STANFORD
GRADUATE SCHOOL OF BUSINESS

CASE: IB-30A
DATE: 02/02 (REV'D. 03/04)

ANGLO AMERICAN (A)

"It's probably the most exciting challenge of my career to date," noted senior vice president Brian Brink, the warm, soft-spoken engine behind Anglo American's ground-breaking HIV/AIDS prevention, management, and treatment strategy. Anglo American was a global mining and natural resource company. Seated beside Brink in a conference room at Anglo American's hub in downtown Johannesburg on an October morning in 2001 was his "team of one," Josina Machel, Brink's full-time assistant. Clem Sunter, chairman of the Anglo American Chairman's Fund, was focused externally — helping to organize a national dialogue and public-private partnership to combat the spread of HIV. "The [AIDS] problem is so big and so complex," said Brink, a medical doctor by training, "but it is an area where, not only can you make a difference for the business, you might actually make a difference for the country and for the broader community in which we operate. Whether that will happen or not, I don't know, but the potential is there. And that's exciting."[1]

According to the company's best estimates, 23 percent of Anglo American's workforce was HIV-positive in 2001; by 2011 it was highly probable that one-fifth of Anglo American's current employees would be dead. Sadly, these deaths would be just a "few" among the millions of anticipated AIDS deaths in South Africa: of the 44 million people living in South Africa in 2001, it was estimated that upwards of 5 million of them were HIV-positive. Worse still, the HIV-prevalence rate in South Africa continued to rise and was not expected to reach its peak — approximately one-fifth of the nation's population — until 2011, resulting in millions of additional, HIV-related deaths.

While many in South Africa had failed to acknowledge the extent to which the HIV/AIDS crisis threatened the nation's economic, political, and social stability, Brink, Sunter, and others at Anglo American were outspoken about its escalating impact on the mining group's business, as well as on the country. They were also vocal about the company's planned response to the crisis, a "Comprehensive HIV Program" consisting of HIV prevention, treatment, management, and

[1] Unless otherwise noted, all quotes from company principals are from the authors' interviews.

This case was written by Kanika Bahl (MBA 2002) and John Newsome (MBA 2001) under the supervision of Professor Joel Podolny at Stanford Graduate School of Business as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The case was edited by Mary Petrusewicz.

advocacy efforts, to which Anglo American hoped to add a much publicized, antiretroviral treatment component.[2]

However, in order to ensure that the antiretroviral program could be implemented successfully, Anglo American's managers had to clear several major ethical, operational, and economic hurdles, not the least of which was that accurate information about the cost-effectiveness — and indeed, effectiveness — of HIV interventions in a context such as Anglo American's was extremely scarce. "When we started to search for information in South Africa," explained Sunter, co-author of the bestseller, *AIDS: The Challenge for South Africa*, "we couldn't find a single case study. And indeed, I don't think right at this moment you're going to find a really, really good comparative cost study of what HIV will do to a company if you don't do anything, versus what HIV will mean if you do."

Given this lack of information, and given the relative scarcity of analogs or models for Anglo American's HIV initiative in general, the proposal to expand HIV prevention programs and break new ground in treatment was especially noteworthy. Dr. Brink, reacting to news that two other multinationals might also introduce comprehensive HIV programs, noted: "It's easy to talk; it's a lot more difficult to do. That'll be the acid test: can people translate that talk into action that actually delivers on the change?"

ANGLO AMERICAN CORPORATION HISTORY

Finance and Operations

With an overall market capitalization totaling $22 billion, fiscal year 2000 revenues of over $20 billion, and headline profits (after exceptional items) of $2 billion, Anglo American plc was the largest and most prominent company on the Johannesburg Stock Exchange, constituting roughly 12 percent of the Exchange's total value. Anglo American plc had its primary listing in London and had mining, industrial minerals, and forest products operations in Africa, Asia, Australia, Europe, Latin America, and the United States; nonetheless, in 2000, 48 percent of the company's revenues were generated by southern African operations. In 2001, the company owned stakes in the world's number one producers of gold (51.5 percent, AngloGold), platinum (59.6 percent, Anglo American platinum), and diamonds (45 percent, De Beers).[3]

Anglo American Corporation of South Africa Limited, was founded on September 25, 1917 by Ernest Oppenheimer with capital he acquired from the United Kingdom, the United States, and South Africa. According to a company chronology of key events, Anglo American was created "to exploit the gold mining potential of the East Rand," the gold-rich region that encompasses the zone around present-day Johannesburg. During the next 10 years, Sir Ernest (he was knighted in 1921) embarked on an ambitious expansion campaign, acquiring and establishing gold and copper mining operations in other areas of South Africa and throughout the region.[4] In 1926, Anglo American became the largest single shareholder in the De Beers diamond mining

[2] According to the San Francisco AIDS Foundation's *Glossary of HIV/AIDS Related Terms*, an antiretroviral drug is an "agent… that suppresses the activity or replication of retroviruses such as HIV. Antiretroviral drugs interfere with various stages of the virus' life cycle."

[3] "Anglo American plc" (company profile), *Hoover's Online,* December 2001, p. 1.

[4] *Anglo American History—Key Events* (public relations document provided by Anglo American), September 2001, p. 1.

company; three years later, Anglo American's chairman became De Beers's chairman as well, an event that marked the beginning of an infamous, and by many accounts indecipherable, formal "cross-holdings link" between the two mining concerns.

Anglo American's practice of steady expansion continued throughout Sir Ernest's 40-year tenure with the company and through that of his son, Harry, who assumed the chairmanship after his father's death in 1957. "In the 1960s and 1970s," explained one analyst report, "Anglo American expanded through mergers and cross-holdings in industrial and financial companies. It set up Luxembourg-based Minorco to own holdings outside of South Africa."[5] Anglo American's acquisition of an initial interest in the Canadian Hudson Bay Mining and Smelting Company in 1961 marked the company's first major venture beyond the African continent; four years later, the company created Charter Consolidated, London, to "spearhead Anglo American's thrust into international business interests."[6] In 1967, the company founded the Mondi Group, Anglo American's forest products division, which later became paper and packaging.

In 1990, Minorco bought the U.S. company Freeport-McMoRan Gold Company. Three years later, "Minorco bought Anglo American's and De Beers' South American, European, and Australian operations as part of a swap that put all of Anglo American's non-African assets, except diamonds, in Minorco's hands. Some analysts claimed the company had moved the assets to protect them from possible nationalization by the new, black-controlled South African government."[7] In 1996, two years after the end of apartheid in South Africa, Anglo American was involved in the "biggest black empowerment deal in South African corporate history" through the sale of some of the company's interests to the National Empowerment Consortium and other interests.[8]

From 1999 to 2001, Anglo American's attention was dominated by two significant undertakings. The first — the disposal of all non-core assets such as industrial interests and financial services — was expected to enable the company "to focus on seven business sectors and our investment in the diamond business through De Beers," explained chairman, Julian Ogilvie Thompson in the company's 2000 annual review. "Significant progress has been made towards that goal, with total disposals during the year amounting to U.S. $1.3 billion. Anglo American is committed to concluding its disposal program for value as soon as market conditions allow."

This focus on its core businesses also may have led the group to expand the operations of its most profitable division, platinum, which experienced a three-fold increase in operating profits between 1999 and 2000, generating 22 percent of the corporation's headline profitability in 2000. Per the 2000 annual review, "Anglo Platinum approved a U.S. $2.1 billion expansion program to increase annual platinum production to 3.5 million ounces by 2006."[9]

The second undertaking — moving the primary listing of the company onto the London Stock Exchange — spurred a process of "ongoing simplification and clarification" which, among other matters, promised to address concerns about the lack of transparency within the De Beers cross-

[5] "Anglo American plc," *Hoover's Online*, p. 1.
[6] *Anglo American History—Key Events*, p. 2.
[7] "Anglo American plc," *Hoover's Online*, p. 1.
[8] *Anglo American History—Key Events*, p. 5.
[9] *Anglo American plc Annual Review 2000*, p. 2, 6.

holdings, and led Anglo American and Minorco to combine as Anglo American plc; the new company was listed on the London, Johannesburg, and Swiss stock exchanges on May 24, 1999. Two years later, "Anglo American announced that it had formed a consortium with Central Holding (Oppenheimer family) and Debswana Diamond to acquire De Beers. The deal worth about $17.6 billion — giving Anglo American and Central Holding 45 percent each and Debswana a 10 percent stake — was completed in June 2001."[10]

As of December 2001, Anglo American plc consisted of eight primary business lines and/or divisions and employed roughly 249,000 people worldwide, 191,000 of whom resided in South Africa.[11] According to Wright Investors' Service in 2001:

> The Anglo American Group produces gold, platinum (as well as palladium and rhodium), diamonds, coal, base metals (copper, zinc, nickel, lead and mineral sands), industrial minerals (aggregates and asphalt, ready-mixed concrete, concrete blocks and flooring, block paving and other construction materials), ferrous metals (chrome, manganese, carbon steel, stainless steel, vanadium and niobium) and forest products (pulp, graphic papers, packaging papers and converted packaging, solid wood products such as mining support timber, and wood chips).[12]

Like many global companies, Anglo American was fairly decentralized. This decentralization was reflected throughout the organization: senior management of the business units was located in downtown Johannesburg, South Africa and in the U.K., depending on where the majority of operations were located. Each of the company's divisions or independently managed companies was substantially autonomous, assuming full responsibility for profit and loss, as well as for various aspects of policy making. The company's corporate office received between 3 and 4 percent of the company's profits in order to sustain its operations. By their own admission, senior managers in Johannesburg relied on their powers of persuasion and on consultations rather than on mandates to ensure that the company's policies were implemented expeditiously and consistently throughout the firm's operations.

Health Care and Benefits

Anglo American operated one of the most comprehensive health care systems in South Africa, far more so than those available to the general public. Brink explained: "A characteristic of the mining industry in this country is that, for the majority of the work force, the mine actually runs the medical service. In North American terminology, it's best seen as a staff-model HMO. The mines have facilities, equipment, staff, and they run a full medical service that deals with both work-related and non-work related matters." The Anglo American network consisted of a web of practitioners in privately run local clinics, hospitals, and, by 2002, a sampling of home care programs for disabled and terminally ill workers.

---

[10] "Anglo American plc," *Hoover's Online*, p. 2.

[11] *Memorandum of evidence from Anglo American plc to the Select Committee on International Development Inquiry into the impact of HIV/AIDS on social and economic development*, June 16, 2000, p. 1.

[12] "Anglo American plc," (company research report), Wright Investors' Service, Milford, Connecticut, December 2001, p. 1.

Anglo American's health institutions and services dated back several decades and were initiated to remedy some of the medical hardships endemic to the mining profession and to migrant labor lifestyles, as well as those resulting from the apartheid government's failure to attend to the health care needs of non-white citizens. Said Brink: "We are very accomplished in dealing with TB [tuberculosis]. In fact, we have probably one of the best TB management programs in the world." In addition to these medical services, Anglo American provided sick leave, bereavement leave, disability, death benefits, and other benefits to its employees, as well as select benefits to employees' dependents.

Civic Involvement

At the turn of the millennium, Anglo American was perceived by many to have had a long and distinguished record of civic and political involvement in South Africa. On August 23, 1989, for instance, the *Financial Times* described Anglo American as "an enlightened and liberal element in the South African economy: sponsoring advancement for blacks, encouraging trade union recognition, even starting South Africa's first shareholder scheme for employees."

According to De Beers chairman and Anglo American heir, Nicky Oppenheimer, "Harry Oppenheimer made no secret of his opinion that, far from providing huge profits for the mines, government policies restricting skilled jobs to whites created an artificial skills shortage. This, he argued, damaged both mine profitability and the South African economy." Harry Oppenheimer viewed apartheid as a "corrupt system" that "acted as a brake on wealth creation for shareholders, employees, and, indeed, the national economy." In fact, according to the *Wall Street Journal*, "For many years, Anglo American went beyond the usual realm of business, challenging government to scrap racial segregation and white minority rule in favor of power sharing with the black majority."[13] "Harry Oppenheimer," noted the *Financial Times*, "personally helped finance political opposition to the apartheid regime."

This opposition to apartheid led the company to take a series of actions in the 1980s that helped to hasten the end of apartheid in South Africa and facilitate the peaceful transition to democracy. Then-chairman Gavin Relly and other Anglo American senior executives met with top leaders of the African National Congress (ANC) in exile in August 1985 and published *The World and South Africa in the 1980s*, the best-selling book by Clem Sunter that summarized Anglo American's futures research and scenario planning, and its famous "high and low road" analysis:

> It had become abundantly clear that in the mid-1980s South Africa was at a crossroads where deliberate economic and political choices needed to be made. The one way forward was characterized by intransigence and conflict coupled with a stagnant and isolated economy: this was the low road. The alternative was political negotiation and compromise at home and an acceptance that South Africa would need to join the global free market mainstream if sustainable development was to be possible: this was the high road.
>
> These scenarios were originally developed for internal use only, to help Anglo American managers contextualize themselves in a broader world. Very soon, however, Sunter and his team were being invited to do their futures presentations to a much wider audience.

[13] "A History of Opposing Apartheid," Letters to the Editor, *The Wall Street Journal*, June 29, 2001.

> Before long, tens of thousands of key South Africans were familiar with the low and high road possibilities for the future and the imperatives necessary to move from one to the other.

Anglo American officers and managers were directly involved in peace accord negotiations after ANC activist Chris Hani's assassination in 1993, as well as in the tense negotiations leading up to and following the nation's first democratic elections in 1994. Even in the post-apartheid era, Anglo American's officers and managers remained actively involved in national conversations about the economy, basic infrastructure such as water and sanitation, HIV prevention, and more.

With regard to Anglo American's legacy of civic involvement, Anglo American's executive vice president of corporate affairs Michael Spicer explained: "Yes, of course, there's self-interest involved…. But let us borrow the phrase, enlightened self-interest. We didn't believe in the 1980s, and we don't believe now, that poverty, instability, and inappropriate economic policies are at all conducive to doing business. So we've always been driven by this idea of socio-economic development that is sustainable, and political configurations that are stable."[14]

The Anglo American Chairman's Fund and In-Kind Contributions

In addition to Anglo American's historic political involvements, and notwithstanding a bevy of social and education programs for workers and their dependents, the corporation also made annual contributions to non-governmental organizations and to social causes via the Anglo American Chairman's Fund. In 2002, the Chairman's Fund, provided grants totalling $28.2 million to a variety of community organizations in the fields of education and youth development, community and business development, the environment, health and disability, arts, culture, heritage, and more.

Likewise, Anglo American executives and staff gave generously of their time. "There's a lot that we do in terms of corporate responsibility that is not measured in money terms. It's measured in terms of management time. Senior executives in Anglo American contribute time and effort where possible, working on committees and councils to try to help change perceptions, develop strategies, and work together with the government," remarked Brink, who served for six months on a committee of inquiry into family healthcare for South Africa in 1995, shortly after the first post-apartheid government came to power. As a result of these and other activities, Anglo American has been the recipient of several national and international honors and awards and has received numerous accolades in the South African and global media.

[14] *Anglo American Corporate Social Investment*, 2000, p. 5.

MINING IN SOUTHERN AFRICA: SECTOR-WIDE CHALLENGES

Migrant Labor and the HIV Epidemic

Despite these efforts, Anglo American has been criticized for profiting from and failing to do more to end the apartheid system, especially given the company's considerable economic stature. Perhaps more importantly, Anglo American, like almost every other South African mining concern, continued to come under substantial criticism for allegedly helping to sustain sub-Saharan Africa's migrant labor and hostelling systems.

After gold was discovered in 1886, white South Africans developed a union that pressured both the emerging mining industry and the government to pass the "Color Bar," a law banning black South Africans from holding skilled jobs. With the elimination of the threat posed by black workers, whites were able to command higher wages for their skilled work. This, in turn, squeezed the mining companies, which looked for ways to cut the costs of employing unskilled, black labor. The result: after determining that it would be cheaper to house the overwhelmingly male, black workers in single-sex residences than to provide housing for entire families, companies turned to a system of hostelling. In the end, the hostelling system proved cost-effective for companies and formative for the South African nation: since the majority of the migrant miners were prevented from settling permanently in mining towns, it was more difficult for them to organize to demand higher wages, let alone form strong communities.[15]

By the time apartheid crumbled in 1994, all of the mining industry's discriminatory policies had been discontinued and the hostelling system extracted from the realm of national politics. Nevertheless, the hostelling system itself continued intact into the twenty-first century and has been credited with contributing to the wildfire spread of HIV throughout southern Africa. Even in 2001, most miners migrating to mining towns from throughout the sub-Saharan region continued to live for much of the year in hostels. Since the majority of these miners could not afford to visit their wives, partners, and families more than one weekend every other month, prostitution and HIV were prevalent in mining communities. A February 2001 article in the *Economist* explained: "Miners and truck drivers are particularly reckless [about HIV]. Miners in South Africa are traditionally migrants, living in single-sex hostels far from their families for most of the year. Their regular wages attract prostitutes. Their hazardous jobs can make them careless of other risks."[16]

Mark Lurie, a scientist with southern Africa's Research Council, estimated that migrant workers and their partners were roughly twice as likely to be HIV-positive as non-migrant couples. Lurie noted: "If you wanted to spread a sexually transmitted disease, you'd take thousands of young men away from their families, isolate them in single-sex hostels, and give them easy access to alcohol and commercial sex. Then, to spread the disease around the country, you'd send them home every once in a while to their wives and girlfriends. And that's basically the system we have with the mines."[17]

---

[15] Mark Schoofs, "How HIV Caught Fire in South Africa—Part Two," *The Village Voice*, May 18, 1999.
[16] "The Worst Way to Lose Talent," *The Economist*, February 8, 2001.
[17] Mark Schoofs, "African Gold Giant Finds History Undermines a Fight Against AIDS," *The Wall Street Journal,* June 26, 2001, p. A10.

At the time of the case, some mining companies, including Anglo American, had worked to improve living conditions in hostels, integrate workers' families into hostel communities, and, in some cases, disband the use of hostels altogether. According to *Anglo American Corporation's Response to the AIDS Crisis in Southern Africa*, "Although the migrant labor system has had serious repercussions for the stability of family life, all the Group's divisions have now discontinued rural recruitment practices and offer more stable employment, providing married accommodation or living-out allowances to enable employees to have their own homes on or close to the mines."[18]

Other Mining Company Responses to the HIV Epidemic

Harmony Gold Mining Company

Given the enormity of the impact of HIV on the mining sector in particular, by 2001 several South African mining companies and operations had developed and implemented HIV prevention, management, and/or treatment programs, with varying degrees of success. One especially well-regarded initiative, organized by Harmony Gold Mining Company in 1996 in the Free State town of Virginia, is featured in Sunter and Whiteside's book *AIDS, The Challenge for South Africa*:

> The Lesedi Project comprised treatment of STDs in miners [most of whom lived in single-sex hostels]; monthly treatment of women at high risk of infection; sexual health promotion; counseling; and promotion of male and female condom use… The prevalence of genital ulcers [which increase the risk of HIV infection] among miners fell from 5.7 per cent to 1.3 per cent…. Gonorrhea prevalence fell from 14.6 per cent to 8 per cent among women and chlamydia from 13.5 per cent to 2.9 per cent. It was estimated that by 1999 an estimated 235 HIV infections had been averted (a 46 per cent decrease). These would have cost R2.34 million ($292,500), whereas the cost of the intervention was R268 thousand ($33,500)![19]

Gold Fields, Ltd.

In response to an estimated 26.4 percent HIV prevalence rate among male employees, Gold Fields, Ltd. began a well-regarded HIV prevention and management campaign. At an HSBC conference in Cape Town in August 2001, Gold Fields' Chairman and Chief Executive Officer, Chris Thompson, unveiled the company's three-pronged HIV management strategy: (1) prevention, which consisted of HIV awareness and education, condom promotion, sexually transmitted infections management, and antiretroviral treatment; (2) "living with HIV/AIDS," which consisted of voluntary counseling and testing and wellness management; and (3) ill-health retirement, which consisted of retirement benefits and quality home-based care. Gold Fields was also working diligently to create an actuarial model to project future HIV/AIDS prevalence within the company, measure and predict the impact of various interventions, and determine the probable economic impact of HIV/AIDS on the company.[20] Although Gold Fields' HIV management strategy arguably was similar to that of Anglo American, as of 2001 the company,

---

[18] *The Anglo American Corporation's Response to the AIDS Crisis in Southern Africa,* 2000.

[19] Sunter and Whiteside, *AIDS: The Challenge for South Africa (*Cape Town: Human and Rousseau Publishers Ltd., and Tafelberg Publishers Ltd.**,** 2000), p. 116.

[20] Excerpts from "AIDS and Financial Markets," *HSBC conference*, August 24, 2001.

whose stock was traded only on the Johannesburg Stock Exchange, had received far less media and analyst attention.

De Beers

De Beers also was reputed to have developed a groundbreaking HIV prevention, disease management, and antiretroviral treatment program in Botswana, with significant government support and financial assistance. However, many observers pointed to the interdependent nature of the relationship between De Beers and the government of the small nation as one of the most important bases for the program's success — and its unreplicability.

Aside from these examples and the example provided by Anglo American, however, there was little evidence that mining companies operating in southern Africa had developed particularly noteworthy, prominent, or effective HIV/AIDS programs.

THE ANGLO AMERICAN CORPORATION'S HIV PROGRAMS: THE FIRST 15 YEARS

In 1986, as the North American HIV epidemic began to draw international attention, the South African Chamber of Mines released astonishing findings: while the HIV prevalence rate among South African miners was estimated to be .02 percent, approximately 3.76 percent of migrant workers from Malawi were HIV-positive. This revelation led to widespread, anti-Malawian sentiments and ultimately to the banishing of Malawian workers from South Africa. Brink recalled: "The government had the idea of throwing up a sort of *cordon sanitaire*, as it were, around South Africa: 'We'll keep HIV out of this country.' I remember sitting in the Minister of Health's office saying, 'What you're proposing is not going to work.'" But the decision stood and, given the extremely slow rise in HIV infections in South Africa, many in the public and private sectors alike believed the HIV epidemic to have been contained.

Nevertheless, a few South African companies did institute HIV prevention programs. As early as 1986, Anglo American launched a series of campaigns focused on HIV awareness, education, and prevention. Over time, these efforts evolved into a broader program designed to "minimize the impact of AIDS" within Anglo American. This new program had two goals: (1) "Prevent It," which consisted of conducting HIV/AIDS education activities, treating sexually transmitted diseases, like gonorrhea, that facilitate HIV infections, and distributing free condoms; and (2) "Manage It," which consisted of conducting impact assessments — evaluating the impact of HIV/AIDS on medical, retirement, disability, death, and funeral benefits; on safety, productivity and absenteeism; and on the community and markets — and developing appropriate policy, benefit, personnel replacement, and performance management responses.

In addition, Anglo American began publishing a monthly update, entitled *AIDS News*, for companies within the Anglo American Corporation. Year after year, *AIDS News* shared Anglo American's HIV prevention and management strategy with its workforce, provided workers with advice regarding HIV prevention, highlighted HIV prevention "best practices" within Anglo American, and reported on the still-increasing HIV infection rate within South Africa (Exhibit 2). Finally, Anglo American executives such as Clem Sunter and Brian Brink participated actively in national and global conferences and in organizations like the Global Business Council on HIV/AIDS. As a result of all of these efforts, Anglo American had won several awards and widespread praise within South Africa and internationally for its HIV prevention and management efforts.

Anglo American's HIV Problem Escalates

Despite these accolades, Anglo American's early AIDS prevention and management strategy was a "failure" by the estimations of Brink and others at the company. Although Anglo American had created and implemented several pioneering prevention initiatives such as peer education programs, song and drama workshops, sex worker interventions, public-private partnerships, and more, they were implemented within only some of the group's companies and mining communities. Likewise, although Anglo American's prevention activities had made workers more aware of HIV and critical HIV prevention strategies like condom use, this greater level of awareness had not necessarily resulted in decreased sexual risk-taking. An internal audit of Anglo American's HIV prevention programs revealed "a dramatic rise in employee knowledge about HIV/AIDS following awareness programmes. Less dramatic, however, was a change in attitude about personal risk profile and in mind-set of those already infected, as well as in reported behaviour change."[21] Moreover, Brink noted that "the degree of pressure for HIV programs from the union has actually not been as intense as in my view it should have been, mainly because I guess many people don't know how to deal with the epidemic. I guess the union suffers from the same difficulty."

These disappointments were reflected in the statistics. In 1986, when Anglo American first began to develop HIV prevention and management programs, the HIV prevalence rate among mineworkers in South Africa, and presumably within Anglo American, was .02 percent. In 2001, it was estimated that the prevalence rate within the Anglo American Group was 23 percent, a rise that mirrored the increase within the general population, but that was lower than the estimated prevalence rate among South African miners. Brink pointed out:

> You would have to say that, if our intention was to stop the spread of HIV, we failed. It may have been worse had we not done what we did and, interestingly, when you look at the HIV prevalence surveys amongst operations, the most frequent thing that you'll find is that the prevalence of HIV among our operations is way below the prevalence level in neighboring communities.[22] So you could come to the conclusion that the efforts that the companies have put into prevention have, within the context of the work force, had some result, but we can't prove it.

Given the acceleration of HIV infections within the Anglo American Group, despite Anglo American's HIV/AIDS prevention and management efforts, and given the dramatic worsening of the crisis within South Africa, Brink and others concluded: "We cannot simply do more of the same."

Investor and Media Accountability

Other factors contributed to the leadership's decision to alter Anglo American's approach to the growing HIV/AIDS crisis within the company. On May 24, 1999, Anglo American was primary

[21] *Towards a Comprehensive HIV/AIDS Prevention Agenda in the Anglo American plc Group* (report by Abt Associates Inc.), March 2000.

[22] HIV prevalence rates in South Africa varied wildly by region and, in some instances, by neighborhood.

listed on the London Stock Exchange; the company's official headquarters, too, were relocated to London. Said Brink: "That move to London actually changed, as it were, the environment within which we work. And now when you're talking to investors in London, they look at this global company, and they say, 'Most of your operations are in Africa', and they say, 'Well, what about AIDS?' And we were having to give some pretty cultured answers to those questions." On the other hand, said Brink, "The analysts, in my mind, were not that quick off the mark. The questions were relatively simplistic — 'What's AIDS going to cost you? How's that going to impact on the bottom line?' — not, 'Well, how are you managing it?' We've actually had to feed that to them."

In addition, Anglo American's relocation to London happened to coincide with a change in the investment environment that increasingly drew management attention to the importance of evaluating and mitigating different types of risks. Brink explained:

> There's a fellow in the U.K. who's writing a paper on corporate governance and assessment of risk. A lot of the analysis for the paper arose out of the ING Barings disaster.[23] I think one of the directors of ING Barings at the time said, 'We didn't know that Leeson was doing this kind of illegal trading stuff, and even if we had known, we wouldn't have understood it.' He didn't know what was going on. Now, as a result, analysts are saying that 'you as directors have to have formally evaluated all the risks that your company is exposed to, you have to have an understanding of those risks, and you have to be satisfied that proper control measures are in place to minimize those risks.'

By 1999, the media, too, had become more inquisitive about the impact of HIV on African companies. "Because we are in an area of high HIV prevalence," said Brink, "the media became aware that the high HIV prevalence was going to turn into AIDS, which was going to result in a lot of people being sick and dying. And so they would ask, 'How is that going to impact your operation?'"

ANGLO AMERICAN'S NEW HIV STRATEGY, 2000

On June 16, 2000, Brink and other Anglo American officers appeared before the British Parliament's Select Committee on International Development to present Anglo American's Memorandum of Evidence regarding the impact of HIV/AIDS on social and economic development in South Africa (Exhibit 3). The officers' appearance was reported on the front page of the *Financial Times*.

Anglo American's presentation to the British House of Commons, explained Brink, marked the birth of the group's new approach to HIV prevention and management. He also noted, however, that this revised strategy was not the result of a decision to abandon the Group's former approaches so much as the result of a steady evolution. Anglo American's new strategy,

[23] In a widely publicized case, trader Nick Leeson rose quickly at Barings Bank during the 1980s and, by 1993, was generating about 10 percent of the bank's annual profits, with major investments in Asia. As these markets weakened, Leeson attempted to recover and disguise his losses by investing in additional risky ventures and by manipulating accounting numbers. Eventually it was discovered that Leeson had lost more than £800 million, close to the entire assets of Barings Bank, which was purchased by ING for £1.

explained Brink to financial analysts at the August 2001 HSBC AIDS and Financial Markets conference in Cape Town, was "rooted in prevention" and "linked to improve care for those who are HIV-positive." Although Anglo American's proposed comprehensive HIV program consisted of several different programs and activities, most of these fell within four general categories: prevention, wellness, late-term care, and treatment (Exhibit 4).

Prevention

Anglo American hoped to leverage its 15 years of experience conducting HIV prevention campaigns to pursue prevention efforts "with renewed vigor." Most importantly, Anglo American aimed to convince more of its workers to be tested for HIV. As of 2001, many of them feared learning their HIV status and had declined to take advantage of the firm's testing and counseling services. Brink and others believed that, by increasing the number of workers who took advantage of voluntary HIV testing and counseling programs, HIV-positive workers would receive care sooner and HIV-negative workers, who constituted the overwhelming majority of the company's workforce, could be persuaded to take precautions to prevent infection. Likewise, Anglo American hoped to expand its programs to prevent and treat sexually transmitted infections (STIs) among its workers, and even among neighboring sex worker populations since, according to Brink, the risk of HIV infection increased from one in 1,000 to one in 20 in the presence of STIs.

Although relatively few HIV prevention strategies and messages had proved conclusively to change HIV risk behavior, Anglo American also hoped to "get to the schools" as agents of social change, possibly by supporting the efforts of agencies such as Love Life, the South African youth-focused organization whose sexually frank HIV prevention billboards had become infamous. Anglo American also aimed to reinforce the message that prevention worked and focus on the vulnerability of women, as well as continue well-received programs such as peer education and employee-performed plays.

Wellness

Anglo American's HIV wellness program, which in 2001 was being piloted by Aurum Health Research (a subsidiary of the AngloGold division), was to be the crucial second link in Anglo American's HIV prevention and care system. After an AngloGold worker at the pilot site in Welkom (two hours south of Johannesburg) tested positive for HIV, his health was monitored on a regular basis by Anglo American medical staff. Practitioners were particularly concerned about the prevention and treatment of illnesses and HIV-related opportunistic infections such as tuberculosis and pneumonia, which could accelerate a worker's progressive decline from relative health to illness and, eventually, AIDS. Many workers, however, were distrustful of Anglo American medical staff and opted instead to visit traditional healers. Anglo American was attempting to reach out to traditional healers and educate them about HIV transmission and treatment, encouraging the healers, for instance, to use clean razors during their medical procedures.

The HIV-positive AngloGold worker also was referred to an advisor who provided support and counseling about the disease and about treatment options. HIV-positive workers were invited to join support groups facilitated by other HIV-positive workers. Early research results and anecdotal evidence suggested that such groups had been well received and well attended by

Anglo American miners. Brink hoped to use the AngloGold wellness program as a platform for a corporate-wide wellness program. Explained Brink: "AngloGold has the most advanced and most organized programs of care. I would say that in the other companies, the care is there, but it's not organized."

Disability and Late-Term Care

It was anticipated that HIV-positive workers eventually would become too ill to perform their jobs, since in 2001, without treatment, HIV continued to be a debilitating, terminal illness. Until 2000, these seriously ill workers faced a difficult choice: to continue working as their illness progressed and receive a modest, post-mortem compensation package to support caregivers and survivors, or apply for early retirement and receive a less attractive package. This choice proved economically and morally problematic for Anglo American as well, encouraging many sick and under-productive workers to remain on the job rather than retire and return to their home communities. In 2000 and 2001, Anglo American worked to close the disparity in compensation between the two benefits; nevertheless, it remained unclear how and when workers would be deemed unfit to perform their responsibilities and encouraged to exit the company.

Similarly, Anglo American began to explore the feasibility of helping to organize a home care program for retired, HIV-positive miners. The company thought such a program could prove difficult to introduce, however, since few, if any, basic services such as water, sanitation, and medical care existed in rural South Africa. As a result, Brink sought to use The Employment Bureau of Africa (TEBA), a jointly-held mining industry subsidiary, as the primary channel for Anglo American's home care program. Said Brink:

> What's unique about TEBA is that they have an office in every deep rural district, and they've got a minister of infrastructure. They've got communication, transport, offices, and management. They also have the location of every single [miner's] family mapped out by GPS coordinates: they can tell you, to the nearest meter — there are no addresses. We can put a primary healthcare provider at each TEBA office and know that the health workers, as well as the families around the office, could get to all those people.

According to Graham Herbert, the executive director of TEBA, the proposed community health worker program, which would employ former miners receiving disability compensation for non-HIV ailments to provide home care to AIDS-sick workers, likely would cost R3.50 per month per worker. As of 2001, Anglo American had expressed an initial commitment to the home care program and funding was forthcoming.

Treatment: Anglo American's Proposed Antiretroviral Pilot Program

On May 7, 2001, the *Wall Street Journal* announced that "Anglo American plc, the London-based mining group with huge operations in Africa, says it is making plans to provide AIDS drugs to its African workers and their spouses. Potentially Anglo American could end up treating more than 50,000 people."[24] If approved by Anglo American's board of directors and division leaders, the antiretroviral pilot program almost instantly would become a model for

[24] Mark Schoofs, "Mining Company Combats AIDS Via Drug Plan," *The Wall Street Journal*, May 7, 2001.

South African and multinational companies, especially since most companies — and even governments — perceived the drugs to be too scarce and too costly to be made widely available.[25] Moreover, it was assumed that, if the pilot program proved successful, the coverage eventually would be expanded to include all of the estimated 36,000 HIV-positive workers within the Anglo American Group and, potentially, some of their family members.

It was anticipated that the Anglo American antiretroviral pilot program would be implemented first within the group's independently managed subsidiary, AngloGold. The AngloGold program would leverage Anglo American's extensive network of hospitals and clinics and build upon its existing HIV prevention and treatment programs — many of which, like the voluntary counseling and testing program and the wellness program, were designed to complement an eventual antiretroviral program. According to Brink's plan, the program would seek to enroll approximately 1,500 to 2,000 HIV-positive workers and a smaller number of designated partners and spouses over three to five years. A July 2001 article in the *Philadelphia Inquirer* explained: "The trials will help determine whether the company can administer the drugs on a broad scale to a workforce made up largely of migrant laborers."[26] Although the specific criteria for program enrollment had not yet been determined, it was likely that participants would be selected to participate based on established medical criteria such as T-cell count and viral load (the amount of HIV in a person's blood).

Once enrolled in the program, individuals would receive the most effective antiretroviral drugs on the market — drugs that generally were not available in Africa — rather than the less effective, less expensive antiretrovirals that were beginning to trickle into developing markets. Over the course of the pilot program, the program participants would receive periodic T-cell count and viral load tests, as well as attend regular appointments with Anglo American medical practitioners. The participants also would be enrolled in Anglo American's wellness program, where they would participate in peer support groups and other emotional support programs. Throughout the program's lifetime, Anglo American staff would monitor the progress of the program's participants and the economics of the program itself. If the program proved effective and affordable, it likely would be expanded to include all of Anglo American's HIV-positive workers. *The Inquirer* explained: "The company hopes to learn how miners who blast rock two miles underground while hunched over in four-foot seams in 90-degree heat can bear up under the added stress of antiretroviral drugs."

In addition to providing cutting-edge treatments to HIV-positive workers, the pilot program would be designed to benefit uninfected Anglo American workers. In fact, Brink and others saw the creation of the pilot program and the provision of antiretrovirals as one of the potential keys to successful HIV prevention. The average worker had little incentive to know his HIV status, since a positive diagnosis could seem like a "death sentence." To the extent that the drugs provided some cause for hope in the event of a positive diagnosis, more workers would get tested; those who tested positive could receive timely medical and support services, and those who tested negative could be persuaded to take steps to remain so.

---

[25] The provision of antiretroviral drugs has been a source of great contention between pharmaceutical companies and the South African government. For more context, review *HIV/AIDS in South Africa: Background Note*, GSB case number IB-31.

[26] Andrew Maykuth, "For HIV-Positive South Africans, a Chance to Work and to Live," *The Philadelphia Inquirer,* July 29, 2001.

Financial Implications of Introducing an Antiretroviral Program

While an antiretroviral program could have near-miraculous implications for Anglo American's workforce, its extended community, and perhaps even for South Africa, the incorporation of such a program into Anglo American's existing continuum of HIV prevention and treatment programs would be no small financial undertaking. Colin Eisenstein of AngloGold's health services noted: "Everybody is saying, 'Wow, here comes this wave that will make us unviable in South Africa…' We're not saying there aren't additional costs, but it's manageable. It's not going to bankrupt companies."[27]

The costs of the drugs, for instance, would be significant; in Brink's best-case scenario, the drugs alone would cost $750 per person per year and the blood tests an additional $250 per person annually. The pilot program also would consist of medical appointments, counseling and peer support, and other participant services, as well as HIV-specific training for counselors and medical practitioners. Brink expected to leverage the company's existing medical infrastructure to provide services related to the antiretroviral program. "My intention is to use the existing clinical medical stations and staff and reallocate them from some of the existing duties to implement this program. Now I realize that will fall short, but my starting point is, 'Here's the program, how much of this can you do with what you've got, and, to the extent that you can't cope, what extra do you need?'"

Cost-Effectiveness

In the end, however, it was possible that the program might even prove cost-effective for Anglo American, said Brink. However, Brink's cost analysis hinged upon several variables — Anglo American's HIV prevalence rate, which some HIV service providers feared might have been in excess of the company's 23 percent estimate; the likelihood of employee hospitalization; and more. It also hinged upon two key assumptions — the first, that drug prices would fall significantly or that Anglo American could acquire drugs at cut-rate prices; the second, that the provision of antiretrovirals would result in dramatically fewer productivity losses and related expenditures — assumptions so untested that Brink expressed substantial uncertainty about his own financial models.

Even so, there was substantial evidence to support the credibility of Brink's assumptions. As a result of political pressure from the South African government and from domestic and international human rights activists, pharmaceutical companies agreed earlier in 2001 to drop a patent protection lawsuit against the government, clearing the way for the provision and use of cheaper, generic versions of patented HIV drugs. Increased competition among pharmaceutical companies also led to a significant decline in HIV drug prices: as of 2001, the average annual costs of some highly active antiretroviral therapy (HAART) drugs had dropped to approximately $5,000 per year per patient, down from $15,000 a few years earlier. Nonetheless, many government, community, and business leaders maintained that the cost of providing drugs to HIV-positive South Africans remained prohibitive. Brink agreed and, as a result, was looking to pharmaceutical companies like Glaxo Welcome (now GlaxoSmithKline) to provide HIV treatments at heavily discounted rates.

[27] Ibid.

In addition, the cost-effectiveness of antiretrovirals depended upon a series of assumptions regarding likely gains in productivity fueled by expected gains in life expectancy, as well as savings due to decreased emergency hospitalizations and delayed benefit payments. Early results from antiretroviral programs in the United States looked encouraging, noted Brink:

> In advanced disease, life expectancy is increased from 2 to 3.5 years and the incremental cost is $23,000 per Quality Adjusted Life Year (QALY).[28] With less advanced disease, gains in life expectancy are greater and incremental costs are lower. HAART is more cost effective than radiotherapy for breast cancer and drug treatment for high cholesterol.
>
> HAART is associated with a reduction in overall cost of HIV care, because it keeps patients out of the hospital. Annual costs came down 20 percent from 1996 to 1998. Average costs at the end of 1998 were $16,600 per annum: $9,400 for AIDS drugs, $5,000 for inpatient hospital care, and $2,200 for outpatient care.

The experience of South African managed care provider MedScheme was still more persuasive, offering early indications that HAART might prove cost effective in a more analogous context. Early results of MedScheme's three-year-old Aid for AIDS Program, which had enrolled over 11,000 participants, suggested that the average monthly per-person cost of treating people with HIV [$175] was higher than that of diabetes [$100], depression [$135], cholesterol [$135], asthma [$75], menopause [$100], and high blood pressure [$94]. Nevertheless, because HIV prevalence rates were lower and/or HIV mortality rates were higher than those of the other ailments, a company's total expenditures for treating people with HIV were on par with other expenditures and constituted only a quarter of the amount spent to treat high blood pressure.[29]

Even so, it was entirely plausible that the cost-effectiveness of an antiretroviral program would vary depending on the situation. *The Economist* reported:

> By one estimate, each HIV infection costs a South African company roughly twice the infected worker's annual salary [of roughly $3,000]. But if the worker can be kept alive for three years longer than the average local HIV sufferer, that cost can be reduced by a quarter. Thus it can make sense to provide senior managers with costly drugs, of the sort that keep HIV sufferers in rich countries alive. For unskilled workers, several cheaper tactics are cost-effective. Drugs to prevent tuberculosis, for example, cost only $5 per year and can keep HIV-positive workers alive for three extra years.[30]

It had been difficult for Anglo American's managers and analysts to establish definitively that an antiretroviral program would, indeed, prove cost-effective for the company. Said Brink: "In our experience there are too many assumptions in the actuarial models for us to have any confidence in the final output." When asked whether definitive evidence of the program's cost-effectiveness

---

[28] QALY is a "measure of health outcome… [that] can simultaneously capture gains from reduced morbidity (quality gains) and reduced mortality (quantity gains), and combine them into a single measure." Drummond et al., *Methods for the Economic Evaluation of Health Care Programmes,* Oxford University Press, 1999, p. 165.

[29] Excerpted from MedScheme presentation at "AIDS and Financial Markets," *HSBC Conference*, August 24, 2001.

[30] "The Worst Way to Lose Talent."

would be needed to win approval for the antiretroviral pilot program and for later, full-scale programs, Brink explained: "I have to basically go and make sure that the strategy gets sold to those operating divisions," each of which would pay for the program out of its own operating funds. "I have to produce something that looks attractive to them in order for them to want to adopt it. So I'm under a lot of pressure to actually come up with something that will work in practice."

Key Antiretroviral Program Implementation Challenges

In addition to financial challenges, the implementation of the proposed antiretroviral pilot program would likely pose a multitude of administrative challenges; in fact, Brink's own widely circulated list of unresolved issues identified 22 significant implementation-related challenges (Exhibit 5).

Anglo American's decentralized structure presented one of the biggest hurdles to the implementation of an antiretroviral program and, indeed, the expansion of other existing HIV programs. According to Abt Associates, who authored an independent evaluation of Anglo American's HIV prevention programs, "The various subsidiaries of Anglo American have different management cultures with the result that the head offices of each of the subsidiaries may not always be able to motivate their managers down the line. There is a continued need to find champions in each discrete operation to drive HIV prevention responses."[31]

On a related note, there was concern that the union had not yet been involved in discussions regarding the antiretroviral pilot program and might be a little uneasy with the program for a variety of reasons. However, Brink stated emphatically that "we're going to have to do a lot of talking with the union and positively demonstrate that the people that are getting the kind of care that we talked about do stay well and do keep their jobs and do not get discriminated against. That's where I think a union-management joint committee will be important; if nothing else, it can monitor the implementation of the strategy."

Another potential obstacle to the program's implementation related to the ability of medical personnel to provide HIV care and counseling. Some within Anglo American expressed concerns that the company's medical personnel might not be sufficiently knowledgeable about or sensitive to the medical and psychological needs of workers with HIV and other sexually transmitted diseases. In response to worker needs, Brink had contracted with Aurum Health, which developed extensive training materials regarding HIV/AIDS. Once the program was approved, Aurum consultants would offer training to educate medical personnel about HIV and increase the staff's cultural sensitivity.

A fourth major challenge pertained to drug compliance: if workers took less than a certain percentage of the drugs, they could compromise the effectiveness of the drugs and even generate resistance to the treatments. Brink explained, "We will measure the extent of the adherence to the drug regimen. We're looking for 100 percent compliance as the standard. If your compliance is down to 95 percent, if you take 95 out of 100 pills, the effectiveness of the regimen is reduced to 65 percent. So we're saying we want perfect compliance, nothing less." Yet, it undoubtedly would be difficult to guarantee high compliance levels in a mining environment, where prior compliance rates for TB drugs had been imperfect, and where workers

[31] *Towards a Comprehensive HIV/AIDS Prevention Programme in the Anglo American plc Group*, p. 19.

were unlikely to observe a drug regimen that required inconvenient, daily trips to the medical facility for drugs, generating fear that others might discover their HIV status. On the other hand, there was some concern that, if given the drugs to take home, some workers might share the drugs with HIV-positive dependents. This concern led to some consideration of providing the drugs to at least one of the worker's designated dependents, many of whom lived hundreds of miles away from the mining communities, a move that would have far-reaching implications for cost and implementation.

It also remained unclear how long the workers in the pilot program would be able to remain on the drugs. In the West, many HIV-positive people took antiretroviral drugs indefinitely; however, Anglo American workers were faced with the reality that the company might need to terminate provision of the drugs if, for instance, the program was changed or discontinued, or if a worker resigned. While many prominent HIV researchers like Dr. David Katzenstein at Stanford University's School of Medicine argued that treatment interruption had not been shown to lead to drug immunity or the formation of more virulent strains of the disease — or, at the very least, that those risks were far less concerning than was the failure to provide the drugs in the first place — Brink admitted that treatment interruption raised some thorny ethical questions.

There also were concerns regarding security. With an annual market price for the drugs that far exceeded the annual wages of the average South African, it might become difficult for Anglo American to guarantee that the drugs were not resold on a black market or stolen from the company's medical facilities. "We're going to have to trust our patients," said Brink. And finally, there was the difficult issue of adverse selection: what was the likelihood that the provision of antiretrovirals would attract a disproportionately high number of HIV-positive workers to Anglo American Group companies?

Nevertheless, Dr. Brink remained extremely optimistic. "I've presented the strategy to the board and have gotten very strong support," said Brink. "They understand the dimensions of the problem and absolutely understand that we have to do something. And they are quite prepared to take the risk of confrontation and make a few mistakes. And we will. We'll do some things wrong, and just hope that we get more things right than we get wrong."

Reservations about Anglo American's Proposed Antiretroviral Program

After the announcement that Anglo American was planning to introduce an antiretroviral program, the company was featured in numerous national and international newspapers. Although the overwhelming majority of these articles gave glowing reviews, some unearthed concerns about Anglo American's proposed antiretroviral pilot program. A June 2001 *Wall Street Journal* article reported on some of the potential barriers to the program's implementation and effectiveness, citing resistance from labor and larger problems tied to the migrant labor system:

> AngloGold has taken only incremental steps to pare back the migrant-labor system, such as converting a few hostels into married-worker housing. That leads some public-health experts to charge that AngloGold's proposal to provide AIDS drugs won't solve the underlying crisis. 'It's a Band-Aid,' says Robert Cowie, a professor of medicine at the University of Calgary, who in the 1970s was a pioneer in pushing AngloGold to treat miners with tuberculosis, rather than

> simply send them home. 'Until you do away with migrant labor, you will continue to fight these problems.'[32]

There also was some skepticism among HIV prevention and treatment activists that Anglo American could or should implement a complex, antiretroviral research and treatment program. Some activists were concerned that Brink, a physician who rose to his current position via Anglo American's medical operations, and Sunter, a prominent business activist, might be engaged in a well-intentioned but quixotic quest. In addition, some observers expressed doubts that Anglo American would follow through with the program. Indeed, towards the end of 2001, a few media outlets reported that Anglo American might scale back notably the number of participants in its pilot program or even restrict antiretrovirals to managers because of the high cost of the antiretroviral drugs.

ANGLO AMERICAN'S NATIONAL COMMITMENT

Although the future of the company's antiretroviral pilot program remained unclear, managers like Brink and Sunter professed to remain committed to a high degree of HIV prevention and treatment activity within Anglo American. In addition, they hoped to share the company's experiences with other South African businesses and the nation, and, more broadly, draw public and particularly corporate attention to the HIV crisis in Africa. To that end, Brink and Sunter continued to appear as featured speakers at conferences throughout South Africa, working to educate other managers about the threat posed by HIV to South African businesses and "lobbying for some form of partnership between the public and private sectors in South Africa to turn the epidemic around," said Sunter. Sunter, who had served as the governor of the South African Business Coalition of HIV/AIDS and, with Anglo American's blessing and resources, devoted the overwhelming majority of his time to HIV coalition-building and advocacy efforts, explained:

> We have been doing these HIV talks around South Africa…. And one of the questions I ask at these presentations is, 'How many chief executives are there in the audience?' And usually you get, say, one hand, maybe two, at the most three hands going up in audiences of 150 to 200 people. And you say to yourself, 'Business here still regards HIV as an HR issue, a soft issue. It's not a strategic issue.' And I keep saying, 'You'd better start regarding it as a strategic issue.' And any financial director who hasn't actually worked out what the impact of HIV/AIDS is going to be on the company, and particularly what the cost of not treating employees versus the cost of treating them is, should be fired….
>
> We're still very much in a state of denial. There are two other scenarios besides the denial scenario, however. The second I call business as usual, in which HIV is seen as a priority, but one of many priorities. And in that scenario, you would work out the cost-effectiveness of HIV/AIDS programs. And then the third scenario is total onslaught, in which you regard it as a full-blown war. And you go for it, you go for it in order to win the war. You don't actually consider the cost up front….

[32] Schoofs, op. cit.

I don't want this epidemic to fatigue, exhaust, or destroy South Africa. I want it to be the other way around: actually use this as an opportunity for uniting people in this country, and actually making, particularly white people in this country, see that black lives are just as precious as their lives are, and poor lives as precious as rich lives. Use it as a method to break the usual kind of attitudes that people have toward each other. Win the war.

Case Discussion Questions:

1. It would be helpful to include some case discussion questions here to help frame the case.

Exhibit 1
Financial Statements

Summary consolidated profit and loss account for the year ended 31 December 2000

$US million	Before exceptional items 2000	Exceptional items 2000	2000	**1999**
Group and share of turnover of joint ventures and associates				**19,245**
Less: Joint ventures' turnover				**(1,720)**
Associates' turnover				**(5,947)**
Group turnover - subsidiaries				**11,578**
Total operating profit		(266)	3,214	**2,142**
Profit on disposal of fixed assets		402	402	**489**
Costs of fundamental reorganisations		(79)	(79)	**(79)**
Profit on ordinary activities before interest	3,480	57	3,537	**2,552**
Net investment income	308		308	**265**
Profit on ordinary activities before taxation	3,788	57	2,840	**2,817**
Tax on profit on ordinary activities	(1,005)	–	(1,005)	**(481)**
Profit on ordinary activities after taxation	2,783	57	2,840	**2,336**
Equity minority interests	(917)	34	(883)	**(784)**
Profit for the financial year	1,866	91	1,957	**1,552**
Equity dividends to shareholders - paid and proposed	(742)	–	(742)	**(585)**
Retained profit for the financial year	1,124	91	1,215	**967**
Headline profit for the financial year			2,000	**1,308**
Basic earnings per share ($US):				
Profit for the financial year			5.01	**4.03**
Headline profit for the financial year			5.12	**3.40**
Dividend per share (US cents)				

Summary headline profit for the financial year for the year ended 31 December 2000

$US million	2000	**1999**
By business segment		
Gold	201	**210**
Platinum	500	**200**
Diamonds	321	**162**
Coal	138	**79**
Base metals	132	**97**
Industrial minerals	159	**116**
Ferrous metals	86	**67**
Forest products	308	**199**
Industries	99	**82**
Financial services	100	**112**
De Beers investments[(1)]	203	**151**
Exploration	(92)	**(112)**
Corporate activities	(155)	**(55)**
Headline profit for the financial year	2,000	**1,308**

[(1)] Represents De Beers' share of Anglo American plc earnings for the 12 months to 31 December.

Exhibit 1 (cont'd.)

Summary consolidated balance sheet as of 31 December 2000

$US million	2000	**1999**
Fixed assets		
Intangible assets	2,462	**1,585**
Tangible assets	11,819	**9,512**
Investments in joint ventures and associates	6,339	**6,902**
Other financial assets	1,621	**1,489**
Net current assets	22,241	19,488
Stocks	1 748	**1,431**
Debtors	3,222	**2,060**
Current asset investments and cash at bank and in hand	3,405	**3,618**
	8,375	**7,109**
Short-term borrowings	(3,398)	**(999)**
Other current liabilities	(4,027)	**(2,611)**
	950	**3,499**
Total assets less current liabilities	23,191	**22,987**
Long-term liabilities	(3,597)	**(2,538)**
Provisions for liabilities and charges	(1,404)	**(1,324)**
Equity minority interests	(2,646)	**(2,951)**
Total shareholders' funds (all equity)	15,544	**16,174**

The financial statements were approved on behalf of the board of directors by J. Ogilvie Thompson, chairman, A. J. Trahar, chief executive, and A. W. Lea, finance director, on March 13, 2001.

Summary consolidated statement of total recognized gains and losses for the year ended 31 December 2000

$US million	2000	1999
Profit for the financial year	1,957	1,552
Currency translation differences on foreign currency net investments	(1,725)	(549)
Net asset value movements in associates	(120)	-
Total recognized gains for the financial year	112	1,003

Exhibit 1 (cont'd.)

Summary consolidated cash flow statement for the year ended 31 December 2000

$US million	**2000**	**1999**
Net cash inflow from operating activities		1,850
Expenditure relating to fundamental reorganisations		(46)
Dividends from joint ventures and associates		209
Returns on investments and servicing of finance		
Interest received and other financial income	348	388
Interest paid	(501)	(402)
Dividends received from fixed asset investments	68	50
Dividends paid to minority shareholders	(357)	(380)
Net cash outflow from returns on investments and servicing of finance		(344)
Taxes paid		(273)
Capital expenditure and financial investment		
Payments for fixed assets	(1,511)	(1,251)
Proceeds from the sale of fixed assets	177	64
Payments for other financial assets (0)	(104)	(45)
Proceeds from the sale of other financial assets (0)	535	534
Net cash outflow for capital expenditure and financial investment		(678)
Acquisitions and disposals		
Acquisition of subsidiaries (2)	(2,705)	(889)
Disposal of subsidiaries	226	103
Investment in associates	(257)	(429)
Sale of interests in associates	517	592
Investment in proportionally consolidated joint arrangements	(42)	
Investment in joint ventures	(367)	
Net cash outflow from acquisitions and disposals		(623)
Equity dividends paid to Anglo American shareholders		(276)
Cash outflow before use of liquid resources and financing		(181)
Management of liquid resources (3)		912
Financing	(403)	
(Decrease) /increase in cash in the year		328

(1) Disposal and acquisition of other financial assets included in fixed assets.
(2) Net of assets resold of $US709 million in respect of the acquisition of Tarmac plc.
(3) Cash flows in respect of current asset investments.

Exhibit 1 (cont'd.)

Summary segmental analysis for the year ended 31 December 2000

	Turnover		Operating profit		Net operating assets[1]			
US$ million	2000	Before exceptional items **1999**	Exceptional items 2000	2000	2000	**1999**	2000	**1999**
Gold	2,211	**2,235**	410	(29)	381	**452**	2,667	2,990
Platinum	2,368	**1,428**	1,336	–	1,336	**480**	1,327	1,519
Diamonds	2,034	**1,809**	491	–	491	**245**	101	131
Coal	967	**787**	169	–	169	**114**	1,580	708
Base metals	1,503	**1,163**	196	(237)	(41)	**174**	2,102	1,606
Industrial minerals	2,394	**1,008**	150	–	150	**118**	3,196	1,184
Ferrous metals	1,510	**1,457**	127	–	127	**75**	390	470
Forest products	3,388	**2,464**	458	–	458	**272**	3,054	1,348
Industries	4,195	**6,894**	272	–	272	**358**	1,317	2,137
Financial services	–	–	128	–	128	**138**	–	-
Exploration	–	–	(116)	–	(116)	**(138)**	–	-
Corporate activities	–	–	(141)	-	(141)	**(146)**	406	441
	20,570	**19,245**	3,480	(266)	3,214	**2,142**	16,140	12,534
By geographical segment (by origin)								
South Africa	9,923	**11,558**	2,446	(26)	2,420	**1,554**	6,062	8,039
Rest of Africa	1,729	**1,398**	315	-	315	**168**	433	150
Europe	4,945	**2,678**	310	(100)	210	**176**	5,989	1,864
North America	1,120	**1,505**	-	-	-	**16**	727	502
South America	1,253	**1,053**	282	(55)	227	**220**	1,392	1,431
Australia and Asia	1,600	**1,053**	127	(85)	42	**8**	1,537	548
	20,570	**19,245**	3,480	(266)	3,214	**2,142**	16,140	12,534

(1) Net operating assets consist of tangible and intangible assets (excluding investments in joint ventures and associates), stocks and debtors less non-interest bearing current liabilities.

Source: Anglo American Annual Review 2000.

Exhibit 2
AIDS News Excerpts, 1996–1999

The AIDS News archives serve as a record of the explosion of the South African HIV crises and provides some revealing insights into the comprehensiveness and frankness of Anglo American's responses:

AIDS News, May 1996:

The New Vaal AIDS mascot has been christened "Free Willy." Dennis Nucibella, Section Engineer on the mine, was the winner of a mine-wide competition to name the mascot. Nucibella's R200 prize-winning rationale for the name was "using a condom will allow 'Willy' to continue his 'duties' without the worry of attracting or spreading STDs or AIDS. It gives him peace of mind."

AIDS News, August 1997:

This year, 1997, it is estimated that 90,000 South Africans will die of AIDS. Most of them will be between the ages of 20 and 50. Many of them will be members of the labour force and some of them will be employees of [Anglo American] group companies. The number of deaths from AIDS each year is set to increase well into the next century… We can no longer say that AIDS is not going to affect us or that it is somebody else's problem. As increasing numbers of employees become sick, HIV/AIDS will have a significant impact in the workplace — on health care systems, on benefit schemes and on productivity… The signs are already there:

- Mine hospitals are seeing increasing numbers of TB cases and other HIV-related illnesses.
- The Mineworkers Assurance Benefit Scheme has been restructured as a result of an increasing number of claims, many of which were believed to be AIDS-related.
- Absenteeism due to illness is increasing on many mines, and it is probable that much of it is due to HIV-related illness.

AIDS News, July 1999

This issue…will examine how companies should develop appropriate responses to the information obtained from the impact assessment… The first thing that needs to be done is to develop and implement an AIDS [non-discrimination] policy. Many companies [within Anglo American] have already done this and are generally willing to provide a copy to other companies who can then adapt it to suit their own requirements…

Source: Anglo American

Exhibit 3
Excerpts from Memorandum of Evidence from Anglo American plc to the Select Committee on International Development Inquiry into the Impact of HIV/AIDS on Social and Economic Development, 2000

Anglo American's strategic approach to HIV/AIDS has evolved over a period of 15 years. Initial efforts were focused on awareness, education, and prevention of HIV infection. With the advance of the epidemic over the ensuing 10 years, the emphasis shifted to "Minimizing the impact of AIDS"… In the year 2000, our strategy has further evolved to one of "Total Management Commitment" encompassing:

- A comprehensive HIV prevention response; and
- Specific and measurable management plans to control and minimize the identified impacts of the HIV/AIDS epidemic on operations.

In the course of defining "Total Management Commitment," Anglo American has tried to identify all the elements of "best practice" in the prevention and management of HIV/AIDS. The problem is that on its own, each element is a necessary but insufficient component of an effective response. The challenge will be to integrate all these elements into a comprehensive prevention and management programme…

The scale of the unfolding HIV/AIDS tragedy in Southern Africa is distressing and sobering. The human cost is substantial. The private sector must play its part in preventing infections and in support of those who have been infected. We must also seek to ensure that livelihoods remain for those who will survive and come through this tragic chapter. Anglo American believes that its companies have evolved much valuable best practice and are striving to do more.

Whilst our prevention efforts may not have succeeded in arresting the progress of the epidemic, we remain determined to make an impact in preventing new infections. The great majority of employees are not infected with HIV, so there is still plenty of scope for prevention work. The possibility of developing an AIDS vaccine needs to be pursued with vigour and Anglo American, through its medical research initiatives, will be actively involved in early clinical trials.

We need to renew our efforts in caring for those who are living with HIV or who have become AIDS sick. There are promising developments in the field of drug treatment for HIV infection and AIDS. Anglo American will actively explore ways and means to make this treatment accessible, affordable and effective.

In 15 years of experience dealing with HIV/AIDS, we know that the epidemic is manageable in the workplace and that our businesses will remain viable and profitable. Anglo American will continue to invest in Southern Africa and contribute to the emerging economies of the region.

Source: Anglo American.

Exhibit 4
Description of Anglo American's Comprehensive HIV/AIDS Program, 2001

AIDS NEWS

May 2001

Focusing the Group's attention on AIDS

Wouldn't it be fantastic if there were no new infections from tomorrow? Our vision should be to stop the AIDS epidemic. And for those already infected, the question we must ask is, 'How best can we care for them?'

So Anglo American's revised strategy is rooted in prevention, which is linked to improved care for those who are affected by HIV/AIDS. We need to change tack because past prevention efforts don't seem to have made much difference.

In order to care for HIV-positive people, we need to find out who's affected by encouraging everyone to go for an HIV test. This requires more voluntary counselling and testing (VCT) facilities and for people to understand the benefits of knowing their HIV status early. Only then, can we provide those with HIV/AIDS with the best of what's available through wellness programmes. We need to do something that'll make a difference, not more of the same.

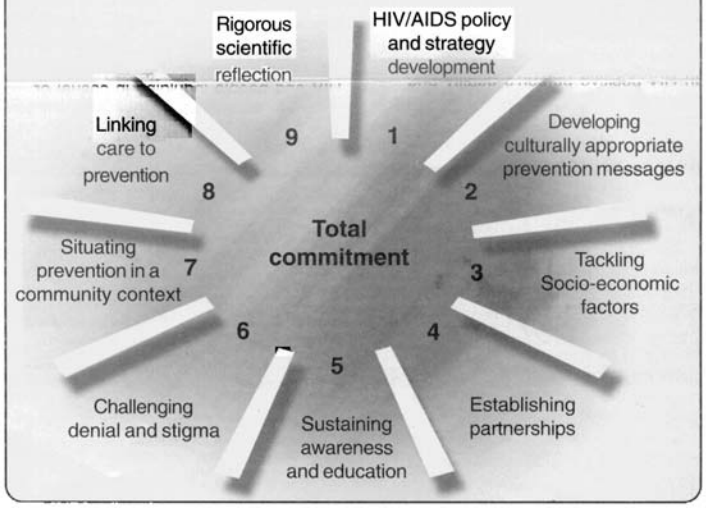
1. Prevention campaigns

HIV prevention campaigns *do* help slow the epidemic, especially when they contain all the elements listed in the box to the right. Recently, the emphasis has shifted away from seminars and condoms in the workplace to community-based programmes such as the Powerbelt Project in Mpumalanga that aims to be self-sustaining after a few years' intensive input from a partnership of local coal mines, government, unions, non-governmental organisations (NGOs) and community representatives.

A summary of Anglo American's AIDS strategy

- Pursue HIV prevention campaigns with renewed vigour
- Conduct anonymous HIV prevalence surveys at all southern African operations
- Encourage large scale VCT in the workforce and surrounding communities
- Link VCT to a programme of care for employees and their dependants with HIV/AIDS
- Implement large scale prevention and treatment campaigns for sexually transmitted infections (STIs)
- Introduce a formal system of HIV/AIDS reporting
- Conduct research into the effectiveness of the Group's HIV/AIDS strategy
- Participate in HIV clinical vaccine trials.

A summary of Anglo American's prevention response



ANGLO AMERICAN

Exhibit 4 (cont'd.)

A summary of Anglo American's AIDS care programme

- Ensure that employees with HIV/AIDS don't suffer unfair discrimination
- Keep them and their families healthy and productive for as long as possible through early participation in wellness programmes
- Counsel them on how to live with HIV and not infect others
- Prevent opportunistic infections, particularly TB
- Prevent mother-to-child transmission of HIV with antiretroviral drugs
- Finding ways and means to provide antiretroviral therapy for those employees and their dependants who are progressing to AIDS
- Extend care programmes into surrounding communities through existing public and private health service providers and NGOs
- Provide management advice to community-based AIDS programmes and help them access donor funding.

2. Anonymous HIV prevalence surveys

To plan an effective response, it's important to establish the scale of the problem and then monitor the success of interventions through follow up surveys. It's hoped that, with unions' participation, surveillance surveys will be done at all southern African operations. They've already been conducted at a number of sites and in most cases the results have been lower than anticipated. This encouraging news is the evidence that we need to re-commit ourselves to the prevention campaign. At the same time, we can plan and budget for the care programmes that are needed to help those who are HIV-positive to live better and live longer.

3. VCT

If everyone got themselves tested for HIV, denial would be a thing of the past. It helps prevent the spread of the disease because, after post-test counselling, more people use condoms, either to stay HIV-negative, or to protect their partners if they're infected. Anglo American wants to encourage large scale VCT in the workforce and surrounding communities. VCT works best when it is linked to care programmes for people who are infected, so that there's a strong incentive for them to find out their HIV status and respond appropriately.

4. Wellness programmes and drugs for people with HIV/AIDS

Companies should provide wellness programmes for their employees with HIV and spread the word that early diagnosis and treatment can increase an HIV-positive person's quality and length of life. The company benefits too because employees stay healthier and productive for longer. Since AngloGold began providing HIV-positive employees participating in wellness programmes with prophylaxis against TB, the rate of TB has dropped by 70% in this group. As a logical extension of the wellness programmes, Anglo American is exploring ways and means to provide highly active antiretroviral therapy (HAART) ("AIDS drugs") for those who progress to AIDS. There are many obstacles to introducing HAART, including the high price of the drugs, the difficulties with administering the complicated regimens of care, the tolerability of the side effects and problems of adherence, to name but a few. The next step will be to set up pilot sites to test the feasibility of HAART in our setting, in order to resolve the many problems associated with these complex therapies.

5. Controlling STIs

A person's risk of getting HIV is greatly increased in the presence of other STIs such as gonorrhoea, syphilis, herpes and chancroid. We are encouraging Anglo companies to conduct awareness campaigns so that people will recognise the symptoms of STIs and understand the link between these STIs and HIV. Medical personnel need to increase their efforts to identify and treat STIs in employees and their partners. Condoms must be freely available to help stop the spread of STIs including HIV and people indulging in casual or risky sexual behaviour must use them.

6. HIV/AIDS reporting systems

Managers should monitor and report regularly on different aspects of their company's response to HIV/AIDS. The first step in this process is to define the "key indicators" which can be used to measure and monitor the effectiveness of the interventions. Anglo American is in the process of developing management guidelines to assist with the process.

7. Research into the strategy's effectiveness

A medical research organisation will be commissioned by Anglo American to help implement and analyse the cost-effectiveness of the Group's prevention and care strategies.

8. HIV vaccine trials

Anglo American is exploring how we might participate in clinical vaccine trials in collaboration with the International AIDS Vaccine Initiative (IAVI) and the Vaccine Trials Network (VTN). The development of an HIV/AIDS vaccine is essential for the long term control of the epidemic. Participation in vaccine trials is an initiative that will only succeed with the full support and participation of employees and their unions.

Conclusion

The company has become more open about its efforts to offer treatment and care to employees with HIV/AIDS and their dependants. It is important not only to implement the strategy as soon as possible, but to tell others why and how we are doing it, and the results we have achieved. We must demonstrate that the AIDS epidemic is manageable and that we can make a difference. ■

For further information on this issue contact: Dr Brian Brink, Senior Vice President: Medical, Anglo American Tel: 011 638 2842 e-mail: bbrink@angloamerican.co.za

AIDS News is published monthly by Anglo American Corporation of South Africa Limited.
For further information please contact Josina Z Machel, Human Resources Officer, HIV/AIDS Programmes
PO Box 61587, Marshalltown 2107. Tel: 011 638-3370. Fax: 011 638-3187

Source: Anglo American.

Exhibit 5
Key Challenges to Implementation

How will voluntary counseling and HIV testing (VCT) programs be implemented?
Will the unions support these programs?
Who should be treated? (Employees, spouses, partners, children?)
What diagnostic and supportive testing should be used?
At what stage of HIV infection should treatment be instituted?
What drugs should be used?
Which HAART regimens are best tolerated in the context of mining?
What prices can be negotiated with pharmaceutical manufacturers?
How can treatment regimens be simplified?
How should treatment be delivered and monitored?
Is "Direct Observed Therapy" (DOT-HAART) feasible?
Can 100% treatment adherence be achieved?
Can TB be effectively treated at the same time?
Can the emergence of resistant strains of HIV be monitored?
Is it feasible to offer treatment in rural areas?
Can treatment be offered in all southern African countries and at all Anglo American operations?
What happens to employees on treatment who resign, retire, or are retrenched?
What is the basic cost of HAART per person per month?
What will the cost to [the] company be on an annual basis?
How does the treatment cost compare to the cost of non-intervention?
What health and economic data should be systematically collected to determine the long-term cost-benefit of the intervention?
How should success (or failure) of this effort be evaluated?

*Excerpted from Dr. Brink's presentation at the HSBC AIDS Conference, August 24, 2001.

Source: Anglo American.