clear from the document that quantification is not a priority at this stage. Measuring, as part of the HIV/Aids risk management process, would relate to the impact of the risk, and would not necessarily entail any reference to the monetary implications of the risk (refer to SAICA 2004:par.28).

Efforts to prevent HIV infections are also not discussed in detail, but responses to enhance prevention could possibly be disclosed as part of this disclosure section. Under material risk and associated measures, SAICA lists what it believes to be the most important risks that stakeholders need to understand. These eight risks are (SAICA 2004:par.25):

- operational risk;
- absenteeism risk;
- cost of employment risk;
- credit risk;
- target market risk;
- supplier/business partner risk;
- legal risk; and
- health risk.

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The document recommends that organisations look at the above risks (as applicable to their circumstances) and describe them to stakeholders in conjunction with the strategies the organisations use to minimise these risks. Most of the above risks were discussed in Chapter 3 as part of the impact of HIV/Aids on business in South Africa.

It is, however, unclear from the document what is meant by the term “operational risk”, as almost all of the other seven risks mentioned can have a direct or indirect impact on operations. The example given as part of operational risk discusses absenteeism and staff mortality (SAICA 2004:par.27). This may be a source of confusion as absenteeism is listed as a separate risk, and staff mortality has a direct influence on the cost of employment risk (death benefits and the cost of training new employees, for example).

Another example of a possible contradiction in the eight risks relates to the example given for health risk in the document. It describes the enforcement of sick leave allowances for staff members with infectious diseases. Sick leave allowances may have a stronger relationship with legal requirements, as HIV/Aids is not a notifiable disease in South Africa, and enforcement of policies due to an employee’s HIV status may be in contravention of the Constitution.

Although this is a discussion document, the importance of developing a generally accepted disclosure framework which gives guidance to organisations on the content of disclosure, cannot be underestimated.

Another area of the document that needs further attention is that all the risks discussed and the associated strategies relate purely to issues from a business perspective and fail to address social issues beyond the organisation (refer to Chapter 4 for a discussion on the social responsibility of organisations and their involvement in the communities in which they operate).

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The three paragraphs on reporting are disappointing, as they are a shortened summary of the GRI guidelines discussed in 5.3 of this chapter, without any additional comments or recommendations.

Apart from the areas of possible improvement in the SAICA document, and bearing in mind that the document is only a draft for public comment, it is a positive development in the process of enhancing awareness of HIV/Aids in the business environment and an important step in the process of working towards an acceptable framework for disclosure.

## 5.5 CONCLUSION

HIV/Aids is an issue that affects not only shareholders, but also numerous other stakeholder groups. The importance of the disease as a social issue in South Africa that should be addressed and reported by companies is highlighted by recent developments such as the King II Report, the GRI guidelines, the SAICA draft document for comment on corporate governance and HIV/Aids, and the proposed listing requirements by the JSE Securities Exchange.

Although none of the above insists on mandatory disclosure, it is expected that South African companies will increasingly report on the disease from a social and voluntary perspective. An empirical investigation into HIV/Aids reporting by listed South African companies over the last few years therefore yields valuable information as to current disclosure practices and assists in the process of developing a generally accepted reporting framework.

The results of this study are used to provide input to all parties discussed in this chapter.

## CHAPTER 6

### RESEARCH METHODOLOGY

#### 6.1 INTRODUCTION

In Chapter 3 the impact of HIV/Aids on business in South Africa has been investigated and it refers to a number of studies on the impact and responses of organisations to the disease. The chapter concluded that the disease is increasingly affecting organisations operating in South Africa. It found that a number of these organisations are acknowledging the impact of the disease and are responding to it in various ways.

Stakeholders have an interest in the risks and responses that arise from the disease. Chapter 4 investigated the science of accounting and the annual report as a communication medium between an organisation and its stakeholders. The various theories related to social accounting and voluntary disclosure were highlighted and it was argued that HIV/Aids risks and responses should be disclosed by organisations in the annual report within the theoretical framework covered in the chapter.

Recent developments in South Africa related to HIV/Aids reporting were investigated in Chapter 5, which indicates that the issue is moving into the spotlight as a relevant and contentious issue.

To enhance knowledge on the topic of HIV/Aids reporting in annual reports, the remainder of this study focuses on an empirical investigation of voluntary HIV/Aids

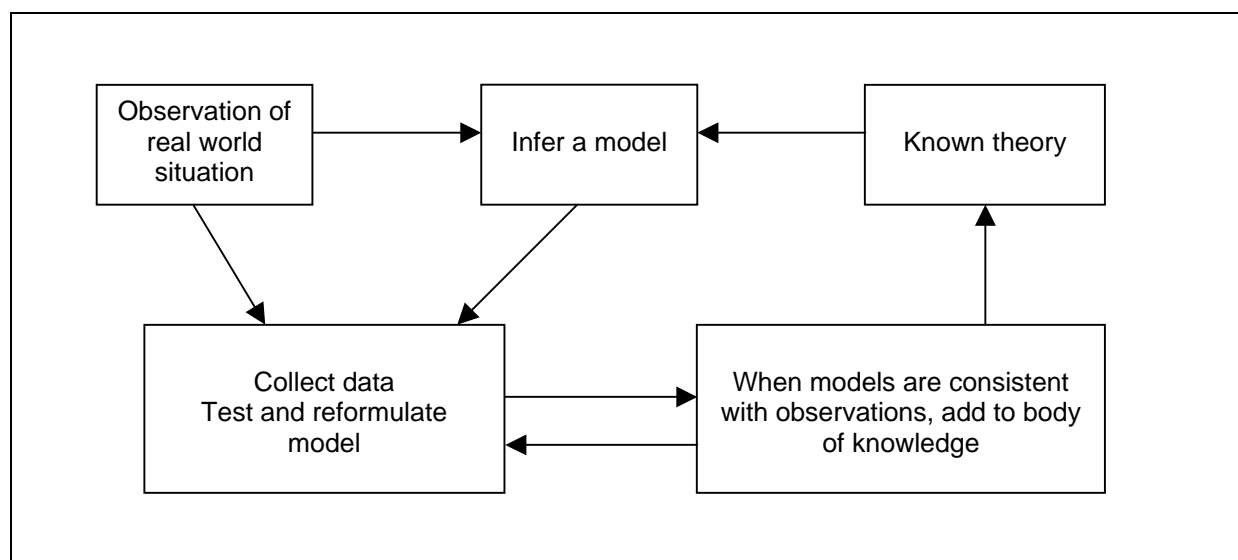
reporting by companies listed on the JSE Securities Exchange over a six-year period, from 1998 to 2003.

## 6.2 RESEARCH DESIGN

The data collected were analysed to determine whether the reporting practices employed by organisations in the selected period can be linked to the theoretical framework discussed in the first part of this dissertation.

In this approach, Trickers' (1978) feedback model of accounting research was used (cited in Inanga and Schneider 2005:232 – 233). The approach is presented in figure 6.1 below.

**Figure 6.1: Trickers' feedback model of accounting research**



*Source: Inanga and Schneider (2005:232)*

In the above approach, the researcher observes the real world situation and in the light of known theory, formulates a model, checking 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).

### 6.2.1 Research objectives and hypotheses

HIV/Aids reporting by companies listed on the JSE Securities Exchange was investigated. This was done to determine whether companies communicate the risks posed by the disease and their associated response in their annual reports.

As a secondary objective the lack of a consistent framework for reporting on HIV/Aids in annual reports was addressed in order to recommend a framework for HIV/Aids reporting by listed companies. This recommendation aims to not only to give guidance to companies with regard to HIV/Aids reporting, but will also enable users of financial statements to evaluate the impact of the disease on companies better.

Hypothesis testing was used to investigate these aspects related to the research objective of the study, as described above:

#### *Hypothesis 1:*

*Subject: An investigation into current voluntary HIV/Aids disclosure by South African companies listed on the JSE Securities Exchange for the period from 1998 to 2003.*

- |    |  |
|----|--|
| H0 | There is a high level of voluntary HIV/Aids disclosure by companies for the period under review. |
| H1 | There is a low level of voluntary HIV/Aids disclosure by companies for the period under review.  |

#### *Hypothesis 2:*

---

*Subject: A comparative investigation into changes in voluntary HIV/Aids disclosure by South African companies listed on the JSE Securities Exchange for the period from 1998 to 2003, as HIV/Aids prevalence increased in the South African population.*

- H0 There is no increase in the level of voluntary HIV/Aids disclosure by companies for the period under review, even though prevalence levels of the disease in the South African population has increased dramatically.
- H1 There is a noticeable increase in the levels of voluntary HIV/Aids disclosure by companies for the period under review as prevalence levels of the disease in the South African population has increased dramatically.

*Hypothesis 3:*

*Subject: Where there is voluntary HIV/Aids disclosure by companies in their annual reports, the information is expected to be mainly presented as a human resources issue.*

- H0 Voluntary HIV/Aids reporting is not disclosed as only a human resources issue in the annual reports of companies that disclose HIV/Aids information.
- H1 Voluntary HIV/Aids reporting is disclosed as only a human resources issue in the annual reports of companies that disclose HIV/Aids information, and additional risks and the impact of HIV/Aids is not described.

*Hypothesis 4:*

*Subject: An investigation into the number of companies that disclose their strategies to deal with the impact of HIV/Aids on the company.*

- 
- |    |   |
|----|---|
| H0 | The majority of companies that voluntarily disclose HIV/Aids information in their annual reports also refer to a strategy to address the risks posed by HIV/Aids. |
| H1 | The minority of companies that voluntarily disclose HIV/Aids information in their annual reports also refer to a company strategy to deal with HIV/Aids.          |

*Hypothesis 5:*

*Subject: An investigation into the impact of the King II Report on Corporate Governance on HIV/Aids disclosure by companies listed on the JSE Securities Exchange.*

- |    |   |
|----|---|
| H0 | HIV/Aids disclosure in annual reports increased substantially after King II was issued when compared to previous years. |
| H1 | HIV/Aids disclosure levels remained unchanged after King II was issued when compared to previous years.                 |

### **6.2.2 Data selection**

The study reviewed the annual reports of all companies listed on the JSE Securities Exchange as on 31 December of each year for the period from 1998 to 2003 for HIV/Aids information. Companies that did disclose information on HIV/Aids were investigated further.

### **6.2.3 Research method**

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 data base is the fact that the data base consists of full electronic copies of annual reports, and not only the financial statements included in these reports. It is expected that HIV/Aids information would be found in parts of the report other than the 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 where the words appear were analysed for content.

The information was then processed per company (where there is 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 six-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 to the conclusion reached on the basis of the literature review in Chapters 2 to 5 as to the risks presented by HIV/Aids and associated responses. A conclusion was reached as to 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 in Chapter 8

#### **6.2.4 Classification scheme**

The information provided in Chapter 3 was used in conjunction with the GRI framework to identify aspects that companies might report on to their stakeholders. It was important to include both risks and responses, and also to identify disclosure about social involvement related to the disease from a non-business point of view. This information was used to construct a classification scheme. A classification scheme for social disclosure is described by Milne and Adler (1999:240 – 241) as *“defining a set of boxes into which to put data”* and devising a set of rules about how and what to code, measure and record from the data to be classified.

The scheme was divided into ten main categories. Each of these categories and the reasoning behind its inclusion in the scheme is briefly explained below. A copy of the classification scheme is attached as **Annexure B**.

*1 Acknowledging the impact of the disease*

The first step for any organisation in determining the impact of the disease and developing a response strategy is to acknowledge the impact of the disease. As Chapter 3 indicates, the disease has an impact on various aspects of an organisation.

This category indicates four questions, related to an acknowledgment of the impact of the disease on employees, customers, the South African community and shareholders and shareholder perceptions. This category thus aims to determine whether an organisation discloses any information that shows the impact on these four stakeholder groups. All four questions are limited to a positive or negative response only. Refer to Chapter 4 for a discussion of the different stakeholder groups and how the disease affects them.

*2 Cost implications*

This category contains six questions. The questions were designed to determine disclosure related to current costs and losses related to the disease, possible future costs and whether the disease affects the results of the organisation.

Question 10 (the fourth question in this section) addresses the important issue of disclosure related to the basis of calculating costs, where such costs have been disclosed. As discussed in this study, there is still a great need for a

consistent and well-defined method of quantifying the monetary impact of the disease.

The last two questions in this category deal with possible adjustments to the disclosing entity's business model to limit the impact. The last question also addresses the two main cost areas that are relatively easy to acknowledge an impact on: post-retirement benefits and medical liabilities. Refer to Chapter 3 for a discussion on literature that indicates changes in these two benefits categories, compared to the difficulty of determining the cost of lost productivity, training, and so on.

The question was specifically included with the objective of determining whether companies will disclose the cost implications of the disease for areas that can be determined relatively easily.

### 3 *Research into the disease*

Two questions were included to determine whether organisations disclose any information related to research into the impact of the disease, and funding related to such research activities.

### 4 *Company policy regarding HIV/Aids*

To manage the disease properly, an entity should have a clear policy on HIV/Aids and issues related to the disease. Three questions are included in this category. The first question addresses the existence of a company policy and the areas included in the policy, while the second question aims to determine whether stakeholders were involved in formulating the policy.

The last question in this section deals with the level of involvement of stakeholders in reviewing the policy where it exists. If the audit/governance

committee reviews the policy, it might be an indication that HIV/Aids is given the necessary attention at the highest level of the organisation. Other options are also included in this question, and where no disclosure is made or no review or approval is indicated, it is assumed that the policy would have been reviewed and the entity would have been included as part of “other”.

### 5 *Management strategy*

The category dealing with management’s strategy aims to determine disclosure in annual reports by senior management on how they plan to respond to the disease and thereby mitigate some of the risks associated with the disease. Four questions are posed in this section. The first question tries to determine whether there is an overall strategy in place and whether it is reported. The rest of the questions address contingency planning, the monitoring of the plan and whether reporting to management on contingency planning occurs.

### 6 *Infection rates*

An assessment of the current infection rates, particularly amongst employees, may assist an organisation to assess the internal impact of the disease. This section addresses the issue of whether or not companies give an indication of the current HIV/Aids prevalence and incidence rates in the company. If such rates are disclosed, they are divided into categories, using the national averages as published by the South African Department of Health. The year of disclosure is compared to that year’s national prevalence figure. These figures appear in Chapter 2 of this study.

The category also addresses possible future prevalence and incidence rates amongst employees.

### 7 *Awareness programmes*

As was discussed in Chapter 3, awareness programmes as a preventative intervention in fighting the disease remains one of the most effective and widely used responses by companies in South Africa (refer to Chapter 3 for a comprehensive discussion on awareness programmes and current trends related to such programmes by South African business). Because of the importance of these programmes as a response method, and the fact that surveys indicate that they are widely in use, seven questions are dedicated to this category.

The questions aim to determine whether companies disclose information related to awareness programmes where they are in use, and tries to determine the scope of such programmes by evaluating union involvement, budgets and the types of awareness programmes used.

### 8 *Voluntary testing and counselling*

The benefits of voluntary testing and counselling were discussed in Chapters 2 and 3. Three questions are included to determine whether the disclosing company has such a programme, if yes, how many people are involved (have used the facility) and whether the company confirm the benefits of running such a programme.

### 9 *Other projects*

This section deals with company strategies to respond to infected persons, both employees and members of the wider community. The four questions deal with wellness provision through means other than the medical aid, additional benefits to infected or deceased employees, community-based programmes and the provision of anti-retroviral (ARV) therapy.

Any involvement in community-based HIV/Aids projects is also included in this section, whether through donations or any other form of support.

#### 10 *General*

Two questions were included to determine whether the disclosing company reports on whether it compares its HIV practices and policies to best practices (local or international) and whether the company has a separate committee that deals with HIV/Aids strategy.

Apart from the company name and the JSE Securities Exchange sector code requested by the classification scheme, 37 questions related to HIV/Aids disclosure were used for the analysis.

#### **6.2.5 Data preparation, processing and interpretation**

A post-graduate research assistant was employed to do the content analysis and code the results thereof. The information gathered from the analysis of the financial statements was summarised in 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, first, of the reliability of the results produced, and, second, of the reliability of the coding instrument itself. They recommend the following courses of action:

- To address the reliability of the results produced, there are two options. The first is the use of multiple coders for the same data, comparing results, and

either reporting that the number of discrepancies between them were few, or that the discrepancies have been re-analysed and the differences resolved. Alternatively, a single coder could be used, and the reliability of coding decisions can be determined based on 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 well-specified decision rules that will enable relatively inexperienced coders to correctly interpret data.

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, were selected. The post graduate coder, the author of this study 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 based on the classification scheme.

The results of all three parties were compared and very few discrepancies were identified. The few discrepancies identified were resolved by re-analysing the applicable data. In addition to this approach, the author of this study continually selected ten 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 the format of a questionnaire, with different options included in the questionnaire for questions that might have various options. This was done to ensure that the coder needed to do as little interpretation of what is meant in the classification scheme as possible.

The results of this process, and the associated interpretations, are discussed in the next chapter.

### 6.3 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 2003. 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 also increases. Although every effort has been made to reduce the possibility of such errors, they may still be present to a limited degree. It should also be taken into account that content analysis remains subject to some degree of subjective interpretation.

Most studies into voluntary social disclosure review the quality of such disclosure, in most cases using the criteria of the number of words or sentences allocated to a topic or the position of a topic in the annual report (see, for example, Beattie *et al.* 2004; Cormier and Gordon 2001; Deegan 2002; and Gray *et al.* 1996). These studies assume that the amount of disclosure or position in the annual report are a proxy for the quality of such disclosure. Beattie *et al.* (2004:210) refer to such studies as “disclosure index studies”.

This study was limited to a “thematic content analysis”. A thematic content analysis 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).

As stated above, this study was limited to a thematic content analysis on HIV/Aids disclosure only. Quality analysis of HIV/Aids disclosure provides a promising avenue for further research once a reporting framework has been recommended.

It should also be noted that no attempt was made to eliminate the effect of companies in groups that could have similar disclosure practices.

## **6.4 CONCLUSION**

This chapter explained the research design, research objectives and hypotheses, data selection, research method, classification scheme, data preparation, and the processing and interpretation limitations of this research study.

The focus of the next chapter is the results of the thematic content analysis, performed using the classification scheme described in this chapter.

## **CHAPTER 7**

# **ANALYSIS OF RESULTS RELATED TO VOLUNTARY HIV/AIDS DISCLOSURE IN SOUTH AFRICA**

### **7.1 INTRODUCTION**

This chapter focuses on the results obtained from an empirical investigation into voluntary HIV/Aids disclosure by companies listed on the JSE Securities Exchange for the six years from 1998 to 2003. The research method has already been discussed in the previous chapter of this study.

The format of this chapter follows the structure of the classification scheme used to analyse the annual reports. The classification scheme is set out in a questionnaire format, and a short background on the inclusion of each question is provided. The results of some of these questions are then discussed utilising percentages and applicable direct deductions from these results. Graphs, tables and charts are utilised where the use of such tools allow for easier interpretation of the results.

The results are analysed to reach a conclusion in the next chapter that corresponds with the problem formulation and hypotheses described in Chapter 1 and Chapter 6. Chapter 8 also includes a proposed framework for the future disclosure of HIV/Aids in annual reports.

## 7.2 RESULTS OBTAINED

Only companies listed on the JSE Securities Exchange on 31 December of each year under investigation were included in the study. The annual reports of all these companies were analysed for any disclosure related to HIV, Aids or HIV/Aids.

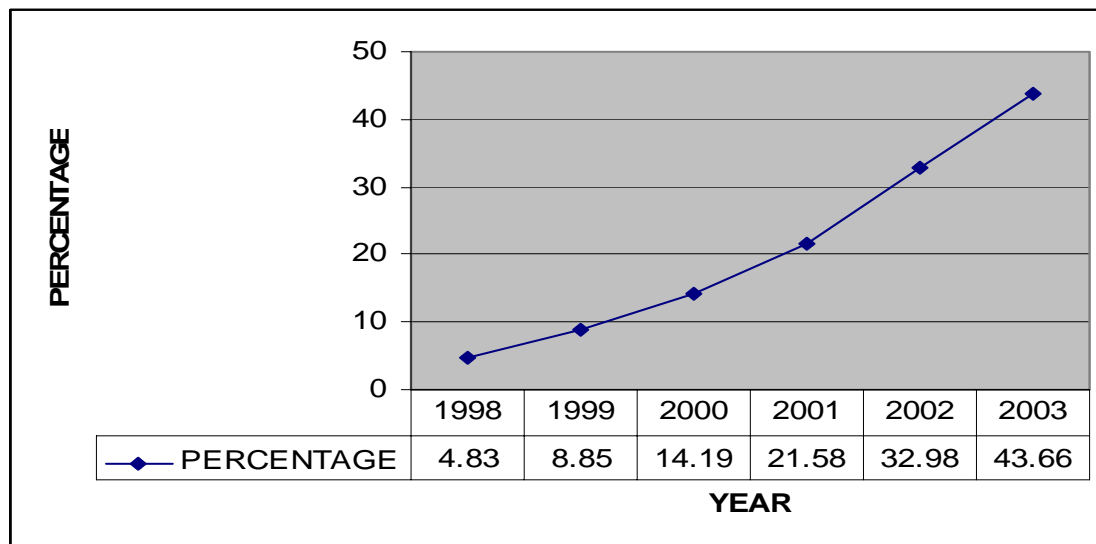
The total number of companies listed for each year and the number of companies in whose annual reports the words HIV, Aids and/or HIV/Aids appeared is indicated in Table 7.1 below. **Annexure D** contains a list of all these companies per year investigated.

**Table 7.1: Number of companies listed on 31 December from 1998 to 2003**

Year	Number of companies listed	Number of annual reports in which the words HIV, Aids and/or HIV/Aids appear
1998	642	31
1999	644	57
2000	592	84
2001	519	112
2002	450	148
2003	426	186

*Source: JSE Securities Exchange (2005)*

When the above data was processed to calculate the percentage of listed companies disclosing information on HIV, Aids or HIV/Aids in their annual reports for each of the six years included in this study, the following results, as summarised in Figure 7, were obtained.

**Figure 7.1: Percentage of listed companies reporting on HIV/Aids**

From Figure 7.1, it is clear that there has been a dramatic increase in HIV/Aids disclosure for the six-year period under review. At the end of 2003, almost half of all the listed companies referred to the disease somewhere in their annual reports, compared to a meagre 4.83% that did so at the end of 1998. Over the set period, prevalence rates for the disease increased from 22.8% to 27.9% in South Africa.

The increase in reporting can be attributed to the increasing prominence that the disease has in South African society, and the increasing impact it is having on South African companies.

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 (see Table 7.1) would represent 100% for their respective years, unless stated otherwise. The objective of this study was to propose a reporting framework, and it would thus only

be meaningful to look at companies that currently voluntarily disclose information about the disease to determine what aspects these companies give prominence to.

The data worksheet used for the classification scheme is attached as **Annexure C**. This is done for referencing purposes, relating to certain questions that distinguish between direct or implied disclosure. As this chapter aims to provide a general summary of the results, all implied disclosure is included as direct disclosure.

### 7.2.1 Acknowledgement of impact

Over the past few years the impact of HIV/Aids on business has become clearer and the negative effects are increasingly being felt by companies operating in South Africa. Chapter 3 of this study investigated the disease's impact on business and concludes, among other things, that the disease is beginning to be reflected in company operations, mainly through higher labour costs. This trend is set to accelerate as the disease progresses to its final stage among individuals currently infected. Apart from labour, other possible areas of impact, including the consumer market and the South African community at large, were also identified.

The disease has a negative impact on business. Any issue that may affect an organisation adversely would be of importance to the users of its annual report for decision-making purposes. Acknowledging the impact may also be the first step toward determining a response strategy, and thus the issue of HIV/Aids is of the utmost importance for both the reporting entity and the users of the annual report.

Four questions were included under this section of the classification scheme (see **Annexure B**). The first question deals with disclosure related to the acknowledgement that HIV/Aids has an impact on employees. The next two questions address disclosure related to any impact on customers and the South African community respectively. The last question posed in this section was whether the reporting entity acknowledged the fact that HIV/Aids has an impact on its

shareholders and/or shareholder perceptions. The results for this section are summarised in Table 7.2 below.

**Table 7.2: Percentage of disclosing companies acknowledging the impact of HIV/Aids on employees, customers, the SA community and shareholders**

Year	Number of disclosing companies	Employees	Customers	SA Community	Shareholders and/or shareholder perception
1998	31	61%	29%	42%	0%
1999	57	65%	12%	75%	2%
2000	84	57%	23%	80%	0%
2001	112	61%	23%	79%	3%
2002	148	83%	21%	74%	5%
2003	186	90%	28%	61%	6%

An analysis of the above table produces some interesting results. Whereas it was expected that employee impact would be a prominent disclosure subject area, based on the literature review performed in Chapter 3, it shares prominence of disclosure with the impact on the South African community (90% and 61% respectively in 2003).

In 1998, 2002 and 2003 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 disclosed more often by companies disclosing information on HIV/Aids.

Based on disclosure practices, the impact of the disease on employees and the South African community seems to be of the most concern to companies, and it is an issue they feel should be communicated to the users of their financial statements.

Disclosure on these two areas of impact was almost consistent among more than 50% of the disclosing companies for all six years under review (except for 1998, when only 42% of the disclosing companies disclosed information on the impact of the disease on the South African community).

Disclosure related to the impact on customers remained relatively constant in the 20% to 30% range, except in 1999 when it was 12%. This lower disclosure rate compared to employees and the community might have been expected, as the impact on consumers was less likely to be felt directly by reporting entities for the period under review, compared to the impact on employees. The prominence of the disease as a contentious issue in the South African community is the most likely reason for the relatively high disclosure rate related to the impact on the South African community. As spending patterns begin to change and disposable income is reduced as a result of the disease (refer to Chapter 3), customers will most probably see increased disclosure.

The impact on shareholders and/or shareholder perceptions was subject to no or negligible disclosure for the period under review. Although the literature reviewed in Chapter 3 indicates that local and foreign investors are aware of the disease as a risk in South Africa, very little is known on perceptions related to the disease from a shareholder perspective. The non-institutional shareholders, who are most likely also to represent a part of the South African population which, due to its wealth and social standing, may be less likely to suffer from the detrimental effects of the disease.

### **7.2.2 Cost implication**

The costs associated with HIV/Aids remain an area that needs much more research. In Chapter 3, areas where increased costs can be expected as a result of the disease were investigated, and several studies were also reviewed - notably the Boston University's Center for International Health and Development (2003) study - that aimed to quantify such costs. In investigating disclosure related to the cost

implications of the disease, any indication of any influence on costs was included, whether it was quantified or not.

Very few of the disclosing companies attached a monetary value to such cost, with the notable exception of companies in the insurance industry, where increases in future provisions attributed to HIV/Aids were in some cases attached to a monetary value. The highly publicised increase in costs for the mining industry (refer to Chapter 3), where US Dollar increases in costs per ounce were released, were also an exception.

Companies that reported on current HIV/Aids associated costs and losses to the organisation in 1998 represented 10% of 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 and dropped further to only 2% in 2003.

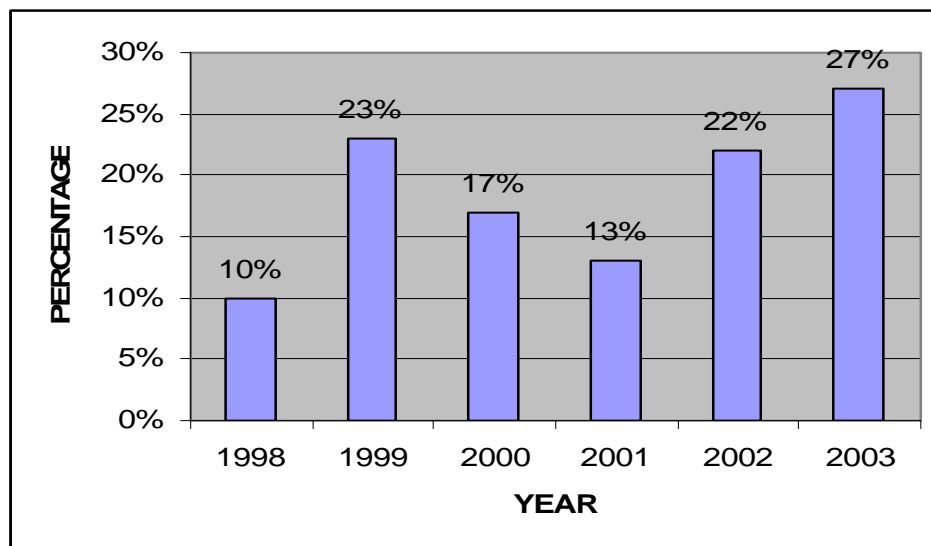
Very few companies disclosed information related to the expected future costs and losses associated with HIV/Aids. For the four-year period from 1998 to 2001, the percentage of companies disclosing such information was between 12% and 16%. As with current costs, the figure dropped to 9% in 2002 and declined to 4% in 2003. The reasoning behind these material decreases in disclosure regarding current and future costs is yet to be determined.

In 2001, 2002 and 2003, the question of whether the disease will have a potential monetary impact on the company in future, around 13% of companies disclosed that it possibly would. On the issue of whether the disclosing entity planned to determine such an impact through a future study, no company indicated such action in 1998 or 1999. A negligible percentage of companies disclosed such plans in the following years. Figures for those years are 1% (2000), 2% (2001), 3% (2002) and 2% (2003).

The majority of companies that do give an indication of costs (whether current or future), as well as the basis for their calculation, do so using models from the Actuarial Society of South Africa (ASSA).

The results for companies that reported that changes were introduced to their business models to pre-empt the possible effects of HIV/Aids on their activities are indicated in Figure 7.2.

**Figure 7.2: Percentage of companies disclosing changes introduced to their business models to pre-empt the possible effects of HIV/Aids**



When analysing Figure 7.2, it is interesting to look at the relationship between the percentage of companies disclosing that changes were made to their business model to pre-empt a possible future impact on results, compared to disclosing the potential impact on results. In 1998, 16% of the population indicated that the disease will have an impact on their results, but only 10% described changes in the business model to address the impact. For subsequent years it was 7% (23%) for 1999, 5% (17%) for 2000, 14% (13%) for 2001, 16% (22%) for 2002 and 16% (27%) for 2003. (The first percentage indicates the disclosure of a potential impact, while the percentage in

brackets refers to the disclosure of changes to the company's business model directly associated with HIV/Aids.)

Except for 2001, disclosing companies in the population consistently disclosed more information related to HIV/Aids than associated changes to the business model, without describing the possible impact on the company's results that necessitated the change. This is an area that needs more attention in the disclosure of practices related to HIV/Aids, as users would be interested in knowing the rationale for business model changes.

Part of labour cost to a company comes in the form of the fringe benefits it offers. Some of these benefits are subject to the effects of HIV/Aids, for example, post-retirement benefits, such as pensions and medical liabilities through contributions to medical aids. The issue of disability benefits to employees who can no longer work due to the onset of Aids is also a prominent labour cost (refer to Chapter 3 for a discussion on benefits and HIV/Aids). Table 7.3 summarises such disclosure related to the impact of the disease on these benefits, which inevitably also leads to increased costs.

**Table 7.3: Indication of impact on costs associated with certain benefits**

Type of benefit	1998	1999	2000	2001	2002	2003
Post-retirement benefits (1)	3%	2%	0%	1%	1%	0%
Medical liability (2)	3%	5%	1%	6%	1%	2%
(1) + (2)	0%	0%	2%	0%	1%	1%
1 + Disability insurance	0%	0%	0%	0%	1%	2%
<b>TOTAL FOR BENEFITS</b>	<b>6%</b>	<b>7%</b>	<b>4%</b>	<b>7%</b>	<b>4%</b>	<b>4%</b>

From Table 7.3 it is clear that in the exceptional circumstances where companies do report on the impact of HIV/Aids related to benefits, such disclosure deals mostly with medical liabilities. Disclosure on any of these benefits is, however, negligible and any

form of disclosure related to post-retirement benefits, medical liabilities and/or disability insurance never exceeded 7% for the population. This is a worrying trend, as this represents the first major direct cost impact that should be felt by an organisation. This impact area should also be easier to measure than an indirect cost such as a decline in productivity.

In disclosing cost implications, it is clear that little is disclosed in this regard. This may be an indication of a lack of research into the cost implications of the disease. If such information exists and has been obtained through proper research, companies may disclose this to stakeholders in their annual reports.

### **7.2.3 Research into HIV/Aids**

Two areas associated with the disclosure of HIV/Aids research activities were investigated. Firstly, the annual reports included in the population were scrutinised for an indication that the reporting company is funding or doing research on the impact of the disease on employees, customers and/or the company's operations. Secondly, they were scrutinised to see whether any disclosure of research funding for HIV/Aids was also recorded. As discussed in Chapter 3, the importance of research into HIV/Aids by business in South Africa cannot be underestimated. Only through research will the impact of the disease become clear, and any response should be based on the possible impact. Disappointing results were obtained in this section.

The percentages of companies disclosing research activities on the impact of HIV/Aids were as follows:

1998 – 10%

1999 – 6%

2000 – 4%

2001 – 8%

2002 – 11%

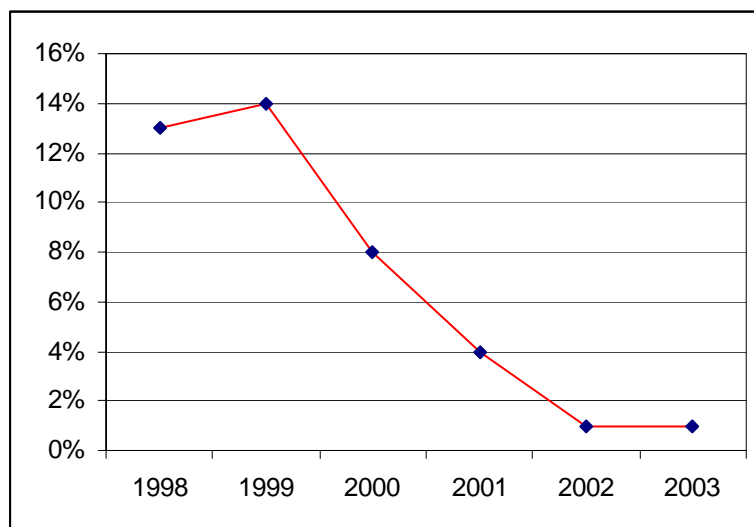
2003 – 6%

An investigation into the areas of research yielded no indication of a preferential area for research over the six-year period. In 1998, 6% of the disclosing companies (numbering a meagre 31) reported research into the impact of the disease on their organisation. To put this into perspective, it should be noted that this only represents two companies out of a total of 642 listed companies for that year. For the subsequent three years, not a single company in the population disclosed any information on research associated with the impact of the disease on their entities. Percentages for 2002 and 2003 on this research area were 3% and 1% respectively.

Similarly, negligible results were found for reported research into the impact of HIV/Aids on employees and customers.

Disclosure related to involvement in or funding of research into the disease is cause for concern. Figure 7.3 indicates the downward trend in disclosing such information.

**Figure 7.3: Disclosed involvement in or funding of research related to HIV/Aids**



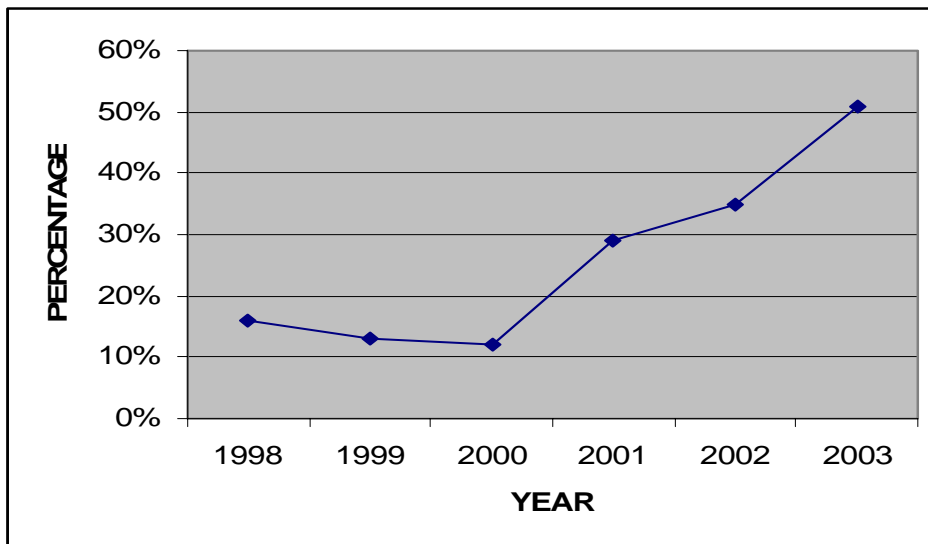
It is assumed that very little research is done into HIV/Aids by listed companies, as involvement or funding of such projects would generally be considered a positive

action, and thus be likely to be disclosed. (Chapter 4 discusses the rationale for voluntary disclosure by companies).

#### 7.2.4 Policy issue

The GRI proposal (refer to Chapter 5) 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 7.4: Companies disclosing the existence of an HIV/Aids policy**

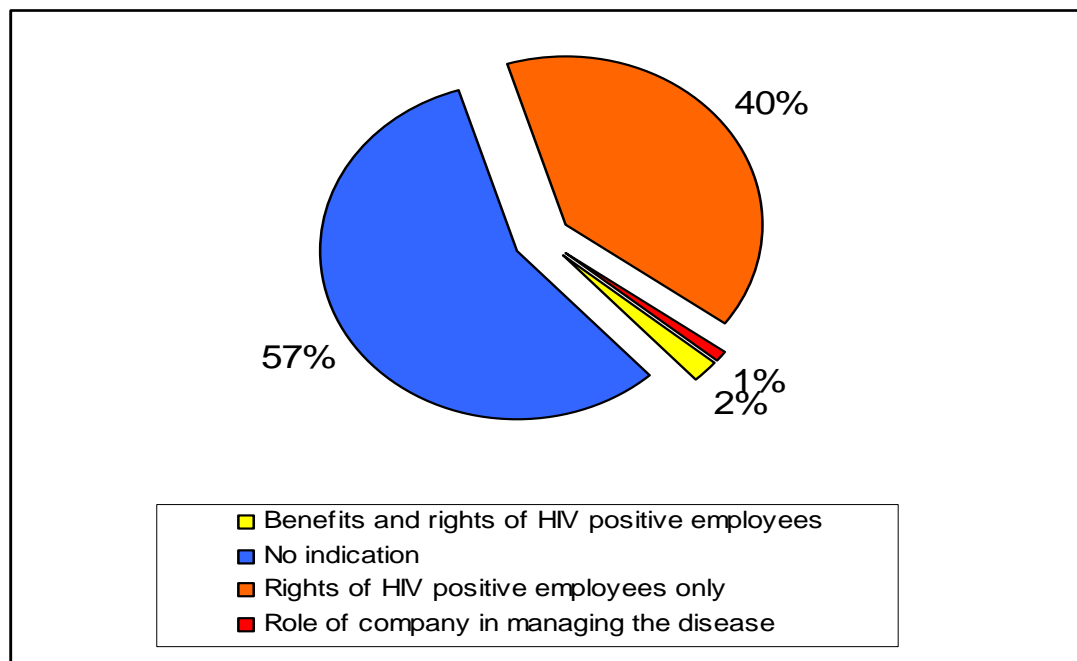


It is encouraging to see that the number of companies disclosing the existence of a policy on HIV/Aids has increased dramatically over the last three years (refer to Figure 7.4 above). In 2003, no fewer than 51% of companies in a population of 186 disclosing companies reported the existence of such a policy. When the data is applied to all listed companies on the JSE Securities Exchange in 2003, it seems that almost a quarter of South African listed companies disclosed the existence of an HIV/Aids policy.

A possible reason for this might be the second King Report on corporate governance, issued in 2002. The report specifically recommends the adoption of an appropriate strategy, plan and policies to address and manage the potential impact of HIV/Aids on business activities and, *inter alia*, report on this to stakeholders on a regular basis.

When a more in-depth analysis of the policy disclosure in 2003 was performed, to determine what such policies deal with, the results were less than satisfactory.

**Figure 7.5: Breakdown of policy disclosure in 2003**



In 57% of cases where the existence of a policy was disclosed, no indication was given as to what the policy dealt with. Only 2% of the 93 disclosing companies indicated that the policy covered the benefits available to HIV positive employees and their rights in the organisation, while 40% of these companies only referred to the rights of HIV-positive employees as being formalised in a policy.

A constructive development related to the disclosure of an HIV/Aids policy was the fact that in 2003, 9% of the population also disclosed that the development of the

policy involved stakeholder groups. This figure more than doubled from the previous year, when only 4% of disclosing companies reported on stakeholder involvement in the formulation of such a policy.

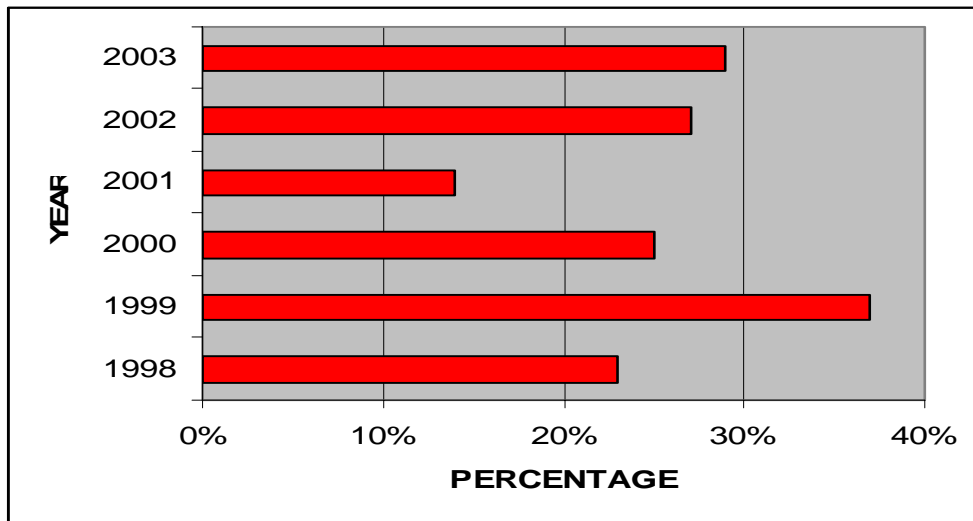
Another area of interest was the fact that some companies also indicated that their HIV/Aids policy was reviewed by a committee. For the period from 1998 to 2002, most companies that did indicate a review process referred to a review by an HIV/Aids committee indicating the existence of such a committee in the organisation. In 2003, although the number of companies reporting the existence of such a policy increased dramatically, only 3% of the population indicated that their policy was being reviewed, and none indicated the involvement of an HIV/Aids committee. One company indicated review by the audit committee, while internal audit reviewed the policy for two companies and three companies reported review without disclosing by whom the review was performed.

### **7.2.5 Management strategy**

A formalised management strategy is required to successfully manage the challenges posed by HIV/Aids. Surprisingly, compared to other questions in the classification scheme, a relatively high number of companies in the population indicated that an overall strategy does exist to manage HIV/Aids risks. Figure 7.6 gives an indication of the percentages for the various populations.

The percentage of companies reporting the existence of an overall strategy for managing HIV/Aids risks stabilised around 27% in 2002 and 29% 2003. The reason for the high percentage for 1999 remains unknown. Reporting on such a strategy is an indication that the organisation acknowledges that HIV/Aids could have a negative impact on the organisation in future and does pose a risk.

**Figure 7.6: Companies reporting the existence of an overall strategy to manage HIV/Aids risk**



### 7.2.6 Infection rates

As discussed in Chapters 2 and 3, prevalence rates amongst employees and the community are an indication of how severe the impact of the disease will be in future. It was argued that HIV-positive individuals will in future become ill with the effects of Aids, and it was also found that this disease is unique, as it has two epidemic curves (refer to Chapter 2), with the second curve following approximately ten years after the first, with a devastating effect.

Knowing current prevalence rates among employees can thus greatly assist in anticipating future risks. Statutory requirements in South Africa prohibit companies from making testing compulsory for employees and all prevalence testing performed by companies usually occur on an anonymous and voluntary basis. The reliability of such results are thus questionable and the usefulness of the information is doubtful.

An investigation on whether companies disclose any information related to estimations of prevalence levels amongst their employees would thus be very

unlikely, unless such information is disclosed with the objective of indicating positive information, in other words, rates lower than the average rate for the country. The scientific reliability of such disclosure would, however, remain questionable. The disclosure of prevalence rates amongst employees and indications of prevalence percentages are summarised in Table 7.4 below.

**Table 7.4: Companies disclosing prevalence rates amongst employees**

	1998	1999	2000	2001	2002	2003
<i>Lower than average + % given</i>	6%	5%	5%	4%	7%	9%
<i>Lower than average</i>	3%	0%	0%	0%	1%	3%
<i>Inline with average</i>	3%	0%	0%	2%	1%	2%
<i>Higher than average</i>	0%	2%	1%	0%	0%	0%
<i>Higher than average + % given</i>	0%	0%	0%	0%	0%	0%
	<b>13%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>9%</b>	<b>14%</b>

From the above, it is clear that the majority of companies disclosing prevalence rates amongst employees do so in cases where such rates are estimated to be below the national average for that year, as published by the Department of Health. Gray (1993:211) argues that companies may disclose information to achieve a reduction in perceived (company or information) risk. This may be the reason the above companies disclose prevalence rates. It is highly unlikely that companies with a higher than average prevalence rate would disclose such information, unless a comprehensive response strategy that is acceptable to all stakeholder groups is also disclosed.

From Chapter 4, it is clear that certain industries in South Africa, such as mining, do indeed have higher than average prevalence rates. In 2003, three listed companies also disclosed possible future HIV/Aids prevalence rates amongst their employees. The basis for such an estimation is an area that warrants further research.

### 7.2.7 Awareness programmes

Awareness programmes seek to inform employees about HIV/Aids, promote behavioural changes that will reduce the spread of the disease and provide services to reinforce behavioural changes (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. Such programmes can also be utilised to inform employees about the disease in order to foster an environment of tolerance and understanding towards infected co-workers.

Figure 7.7 shows the percentage of companies that are reporting the existence of such workplace and workplace-related HIV/Aids programmes and interventions.

**Figure 7.7: Companies reporting on HIV/Aids awareness programmes**

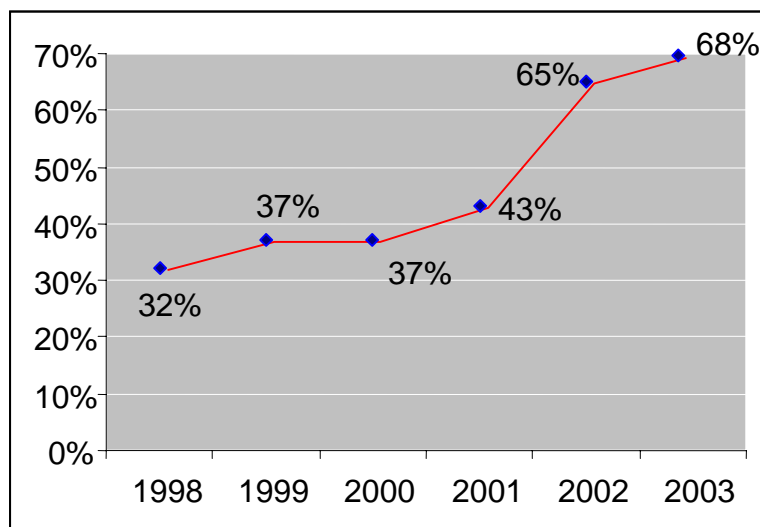


Figure 7.7 shows encouraging facts about awareness programme disclosure. For 2002 and 2003, more than 60% of entities disclosing information on HIV/Aids indicated that they have operational awareness programmes. This is disclosed despite the lack of accurate information on prevalence rates. Companies seem to understand the benefits of preventing further infections amongst their employees.

Such awareness programmes consist of various educational and support programmes.

Of the companies that disclosed the existence of such programmes, the following percentage of companies in Table 7.5 also gave more detail about the type of programmes they had. Only the 2002 and 2003 populations are included.

**Table 7.5: Methods utilised in awareness programmes**

<b>Method</b>	<b>2002</b>	<b>2003</b>
Information brochures/booklets	9%	4%
Posters	6%	5%
Peer education	9%	15%
Counsellors	2%	0%
Comprehensive internal programme	3%	2%
Videos	4%	4%
Workshops	1%	1%
Industrial theatre	3%	2%
Intranet / email	0%	2%

It is interesting to note that peer education is disclosed as the most widely used method used for awareness programmes where such methods are disclosed in the annual report. It is unfortunate that 71% (2002) and 66% (2003) of the population did not give any indication of methods used in awareness programmes. The above table only refers to the methods used, and in some instances one disclosing company may be represented for more than one method.

Since 1999, between 20% and 30% of the population disclosed the fact that their main objective in developing a strategy or awareness programme for HIV/Aids was to prevent further infections among their employees. In 2003, 12% of the population also reported that they have a condom and/or femidom distribution programme in place.

Awareness programmes as a response to the HIV/Aids epidemic should be one of the first courses of action taken by business. Studies reviewed in Chapter 3 did indeed indicate that such programmes are widely used in companies. The BER (2003) study found that 41% of respondents had such programmes, the Deloitte and Touche (2002) study put the figure at 65.5%, while the Barac and Otter (2001) study indicated that such programmes were operational among 82.8% of their respondents. The fact that only 127 (representing 30%) of a total of 426 listed companies at the end of 2003 reported such programmes in their annual report is thus disappointing.

### **7.2.8 Voluntary testing and counselling (VTC)**

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 that disclosed such a service to their staff for each of the years under review were the following:

1998	3%
1999	5%
2000	11%
2001	14%
2002	16%
2003	30%

In Chapter 2, it was argued that VTC is a powerful tool in the fight against HIV/Aids. The literature reviewed in the chapter indicated that individuals who know their status

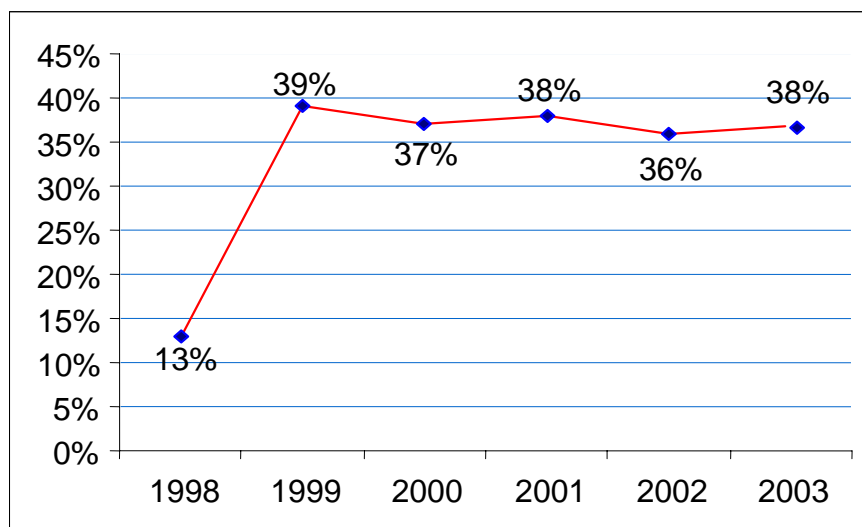
are subject to behavioural changes that assist in preventing the spread of the disease. In analysing disclosure related to VTC, no distinction was made between testing centres run by the company, or the company's carrying the cost of employees being tested by third party service providers. The objective was only to determine whether such facilities were being made available to employees, and if this fact was being disclosed in the annual report of companies. The increase in VTC disclosure is commendable and will hopefully maintain an upward trend in future years.

### 7.2.9 Other projects

The two main issues investigated in this section of the classification scheme were whether companies are involved in community projects related to HIV/Aids and, secondly, whether employees of the company have access to anti-retroviral (ARV) therapy.

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 are indicated in Figure 7.8.

**Figure 7.8: Reported involvement in community-based HIV/Aids projects**



The above clearly indicates that, since 1999, the percentage of entities in the population disclosing community involvement has remained relatively stable. It shows that where an organisation reports on HIV/Aids, this is an area in which information is made available to a greater extent than other issues investigated in this study.

Reasons for this might include enhancing the company's image in the community or proposed political benefits. This practice is confirmed in the study by Gray (1993:211), who suggests the desire to tell people what a company has done/achieved as a rationale for voluntary disclosure.

The provision of anti-retroviral therapy to infected individuals and the benefits and risks of such treatment were discussed in Chapter 2. Chapter 3 investigated the costs associated with such treatment and found that providing ARV treatment may cost as much as R15 000 per employee per year. The fact that such treatment prolongs the productive life of an infected individual was also highlighted and may serve as a motivation for providing such treatment.

Annual reports in the population were scrutinised for disclosure on whether employees in organisations have access to such treatment, either offered by the company or through the company's medical aid. If an entity reported that it is monitoring ARV treatment on a sample basis to decide on the implementation of such a programme, the company was included as reporting on the existence of such a programme. Table 7.6 shows the results for the population.

The increase in ARV disclosure in 2002 and the marginal increase of the percentage for 2003 can most probably be attributed to changes in government policy at the end of 2001. Prior to this date, government had no ARV treatment options available to citizens relying on the public health sector. The advantages of ARV treatment were also a contentious issue and subject to public debate. Once government adopted a policy of rolling out ARV treatment, companies became probably more likely to report similar ventures in their annual reports.

**Table 7.6: Disclosure on access to ARV treatment**

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
No indication	3%	0%	1%	1%	3%	3%
Medical Aid, if not access, then company	0%	0%	0%	1%	3%	3%
Company	0%	0%	1%	1%	5%	5%
Medical aid only	0%	0%	1%	2%	4%	5%
Access to 3 <sup>rd</sup> party treatment funded by company	0%	0%	0%	0%	0%	0%
Monitoring to decide	0%	0%	0%	0%	2%	4%
<b>TOTAL:</b>	<b>3%</b>	<b>0%</b>	<b>4%</b>	<b>4%</b>	<b>17%</b>	<b>20%</b>

Percentages for no indication implies that the annual report states that company employees do have access to ARV treatment , but gives no details as to whether this is provided through medical aid or directly by the company.

### **7.3 POSITION OF DISCLOSURE IN ANNUAL REPORTS**

In order to propose a disclosure framework for the future disclosure of HIV/Aids in annual reports, it was deemed important to determine where current voluntary disclosure in annual reports that did have any form of HIV/Aids disclosure in them was presented. This part of the study was not initially planned and is considered preliminary in nature. An independent future study is planned to investigate this issue more comprehensively.

A shortcoming of this preliminary investigation was that only the direct heading of a paragraph or section in which the most HIV/Aids information appeared in the annual reports were noted. When the data was scrutinised at a later stage, it was clear that

this approach led to inconsistencies. Certain direct headings appeared as a sub-heading of a larger section that had a different heading.

Based on the results, however, it was decided still to include this part of the study, because even with the above shortcoming, preferential areas for disclosure still came to light. The heading under which such information appeared was of particular interest to this investigation.

Table 7.7 indicates the different headings under which information related to HIV/Aids appeared. The table represents the actual number of annual reports and, where the information appeared under two different headings, the heading with the most information was noted, with an indication that the disclosure is shared. It should be noted that the direct heading was noted and not the section heading. As stated above, this preliminary work provides an area for possible future research.

**Table 7.7: Headings under which HIV/Aids disclosure appears**

<b>Disclosure</b>	<b>TOTAL</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Actuarial Estimates	3			1		2	
Aids	1			1			
Board of Directors Report	1						1
CEO Report	17	1	2	3	4	3	4
CEO – shared	17				2	8	7
Corporate Governance (CG)	64	3	5	4	4	20	28
CG – shared	29	1				5	23
Chairman's Report	51	1	9	11	13	12	5
Chairman's - shared	48	2	1	3	9	15	18
Citizenship	13			3		3	7
Citizenship - shared	10					3	7

Corporate Profile	2					2	
Employee Benefits	4		1	1			2
Employment Equity	12		1	2	5	2	2
Health & Safety (HS)	42	3	10	9	5	5	10
HS – shared	18			4	7	7	
HIV	51		1	3	13	14	20
HIV – shared	18				2	9	7
Human Resources (HR)	30	5	3	4	5	6	7
HR – shared	11		1	2	3	5	
Managing Director's Report	18	5	3	2	5	3	
Medical Report	2		1	1			
Notes	19	5	2	5	5	2	
Notes – shared	4			1	1	2	
Operational Review (Ops)	22	1	4	6	6	5	
Ops – shared	15			1		3	11
Review	5				4	1	
Safety, Health & Environ.	6						4
Social	46	1	11	12	13	6	3
Social – shared	17			2	3	4	8
Sustainability	4						2
Risk Management	3	1		1			1
Fin. Stat. Data	2	1			1		
Value Added Report	1	1					
Undeterminable	12		2	2	2	1	9
<b>Total annual reports</b>	<b>633</b>	<b>31</b>	<b>57</b>	<b>84</b>	<b>112</b>	<b>148</b>	<b>186</b>

A heading was considered undeterminable if HIV/Aids was referred to in various parts of the annual report and no single disclosure section was dominant. When the

results are analysed for all six years under review, representing 633 annual reports, and for 2003 in isolation, the six most widely used direct headings can be identified (see Table 7.8).

**Table 7.8: Most widely used direct headings for HIV/Aids disclosure**

<b>Six year review period</b>	<b>2003 only</b>
Corporate Governance (64 reports)	Corporate Governance (28)
HIV (51)	Corporate Governance – shared (23)
Chairman's Report (51)	HIV (20)
Chairman's Report – shared (48)	Chairman's Report – shared (18)
Social Responsibility (46)	Operational Review – shared (11)
Health and Safety (42)	Health and Safety (10)

Reports that were undeterminable were not taken into account for the above analysis and are thus excluded from the findings.

When the 2003 annual reports in the population are isolated and analysed, the findings correspond well with the findings for all annual reports for the total review period, indicating definite preference areas for HIV/Aids disclosure.

Corporate Governance represents the most widely used section used to disclose HIV/Aids information in annual reports. In 2003, more than 25% of the population under review reported such information only under the heading of corporate governance or disclosed most of its HIV/Aids information under it. If the shortcoming of this part of the study, as described above, is taken into account, the following assumptions can also be made:

- The majority of HIV headings (51 in total and 20 in 2003) is most likely to be a sub-heading included under the main heading of corporate governance; and

- Social Responsibility (46 reports for the total period under review) are most probably also a sub-heading of corporate governance in the majority of reports.

Two other observations are that it was noticed in some reports that Health and Safety as a heading was also included under corporate governance, though not as frequently and consistently as HIV and Social Responsibility. The second notable observation is the fact that the Chairman's Report (whether as the only or as the main area of disclosure) also featured as one of the five most widely used areas for disclosure. It would seem that although few companies report on HIV/Aids in their annual reports, some of those that do consider the issue of such importance that it is addressed in the Chairman's Report. This gives the issue a great deal of prominence. A survey conducted by Barlett and Chandler (1997) found that the most widely read section of an annual report was indeed the chairman's report.

On the other hand, it should be noted that this finding also has a negative aspect. The chairman's report, though prominent in the annual report, is nothing more than a general and broad statement, lacking detailed information. For HIV/Aids disclosure to be included in the above table under the chairman's report (including chairman's report – shared) means that no further material information on this issue appeared in the rest of the annual report.

The high prominence of corporate governance, especially in 2003, is probably directly linked to the issuing of the second King Report on Corporate Governance in 2002 and the fact that listed companies are expected by the JSE to disclose their compliance with the report. As the report addresses HIV/Aids directly, it is expected that the disease should feature as part of the corporate governance report.

## 7.4 CONCLUSION

The practice of HIV/Aids disclosure by listed companies has increased over the period under review (refer to Figure 7.1 in this chapter). Guidelines on what and how to report are still relatively new, and in most cases company disclosure is limited to the GRI proposals. Both King II's proposals and the SAICA guidelines refer to the GRI framework.

The empirical review found that very few companies disclose information on the impact of the disease voluntarily, or its cost implications and prevalence rates amongst employees. An interesting observation is that changes in business models as a result of HIV/Aids are disclosed by a number of companies. It is noted with concern that disclosure related to research activities associated with the disease has declined.

Positive findings include a substantial increase in company disclosure on the existence of an HIV/Aids policy and the functioning of awareness programmes. In general, HIV/Aids disclosure is done inconsistently, as it relates to a thematic analysis of disclosed information.

The corporate governance section of the annual report is most widely used to disclose HIV/Aids information in the annual report, a practice that was to be expected in the light of the importance of King II and its associated recommendations on HIV/Aids as part of corporate governance.

In the next chapters the results obtained from the empirical study published in this chapter are combined with the literature study performed in Chapters 2 to 5 to reach a conclusion on HIV/Aids disclosure and to recommend a disclosure framework.

## CHAPTER 8

### CONCLUSION AND RECOMMENDATIONS

#### 8.1 INTRODUCTION

The objective of this study was to investigate recent voluntary HIV/Aids disclosure by listed companies in South Africa and to develop a conceptually sound disclosure framework for future use. The framework incorporates the theory derived from the literature review on the subject areas of HIV/Aids and Accounting and combines the results of the empirical investigation adopting an inductive approach. Cooper and Schindler (2003:35) define an inductive approach as drawing a conclusion from one or more particular facts or pieces of evidence; and the conclusion explains the facts. In this chapter, a conclusion is reached on current HIV/Aids disclosure practices and a recommendation is made regarding future disclosure.

Guidelines for a disclosing framework are derived from the conclusions of this study, the hypotheses are accepted or rejected and a recommendation is made in the form of a proposed framework for thematic HIV/Aids disclosure. Finally, possible areas for further research that were identified during the course of this study are noted.

#### 8.2 CONCLUSION

Separate conclusions are reached for the two main sections of this study, namely the literature review and the empirical study.

### 8.2.1 Literature review

The literature review found that HIV/Aids is a disease with unique characteristics that has an impact on all aspects of South African society. Business entities in South Africa are exposed to the disease through increased absenteeism, high labour turnover and a loss in productivity. The costs of medical, retirement, disability and death benefits are also rising. Most companies regard HIV/Aids as a prominent human resources issue, but evidence of a negative impact on the South African economy, consumer demand and perceived risk by foreign investors, have also been found.

Responses by business to the disease were investigated. A review of studies performed indicated, however, that South African business has yet to take up the challenge of responding to the disease through a comprehensive and sustainable approach, especially with regard to disclosure. This lack of action is a contributing factor to the low rates of disclosure by South African companies. The negative aspects of ignoring a risk and/or not acting upon that risk are not information that will be typically disclosed by the custodians of shareholders' interest.

A literature review on the theory of accounting found that the main objective of accounting is to inform, and that accountability leads to a responsibility to inform all stakeholders that may have an interest, whether direct or indirect, in the operations of a company. It was argued that the annual report, as a medium of communication, should disclose information over and above the minimum requirements set out in the *Framework for the preparation and presentation of financial statements* to achieve the objective of being a communication tool to inform stakeholders.

It was concluded from a disclosure viewpoint that HIV/Aids meets the characteristics of the issues that are voluntarily disclosed in annual reports, and that the reasons noted for voluntary disclosure can be applied as a rationale for reporting on HIV/Aids.

This review also found that there is increasing pressure on companies to disclose HIV/Aids information, and, although most of these developments can still be complied with on a voluntary basis, the increasing prominence given to HIV/Aids disclosure will eventually force companies to address this issue.

### **8.2.2 Empirical study**

The empirical study found that an increasing number of companies do disclose information on HIV/Aids, but that the majority of listed companies still lag behind in disclosure. The upward trend in the number of disclosing entities indicates that companies are increasingly acknowledging the impact of the disease on their businesses and are responding to the increased pressure by disclosing more information regarding the effects of the disease on them.

It is argued in the study that the disease has an impact predominantly as an employee issue and that disclosure trends confirm that entities may overlook the influence of the disease on other areas of business if they focus mainly on responses related to employees.

The reluctance of disclosing entities to supply users with information related to the costs associated with HIV/Aids was noticeable and it is an indication of the need for a consistent and verifiable method to determine the monetary effects of the disease.

It is evident that companies are more likely to disclose information that informs stakeholders of what a company has done or achieved. This is clearly indicated in the percentage of companies disclosing the existence of an HIV/Aids policy and awareness programmes. The disclosing entities, however, fail to provide detailed information on these programmes, and the value of such information to users is thus doubtful.

Inconsistencies related to the position of disclosure of HIV/Aids-related information in the annual report give a clear indication of the degree to which the disease is affecting organisations. Those companies that consider highlighting the disease in the chairman's report have already realised the devastating impact that the disease could have, compared to companies that only include a general statement on HIV/Aids and South African society as part of citizenship or under their operational review.

The above conclusions are applied to the hypotheses below.

### 8.2.3 Summary of the results related to the hypotheses

To determine whether the various hypotheses formulated in Chapter 1 and 6 should be accepted or rejected, the results obtained in Chapter 7 and the conclusions drawn in this chapter are applied to each of the hypotheses.

#### *Hypothesis 1:*

*Subject: An investigation into current voluntary HIV/Aids disclosure by South African companies listed on the JSE Securities Exchange for the period from 1998 to 2003.*

- |    |  |
|----|--|
| H0 | There is a high level of voluntary HIV/Aids disclosure by companies for the period under review. |
| H1 | There is a low level of voluntary HIV/Aids disclosure by companies for the period under review.  |

**H1 is accepted, as fewer than half of all the companies listed on the JSE Securities Exchange disclosed any information related to HIV/Aids in each of the six years reviewed in the study.**

*Hypothesis 2:*

*Subject: A comparative investigation into changes in voluntary HIV/Aids disclosure by South African companies listed on the JSE Securities Exchange for the period from 1998 to 2003, as HIV/Aids prevalence increased in the South African population.*

- H0 There is no increase in the level of voluntary HIV/Aids disclosure by companies for the period under review, even though prevalence levels of the disease in the South African population has increased dramatically.
- H1 There is a noticeable increase in the levels of voluntary HIV/Aids disclosure by companies for the period under review as prevalence levels of the disease in the South African population has increased dramatically.

**H0 is accepted, as the empirical review indicated an upward trend in the number of companies disclosing voluntary HIV/Aids information from less than 5% in 1998 to almost 50% by 2003. This corresponds with a simultaneous increase in prevalence rates for the period, although these rates are not as dramatic as the disclosure rates.**

*Hypothesis 3:*

*Subject: Where there is voluntary HIV/Aids disclosure by companies in their annual reports, the information is expected to be mainly presented as a human resources issue.*

- H0 Voluntary HIV/Aids reporting is not disclosed as only a human resources issue in the annual reports of companies that disclose HIV/Aids information.
- H1 Voluntary HIV/Aids reporting is disclosed as only a human resources issue in the annual reports of companies that disclose HIV/Aids

information, and additional risks and the impact of HIV/Aids is not described.

**H0 is accepted, as it was found that HIV/Aids disclosure in the annual reports of the listed companies extended beyond HIV/Aids as a human resources issue. Although a number of companies did not disclose on other issues, the majority did and H1 must therefore be rejected.**

*Hypothesis 4:*

*Subject: An investigation into the number of companies that disclose their strategies to deal with the impact of HIV/Aids on the company.*

- |    |   |
|----|---|
| H0 | The majority of companies that voluntarily disclose HIV/Aids information in their annual reports also refer to a strategy to address the risks posed by HIV/Aids. |
| H1 | The minority of companies that voluntarily disclose HIV/Aids information in their annual reports also refer to a company strategy to deal with HIV/Aids.          |

**The empirical research indicated that for each year under review there were listed companies that disclosed the existence of a management strategy to address the risks posed by the disease. In no year did the disclosure of the strategy exceed 50% of the population. Based on this, Hypothesis 4 can neither be accepted nor be rejected, and no conclusion is reached on this hypothesis.**

*Hypothesis 5:*

*Subject: An investigation into the impact of the King II Report on Corporate Governance on HIV/Aids disclosure by companies listed on the JSE Securities Exchange.*

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H0	HIV/Aids disclosure in annual reports increased substantially after King II was issued when compared to previous years.
H1	HIV/Aids disclosure levels remained unchanged after King II was issued when compared to previous years.

**H0 is accepted, as the percentage of the disclosing companies as a percentage of the listed companies increased from 32.89% in 2002 to 47.18% in 2003, representing an increase of 14.29%. Although the hypothesis was not quantified to give a clear indication of substantiality, H1 is rejected.**

### 8.3 RECOMMENDATIONS

Based on the literature review and the results of the empirical study, the following framework for HIV/Aids disclosure is recommended. The literature review aimed 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 practised by listed companies. The recommended framework aims to find a balance between a normative and a descriptive approach to HIV/Aids disclosure. The proposed framework is summarised in Figure 8.1 on the next page.

The framework proposed in Figure 8.1 includes the following areas of disclosure:

- 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, and this fact should be disclosed.
- Disclosure of the impact of the disease should be the next point 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 Chapter 3 (refer to 3.2.3, 3.4.4, 3.4.5, 3.4.6 and 3.5.2) and one of the most disclosed areas according to the empirical study (see 7.2.1), could then be disclosed. The impact on the South African community, currently also 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 vague and leaves users to make a subjective interpretation of the reasons for the inclusion of the information in the annual report.

**Figure 8.1: Proposed framework for HIV/Aids disclosure**

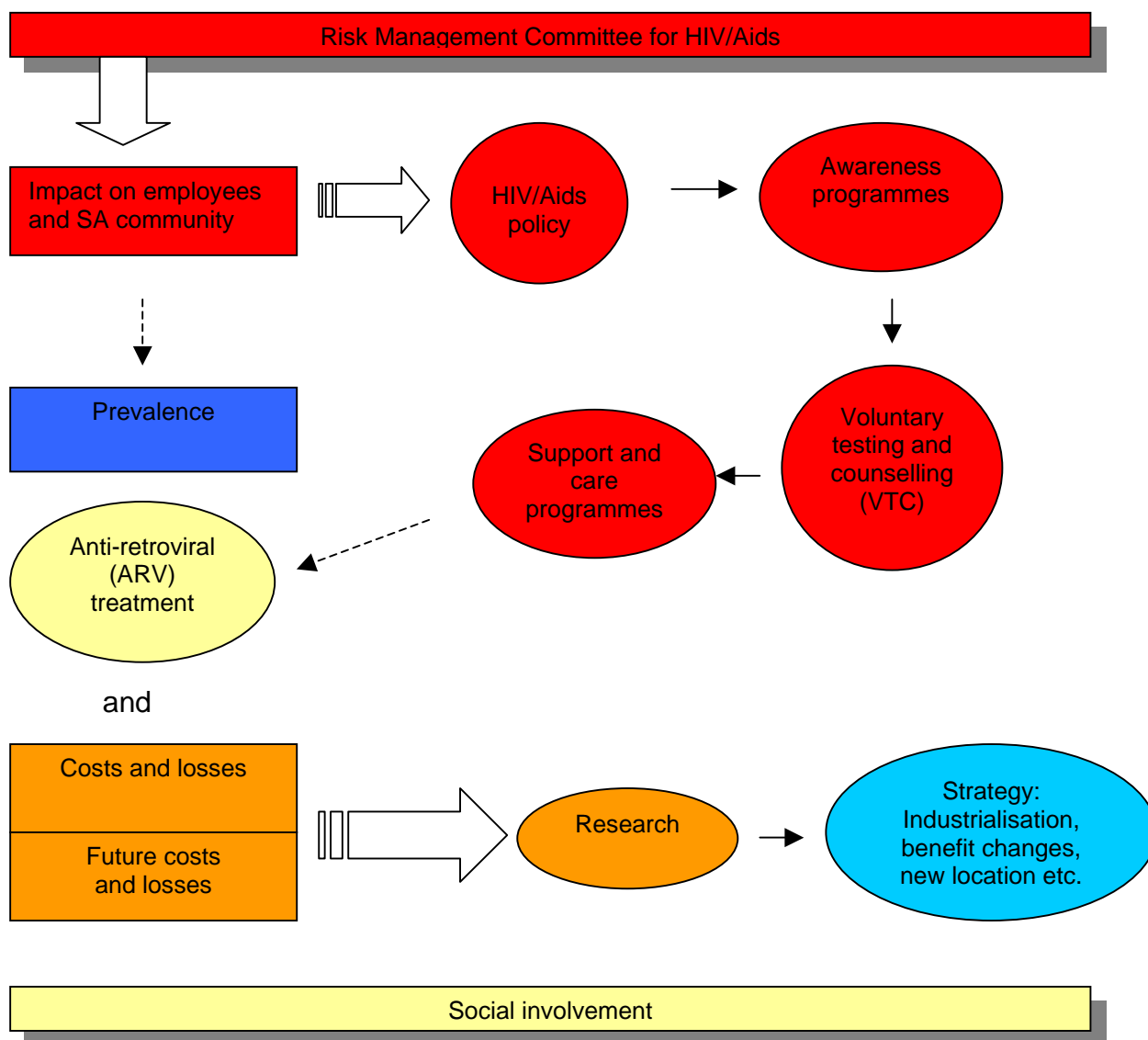


Table 8.1 below represents disclosing actions according to colour to be used in applying the framework in Figure 8.1.

**Table 8.1: Legend to colour codes used for figure 8.1**

Colour	Description
Red	To be disclosed as a minimum
Light Orange	To be disclosed where known or performed
Yellow	To be disclosed at own choice
Light blue	To be disclosed with prudence
Dark blue	Disclosure not recommended

- Disclosure on the impact of the disease on employees (as a risk to operations) should be immediately 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 done by almost half of the empirical study's population in 2003 (refer to 7.2.4 and 7.2.5). It should disclose whether the HIV/Aids policy is available to stakeholders for perusal. 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 may be mentioned.
- Detailed information on an awareness programme should also be disclosed, as this remains one of the most significant responses to fighting the disease. It is however, questionable if a full discussion of the methods that could be used in such a programme would be beneficial to users of the annual report (refer to 3.6.2 and 7.2.7). The effectiveness of the various methods in preventing the spread 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).

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- The importance of an awareness programme in informing employees about the disease is closely linked to giving employees an opportunity to determine their status. It is thus recommended that companies disclose whether their employees have access to 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 that are available to HIV-positive employees. Access to ARV treatment could be mentioned here, but is not a prerequisite, as 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. As discussed in this study and indicated in the empirical research, prevalence rates and the methods applied to get them may produce doubtful results and have legal implications (refer to 2.5.2, 3.4.3 and 7.2.6). Disclosing any quantifiable percentage, whether it is higher or lower than the national average (to which the doubtful aspects also apply) may lead to unfounded reassurances or concerns, depending on the rate disclosed.

The above recommendations are closely linked to voluntary social disclosure, as discussed in Chapter 4 of this study.

The next area of disclosure that is recommended focuses more on business issues from an investor's or business partner's view;

- Information on costs and 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 costs have been calculated, they should be disclosed in conjunction with a description of the basis and underlying assumptions used in calculating the cost and/or loss (refer to 1.2 and 3.4.10 for examples of companies' disclosing such amounts).

- 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 remains an area neglected by South African companies at the moment. This is both from a business point of view (see 3.6.2) and a disclosure perspective (discussed in 7.2.3).
- Response strategies should be disclosed where the information that is disclosed will 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 may 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 directly related to HIV/Aids should be disclosed where an entity is involved in such activities. Examples of such projects include sponsorships, donations or community involvement.

It is recommended that all of the above be disclosed 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 (refer to 5.2), and the GRI and SAICA also link the disease to corporate governance (see 5.3 and 5.4). This recommendation is supported by the preliminary study conducted into the position of HIV/Aids disclosure in annual reports as part of the empirical study (discussed in 7.3).

As has been indicated in this study, HIV/Aids also has an impact on other aspects of business, and current disclosure practices, although they are low, address numerous issues. The above recommendations focus on specific issues of the disease and thereby bring consistency and comparability to disclosure practices.

As with all other issues that could be disclosed, whether they are environmental information, other country-specific risks such as a volatile exchange rate or aesthetic pictures included in an annual report, one question should always lead to a positive answer, namely is the information understandable, relevant, reliable and comparable? These qualitative characteristics of disclosure, as discussed in the *Framework for the preparation and presentation of financial statements* (SAICA 1990), should also be the basis for all voluntarily disclosed information in an annual report. The approach would be to limit the volume in terms of its thematic content at first, to enhance the possibility that more companies will disclose information to meet these minimum requirements. This approach will increase the comparability of the information that this study identifies as the most important issues surrounding the disease.

Myburgh (2001b:214) states that a balance between useful information and information overload needs to be achieved and argues that it may ultimately be necessary to publish separate, supplementary or summarised reports that meet the needs of different stakeholder groups. These could be made available through securities exchanges' electronic gathering and distribution systems and might be applied to HIV/Aids information in a very successful manner. The success and

usefulness of such additional reporting methods, however, fall beyond the scope of this study and may be an area for further research.

## 8.4 AREAS FOR FURTHER RESEARCH

During the course of this study, the following areas were, *inter alia*, noted as possible areas for further research:

- a generally acceptable framework for calculating the monetary cost of HIV/Aids for an organisation;
- the quality and quantity of the content of HIV/Aids information disclosed;
- the usefulness of disclosed HIV/Aids information for different stakeholder groups;
- the tax implications of HIV/Aids associated fringe benefits in South Africa;
- the actuarial valuation processes used in determining HIV/Aids associated provisions in the life insurance industry; and
- because the empirical study performed was limited to listed companies, it may be expanded to other entities to obtain a more representative result for businesses in South Africa.

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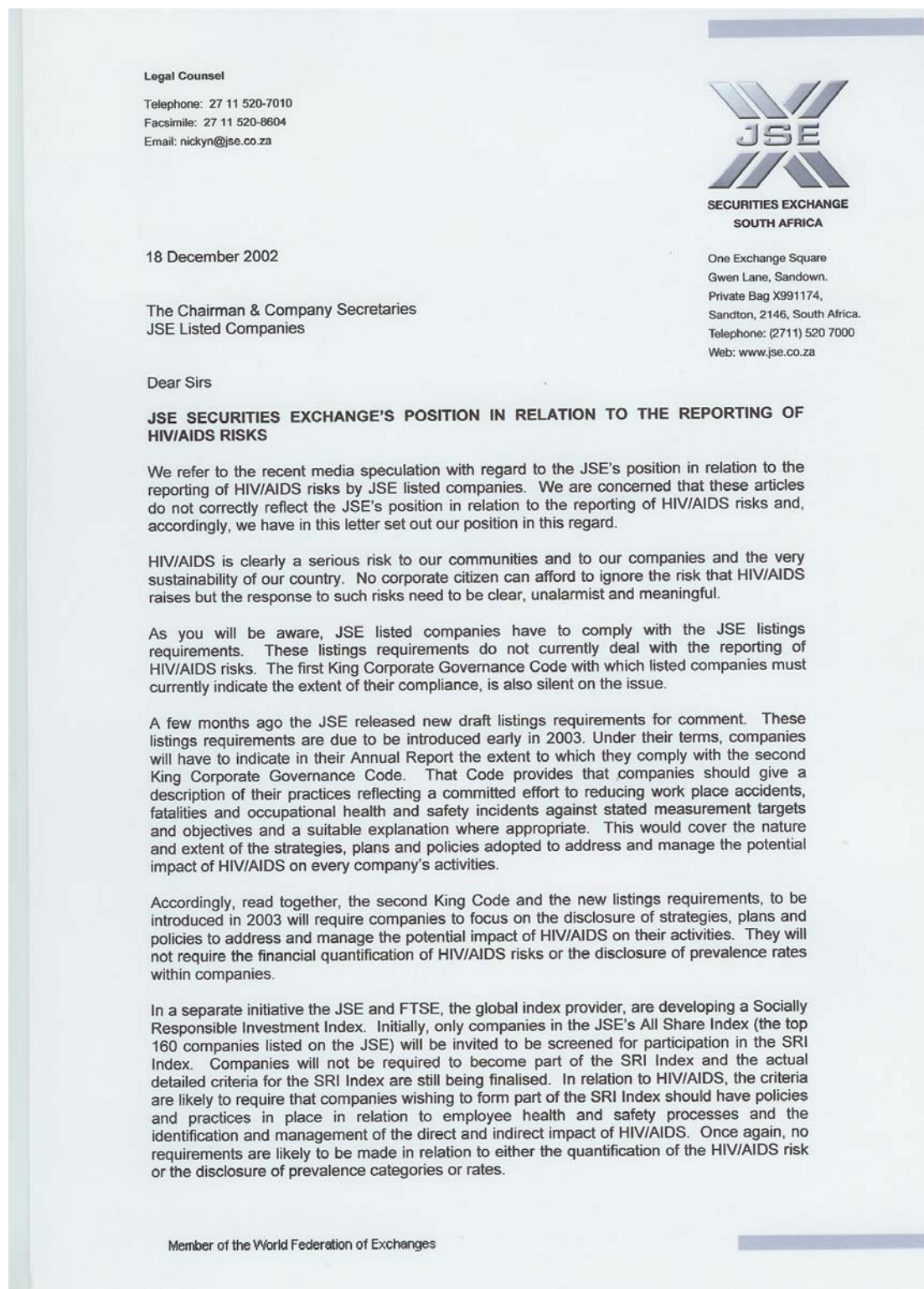
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## ANNEXURES

### ANNEXURE A: LETTER ON THE JSE SECURITIES EXCHANGE'S POSITION ON THE REPORTING OF HIV/AIDS RISKS



2

Finally, the JSE is working together with the SA Institute of Chartered Accountants to investigate the appropriate accounting treatment of HIV/AIDS risks in the future. The SAICA/JSE Working Committee has been reviewing the Global Reporting Initiative proposals in this regard in order to assess the most appropriate manner in which to deal with the disclosure of these risks.

Although the SAICA/JSE Working Committee work is still at an early stage, it is unlikely to require the disclosure of prevalence rates or the quantification of the risks in financial statements. Rather it is likely that a softer approach will be adopted, potentially requiring the identification and disclosure of key business risks for the sustainability of a company as a result of HIV/AIDS.

In conclusion, we strongly urge companies to engage the issue of HIV/AIDS risk to their continued sustainability. We will continually work to ensure that the manner in which the JSE requires the risks associated with HIV/AIDS to be dealt with by listed companies is not only appropriate given the nature of the risks but is also transparent and meaningful to all stakeholders.

Should you wish to discuss any aspect of this letter, please feel free to contact me or the Director of Listings, John Burke.

Kind regards  
Yours sincerely

**N NEWTON-KING**  
**DEPUTY CEO**

Let: HIV AIDS letter to listed companies

*Source: Newton-King (2004)*

**ANNEXURE B: HIV/AIDS CLASSIFICATION SCHEME**

	Comp. No. for specific year	
1	Name of Company	
2	JSE Securities Exchange Sector Code	

	<b>Acknowledgment of impact</b>	
3	Does the company acknowledge the fact that HIV/Aids has an impact on its <b>employees</b> ?  1 – Yes 2 – <i>Implied</i>	1 – 2 –
4	Does the company acknowledge the fact that HIV/Aids has an impact on its <b>customers</b> ?  1 – Yes 2 – <i>Implied</i>	1 – 2 –
5	Does the company acknowledge the fact that HIV/Aids has an impact on its <b>SA community</b> ?  1 – Yes 2 – <i>Implied</i>	1 – 2 –
6	Does the company acknowledge the fact that HIV/Aids has an impact on its <b>shareholders and/or shareholders' perceptionS</b> ?  1 – Yes 2 – <i>Implied</i>	1 – 2 –
	<b>Cost implication</b>	
7	Report current HIV/Aids-associated <b>costs</b> and losses to the organisation.	1 – <b>Yes</b>
8	Is there an indication of the total assumed <b>future</b> HIV/Aids-associated <b>costs</b> and losses?.	1 – <b>Yes</b>
9	Does the company indicate what the potential <b>impact</b> of HIV/Aids on the company's <b>results</b> will be?  1 – Yes 2 – <i>Future study to determine</i>  <i>Continue...</i>	1 – 2 –

10	<p>If <b>cost</b> implications are calculated, is an indication of what <b>basis</b> used given?</p> <p>1 – <i>Actuary Society of SA</i> 2 – <i>Other</i></p>	<p>1 – 2 –</p>
11	<p>Did the company introduce any limits/procedures/practice in their <b>business model</b> to limit the impact of HIV/Aids on the business?</p> <p>1 – Yes 2 – <i>Implied</i></p>	<p>1 – 2 –</p>
12	<p>Did the company give an indication if HIV/Aids has an <b>impact</b> on the company's</p> <ul style="list-style-type: none"> <li>- Post-retirement benefit (R/F) or</li> <li>- Medical liability (M/L)?</li> </ul> <p>1 – <i>R/F</i> 2 – <i>M/L</i> 3 – 1 + 2 4 – 1 + <i>Disability insurance</i></p>	<p>1 – 2 – 3 – 4 –</p>
	<b>Research</b>	
13	<p>Does the company do any <b>research</b> related to the impact of HIV/Aids?</p> <ul style="list-style-type: none"> <li>- Company</li> <li>- Employees</li> <li>- Customers</li> </ul> <p>1 – <i>Company</i> 2 – <i>Employees</i> 3 – 1 + 2 4 – 2 + <i>Customers</i> 5 – 1 + <i>Costomers</i></p>	<p>1 – 2 – 3 – 4 – 5 –</p>
14	<p>Is the company or its subsidiaries involved or <b>funding research</b> related to the disease?</p> <p style="text-align: right;"><i>Continue...</i></p>	<p>1 – Yes</p>

	Policy	
15	<p>Does the company have an HIV/Aids <b>policy</b>?</p> <p><i>Stating it deals with</i></p> <ul style="list-style-type: none"> <li>- a Benefit funds</li> <li>- b Rights of HIV/Aids employees</li> <li>- c Role of company in managing the disease</li> </ul> <p>1 – a+ b + c  2 – a + b  3 – a + b + reduced infection  4 – no indication  5 – b  6 – c</p>	1 – 2 – 3 – 4 – 5 – 6 –
16	Is there an indication of how the organisation involves stakeholders in the formulation of policy, strategy and implementation or any part of the aforementioned?	1 – Yes
17	<p>Is the company's policies regarding HIV/Aids reviewed by the <b>Audit and Governance/Risk committee</b>?</p> <p>1 – Audit/Governance  2 – Risk Committee  3 – HIV/Aids Committee  4 – Internal Audit  5 - Other</p>	1 – 2 – 3 – 4 – 5 –
	Management Strategy	
18	<p>Does the company have an overall <b>strategy</b> for managing the HIV/Aids risk?</p> <p>1 – Yes  2 – Vision</p>	1 – 2 –
19	Is there <b>contingency planning</b> in light of expected HIV/Aids impacts?	1 – Yes
20	Is the progress of the above <b>monitored</b> ?	1 – Yes
21	Is the above <b>reported</b> to management?	1 – Yes
	<i>Continue...</i>	

	<b>Infection rates</b>	
22	Is there an indication of the <b>current</b> HIV/Aids prevalence and incidence <b>rates</b> amongst employees?  1 – lower than avg + % given 2 – lower than avg 3 – inline with avg 4 – higher than avg 5 – higher than avg + % given	1 – 2 – 3 – 4 – 5 –
23	Is there an indication of the projected <b>future</b> HIV/Aids prevalence and incidence <b>rates</b> amongst employees?	1 – Yes
	<b>Awareness programmes</b>	
24	Is there workplace and workplace-related HIV/Aids <b>programmes</b> and interventions?	1 – Yes
25	Is there an indication that workplace and workplace-related HIV/Aids programmes maintain a <b>workplace environment</b> respectful of human rights and legal rights?  1 – Yes 2 – implied	1 – 2 –
26	Are the <b>Unions</b> involved in the HIV/Aids programmes?	1 – Yes
27	What is the total allocated <b>budget</b> dedicated to HIV/Aids programmes per annum?	1 – Yes
28	Does the company have an HIV/Aids <b>education and support</b> programme? A = Information brochures/booklets B = Posters C = Peer education D = Counsellors E = Comprehensive internal com. programme F = Videos G = Workshop H = Theatre I = Intranet / email  <i>Included in Q24 if no specific indication of education and support programme is disclosed.</i> <b>Continue...</b>	a – b – c – d – e – f – g – h – i –

29	Is the main aim of the company's strategy to prevent <b>further infections</b> ?  1 – Yes 2 – <i>implied from 30</i>	1 – 2 –
30	Does the company have <b>condom and/or femidom distribution programmes</b> ?	1 – Yes
	<b>Voluntary Testing and Counselling (VTC)</b>	
31	Does the company have <b>Voluntary Testing (T) and Counselling (C)</b> programme?  1 – T + C 2 – C only 3 – T only	1 – 2 – 3 –
32	Is there an indication of the number of <b>employees involved</b> in the programme (i.e. used the facility)?	1 – Yes
33	Does the company confirm that there are <b>benefits</b> of having VTC as part of an HIV/Aids programme?	1 – Yes
	<b>Other projects</b>	
34	Does the company have <b>general health care and wellness provision</b> for employees (excluding normal medical aid)?  1 – Yes 2 – <i>Implied</i>	1 – 2 –
35	Is there <b>additional</b> benefits and support for employees ill or deceased from Aids-related conditions?) -	1 – Yes
36	Is the company involved in any <b>community-based</b> HIV/Aids programmes?  1 – Yes 2 – <i>Implied</i>  <i>Continue...</i>	1 – 2 –

37	<p>Does the company provide <b>Anti-Retroviral Therapy (ARV)</b> to its employees?</p> <ul style="list-style-type: none"> <li>- Company Self</li> <li>- Medical Aid (MA)</li> </ul> <p>1 – No indication  2 – MA if not access, then company  3 – Company  4 – MA only  5 – Company provides access to <b>treatment</b> by 3<sup>rd</sup> party (excl. MA)  6 – Monitoring to decide</p>	1 – 2 – 3 – 4 – 5 – 6 –
	<b>General</b>	
38	<p>Does the company compare its practice to <b>international best practice</b>?</p> <p>1 – Yes  2 – Local best practices</p>	1 – 2 –
39	<p>Specific <b>committee</b> controlling HIV/Aids strategy</p> <p style="text-align: right;"><i>End of classification scheme</i></p>	1 – Yes

## ANNEXURE C: WORKSHEET FOR CODING THE RESULTS OF CLASSIFICATION SCHEME PER QUESTION

*Please note that the percentages shown on this sheet are rounded, but all calculations were performed using the actual decimal percentages. Totals may thus differ from the added actual percentages indicated.*

		1998 %	1999 %	2000 %	2001 %	2002 %	2003 %
<b>TOTAL</b>		<b>31 100%</b>	<b>57 100%</b>	<b>84 100%</b>	<b>112 100%</b>	<b>148 100%</b>	<b>186 100%</b>
<b>Q 3)</b>	<b>1</b>	9 29%	27 47%	34 40%	62 55%	101 68%	136 73%
	<b>2</b>	10 32%	10 18%	14 17%	6 5%	22 15%	32 17%
		<b>19 61%</b>	<b>37 65%</b>	<b>48 57%</b>	<b>68 61%</b>	<b>123 83%</b>	<b>168 90%</b>
<b>Q 4)</b>	<b>1</b>	5 16%	5 9%	16 19%	22 20%	23 16%	39 21%
	<b>2</b>	4 13%	2 4%	3 4%	4 4%	8 5%	14 8%
		<b>9 29%</b>	<b>7 12%</b>	<b>19 23%</b>	<b>26 23%</b>	<b>31 21%</b>	<b>53 28%</b>
<b>Q 5)</b>	<b>1</b>	8 26%	28 49%	51 61%	70 63%	90 61%	98 53%
	<b>2</b>	5 16%	15 26%	16 19%	19 17%	20 14%	15 8%
		<b>13 42%</b>	<b>43 75%</b>	<b>67 80%</b>	<b>89 79%</b>	<b>110 74%</b>	<b>113 61%</b>
<b>Q 6)</b>	<b>1</b>	0 0%	1 2%	0 0%	3 3%	4 3%	5 3%
	<b>2</b>	0 0%	0 0%	0 0%	0 0%	4 3%	6 3%
		<b>0 0%</b>	<b>1 2%</b>	<b>0 0%</b>	<b>3 3%</b>	<b>8 5%</b>	<b>11 6%</b>
<b>Q 7)</b>		3 10%	15 26%	16 19%	19 17%	13 9%	20 11%
<b>Q 8)</b>		4 13%	9 16%	10 12%	13 12%	13 9%	8 4%
<b>Q 9)</b>	<b>1</b>	5 16%	4 7%	3 4%	14 13%	19 13%	26 14%
	<b>2</b>	0 0%	0 0%	1 1%	2 2%	4 3%	4 2%
		<b>5 16%</b>	<b>4 7%</b>	<b>4 5%</b>	<b>16 14%</b>	<b>23 16%</b>	<b>30 16%</b>
<b>Q 10)</b>	<b>1</b>	4 13%	6 11%	8 10%	5 4%	7 5%	9 5%
	<b>2</b>	1 3%	2 4%	0 0%	1 1%	3 2%	3 2%
		<b>5 16%</b>	<b>8 14%</b>	<b>8 10%</b>	<b>6 5%</b>	<b>10 7%</b>	<b>12 6%</b>
<b>Q 11)</b>	<b>1</b>	3 10%	13 23%	14 17%	15 13%	33 22%	50 27%
	<b>2</b>	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
		<b>3 10%</b>	<b>13 23%</b>	<b>14 17%</b>	<b>15 13%</b>	<b>33 22%</b>	<b>50 27%</b>

Continue...

Q 12) 1		1	3%	1	2%	0	0%	1	1%	2	1%	0	0%
	2	1	3%	3	5%	1	1%	7	6%	2	1%	3	2%
	3	0	0%	0	0%	2	2%	0	0%	1	1%	1	1%
	4	0	0%	0	0%	0	0%	0	0%	1	1%	3	2%
		2	6%	4	7%	3	4%	8	7%	6	4%	7	4%
Q13) 1		2	6%	0	0%	0	0%	0	0%	4	3%	2	1%
	2	0	0%	0	0%	0	0%	1	1%	4	3%	1	1%
	3	0	0%	1	2%	2	2%	3	3%	2	1%	2	1%
	4	1	3%	1	2%	0	0%	0	0%	2	1%	1	1%
	5	0	0%	1	2%	1	1%	5	4%	5	3%	5	3%
		3	10%	3	6%	3	4%	9	8%	17	11%	11	6%
Q14) 1		4	13%	8	14%	7	8%	5	4%	2	1%	2	1%
Q15) 1		1	3%	3	5%	3	4%	2	2%	2	1%	0	0%
	2	1	3%	0	0%	1	1%	1	1%	5	3%	2	1%
	3	3	10%	0	0%	0	0%	0	0%	0	0%	0	0%
	4	0	0%	1	2%	3	4%	24	21%	26	18%	55	30%
	5	0	0%	1	2%	3	4%	6	5%	18	12%	37	20%
	6	0	0%	2	4%	0	0%	0	0%	1	1%	1	0%
		5	16%	7	13%	10	12%	33	29%	52	35%	95	51%
Q16) 1		0	0%	3	5%	2	2%	2	2%	6	4%	16	9%
Q17) 1		0	0%	0	0%	0	0%	0	0%	0	0%	1	0%
	2	0	0%	0	0%	0	0%	1	1%	0	0%	0	0%
	3	1	3%	3	5%	3	4%	3	3%	1	1%	0	0%
	4	0	0%	0	0%	0	0%	0	0%	0	0%	2	1%
	5	0	0%	1	2%	0	0%	4	4%	1	1%	3	2%
		1	3%	4	7%	3	4%	8	7%	2	1%	6	3%
Q18) 1		7	23%	21	37%	21	25%	16	14%	40	27%	54	29%
Q19) 1		3	10%	4	7%	1	1%	0	0%	2	1%	0	0%
Q20) 1		0	0%	0	0%	0	0%	1	1%	2	1%	0	0%
Q21) 1		0	0%	0	0%	0	0%	1	1%	0	0%	0	0%

Continue...

<b>Q22)</b>	<b>1</b>	2	6%	3	5%	4	5%	5	4%	11	7%	17	9%
	<b>2</b>	1	3%	0	0%	0	0%	0	0%	1	1%	6	3%
	<b>3</b>	1	3%	0	0%	0	0%	2	2%	2	1%	3	2%
	<b>4</b>	0	0%	1	2%	1	1%	0	0%	0	0%	1	0%
		<b>4</b>	<b>13%</b>	<b>4</b>	<b>7%</b>	<b>5</b>	<b>6%</b>	<b>7</b>	<b>6%</b>	<b>14</b>	<b>9%</b>	<b>27</b>	<b>14%</b>
<b>Q23)</b>	<b>1</b>	0	0%	3	5%	1	1%	2	2%	1	1%	3	2%
<b>Q24)</b>	<b>1</b>	10	32%	21	37%	31	37%	48	43%	96	65%	127	68%
<b>Q25)</b>	<b>1</b>	1	3%	4	7%	4	5%	14	13%	19	13%	16	9%
	<b>2</b>	1	3%	0	0%	0	0%	0	0%	0	0%	0	0%
		<b>2</b>	<b>6%</b>	<b>4</b>	<b>7%</b>	<b>4</b>	<b>5%</b>	<b>14</b>	<b>13%</b>	<b>19</b>	<b>13%</b>	<b>16</b>	<b>9%</b>
<b>Q26)</b>	<b>1</b>	0	0%	3	5%	5	6%	8	7%	9	6%	15	8%
<b>Q27)</b>	<b>1</b>	0	0%	6	11%	3	4%	5	4%	6	4%	11	6%
<b>Q28)</b>	<b>a</b>	0	0%	0	0%	2	2%	4	4%	13	9%	8	4%
	<b>b</b>	0	0%	0	0%	5	6%	2	2%	9	6%	10	5%
	<b>c</b>	1	3%	5	9%	6	7%	14	13%	13	9%	27	15%
	<b>d</b>	3	10%	2	4%	1	1%	0	0%	3	2%	0	0%
	<b>e</b>	1	3%	2	4%	3	4%	0	0%	4	3%	3	2%
	<b>f</b>	1	3%	2	4%	1	1%	0	0%	6	4%	7	4%
	<b>g</b>	0	0%	0	0%	3	4%	0	0%	1	1%	2	1%
	<b>h</b>	0	0%	0	0%	0	0%	0	0%	5	3%	4	2%
	<b>i</b>	0	0%	0	0%	0	0%	0	0%	0	0%	3	2%
		<b>6</b>	<b>19%</b>	<b>11</b>	<b>20%</b>	<b>21</b>	<b>25%</b>	<b>20</b>	<b>18%</b>	<b>54</b>	<b>36%</b>	<b>64</b>	<b>34%</b>
<b>Q29)</b>	<b>1</b>	3	10%	14	25%	19	23%	21	19%	29	20%	39	19%
	<b>2</b>	0	0%	1	2%	5	6%	1	1%	7	5%	12	6%
		<b>3</b>	<b>10%</b>	<b>15</b>	<b>27%</b>	<b>24</b>	<b>29%</b>	<b>22</b>	<b>20%</b>	<b>36</b>	<b>24%</b>	<b>51</b>	<b>25%</b>
<b>Q30)</b>	<b>1</b>	0	0%	1	2%	9	11%	7	6%	12	8%	22	12%
<b>Q31)</b>	<b>1</b>	1	3%	3	5%	9	11%	16	14%	23	16%	55	30%
	<b>2</b>	4	13%	2	4%	7	8%	8	7%	15	10%	21	11%
	<b>3</b>	3	10%	0	0%	5	6%	4	4%	14	9%	5	3%
		<b>8</b>	<b>26%</b>	<b>5</b>	<b>9%</b>	<b>21</b>	<b>25%</b>	<b>28</b>	<b>25%</b>	<b>52</b>	<b>35%</b>	<b>81</b>	<b>44%</b>
<b>Q32)</b>	<b>1</b>	1	3%	0	0%	0	0%	2	2%	3	2%	9	5%
<b>Q33)</b>	<b>1</b>	1	3%	1	2%	2	2%	2	2%	5	3%	8	4%

Continue...

<b>Q34) 1</b>		7	23%	13	23%	16	19%	14	13%	30	20%	44	24%
	<b>2</b>	0	0%	1	2%	0	0%	0	0%	0	0%	0	0%
		<b>7</b>	<b>23%</b>	<b>14</b>	<b>25%</b>	<b>16</b>	<b>19%</b>	<b>14</b>	<b>13%</b>	<b>30</b>	<b>20%</b>	<b>44</b>	<b>24%</b>
<b>Q35) 1</b>		1	3%	2	4%	4	5%	5	4%	16	11%	6	3%
<b>Q36) 1</b>		4	13%	22	39%	31	37%	42	38%	51	34%	71	38%
	<b>2</b>	0	0%	0	0%	0	0%	0	0%	2	1%	0	0%
		<b>4</b>	<b>13%</b>	<b>22</b>	<b>39%</b>	<b>31</b>	<b>37%</b>	<b>42</b>	<b>38%</b>	<b>53</b>	<b>36%</b>	<b>71</b>	<b>38%</b>
<b>Continue...Q37) 1</b>		1	3%	0	0%	1	1%	1	1%	4	3%	6	3%
	<b>2</b>	0	0%	0	0%	0	0%	1	1%	4	3%	6	3%
	<b>3</b>	0	0%	0	0%	1	1%	1	1%	8	5%	9	5%
	<b>4</b>	0	0%	0	0%	1	1%	2	2%	6	4%	10	5%
	<b>5</b>	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
	<b>6</b>	0	0%	0	0%	0	0%	0	0%	3	2%	7	4%
		<b>1</b>	<b>3%</b>	<b>0</b>	<b>0%</b>	<b>3</b>	<b>4%</b>	<b>5</b>	<b>4%</b>	<b>25</b>	<b>17%</b>	<b>38</b>	<b>20%</b>
<b>Q38) 1</b>		1	3%	0	0%	0	0%	3	3%	1	1%	7	4%
	<b>2</b>	2	6%	0	0%	0	0%	0	0%	1	1%	1	0%
		<b>3</b>	<b>9%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>3</b>	<b>3%</b>	<b>2</b>	<b>1%</b>	<b>8</b>	<b>4%</b>
<b>Q39)</b>		0	0%	2	4%	2	2%	8	7%	5	3%	13	7%

End of worksheet

	1998	1999	2000	2001	2002	2003
1	African Life	ABSA Group	ABSA Group	ABSA Group	ABSA Group	ABI -Amalgamated Beverages
2	Alexander Forbes	Adcock Ingram	AECI	Adcorp Hold.	Adcorp Hold.	ABSA Group
3	AM Moolla Group	Adcorp Hold	African Life	AECI	Advtech	Adcorp Hold.
4	AMB Holdings	African Life Assurance Co.	Afrikaner Lease	African Bank	AECI	Adonis Knitware Hold.
5	Anglo American	Anglo American Plat.	Alexander Forbes	African Gem	African & Overseas Enterprise	Advetech
6	Anglo American Plat..	Anglo American Plc	Anglo American	African Life Assurance	African Gem Resources	AECI
7	Anglo Gold	Anglo Gold	Anglo American Plc	African Oxygen	African Life Assurance Co.	African Bank Investments
8	Bell Equipement Ltd	Anglo Vaal Mining	Anglo Vaal Mining	Afrikaner Lease	African Oxygen	African Gem Resources
9	BICC CAFCA	AVGold	AngloGold	Afrox Healthcare	African Rainbow Minerals	African Lif Assurance Co.
10	Caital Alliance	Bell Equ.	Aspen Pharmacare	Alexander Forbes	Afrox Healthcare	African Media Entertai
11	Consol. Murchison	BHP Billiton	Atlas Properties	Amalgamated Appl.	Alex White Hold.	African Rainbow Mineral
12	DeBeers Consol Mines	BICC CAFCA	AVGold	Amalgamated Bev	Alexander Forbes	Afrox HealthCare
13	Fedsure Hold	BOE Corp.	Basil Hold.	Anglo American Plat.	Allied Electronic Corp.	Alex White Hold.
14	Firat Rand	Cadbury Schweppes (SA)	Bell Equipment	Anglo Vaal Mining	Amalgamated Beveraga Indust	Alexander For
15	Illova Sugar	Cadiz Holdings	BHP Billion Plc	AngloGold	Anglo American Plat. Corp.	Altec
16	Karos Hotels	Capital Allowance	BICC CAFTA	Aspen Pharmacare	Anglo American Plc	Anglo American Plc
17	Liberty Group	Chemical Service	BOE	Assmans	AngloGold Ashanti	Anglo Gold
18	Liberty Investors	Corpcom	Cadiz Hold.	Assore Ltd	Arcay Group	Anglo Plat.
19	MacMed Health Care	DeBeers Consol. Mines	Capital Alliance	Atlas Properties	Aspen Holdings	APS Technologies
20	Metropolitan Life	Duiker Mining	Century Carbon Mi	Aveng	Assmang Ltd	Argent Industrial
21	Network Healthcare	Dunlop Africa	Chemical Services	AVGold	Astral Foods	Aspen (pharmacare hold.)
22	Ocean Diamond Mining	Fedsure Hold	Clinic Hold.	Barloworld	Aveng	Assmang
23	Oceana Group	First Rand	Concor	Barnard Jacobs Mellet	AVGold	Assore Limited
24	Palabora Mining Co.	Gem Diamond Mining	Corpcom	Bell Equipment	AVI	AST Group
25	Randfontein Estate	Gold Fields	DeBeers Consol.	BHP Billion	Barloworld	Astral Foods
26	SABMiller	Grinaker Construction	Decillion	BICC CAFTA	Barplats Investment	Atlas Properties
27	SAGE Group	Harmony Gold Mining	Discovery Hold.	Bidvest Group	Basil Read Hold.	Aveng
28	Sanlam	Illovo Sugar	Dunlop Africa	BOE	Bearing Man	AVGold
29	Seardel Investment	Impala Plat. H.	Edgars Consol. Sto	Brait SA	Bell Equipment	A-V-I
30	Toyota SA	Iscor	Electronic Media N	Capital Alliance Hold.	BHP Billion Plc	Avis Southern Africa
31	York Timber Org.	Liberty Hold.	Fedsure	CashBuild	BICC CAFTA	Barloworld
32		Lonmin Plc	First Rand	Centricity Property	Bidvest Group	BarPlat
33		MacMed Health	Gold Fields	Chemical Services	Bridgestone Firestone Maxip.	Bearing Man
34		Masterfridge	Group 5	Concor	Brimstone Invest. Corp.	Bell Equipement
35		Metropolitan Life	Group 5 Hold.	Coronation Equity	Buildmax	BHP Billiton
36		Metrorex	Harmony Gold Min	Decillion	Cadiz Hold.	Bidvest Group
37		National Chick	HomeChoice Hold.	Dimension DATA Hold.	Capital Alliance Hold.	Brandcorp Hold.
38		Network Health	Howden Africa Hold	Discovery Hold.	Cashbuild	Brimstone Inveatments
39		New Africa	Illovo Sugar	Distell Group	Ceramic Industries	Business Connexion Group
40		Ocean Diamond Mining	Impala Plat. Hold.	Dorbyl	Chemical Services	Bytes Technology
41		Old Mutual	Investec Ltd	Edgars Consol. Stores	City Lodge Hotels	Cadiz Hold.
42		Palabora Mining	Kersaf Investments	Electronic Media Netw	Concor	Capital Allowance Holdings
43		Plate Glass Shatterpruffe	Liberty Group	Ellerine Hold.	CorpCapital	Capitech Bank Hold.
44		Rael Africa	Liberty Hold.	Fasion Africa	Decillion	Cashbuild
45		Real Africa Invest.	Lonmin Plc	Glodina Hold.	Delta Electrical Industries	Cementation
46		Reunert	Massmart Hold.	Gold Fields	Discovery Hold.	Ceramic Industries
47		SABMiller	MasterFridge	Grintek	Distell Group	City Lodge Hotels
48		SAGE	Mathomo Group	Group 5	Distribution & Warehousing...	Combined Motor Hold.

49	Sanlam	McCarthy	Harmony Gold	Dorbyl	Concor Ltd
50	Sasol	Metropolitan Life	Highveld Steel& Vandi	Edgars Consol. Stores	Crago Carriers
51	Sear del Inv.Corp	Metrorex	Howden Africa	Ellerine Hold.	Crookes Brothers
52	ST Helena Gold Mining	Murray & Roberts .	Illovo Sugar	Enviro serv Hold.	CS Computer Services
53	Super Group	Naspero	Impala Plat. Hold.	ERP.COM Hold.	Datacentrix Hold.
54	Tonga at-Hullet Group	Network Health	Impala Plat. Hold.	Excelerate Hold.	DELTA Electrical Indust
55	Truworths Int.	New Africa Invest	Investec	Firstrand	Dimension DATA Hold.
56	Wooltru	Northam Platinum	Liberty Hold.	Glenrand MIB	Discovery
57	Woolworths Hold	Old Mutual Plc	Lonmin Plc	Global Technology	Distell Group
58		Palabora Mining	Marshalls	Glodina Hold.	Distribution & Warehousing
59		Paradigm Capital	Massmart Hold.	Glodina Hold.	Don Group
60		Primedia (702)	Mathomo Group	Gold Fields	Dorbyl
61		Primserve Group	Messina	Gold Reef Casino	Durban Roodeport Deep
62		PTA Portland Cem	Metro Cash & Carry	Grindrod	Edgars Consolidated Storse
63		Putco	Metropolitan Hold.	Grintek	Electronic Media Network...
64		Relyant Retail	Metrorex	Group 5	Ellerine
65		Rentsure Hold.	Mr. Price Group	Harmony Gold Mining Co.	Energy
66		Reserv Hold.	MTN Group	Highveld Steel & Vandium.	Enviroserve Hold.
67		Ruenert	Murray & Roberts	Howden Africa Hold.	ERP.COM Hold.
68		SA Eagle Insurance	Mutual & Federal Insu.	Hudaco Industries	Excellence Hold.
69		Saambou Hold.	Nampak	Illovo Sugar	Faritec Holdings Ltd
70		SABMiller Plc	Nedcor Inv. Bank Hold.	Impala Platinum	Firstrand
71		SAGE Group	Network Helthcare Hol	Imperial Hold.	Foshini Ltd
72		Sanlam	New Clicks Hold.	Investec	Gijima AST Group Ltd
73		Sasol	Northam Platinum	ISCOR	GlenRand MIB
74		Sear del Investmen	Oceana Group	JD Group	Glodina Hold.
75		Sekunjalo	Old Mutual Plc	Johnnic Communications	Gold Reef Casino Resorts
76		Shoprite Hold.	Palabora	Johnnic Holdings	Goldfields
77		Siltek	Pick n Pay Stores	Kersaf Investments	Grindrod
78		Softline	Primeserv Group	Kumba Resources	Grintek
79		Southern Mining	PSG Group	Liberty Holdings	Group 5
80		Sun Int. (SA)	PTA Portland Cemen	Lonmin Plc	Harmony
81		Tonga at-Hulett	Real Africa Hold.	M Cubed Hold.	Highveld Steel & Vandium
82		Unitrans	Real Africa Investment	Massmart Hold.	Howden Africa Hold.
83		Woolworths Hold.	Rembrant Beherende	Mathomo Group	Hudaco Industries
84		Zambia Copper	Renert Hold.	Medi-Clinic Corporation	ILLOVO Sugar
85			Rentsure Hold.	Merafe Resources	Impala Platinum Hold.
86			Retail Apparel Group	Messian	Imperial
87			RMB Hold.	Metro Cash and Carry	IMPLATS
88			SA Reserve Bank	Metropolitan Brand	Inmins
89			Saambou Hold.	Metropolitan Holdings	Insurance Outsourcing Man.
90			SABMiller Plc	Mettle	Intervid Ltd
91			SAGE Group	Midas	Investec Limited
92			Sanlam	Mobile Industries	Investec Plc
93			Sappi	Mr. Price	Invicta Hold.
94			Sasol	MTN Group	ISCOR
95			Sear del Investments	Murray & Roberts Hold.	Jasco Electronics Hold.
96			Shoprite Hold.	Mustek	JD Group
97			Simmer & Jack Mines	Nampak	Johnnic Communications

98	Southern Mining	Nedcor	Johnnic Holdings
99	Spescom	Network Health	KAP International Hold.
100	Standard Bank	New Africa Investments	Kersaf
101	Steinhoff Int. Hold.	New Clicks Hold.	KUMBA
102	Tiger Brands	Northam Platinum	Liberty Holdings
103	Tonga-Hullet	Oceana Group	Lonmin
104	Tourism Investment	Old Mutual Plc	M Cubed Holdings
105	TransHex Group	Omnia Hold.	Massmart Holdings
106	Truworths Int.	Palabora Mining	Mathomo Group Ltd
107	UCS Group	Pepkor	McCarthy Ltd
108	Unitrans	Peregrine Hold.	Messina
109	Wankie Colliery Co.	PPC Ltd	Metair Investments Ltd
110	Women Investment P	Primedia Ltd	Metro Cash and Carry
111	Woolworths Hold.	Primeserve Group	Metropolitan Holdings
112	Zambia Copper Inv	Putco	Mobile Industries
113		Real Africa Hold.	Mr. Price Group
114		Relyant Retail	MTN Group
115		Rentsure Hold.	Murray and Roberts Holdings
116		Reunert Ltd	Mustek Ltd
117		Rex Trueform Clothing Co.	Mutual and Federal Insurance
118		RMB Holdings	Nampak
119		SABMiller Plc	Naspers
120		Sanlam	Nedcor
121		Santam	Netcare
122		SAPPI	Network Healthcare Hold.
123		SASOL	New Africa Investments
124		Sear del Investments Corp.	New Clicks Holdings
125		Sekunjalo Investments	Northam Platinum
126		Shoprite Hold.	Oceana Group Ltd
127		Shops for Africa	Old Mutual
128		Simmer and Jack Mines	Omnia Holdings
129		Softline	Palabora Mining Co.
130		Southern Mining Corp.	Pasdec Resources SA
131		Spescom	Peregrine Holdings
132		Square One Solutions Group	Phumelela Gaming and Leisure
133		Standard Bank Group	Pick n Pay
134		Steinhoff International Hold.	Pick n Pay Holdings ()
135		Sun International (SA)	PPC
136		Tiger Brands	Primedia Group Companies
137		Tiger Wheels	Primedia Ltd
138		Tonga-Hullet Group	Primeserve Group
139		Tourism Investment Corp.	PSG Group
140		Trencor	Putco Ltd
141		Truworths International	Rapimed Diagnostics
142		Unitrans	Remgro
143		Value Group	Reserve Holdings
144		Wankie Colliery Company	Reunert
145		Western Areas	Reylant Retail
146		Women Investment Portfolio	RMBH

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147	Woolworths Hold.	SA Chrome and Alloys
148	York Timber Organisation	SA Eagle Insurance
149		SABMiller
150		SAGE Group Ltd
151		Sallies
152		SANLAM
153		Santam
154		SAPPI
155		Sasol
156		Satndard Bank
157		Scharrig Mining
158		Seardel Investments
159		Sekunjalo Investments
160		Shoprite Holdings
161		Spescom Ltd
162		Spur Corporation
163		Square One Solutions Group
164		Steinhoff International
165		Sun International SA
166		Super Group
167		Telkom
168		Tiger Brands
169		Tiger Wheels Ltd
170		Tongaat-Hullet Group
171		Trans Hex Group
172		Transpaco Ltd
173		Trencor Ltd
174		Truworths International
175		UCS Group
176		Unitrans
177		Value Group
178		VenFin
179		Wankie Colliery Co.
180		WB Holdings
181		Western Area
182		Wilson Bayly Holmes Ovcon
183		Winecorp. Ltd
184		Winhold Ltd
185		Woolworths
186		York Timber Org.