

APPENDIX F: THE BUSINESS AND INVESTOR RESPONSE TO THE HIV/AIDS PANDEMIC

USS Ltd, in partnership with Global Business Council on HIV/AIDS (GBC), Innovest Strategic Value Advisors and one or more fund managers, proposes to carry out a study into how multinational corporations are taking action to the HIV/AIDS pandemic. The study, starting with a targeted pilot project, will look at how well companies are identifying, managing and reporting the risks and opportunities associated with HIV/AIDS to their workforces, suppliers and markets. The intention is to stimulate more active board-level consideration of HIV/AIDS by companies and institutional investors by determining the value of such non-traditional indicators on financial forecasts. The pilot project will cover Africa (where the pandemic is most acute and where some companies have begun to make an adaptive response) and other emerging markets (where the pandemic is at an earlier stage and the full effects are less well reported).

Rationale for the study

HIV/AIDS poses a particularly devastating threat to the business community as it affects primarily persons in the prime of their working ages. Experience in Africa suggests that negative impacts include increased absenteeism and recruitment costs, potential erosion of labour supply, productivity reduction, and target market contraction. The full impact on businesses (and their investors) is yet to come since AIDS death rates are lagging behind infection rates. Deloitte & Touche, amongst many others, have concluded that businesses – with some notable exceptions – may not have understood the scale of the risk.

Business response and investor understanding

A comprehensive picture of documented business response is lacking but appears to range from little or no activity to the advanced commitment of company programmes, voluntary testing and counselling, and the subsidised provision of antiretroviral therapy.

All of this comes at a time when investors are being increasingly invited to consider, in some cases as a result of changes in listing requirements, relevant environmental and social issues when making investment decisions. Appreciation of the risks in quantitative financial terms remains weak. The result is that business and investment understanding of the value of a proactive approach is low.

Project benefits

The project can be expected to deliver two main benefits.

1. The insights gained will benefit both the surveyed companies and their investors by helping them understand how well they are responding to the strategic business risks posed by the HIV/AIDS variable and its potential impact on their profitability and investment returns.
2. Raise awareness of HIV/AIDS within the business and investment communities, a critical and urgent public good given the need for all parties to take action. The development of useful quantitative indicators for strategic decision-making by business leaders and investors will, in turn, benefit related projects, such as the Global

reporting Initiative's (GRI) AIDS reporting guidelines and the Global Business Council's (GBC) protocols for workplace interventions.

Project focus and methodology

The pilot study will focus on a handful of multinationals or large regional companies that have taken a proactive approach to the risks associated with HIV/AIDS. These companies are from different market sectors and the survey will focus primarily on direct and indirect workforce issues but also cover the most critical issues relating to consumer and supplier impact. The pilot project will allow development of a research methodology relevant to a range of potentially affected market sectors.