The mining sector represents a significant portion of the South African economy. The recent announcement of the proposed black empowerment bill for the mining sector caused share prices to plummet. This reaction, in turn, caused a marked devaluation of the rand against other major currencies. Anything that impacts negatively on the mining sector will therefore have an adverse effect on the South African economy.

This paper considers the affect that HIV/AIDS will have on the mining sector and, by implication, on the South African economy. Consideration is given to whether mining companies manage this risk properly and whether it is reasonably accounted for and disclosed in the financial statements. Conclusions are drawn and recommendations made regarding HIV/AIDS risk management and how HIV/AIDS issues can be disclosed fairly.

Although the management teams of mining companies have introduced a HIV/AIDS risk-management process and have commenced the disclosure of HIV/AIDS information, the disclosure is still far from adequate.

**Key words**

- HIV/AIDS
- Disclosure
- Mining sector
- Management processes
- Direct and indirect costs

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1 Introduction

Persons infected with the AIDS virus do not die from the virus itself, but from the minor infections against which the body no longer has resistance. Similarly, AIDS attacks the immune systems of businesses, making them even more susceptible to weaknesses that already exist and turning normal business threats into lethal toxins (Ehrenfeld 1994).

1.1 Background

It appears to be a common belief among businessmen that whereas HIV/AIDS has a significant effect on their company it will not have a crippling effect on their business. Even if it is assumed that the virus will not have a direct affect on turnover, is it not reasonable to assume that the effect of the virus on employees will have an indirect affect on turnover? Employee costs such as salary, fringe benefits, post-employment benefits and medical aid contributions are disclosed by companies as accepted accounting practice in terms of AC116 – Employee Benefits.

The questions considered in this article are:

1 The questions considered in this article are:

2 What is the extent of the disease in the mining industry? (Refer to section 2 for a discussion of this issue).

3 Do companies have current and future plans in place to combat the effect of HIV/AIDS on their business? (Refer to section 3 for a discussion of this issue).

4 Are companies’ envisaged plans and AIDS-related costs disclosed? (Refer to section 3 for a discussion of this issue).

5 What aspects of a company’s envisaged plans and AIDS-related costs should be disclosed in order to achieve fair presentation and provide the users of financial statements with useful information? (Refer to sections 4 and 5 for a discussion of this issue).

1.2 Main approach

There can be no doubt that AIDS is going to have a devastating effect on South Africa and sub-Saharan Africa. It is not possible to determine what effect AIDS will have on Africa, and subsequently on the world, until more information becomes available through research. The South African economy will be extremely hard hit by AIDS and it will have a lasting effect on small, medium and large businesses, state and private pension funds, medical aids, insurance companies and even the mining industry.

If it is borne in mind that the mining industry is the most labour-intensive flagship industry of South Africa, then it is reasonable to expect that AIDS will almost certainly have the most devastating and fast-acting effect in this industry. The focus of this article is on the mining industry, because it represents a worst-
case scenario that can provide evidence of whether or not disclosure should be made.

1.3 Research method

The foremost question on the agenda of the management of all mining companies should be: "How should we actively combat the current effect of AIDS and what procedures should be put into operation to minimize its future effect?"

The approach to the research reported in this article comprises the following:

- The current effect of AIDS on the world as a whole is examined and the scope of the effect narrowed to South African mining operations. Subsequently, projections of the effect of AIDS are applied to the world as a whole and specifically to South African mines.
- A sample of seven leading South African mines was selected. Their financial statements from 1996 onwards were examined to establish whether these mines have plans in operation to combat the disease and whether they disclose such information as well as any other AIDS-related information, irrespective of how insignificant it is. (Refer to 3.2.2 for the market share of these mines).
- Questionnaires were distributed to mining companies that are listed on the Johannesburg Stock Exchange (JSE). The purpose of these questionnaires was to establish the various perceptions of staff concerning the future effect of AIDS on the company and on the staff as well as how the company plans to minimize and combat current and future consequences as they arise. Based on the findings regarding the current effect of AIDS, recommendations are made on what additional information should be disclosed as well as how management could improve its strategies in respect of the disease.

2 How pervasive is HIV/AIDS?

2.1 World data on HIV/AIDS

According to the Joint United Nations Programme on HIV/AIDS (hereafter UNAIDS), the number of people living with HIV/AIDS was 36.1 million in December 2000. Of this total, 34.7 million people were above the age of 15 years (UNAIDS 2000c). A total of 5.3 million were infected with HIV in the year 2000, 4.7 million of whom were above the age of 15 years (UNAIDS 2000c). In the year 2000, 500 000 children under the age of 15 years and 2.5 million adults died of AIDS (UNAIDS 2000c). Since the beginning of the pandemic, 17.5 million adults and 4.3 million children under the age of 15 years have died of AIDS (UNAIDS 2000c).
Every day an average of 15 000 people become infected with HIV (UNAIDS 2000a). More than 95% of the new HIV infections occur in developing countries (UNAIDS 2000a). Of the 15 000 persons that are infected daily, approximately 1 700 are children under 15 years (UNAIDS 2000a). Approximately 13 000 are persons aged 15 to 49 years of whom 47% are women and more than 50% are 15 to 24 years old (UNAIDS 2000a).

At least 10.4 million children currently below the age of 15 years have been orphaned by AIDS, i.e. they have lost their mother or both parents to the pandemic (UNAIDS 2001). The total number of children orphaned by the pandemic, namely 13.2 million, is forecasted to more than double by 2010 (UNAIDS 2001). Approximately 2.3 million children became orphans in 2000 as a result of AIDS-related deaths, i.e. a rate of 1 every 14 seconds (UNAIDS 2001). Approximately 2% of all children in developing countries were orphans before the onset of AIDS (UNAIDS 2001). However, in some African countries at least 10% of the children were orphans by 1999 (UNAIDS 2001).

The following are the number of adults and children estimated to be living with HIV/AIDS in various areas at the end of 2000 (UNAIDS 2000c):

- Australia and New Zealand, 15 000
- The Caribbean, 390 000
- Western Europe, 540 000
- East Asia and the Pacific, 640 000
- Eastern Europe and Central Asia: 700 000
- North America, 920 000
- Latin America, 1.4 million
- South and South-East Asia, 5.8 million
- Africa, 25.7 million

Of the 25.7 million people in Africa that are infected with HIV/AIDS, 25.3 million live in sub-Saharan Africa (UNAIDS 2000c). It is clear from the above data that sub-Saharan Africa is affected to the greatest extent by the pandemic.

### 2.2 HIV/AIDS in Africa

AIDS now kills ten times more people per year in Africa than war does (UNAIDS 2000b).

The total number of sub-Saharan African people that are living with HIV or AIDS is 25.3 million (UNAIDS 2000d). At least 15% of the adults in eight African countries are infected (UNAIDS 2000d). AIDS will claim the lives of approximately a third of today’s 15 year olds in these eight African countries (UNAIDS 2000d).

Millions of Africans that were infected in previous years began to fall ill during 2000. A total of 2.4 million people died of HIV-related causes in 2000, in
comparison with 2.3 million in 1999 (UNAIDS 2000d). Africa is home to almost 70% of the adults and 80% of the children in the world that are living with HIV (UNAIDS 2000d). Three-quarters of the more than 20 million people who have died of AIDS worldwide since the beginning of the pandemic have been buried in Africa (UNAIDS 2000d).

In the six countries of southern Africa, between 8% and 25% of the practising doctors are expected to die of AIDS by the year 2005 (UNAIDS 2000b). In the seven countries that are situated in the southern cone of the continent at least one adult in five is living with HIV (UNAIDS 2000b). In the countries in which 10% of the adult population is HIV infected, almost 80% of all the deaths of young adults in the age group 25-45 years will be associated with HIV (UNAIDS 2000b).

A study undertaken in 1997 revealed that public health expenditure on AIDS alone exceeded 2% of gross domestic product (GDP) in seven of the sixteen African countries sampled (UNAIDS 2000d). Compared to the total health expenditure of 3-5% of GDP in these African countries, it is a staggering figure (UNAIDS 2000d).

Given the above-mentioned sobering data, the question arises about the prevalence of AIDS in South Africa in comparison with the rest of Africa.

2.3 The footprints of the virus in South Africa

According to the United Nations, South Africa has more people living with HIV/AIDS than any other country in the world (Anon., 2001e). Research done by the Reproductive Health Research Unit, Planned Parenthood Association of SA, Health Systems Trust and Advocacy Initiatives – jointly known as LoveLife - reveals that approximately 4 million South African citizens were infected with HIV at the end of 2000 (Anon 2001a). The Lovelife report also states that at present approximately 15% of all South African adults aged between 20 and 64 years are infected (Anon 2001a).

Forecasts by LoveLife indicate that between 5.3 million and 6.1 million people will suffer from the syndrome by 2005 and 6 million to 7.5 million by 2010 (Anon 2001a). LoveLife furthermore indicates that between 20% and 23% of all South African adults that are aged between 20 and 64 years will be infected by 2005 and that the percentage will rise to between 22% and 27% by 2010 (Anon 2001a). Between 1995 and 2010, almost 25% of women aged between 15 and 19 years will become infected (Anon 2001a).

Death from AIDS, which occurred at the rate of 120 000 per year in 2000, are projected to increase to between 354 000 and 383 000 in 2005, and this figure could rise to between 545 000 and 635 000 in 2010 (Anon 2001a). It can be deduced from death certificates issued that half of all adult deaths can already be attributed to AIDS (Anon 2001a). The Development Bank of Southern Africa predicts that South Africa’s population will start to decrease by 2016, when the number of AIDS-related deaths will exceed the number of births (Anon 2001e).
The effect of HIV/AIDS on the average life expectancy is that it will decrease from its present 68 years to 48 years by 2010, i.e. a decrease of 30% (Anon 1999b).

By 2010, South Africa’s gross domestic product (hereafter GDP) could be 17% lower than it would be without the AIDS pandemic (Pelser 2001). According to Jasper Merck, who heads a UNAIDS study group, AIDS can rob the local GDP of R160 milliard (i.e. R160 000 million) (De Lange 2001). According to economists, economic growth could also be 3% lower as a result of AIDS (Pelser 2001). Approximately 13% of South Africa’s workforce is HIV positive (Pelser 2001). According to a forecast by ING Barings, the total domestic savings, expressed as a percentage of gross domestic product, would be an average of 2 percentage points lower than it would be without the effect of AIDS (Powers 2000).

2.4 The cost of HIV/AIDS to commerce
HIV/AIDS will have its greatest impact on the economically productive portion of a country’s population (Esterhuyse 2000).

Maureen Visagie, Head of the Aids Research Unit at Metropolitan Employee Benefits, considers AIDS to be the single most strategic dilemma that South African companies face in the new millennium (Anon 2000a). Bongani Khumalo (Head of the National HIV/AIDS Programme in the Office of Deputy President, Jacob Zuma) has stated that it would be naïve in the extreme to undertake business or strategy planning without focusing on HIV/AIDS as the most important issue (Isa 2000).

It is estimated that for every 100 natural deaths that occur in a year, 88 highly skilled workers and 176 skilled workers will die of AIDS in the same year (Anderson 1999). During the same period, an additional 308 semi-skilled and unskilled workers will die of AIDS (Anderson 1999). South African companies will loose 4% of their employees to HIV/AIDS every year over the next ten years (Anon 2001f).

The Electricity Supply Commission (hereafter ESKOM) estimates that for every employee that has AIDS, a company will lose R1 million in respect of medical costs and lower productivity (Anon., 2000c). In a video that is distributed by Metropolitan Life, Clem Sunter (Chairman of Corporate Issues at Anglo American) states that the increase in direct labour costs as a result of HIV/AIDS would cause an increase of 15% in gross remuneration by 2005 and 30% by 2010 (Sunter 2000). Direct costs comprise life assurance and medical aid and pension fund contributions (Sunter 2000). HIV/AIDS will also cause an increase in indirect labour costs, which in turn will cause an increase of 10% in gross remuneration by 2005 and 15% by 2010 (Sunter 2000). Figure1 reflects the spread of the increase in indirect costs (Sunter 2000).
According to Riaan Jordaan, Managing Director of Old Mutual Healthcare, approximately 79% of employers believe that HIV/AIDS will have a great influence on future expenses, but up to 23% of them are not doing anything about it (De Lange 1999). Sarah Donnelly of Assessment Solutions Africa says that the costs averted by implementing an HIV/AIDS workplace programme are estimated to be between 3.5 and 7.5 times higher than the cost that will be incurred if no workplace intervention is provided (Anon 2001f). A company that has 1000 employees can save about ten million rand in indirect costs in the next ten years by spending a once-off amount of R100 000 and thereafter R25 000 per year on AIDS education (Browne 1999).

At present, 11.5% of South Africa’s workforce is HIV positive (Anon 2000a). However, skill-intensive industries or industries in which employees have a low level of education will be affected to the greatest extent (Anon 1999a). In general, these people have little or no access to medical help, a poor infrastructure for combating the virus, a low remuneration package and lack the ability to be retrained for administrative positions (Anon 1999a).

A large South African mining company conducted AIDS tests on a test sample of 200 workers at a mine at which there are 7 000 workers (De Lange 1999). Every worker included in the test sample was HIV positive (De Lange 1999).

2.5 The SA mining industry enters the HIV/AIDS war zone

Miners are often migrant workers who are far from their loved ones, live in single-sex hostels that are surrounded by prostitutes and are therefore acutely
vulnerable to HIV/AIDS (Anon 2001c). They seek escape from their tough jobs through their association with prostitutes (Anon 2001d).

Approximately 45% of the country’s mineworkers are already HIV positive. This situation has already decreased the productivity in mines by 15% (De Lange 1999b). In the next five years, mines will have to employ about 20% more workers to maintain their normal production level and to provide for workers in key positions that suddenly become ill or die (De Lange 1999b). The high infection rate in mine workers together with the related incidence of illness and death mean that mines lose between 5% and 10% of their workforce each year (De Lange 1999b). The productivity of approximately 15% of the mineworkers will be below 50% of their normal productivity (De Lange 1999b).

It takes approximately six years before HIV-positive persons begin to show signs of the illness. During this period the illness has a negligible or no effect on their productivity (De Lange 1999b). Approximately 30% of the country’s mineworkers are currently in this phase (De Lange 1999b). Their productivity in this period is at 85% to 100% of the normal level (De Lange 1999b). Thereafter they will suffer from AIDS-related diseases for about eighteen months before the comprehensive effect of AIDS sets in (De Lange 1999b). Approximately 8% of the country’s mineworkers are in this phase and their productivity at 50% to 80% of the normal level (De Lange 1999b). Approximately 7% of South Africa’s mineworkers suffer from full-blown AIDS (De Lange 1999b). During this phase their productivity fluctuates between 0% and 10% of the normal level (De Lange 1999b).

The mining industry is South Africa’s single largest employer (De Lange 1999a). Although the workers that are dying from AIDS can easily be replaced and there is a trend towards mechanisation, the advent of HIV/AIDS holds economic consequences for the mining companies (Anon 2001b). Kobus Moolman, a mining industry partner at Ernst and Young, has stated that there is a huge off-balance sheet contingent liability that has not been quantified and recorded (Rosenthal 1999).

In a case study of the influence of HIV on one of the largest mining groups in the world, Deutsche Securities stated in a report that approximately 25% of Anglogold’s staff is HIV positive (Anon 2001b). According to the report, labour costs constitute approximately 55% of the cost of South African gold production and any increase in these costs could seriously affect profitability (Anon 2001b). The report states that HIV/AIDS causes both direct and indirect costs for the group (Anon 2001b). The direct costs arise from the payment of benefits and the provision of treatment. It is envisaged that the indirect costs, that are associated with sick funds, group life insurance and disability allowances, will double by 2005 (Anon 2001b). The report states that a general increase of 15% in labour costs will lead to a decrease of 100% in the company’s earnings per share (Anon 2001b). If the labour costs increased by 10%, the earnings per share could decrease by 50% (Anon 2001b).
According to Christopher Thompson, Chairman of Gold Fields, the AIDS crisis in South Africa will cause the production cost of gold to increase by almost R100 per ounce in the next six years (Anon 2000b). In the worst scenario, it will cost Gold Fields more than R360 million per year to treat workers that are infected with the virus in its three hospitals (Anon 2000b).

The South African economy is dependent on the mining industry for earning foreign exchange (Anon 2001c). Therefore adverse conditions in the mines as a result of the devastating effect of HIV/AIDS will represent a setback to the country’s drive to boost economic growth and create badly needed jobs (Anon 2001c).

3 AIDS disclosure: a sample of leading mines

The main reason for focusing this article on the mining industry is that South Africa has attained global recognition for this core industry. The Bureau for Economic Research at the University of Stellenbosch concludes that the effect of HIV/AIDS on the labour force is the main reason for the macro-economic impact that AIDS has on the economy (Van Zyl 2001:3). The labour-intensive nature of the mining industry makes it highly susceptible to HIV/AIDS; therefore it is reasonable to expect mining companies to be the standard setters in respect of AIDS-related contingency plans and disclosures.

3.1 Population

Three high-value minerals that are mined in South Africa were selected to form the basis of the population for the sample. The three mineral sections that were selected are gold, platinum and diamonds. The following are the reasons for selecting these minerals:

**Gold**

- 39.1% of the world’s gold reserves are situated in South Africa (Chamber of Mines, 1998).
- Gold mining has been an integral part of the development of South Africa’s infrastructure (Chamber of Mines 1998).
- Gold mining contributes to South Africa’s gross domestic product (GDP) by providing backward linkages (by using other industries for goods and services), forward linkages (by providing minerals to other industries), social multipliers (by developing infrastructure), capital-formation multipliers (by attracting foreign capital) as well as by being an income terms-of-trade multiplier (i.e. gold exports have a positive effect on the balance of payments account and on foreign reserves) (Chamber of Mines 1998).
- For every three people employed by a gold mine, one job is created in an industry that serves the mines (Chamber of Mines 1998).
Platinum

- South Africa is the world’s single primary producer of the platinum group of metals (Chamber of Mines 2001a).
- The latest figures indicate that South African mines produce as much as 77% of the total global output (Chamber of Mines 2001a).
- It is estimated that the two top platinum mines in South Africa account for nearly 80% of the platinum mined in the Western world (Chamber of Mines 2001a).

Diamonds

- Along with gold, diamond mining was an integral part of the development of infrastructure in South Africa (Chamber of Mines, 2001b).
- The majority of mined diamonds are used for industrial purposes such as cutting, sawing and wire drawing. Diamonds are also used in the other mining industries for drilling, etc. Many hi-tech industries could not exist without diamonds (Chamber of Mines, 2001b)

3.2 Sample

The sample comprises the leading mines that are based in South African. The intention was to include mines that have a combined South African market share of more than 50%. Gold is represented by four mines that together represent a market share of 76.1% (Anon 2003), platinum by two mines that represent a market share of 72.1% (Anon 2003) and diamonds by one mine only. The diamond mine is not listed in South Africa, but it is owned by South Africa’s primary diamond mining company (Chamber of Mines 2003).

3.2.1 Criteria for the selection of individual mines

The selection of the individual mines was based on the ratings published in Finance Week, F & T 200, 31 March 2000 and in Financial Mail, Special Survey, Top Companies, 30 June 2000. Only the top companies were selected, because they are the industry leaders and therefore the standard setters. Should there be any new developments in respect of HIV/AIDS, these companies would be the first to react.

For the purposes of clarity, the criteria used by the two magazines to calculate the rankings of the various companies are given below.

Finance Week used the following criteria to rank the companies:
- Total Assets, market capitalization, turnover, pre-tax profit, return on equity (%) and return on total assets (%).
F & T Weekly focused on the following criteria:

- Market capitalization, turnover, pre-tax profit, net profit, earnings per share (EPS), earnings per share - % change, dividend per share, return on assets (%) and return on equity (%).

3.2.2 Selection of mines by category

Financial Mail and Finance Week did not provide individual rankings for all three of the minerals and therefore the magazine that provided the relevant rankings was used.

- Gold – Financial Mail was used to obtain the four mines with the highest rankings (Ryan 2000a:202). They have a combined share of 76,1% of the South African market (Anon 2003).

- Platinum – Financial Mail was also used to obtain the two mines that have the highest ranking. (Ryan 2000b:206). They have a combined South African market share of 72,1% (Anon 2003).

- Diamonds – Finance Week provided rankings for the top diamond mine (Hanley 2000:124). This mine represents the primary diamond producer in South Africa and has a London-based subsidiary that controls approximately 80% of the world’s trade in rough diamonds (Chamber of Mines 2003).

3.2.3 Criteria for analysing financial statements

A checklist was compiled in order to have standard criteria with which to analyse the disclosures made by the various mines. The criteria were also used to determine whether the mines currently disclose any details about HIV/AIDS and, if they do, what type of information they disclose.

The checklist comprised the following questions and was subdivided into each of the years from 1996 to 2000:

- Is there any disclosure about HIV/AIDS?

If the answer to the above question is ‘yes’, then:

- How many sentences does the disclosure comprise?

- Where is the information disclosed?

- Does the company provide data and amounts or terminology only?

- Does the company have a plan of action for the combating of HIV/AIDS?

- If the answer to the above question is ‘yes’, are the details of the plan disclosed?

- Is any other relevant and useful information disclosed?

The above questions were drawn up in order to determine answers to the second and third questions posed in the introduction. The first of these questions is: Does the company have current and future plans for combating the effect of...
HIV/AIDS on its business? The second question is: Does the company disclose its envisaged plans and AIDS-related costs?

Each company’s financial statements were examined and its financial statements for each year scrutinized in terms of the checklist. The results of this analysis are reported and summarized in the next section.

3.2.4 Results of the analysis of financial statements

Although HIV/AIDS has been a source of growing concern for more than a decade, the mining companies only realised the seriousness of the disease in the late 1990s, as reflected in figure 2. In 1996, only two of the selected companies disclosed information on HIV/AIDS, but that number had increased to five in 1999. The reasons for the increase in the increased disclosure could be that the impact of the disease on the companies could no longer be ignored as well as the fact that society as a whole had become more aware of the disease and its impact.

Figure 2
Mining companies that disclose information on HIV/AIDS

The following question that should be asked is whether, over the years concerned, each of the various companies’ contingency plans and disclosures had developed into more detailed and well-defined forms of disclosure. The data in figure 3 indicates that there was an enormous increase in detailed disclosure between 1999 and 2000. The increase could be interpreted as a positive sign that indicates a more serious and considered approach to the disease and the combating thereof.
It is clear that any disclosure without a pro-active plan of action is to no avail. For this reason, the next step would be to determine whether the selected companies have a definite plan of action and where this plan is disclosed. Figure 4 indicates that since 1999 the majority of the companies disclose information about HIV/AIDS as well as develop plans of action.

The location of the disclosure in the financial statements is probably a direct indication of the company’s perception of the importance of the HIV/AIDS pandemic. Upon further analysis it became apparent that it is indeed the case. In
1996, the basic locations of the disclosures were small subsections of the financial statements. This situation changed dramatically in the next year when disclosures began to appear in the reports of the managing director and chairperson. The 1998 financial statements appear to have gone against the trend, but from 1999 onwards the change in perception was dramatic. In these years, disclosures appeared in the reports of the top executives as well as in more than one section of the financial statements. It even comprised a separate section of the financial statements of some of the mines.

It is apparent from figure 4 that the companies do not only disclose the fact that they have a plan, but also provide the shareholders with details of these plans in order to achieve a fair presentation of the risks involved.

In South Africa, companies are prohibited from enforcing mandatory AIDS testing. As a result of this restriction, it was difficult to obtain data on current infection rates. The difficulty of obtaining data on current infection rates filters through to the calculation of projected infection rates, thereby limiting a company’s ability to provide adequately for future costs. As shown in figure 5, it is becoming easier to obtain the data, because employees are being tested of their own accord as well as the fact that AIDS-related diseases and costs (both direct and indirect) are increasing.

**Figure 5**

Statistical disclosure vs. non-statistical disclosure.

In 1996 and 1997, the focus of the plans was mainly placed on the education of miners and their families to create an awareness of the disease. In 1998, HIV/AIDS counselling and donations to AIDS trusts commenced. During 1999, the plans were extended to include contingency human resource development, prevention programmes and peer-education programmes.

In addition to the above, the following matters were included in the disclosures made in 2000: management-education programmes, community
programmes, research information, vaccines, voluntary testing and the costs thereof, distribution of condoms, additional investments for the education of prostitutes and co-operation between mines.

From the above analyses and interpretation of data it is apparent that the mining industry is realising the importance of facing the HIV/AIDS threat head-on. Increased disclosures, more detailed analyses and a change in the perception of the threat, from having low importance to having high importance, have all contributed to an increased awareness in the industry as well as of the shareholders. Will these changes in awareness be sufficient to provide for all the contingencies that could arise? It is probably that, although the industry is progressing towards an increased awareness of HIV/AIDS, the changes are neither progressive nor fundamental enough to be considered to be the ultimate solution. The possibility of additional planning and the development of HIV/AIDS policies are discussed in a subsequent section of this article with the view of providing useful, although not exhaustive, information to the mining industry.

4 Mining companies have their say: Results of the questionnaire

The questionnaire (appendix A) was distributed to the same companies of which the selection is described in section 3. The mines were selected to complete the questionnaire for the same reasons that are discussed in section 3. The main reason is that, according to Finance Week and F&T Weekly, the mines concerned are the national leaders in the mining sector.

One of the companies that were selected has a policy that prohibits it from participating in an external research survey. Of the remaining companies, 66.67% did respond. All the information provided by the companies is regarded as confidential. For this reason the information has only been used for statistical purposes and no reference is made to specific mining companies.

The results clearly indicate that all mining companies have realised the enormous threat that the HIV/AIDS pandemic holds for them. Therefore the companies have started to assess the infection rate among their employees, educate them and make estimates of future HIV/AIDS-related costs. All of the respondents have been running various types of employee-awareness programmes.

All the companies have incurred AIDS-related expenditure in the past and the expenditure has resulted in each one of them budgeting annually for their estimate of these costs. Three-quarters of the respondents indicate that they had begun to devise contingency plans prior to 1996. However, the analysis of the financial statements reveals that the disclosure of these plans only became commonplace from 1998 onwards.
4.1 Suggested disclosures

The purpose of this subsection is to outline the disclosures that can be considered to be necessary in order to achieve fair presentation as well as to provide useful information to the users of the financial statements. The responses to questions 5 and 6 of the questionnaire were used to develop these recommendations.

The direct and indirect costs that should be disclosed individually are those costs mentioned in questions 5.1 and 5.2 of the questionnaire and in respect of which at least 75% of the respondents affirmed that the costs would be affected by HIV/AIDS. It is advisable to add legal and human resources costs that are associated with policy development to the list of affected costs, because it is impossible to ignore such a fundamental expenditure.

In respect of question 6.1, all the companies agree that the effects of HIV/AIDS should be disclosed separately in the annual financial statements. However, exactly what should be disclosed is still debatable. It is apparent from the responses to question 6.2 that the companies are of the opinion that information on non-financial matters such as the following should be disclosed: contingency plans that are in place and company policy.

The problem areas are the disclosure of infection rates and financial information. Because the companies unanimously agree that the disease will affect an extensive range of costs, it stands to reason that these costs should be disclosed in the financial statements. The fact that the companies believe that these costs will be affected significantly by the disease suggests that, by implication, the non-disclosure of these items would affect the fair presentation of the annual financial statements.

Although the availability of accurate infection rates is extremely low as a result of current legislation, the paucity of the information will not affect the ability of the companies to make accurate projections of the cost implications. The responses to the questionnaire highlight the fact that costs are currently being incurred in respect of AIDS. These current costs can be used as a basis for making projections of the future cost implications of the disease.

Whether a provision should be created is a discussion that goes beyond the parameters set for this article. At the very least, the costs concerned fulfil the definition of a contingent liability. In terms of AC130 – Provisions, Contingent Liabilities and Contingent Assets, a contingent liability is a possible obligation that results from past events and of which the existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the enterprise, or a present obligation that arises from past events and is not recognised because the settlement is not probable or cannot be measured reliably. Although there is debate about the existence of a current obligation, there is no disputing the fact that the company will be liable for these costs when they occur. It therefore fulfils the definition of a contingent liability as a possible obligation.
AC 130 stipulates that details concerning contingent liabilities, as well as the expected future financial effects, should be disclosed in the financial statements. This fact supports the conclusion that annual financial statements should include disclosures on the policies and the financial and non-financial information that will fulfil the requirement of fair presentation as well as provide useful, accurate information to the users of the statements. It would not be sufficient to disclose only a short paragraph that states that the company has an HIV/AIDS policy. Furthermore, even though the discussion about the creation of a liability has not yet been concluded, the South African AC130 should be amended to include specific reference to HIV/AIDS in the discussion paragraphs on contingent liabilities.

Harmonisation of world standards is obviously the goal of standard setters across the world, but each country should be given the autonomy to make country-specific amendments to the International Accounting Standards. At present, as a result of the high infection rates in South Africa, it is apparent that this country or region represents a specific issue. It is therefore reasonable to assume that South Africa should be permitted to require disclosure on this matter. Further evidence that supports this view is that the South African Institute of Chartered Accountants is presently involved in a task force that has the brief to consider a new statement that is specific to HIV/AIDS.

5 Recommendations

In this section, the procedures to be implemented by management are discussed.

5.1 Management processes

It is important to note that by taking proactive steps to control and manage the disease in their company, managers will be able to minimise the future effects of the disease on employees and therefore also limit the impact of future costs to the company.

- A total of 75% of the respondents to the questionnaire are of the opinion that infection rates should be disclosed (refer to 6.2, appendix A). Mandatory testing of employees is prescribed as an effective method for establishing company prevalence rates as well as national prevalence rates. The data should not be used to determine who is infected with the disease, but only to obtain infection percentages. Anonymity should therefore be maintained. These data can then be used for budgeting and financial forecasts. The Employment Equity Act No. 55 of 1998 prohibits testing unless the Labour Court first gives permission.

- Altogether 75% of the respondents conclude that direct costs, such as recruiting and training costs, are affected by HIV/AIDS (refer to 5.1, appendix A). A possible solution to this problem is human resource planning. Such planning entails acting proactively in manoeuvring new
people into training situations when it is apparent that the present, infected, incumbent is not going to be productive in his or her current job.

- Indirect costs that result from reduced performance when employees are sick on the job are being incurred by 75% of the respondents (refer to 5.2, appendix A). Companies should provide access to counselling for the infected employees, as well as to their families, on how to live with the disease and remain productive for as long as possible.

- Mining houses should provide basic housing units in order to encourage mining families to live together and should limit the use of hostels for migrant workers. Community projects should be implemented in order to facilitate employment for the miners’ families. This would combat one of the sources of the problem that is discussed in section 2.5.

- As 176 skilled workers will die of HIV/AIDS for every 100 natural deaths (refer to section 2.4), research into the mechanisation of certain labour-intensive operations should be undertaken in order to start limiting the effect of the decreasing number of skilled labourers as a consequence of HIV/AIDS.

- Three-quarters (75%) of the respondents are of the opinion that the virus has a negative effect on the morale and motivation of their employees (refer to 5.2, appendix A). Management should commit itself to holding frequent discussions with trade unions in order to maintain transparency in respect of all the company’s actions and future plans.

- Companies should employ specialised persons whose sole task is to determine the current and future effect of HIV/AIDS on direct and indirect costs, employees, markets and profits (Barac and Otter 2001:17). This measure will establish a definite line of authority as well as indicate the mine’s positive attitude towards dealing with the disease.

- If the standard-setting bodies should make it mandatory for companies to disclose the expected effects of and their contingency plans regarding HIV/AIDS, as suggested in section 4, they will indirectly be obliging the companies to take the pandemic seriously. This effect will indirectly cause the companies to focus more resources and time on the threat. This focus can only have a positive effect over the longer term.

6 Conclusion

The extent of the effect that HIV/AIDS has on the world and on South Africa’s business sector, the general public and especially the mining industry cannot be ignored. Mining companies in general do have a HIV plan in place and presently disclose the basic outlines of the plan. The disclosure of specific direct and indirect costs is unfortunately still being avoided, which in return affects the fair presentation of the annual financial statements. The effect of HIV/ AIDS,
while not avoidable, can be minimised substantially through effective planning and the disclosure of all relevant information.

**Appendix A**

**Question 1**
Do you believe that, without any intervention on your part, HIV/AIDS poses a possible threat to your company?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Authors’ interpretation: This result confirms the authors’ conviction that companies should take preventative measures to minimize the effect of HIV/AIDS.*

**Question 2**
If your answer to question 1 is ‘yes’, then please answer question 2.

2.1 Do you have any contingency plans in place to counter the threat of HIV/AIDS?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

2.2 Are there any data available on current infection rates amongst your employees?*

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

(*The term “employees” includes all staff, including the management and the directors)*

2.3 If your answer to question 2.2 is ‘yes’ are the current infection rates:

- 2.3.1 Between 0 and 10%?  
  - 0%

- 2.2.2 10 - 15%?  
  - 0%

- 2.2.3 15 - 20%?  
  25%

- 2.2.4 Higher than 20%?  
  75%

2.4 Is there a policy on the education of and increasing awareness among employees?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

2.5 Have any estimates been made of expected AIDS-related costs?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

2.6 Have any external specialists been commissioned to evaluate the risk to which the company is exposed in respect of HIV/AIDS?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>
The SA mining industry enters the HIV/AIDS war zone

Authors’ interpretation: Companies have plans in place to estimate the most probable effect of HIV/AIDS. The infection rates confirm that the mining sector will be greatly affected by this virus.

Question 3

If your answer to question 1 is ‘no’, please answer question 3.

3.1 For what reasons do you not consider HIV/AIDS to be a threat?:

3.1.1 Labourers are well educated. N/A
3.1.2 Low infection rate among employees. N/A
3.1.3 AIDS is a disease created by poverty and will not have a significant impact on my company. N/A
3.1.4 AIDS will cause deaths and loss of skills, but because there is a high unemployment rate, replacements will be easy to find. N/A

3.2 Are there any data available on current infection rates amongst your employees?* N/A

3.3 If your answer to question 3.2 is ‘yes’, are the infection rates:

3.3.1 Between 0 and 10%? N/A
3.3.2 10 - 15%? N/A
3.3.3 15 - 20%? N/A
3.3.4 Higher than 20%? N/A

3.4 Is there a policy on the education of and increasing awareness amongst employees? N/A

3.5 Have any estimates been made of expected AIDS-related costs? N/A

3.6 Have any external specialists been commissioned to evaluate the risk to which the company is exposed in respect of HIV/AIDS? N/A

Authors’ interpretation: This question was not applicable (N/A) to any of the companies, as the answer to question 1 was ‘yes’ 1 for all of them.
Question 4

If your answer to questions 2.1, 2.4 or 3.4 (regarding contingency plans and awareness programmes) is ‘yes’, please answer the following questions:

4.1 Which of the under-mentioned details are included in your contingency programmes?:

4.1.1 Are employee awareness programmes presented regularly?  100%  0%

4.1.2 Do these programmes comprise:
   - Flyers and posters?  100%  0%
   - Lectures and training?  100%  0%
   - Peer-group education?  100%  0%

4.1.3 Are employees required to give feedback on these sessions?  100%  0%

4.1.4 Are AIDS-related costs included in your annual budget?  100%  0%

4.1.5 Have you incurred any AIDS-related expenditure in the past five years (e.g. absenteeism, sick leave, funerals etc.)?  100%  0%

4.1.6 Have you noticed any significant, non-inflation-related increases?  100%  0%

4.2 Since which year have these programmes been in operation:
   - before 1996?  75%
   - since 1996? -
   - since 1997? -
   - since 1998? -
   - since 1999?  25%
   - since 2000? -

4.3 Do you adhere to the recommendation of the King Code on Corporate Governance that all non-financial information that is relevant to stakeholders should be disclosed, including AIDS-related information?  100%  0%
Authors’ interpretation: Companies have plans in place to educate their employees about HIV/AIDS as well as to estimate what the effect of the virus on the company will be?

Question 5

Which of the following costs do you expect to be affected by HIV/AIDS?

5.1 Direct costs:
- Medical aid/health insurance 100% 0%
- Disability insurance 100% 0%
- Pension funds 100% 0%
- Death benefit/ life insurance payouts/funeral expenses 100% 0%
- Loans to the members of the deceased’s family 25% 75%
- Recruitment expenses (replacing HIV workers) 75% 25%
- Training costs (ongoing training as employee turnover increases) 75% 25%
- Direct costs of HIV prevention programmes, e.g. material, staff, etc.) 100% 0%
- The time that employees spend on prevention programmes, surveys, etc. 100% 0%

5.2 Indirect costs:
- Sick leave/compassionate leave to take care of infected dependants 100% 0%
- Reduced performance as a result of being sick on the job 75% 25%
- Management time and effort expended on planning and prevention 100% 0%
- Legal and human resource costs as a result of to policy development 50% 50%
- Reduced morale and motivation 75% 25%
- Reduction in the average level of skill, performance and experience 100% 0%
Authors’ interpretation: Please refer to section 5.2 of this article for a detailed discussion of the responses to question 5.

**Question 6**

6.1 In your opinion, should separate disclosure should be made in the published set of financial statements (‘Glossies’) of the company in order to provide investors with details of the company's exposure to AIDS risks? 100% 0%

6.2 If your answer to 6.1 is ‘yes’, what information, in your opinion, should be disclosed?

- Current infection rate 75% 25%
- Projected infection rate 50% 50%
- Whether contingency plans exist 100% 0%
- Details of such contingency plans 50% 50%
- Estimated future costs/expenditure 50% 50%
- Individualised breakdown of costs into direct and indirect costs, etc. 0% 100%
- The split of infection rates between management and labour 0% 100%
- Whether the company has a formal HIV/AIDS policy 100% 0%
- Details of the HIV/AIDS policy 25% 75%

6.3 If, in your opinion, the above information should be disclosed, where should the information be disclosed? (Please note: You may answer ‘yes’ to more than one of the options)

- As a note to the pro forma consolidated statements (e.g. contingent liabilities)? 0% 100%
- As a separate section of the reports that are attached to the audited statements? 75% 25%
- Employee reports, etc. that are not part of the audited statements? 50% 50%
- Anywhere in the ‘glossies’? 100% 0%

Authors’ interpretation: Please refer to section 5.2 of this article for a detailed discussion of the responses to question 6.
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De Lange, L. 2001. *‘Vigs gaan die BBP van SA laat krimp’ UNAids waarsku oor die gevolge van pandemie*, Beeld, 29 November 2000,
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Sunter, C. 12th minute. Your country needs you, Produced and distributed by Global Images. Endorsed and sponsored by Metropolitan. Running time approximately 45 minutes.


[http://www.unaids.org/fact%5Fsheets/ungass/html/fsorphans%5Fen.htm](http://www.unaids.org/fact%5Fsheets/ungass/html/fsorphans%5Fen.htm),
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