TŪ TIRA
STRONGER TOGETHER

Pūrongo-a-tau
Annual Report **2021**

Te Kaporeihana Āwhina Hunga Whara
Accident Compensation Corporation

ACC

He Kaupare. He Manaaki.
He Whakaora.
prevention. care. recovery.

Te Whāinga Roa

Ko tā mātou whāinga roa, ko te whakawhanaketanga mai o tētahi hononga motuhake ki ia tangata o Aotearoa, kia pai ake ai tō rātou noho, mā te whakaheke i te tūponotanga atu me te pānga atu o ngā wharanga.

Our Vision

Our vision is to create a unique partnership with every New Zealander, improving their quality of life by minimising the incidence and impact of injury.

Ngā Uara | Our Values

We think our core values are particularly special. They were shaped by asking people in New Zealand what they expected and needed from us. Each one of our values is important and they should be held together in balance.

Haumaru Aotearoa Safe Kiwis	Ka whakahīkaka mātou i ngā tāngata o Aotearoa ki te noho haumaru, ki te mahi haumaru, ki te tākaro haumaru – e tutuki pai ai ngā mahinga katoa i te ao e nōhia ana e rātou..	We motivate New Zealanders to live, work and play safely, so they can lead full and active lives.
He hoamahi pai Good partners	Ka whakatītinahia ngā hononga ki ō mātou hoamahi i raro i te kaupapa o te kaupare me te manaaki wharanga, waihoki, ko ngā hononga ki ngā ahurea rerekē me te hapori whānui.	We foster close relationships with our partners in injury prevention and care, as well as within cultural groups and the wider community.
He kaitiaki tōtika Responsible stewards	Ka mātua whai tikanga te kohikohi me te tuku pūtea e ea ai ngā hiahia o ngā Kiwi o nāianei, o āpōpō hoki.	We gather and invest our income wisely to meet the needs of today's and tomorrow's Kiwis.
Ko te tangata i mua i te tukanga People before process	Ka rongo mātou i ngā hiahia o te tinana me te ngākau o ia tangata, kia māmā ai te toro mai ki a mātou.	We are responsive to each person's physical and emotional needs, making it easy for people to engage with us.
Te mahi tōtika, he ng kau tuwhera Fair and open	Ka mahi tōtika mātou, ka pono hoki ki ngā āhuatanga o ia tangata – ka whāi noa i ngā whakatutukinga māmā i ngā wā e tika ana.	We are fair and transparent about a person's situation, applying common-sense solutions when called for.

Our purpose

The purpose of the ACC Scheme is to deliver injury prevention initiatives and no-fault personal injury cover for everyone in New Zealand.

ACC is the Crown entity set up under the Accident Compensation Act 2001 to deliver New Zealand's accident insurance scheme (the Scheme).

The Scheme was established following the 1967 Royal Commission of Inquiry chaired by the Rt Hon Sir Owen Woodhouse. The 'Woodhouse Report' led to an extension of the no-fault accident cover to include all injuries for workers (for both work and non-work injuries) and motor vehicle injuries. The Scheme was then extended to cover those groups of people previously not covered (including students, non-earners and visitors to New Zealand).

Under the Scheme, individuals forgo the right to sue for compensatory damages following injury, in exchange for comprehensive accident insurance cover and compensation.

In delivering the Scheme we have three outcomes we aim to achieve in the long term:

- Reduce the incidence and severity of injury in New Zealand.
- Rehabilitate injured people in New Zealand more effectively.
- Ensure that New Zealand has an affordable and sustainable Scheme.

Measuring our performance

We deliver on our three outcomes by pursuing three core strategic intentions.

● Target met
● Target not met

2020/21
Increase the success of our injury prevention activities
See page 35

		Target	
Return on investment: 0 to 20-year injury prevention programmes.	$2.19:$1	$2.05:$1	Target met
Return on investment: Workplace injury prevention programmes.	$1.33:$1	$1.30:$1	Target met
Rate of serious injury (including fatal): 0 to 20-year injury prevention programmes.	9.4	9.3	Target not met
Rate of serious injury (including fatal): Workplace injury prevention programmes.	0.2	0.22	Target met

2020/21
Improve the financial sustainability of the Scheme
See page 44

		Target	
Actuarial movement:	+1.08%	within + / - 1.5%	Target met
Investment performance after costs relative to benchmark:	+1.90%	+0.15%	Target met
Average treatment cost per injury:	+6.1%	+8.4%	Target met
Average care hours per serious injury client:	1,396	1,393	Target not met

2020/21
Improve our customers' outcomes and experiences
See page 40

		Target	
Public trust & confidence:	67%	64%	Target met
Client net trust score:	+25	+26	Target not met
Māori client net trust score:	+20	+23	Target not met
Provider net trust score:	-25	-17	Target not met
Business net trust score:	-17	-20	Target met
Growth of the long-term claim pool:	+8.7	+12.5	Target met
Return to work within 10 weeks:	63.3%	62.5%	Target met
Return to independence for those not in the workforce:	87.1%	87.5%	Target not met

How your ACC is funded

Where the money comes from

Government

$1,537m

The **Non-Earners' Account** is for people not in the workforce, such as children and retirees

Employers

$889m

The **Work Account** is for injuries at work

Employees

$1,835m

The **Earners' Account** is for injuries outside work, eg at home or while playing sport

Motor vehicle owners and drivers

$470m

The **Motor Vehicle Account** is for all road-related injuries

Government and employees

$307m

The **Treatment Injury Account** is for injuries caused by medical treatment

Investment earnings

$4,866m

Income from our investments

How the money is allocated

Economic impacts on OCL

$(8,761)m

Impacts of interest rate and inflation changes

Costs

$755m

Operating and other costs

Other changes to OCL

$2,685m

Additional funds to cover the future costs of claims

Financial compensation and vocational rehabilitation

$2,000m

Payments for people who are injured and can't return to work, and helping people back into work

Injury prevention

$79m

Helping the community understand how to stay safe and healthy

Treatment and emergency travel

$2,229m

Includes visits to a GP, X-rays, surgery and associated travel

Care and support

$950m

Helping people back to independence, eg through having carers or home alterations

2020/21 operating environment

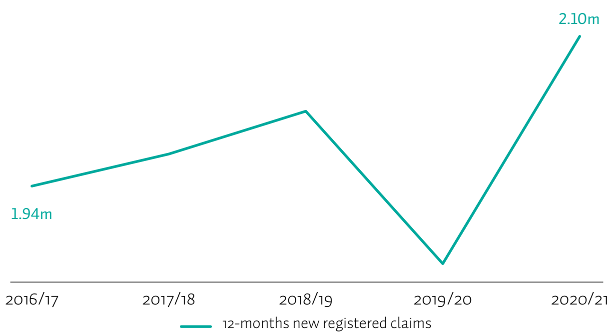
As we started 2020/21, the effects of the COVID-19 pandemic on ACC were still largely unknown. It was expected to be a very challenging year for New Zealand.

Claim volumes post COVID-19 lows

The New Zealand economy has recovered from the impacts of COVID-19 more quickly than the Treasury forecast during, and immediately following, the peak of the pandemic in New Zealand. A swifter rise in GDP (gross domestic product) and lower than-expected levels of unemployment meant growth in new registered claims and weekly compensation claims was greater than anticipated.

The Scheme experienced a 13.1% increase in new registered claims and an 18.1% increase in new weekly compensation claims compared to the COVID-19-affected 2019/20 financial year. This year's new claim and new weekly compensation volumes are at historical annual highs.

GRAPH 1: 12-MONTHS NEW REGISTERED CLAIMS



Rehabilitation performance and health costs

Our rehabilitation measures are 12-month rolling measures. Performance in the short-term measures continued a trend downward from the end of last financial year. This was due to the mix of new claims, with fewer straight-forward claims being lodged. Clients with more significant injuries continued to lodge new claims. This changed the new-claim mix from our usual experience, negatively affecting the results.

Improvements were noted from the fourth quarter, as the mix of claims started to move towards more historical norms. The COVID-19 impact started to roll out of the results, meaning we were able to achieve five of our rehabilitation targets

Post the alert-level restriction periods, clients were more easily able to return to the workforce. Some of the supports we had put in place, such as medical certificate extensions, were no longer required, leading to an improvement in rehabilitation performance.

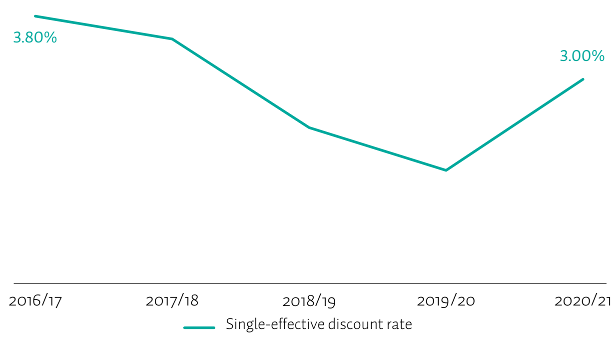
Health costs continue to increase at a higher rate than inflation and we have seen pressure on costs continue in several key services. Pay Equity settlements, union negotiations and changes in the levels of minimum wage have affected the pricing of many of the services we procure for the treatment and rehabilitation of our clients.

Rising interest and inflation rates

For the past two financial years, we have recorded significant deficits, primarily due to changes in economic factors. These have included interest rates falling to historical lows, a factor outside of our control. This affected the discount rate used to value our outstanding claims liability (OCL), and as at 30 June 2020 it hit a record high of $61.5 billion.

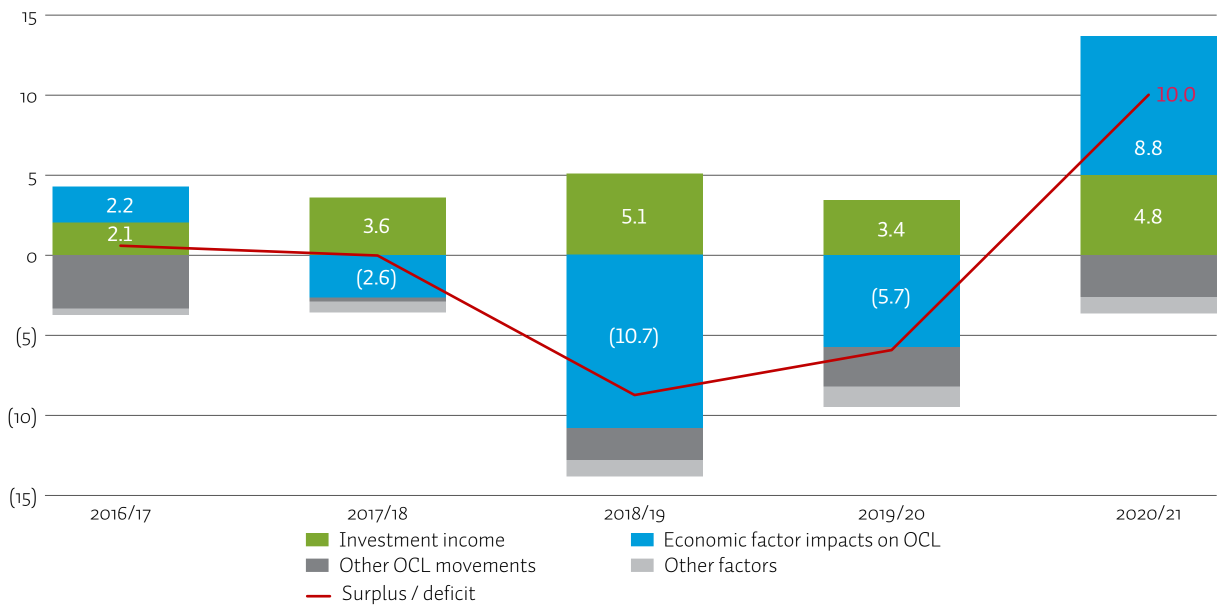
This year we recorded a $10 billion surplus, with the OCL falling $6.1 billion during the period. As global interest rates rose and New Zealand's economic outlook improved through 2020/21, rising interest rates (especially since November 2020) were the primary contributor to this surplus. This reduced the OCL by $13.1 billion.

GRAPH 2: SINGLE-EFFECTIVE DISCOUNT RATE



Offsetting this were changes in both experienced and forecast inflation rates that increased the expected cost of existing claims. This added $4.4 billion to the OCL.

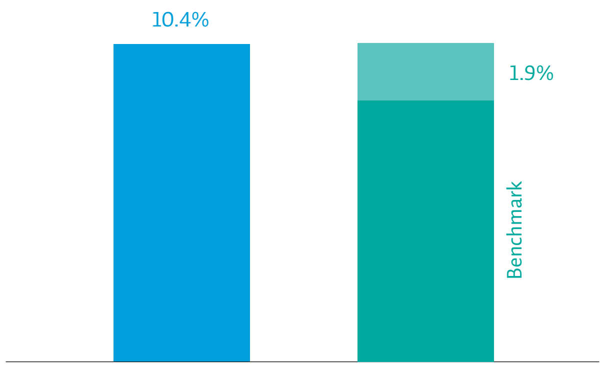
GRAPH 3: COMPOSITION OF SURPLUS (DEFICIT)



Investment income

Our investment portfolio produced an excellent 10.4% return for the year, boosted by a strong equity performance, overall outperforming our benchmark by 1.9% versus a target outperformance of 0.15%. Investment returns contributed $4.8 billion to our surplus.

GRAPH 4: ACC INVESTMENT PERFORMANCE COMPARED TO BENCHMARK



The fixed-interest portion of the investment portfolio acts as a partial hedge to the interest rate risk on our OCL. In past years this has helped to offset some of the losses incurred in the revaluation of our liability. In times of rising interest rates (like 2020/21) our fixed-interest investments suffer from revaluation losses, offsetting some of the gains on the OCL revaluation.

However, this year, due to the strong performance of our bond portfolios, outperforming the benchmark by 0.69%, we were able to minimise the losses.

Refer to page 56 for further details on our investment performance.

Climate change

There is significant interest, both globally and within New Zealand, in how both public and private entities are responding to the challenge of climate change. We have continued to develop our response following the release of our climate change policy framework,[1] covering both our investment portfolio and corporate functions. This year we became a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We have expanded our climate disclosures in this Annual Report, working towards fulfilling these disclosure recommendations.

Refer to page 51 for more details on our climate disclosures.

We have made significant progress towards our targets for reducing both investment and corporate emissions.

For investments we have reduced the carbon intensity of our listed equity portfolio by 45% compared to our 30 June 2019 baseline. This compares favourably with our 2030 reduction target of 50%.

For our corporate emissions we have reduced carbon emissions by 64% compared to the 30 June 2019 baseline. We are currently meeting our 2025 target of a 60% reduction.

1 ***www.acc.co.nz/assets/corporate-documents/climate-change-framework.pdf***

Contents

An online version of this report can be found at ***www.acc.co.nz/about-us/corporate.***

Summary

Mai i te Minita

Ko te Kaporeihana Āwhina Hunga Whara tētahi kaupapa nui i te pūnaha toko i te ora o tō tātou whenua. Mai anō i te orokohanga mai o te kaupapa i te tau 1974, e whai take nui tonu ana ngā pou o te kaupapa, arā, ko te Kaupare Wharanga, ko te Tiaki me te Mahi Whakarauora. He kaupapa haumi tēnei mā te katoa o ngā tāngata o Aotearoa, rātou ko ngā manuhiri o tō tātou whenua. Otirā, pērā i te katoa o te rāngai pāpori, me whanake haere tonu tēnei kaupapa e tutuki ai ngā hiahia me ngā matea o ngā tāngata e whakawhiwhia ana ki ōna hua.

Kei te whakapau kaha te Kāwanatanga ki te kimi i ngā ara ki te whakapai ake i te kaupapa nei me ōna whakawhitiwhitinga ki te pūnaha hauora, ki te rāngai hauā me ngā mahi toko i te ora. Nā te pānga mai o te KOWHEORI-19, kua tino kitea te hiranga o ēnei mahi – ina koa, mā te hunga e noho whakaraerae ana.

I raro i taku tūranga hei Minita o ACC, kei te hiahia au ki te whakapūmau i ngā hua o te taha pūtea, ki te whakaū i te māramatanga ki ngā whakahaere, ki te huaki hoki i ngā tatau, kia whai wāhi mai ai te katoa. Me noho te kaupapa nei ki te ao hou, me whakamahi, me toro atu ki te ao hangarau me ngā ara mahi hou kia hāngai, kia whaikiko ngā ratonga. I runga i tēnā whakaaro, kua rerekē ngā mahi a te kāporeihana hei whakapai ake i te whakaratonga o ngā mahi; kei te whiriwhiri tonu au mēnā ka whakahoungia ngā kaupapa here e tutuki ai ngā whāinga tōmua a te Kāwanatanga.

Kei te hiahia hoki au ki te tiro atu ki te kaha o te kaupapa ki te tautoko i te whai wāhitanga atu o ngā wāhine, o ngā Māori me ngā iwi o Te Moananui-a-Kiwa. Koia tētahi o ngā aronga nui ā te tau e heke mai ana, waihoki ko ngā pūtahitanga ā-mahi me ngā mahinga ngātahi e pā ana ki ngā whakahou o te ao hauora me ngā mahi toko i te ora a te Kāwanatanga.

I tēnei tau, e pā tonu ana ngā āhuatanga o te KOWHEORI-19 ki ngā tutukinga o te kaupapa haumi nei, arā, kua tere piki ake te tatau o ngā kerēme nō muri atu i te hekenga iho nui – kia 50% - i ngā marama i pāngia te motu e te noho kāinga. Kua whakapau kaha te ACC ki te whakarauora i ngā kiritaki, kua āta tirohia hoki ngā mahi tautoko ki ngā kaiwhakarato rongoā, ki ngā pakihi me ngā tāngata e utu ana i ngā utu ā-wharanga. Kei te mihi au ki ngā kaimahi i tō rātou māia, i ā rātou mahi ngaio anō i te wā o ngā taumahatanga.

He koanga ngākau te kite atu i te ACC e ahu whakamua tonu ana ki te whakatinanatanga o Whāia Te Tika, arā, o te rautaki Māori. Kua whakamahia te Māori Customer Advisory Panel, kua tīmata te hōtaka Kaupapa Māori mō ngā tono ratonga, kua whāia hoki tētahi ara whai pūtea mō te mahi rongoā. E tāria ana e māua ko te Minita Tuarua, ko Hōnore Willie Jackson te whakapikinga ake o ngā putanga me ngā wheako o te Māori i raro i ēnei kaupapa hou.

I ngā marama tōmua o tēnei tau, ka whakatūria a Hōnore Steve Maharey hei mema hou, hei Heamana hou hoki o te Poari o ACC. Kua kopoua hoki tokotoru ngā mema hou:ko Bella Takiari-Brame rātou ko Pat Bowler, ko Tākuta Helen Nott. Kei te mihi au ki ngā mema o mua o te poari, ki a David May rātou ko Anita Mazzolini, ko Kristy McDonald QC i ō rātou whakapaunga werawera me tō rātou māia ki te whakatutuki pai i ngā mahi a ACC i ngā tau maha kua pahure.

Kei te mihi au ki te Heamana o mua o te Poari, ki a Kahurangi Paula Rebstock rāua ko te Tumuaki, ko Scott Pickering, i tō rāua wehenga atu i ō rāua tūranga ki ACC i te whakatutukinga o te 10 tau o tētahi me te waru tau o tērā atu. Nā rāua tahi te hurihanga nui o te whare i ārahi ki te whakahāngai i ngā tāngata, i ngā tūkanga, i ngā pārongo me ngā hangarau ki ngā hiahia o ngā tāngata o Aotearoa. Kua tutuki i a rāua tēnei mahi i runga i te ngākau mārire me te māia. Kei te kitea te taumata o ēnei mahi i runga i te whakawhirinakitanga atu o te iwi whānui, me te ekenga o te māia o te hunga whānui ki ngā taumata tiketike rawa. E mihi ana au ki a rāua i runga i te ngākau whakaiti i te rangatira o ā rāua mahi whakahaere me ā rāua mahi mā te iwi whānui.

Hei whakakapi ake, kei te mihi au ki ngā kaimahi a ACC – kua tata ki te 4000 te tokomaha – i ā rātou mahi whakahirahira i ia rā mā ngā tāngata o Aotearoa. He pai ki a au aku toronga atu ki ngā tari o te ACC huri noa i te motu – e tūtaki ana ki ngā kaimahi, e whakarongo ana ki ō rātou mōhiotanga mō ngā tutukinga pai me ngā mea hei whakapai ake. E mihi ana au i aua kōrerorero, ā, e titiro whakamua ana au ki ā tātou mahi papai kia tutuki pai ai ngā mahi a ACC ki te tautoko, ki te tiaki hoki i ngā tāngata o Aotearoa.

Hon Carmel Sepuloni
Minister for ACC

From the Minister

The Aotearoa New Zealand Accident Compensation Scheme is an integral part of our country's social support system. The pillars of the scheme – Prevention, Care and Recovery – are as important now as they were in 1974 when the scheme first began. It is a scheme for all New Zealanders and visitors to our country and, like the rest of the social sector, it must keep evolving to meet the expectations and needs of the people it serves.

The Government is committed to looking at ways to improve the scheme and how it interacts with the health, disability and welfare systems. The impacts of COVID-19 – especially on our most vulnerable – have made this work even more important.

As Minister for ACC, I want to ensure the scheme remains financially sustainable, transparent and accessible for all. The scheme needs to be modern, and able to utilise and embrace technology and new ways of working to deliver more efficient and effective services. In the same way the corporation has undergone changes to improve its service delivery; I'm considering if policy reform is required to deliver to the Government's priorities.

I'm also interested in looking at whether the scheme provides equal access for women, Māori and Pasifika. This – and how the scheme intersects and works with the Government's wider health and welfare reforms – will continue to be area of focus in the year ahead.

This year COVID-19 continued to have direct impacts on scheme performance with claim numbers rebounding sharply following the 50 percent decline in volumes during the nationwide lockdown impacted months. ACC has worked hard to successfully rehabilitate claimants, and looked closely at the support it provides treatment providers, businesses and levy payers. I commend the staff for their dedication and professionalism in trying times.

It was pleasing to see ACC continuing to make progress in implementing Whāia Te Tika, its Māori strategy. This includes utilising its Māori Customer Advisory Panel, beginning its Kaupapa Māori commissioning programme and rolling out a funding pathway for rongoā. The Associate Minister Hon Willie Jackson and I look forward to seeing improved outcomes and experience for Māori from these changes.

Earlier this year the Government appointed the Hon Steve Maharey, as a new member and Chair successor for the Board of ACC, and appointed three new members: Bella Takiari-Brame, Pat Bowler, and Dr Helen Nott. I would like to thank departed board members David May, Anita Mazzolini and Kristy McDonald QC for their strong contribution and commitment to the success of ACC over a number of years.

I would like to acknowledge Board Chair Dame Paula Rebstock and Chief Executive Scott Pickering who have retired from ACC after 10 and eight years respectively. They have both overseen a significant organisational transformation aligning ACC's people, processes, information and technology around the needs to New Zealanders. And they have done so quietly and diligently. The success of this change is reflected in public trust and confidence rising to record levels. I would like to express my sincere appreciation for their outstanding leadership and public service.

Finally, I would like to thank the nearly 4000 staff who work at ACC and do an incredible job every day for New Zealanders. I have enjoyed visiting ACC offices around the country, meeting with staff and hearing their experiences about what is working well and where improvements can be made. I have appreciated that feedback and look forward to the work we will do together to ensure ACC delivers for all New Zealanders who need our support and care.

Hon Carmel Sepuloni
Minister for ACC

Mai i te Poari

Ko te takanga mai o ngā hua nui i ngā mahi haumi, ko te huhua o ngā kerēme, ko ngā pānga anō o te urutā o te ao me te hekenga o ngā mahi whakarauora ki raro iho i te nui i matapaetia, ngā kaupapa matua i puta i a ACC i te tau 2020/21. Ko te whakaawenga matua tonu i te taha pūtea, ko te pānga o ngā piki me ngā heke o te ao ōhanga ki ā mātou kaupapa haumi.

E whakaaro nui ana te Poari ki ngā take huhua e pāpā tonu ana ki ngā mahi whakahaere pērā i te pikinga ake o te nui o ngā kaumātua me te hunga e pāngia ana e te mate hinengaro. Ka whakapau kaha tonu a ACC ki te whakaea i ēnei take, e noho haumaru ai ngā tāngata o Aotearoa, e pai ake ai ō rātou oranga.

Ko te pānga o te pikinga ake o te huamoni

Kua kitea anō te pānga nui o ngā nekehanga o te taumata o te huamoni ki runga i ngā kaupapa haumi a ACC i te tau 2020/21. I ngā tau pūtea e rua o mua, he nui te pūtea e takarepa ana, arā, $15 piriona te nui, nā te hekenga nui rawa atu o te taumata o te huamoni. He āhuatanga tērā e kore e taea e ACC te karo. I whaipānga tēnei ki te taumata o te whakahekenga utu e whakaū ana i te nui o te pūtea mō ngā kerēme e kawea tonutia ana e mātou (OCL). I piki ake taua nama ki te $61.5 piriona i te 30 o Pipiri i te tau 2020.

I tēnei tau, i huri kōaro ēnei āhuatanga, arā, i eke te nui o te pūtea hemihemi ki te $10 piriona, ā, ka heke te OCL i te $6.1 piriona. Ka piki ake ngā mahi ōhanga a Aotearoa, ka heke te OCL nā te pānga o te pikinga ake o te taumata o te huamoni, otirā, i āta whai wāhi mai hoki ngā nekehanga o te taumata o te tāmi ahumoni i rangona, i matapaetia anō. Waihoki, kei te whakapiki ake tērā i te utu e matapaetia ana mō ngā kerēme e mau ana i a mātou ināianei.

Ahakoa te nui o te pūtea hemihemi, kei raro iho tonu ngā utu hunga whara i te nui e hiahiatia ana hei utu i te katoa o ngā wharanga i te tau.

I tino whai hua anō tā mātou kōpaki haumi, arā, i eke te nui o ngā hua ki te 10.4% i muri iho i te utunga o ngā nama. E $4.8 piriona te nui o te moni i hua mai. Kei runga ake tērā i te nui i matapaetia, arā, e $3.4 piriona. Otirā, nā taua moni, ka heke iho anō te nui o ngā utu hunga whara a ngā tāngata o Aotearoa.

ACC Board (from left to right)

Dr Tracey Batten, James Miller, Hon Steve Maharey CNZM, John Brabazon, Bella Takiari-Brame, Dame Paula Rebstock DNZM, Pat Bowler, Dr Helen Nott.

Te pānga o KOWHEORI-19 ki te nui o ngā kerēme

E 2.1 miriona te nui o ngā kerēme hou i tonoa ki a ACC – kua piki ake te nui i te 13.1% nō te tau 2019/20. I tino piki ake te nui o ngā kerēme i ērā o te tau o mua mai nā te iti o ngā tono i te tau 2019/20, arā, i heke te nui i te 50% i ētahi marama nā ngā noho rāhui o KOWHEORI-19.

I te nuinga o te tau, kei raro iho te nui o ngā tāngata i whakarauoratia, i hoki anō ki te mahi i te taumata i whāia. Ka āta aro atu ngā kaihautū ki tēnei take, ā, i tutuki ngā whāinga o te 10 wiki me te iwa marama i te mutunga o te tau nā tō rātou kaha ki te whai i te tauira o Next Generation Case Management. Ko te whakahekenga o te roa o te wā e whiwhi ana ngā tūroro i ngā utu ā-wiki mā te pikinga ake o ngā mahi whakarauora me te whakahāngaitanga ake o ngā whakaritenga mō ngā kerēme ngā whāinga mātāmua o te tau e heke mai ana.

ESG me ngā huringa nui o te āhuarangi – kua ea ngā hekenga nui o te tukuwaro

He nui ngā kokenga whakamua ki ngā whāinga i whakatakotohia e te Poari i tērā tau hei whakaheke i te nui o te tukuwaro i ngā kaupapa haumi me ngā mahi a te kamupene. Mēnā ka whakatauritehia te nui o ngā kōpaki tūtanga whai-waro o te tau 2019 i te 30 o Pipiri, kua whakaheke mātou i te nui o ngā kaupapa whai-waro i te 45% - otirā, ko tā mātou whāinga mō te tau 2030, me heke te nui o ngā kaupapa whai-waro i te 50%. I te taha pakihi, ki te whakatauritehia ā mātau tukunga waro nō te 30 o Pipiri i te tau 2019 ki ērā o nāianei, kua heke te nui o ngā tukunga waro i te 64%, arā, kua ea te whāinga a te tau 2025.

I te marama o Poutūterangi, ka whakahoutia tā mātou whāinga haumi e te Poari i runga i tō rātou mōhio ki ā mātou mahi. Ka pānuitia ngā kōrero e pā ana ki ngā whāinga hou i raro i ngā mahi e mahia ana e ACC, ētahi atu Whare Pūtea a te Karauna me Te Tai Ōhanga mō tētahi anga whānui e pā ana ki ngā kawenga tika o te mahi haumi.

I tēnei tau, i tū mātou hei kaihāpai o te Financial Stability Board Task Force on Climate Related Financial Disclosures. Otirā kua whakawhānuihia ā mātou whākinga e pā ana ki te āhuarangi i roto i tēnei pūrongo ā-tau i a mātou e whai ana ki te whakatutuki i ēnei tohutohu.

I tērā tau, i whakapuakina e mātou tētahi tahua pūtea, e $50 miriona te nui, mō te hauora me te mahi haumaru, ā, kua whakapūmauhia ngā pūtea haumi matua i a Robotics Plus me Mentemia. I tēnei tau, ka whakapuakina tō mātou hiahia ki te whakarewa i tētahi tahua pūtea e $50 miriona te nui mō ngā huringahanga nui o te āhuarangi – hei te hauwhā tuarua o te tau. He tohu ngā tahua pūtea e rua e whakapau kaha ana a ACC ki te whakaea i ngā take ā-pāpori, ā-taiao hoki, ki te whakapiki ake hoki i ngā rawa.

He mihi

I tēnei tau, kua heke ētahi mema matua o te Poari. Ka mihi mātou ki a David May rātou ko Anita Mazzolini, ko Kristy McDonald QC – he kaitohu tūroa o te poari. He nui ā rātou mahi kia tika te haere o te kāporeihana i te wā o ngā huringa nunui. Kua kopoua mai a Bella Takiari-Brame rātou ko Pat Bowler, ko Tākuta Helen Nott, ko Hōnore Steve Maharey (hei heamana hou). Kei te mihi mātou i te hōhonu o ō rātou pūkenga, o ō rātou wheako anō, ā, tāria te wā, ka kitea ā rātou mahi papai.

Ngā mihi ki a Scott Pickering

Hei whakakapi ake, kei te mihi te Poari ki a Scott Pickering i āna mahi hei Tumu Whakarae o ACC i ngā tau e 8 kua pahure. Ko te aronga nui o Scott, waihoki o mātou te Poari, ko te whakapuaretanga ake o te tatau ki ACC, ko te whakapikinga ake o ngā putanga me te wheako o ngā tāngata o Aotearoa e pā ana ki ā rātou kaupapa utu hunga whara. I whakapau kaha a Scott ki te whakatū i ngā tikanga manaaki kiritaki ki ACC, kua whakakorengia ngā tukanga me ngā tuhinga tawhito, kia tū ngā pūnaha me ngā pae mahi hou e hono atu ana ki te ao matihiko.

I raro i ngā mahi a Scott, kei te mahitahi a ACC ki te huhua o ngā whare whakahaere me ngā hapori ki te kaupare atu i ngā wharanga. E whai rawa tonu ana mātou, ahakoa ngā ānga o te ao hurihuri. Kua piki ake te pūtea haumi ki te $50 piriona, ā, kua tino heke te tatau o ngā takarepatanga o te noho matatapu.

Nō ACC me Aotearoa whānui te maringanui i te mahi a Scott, arā, he ngākaunui tōna, he tangata manaaki, he mātātoa i roto i āna mahi hei tumu whakarae, e eke ai ngā mahi a ACC ki ngā taumata e tika ana mā ngā kiritaki me tō rātou oranga. Tēnā anō koe e te rangatira i ō mahi nui, kia pai anō ngā rā kei mua i a koe.

Dame Paula Rebstock, DNZM

Dame Paula Rebstock DNZM
Former Board Chair
Dated 15 September 2021

Hon Steve Maharey CNZM
Board Chair
Dated 30 September 2021

James Miller
Deputy Chair
Dated 30 September 2021

From the Board

Strong investment returns, record claim numbers, the ongoing effects of the global pandemic, and lower than expected rehabilitation performance, were the key themes of ACC's 2020/21. The biggest financial influence remains the sensitivity of the scheme to changes in economic conditions.

The Board was also mindful of managing a growing scheme with increasing complexities such as an ageing population and mental health. ACC remains committed to facing into these challenges keeping New Zealanders safe and improving lives.

Impact of rising interest rates

The significant impact changes in interest rates have on the ACC scheme was again evident in 2020/21. In the previous two financial years, ACC recorded sizable deficits totalling $15 billion primarily due to interest rates falling to historical lows, a factor outside of ACC's control. This impacted the discount rate used to value our outstanding claims liability (OCL) which rose to $61.5 billion as at 30 June 2020.

This year the opposite occurred, with ACC recording a $10 billion surplus including a $6.1 billion reduction in the OCL. As New Zealand's economic outlook improved, the OCL fell due to the impact of rising interest rates, partially offset by changes in experienced and forecast inflation rates that increases the expected future cost of existing claims.

Despite the large surplus, levy rates remain below the amount required to fully fund the lifetime cost of injuries incurred during a year.

Our investments portfolio had another outstanding year producing a 10.4% after costs return. This return generated $4.8 billion of income, $3.4 billion higher than budget, and once again will minimise the amount New Zealanders will have to pay in levies for accident cover.

COVID-19 impact on claim numbers

ACC received 2.1 million new registered claims – a 13.1% increases compared to 2019/20. The significant growth from the prior year was mostly due to suppressed volumes in 2019/20 where we saw a drop in monthly volumes by up to 50% in some months as a result of the COVID-19 lockdowns.

ACC Board (from left to right)

Dr Tracey Batten, James Miller, Hon Steve Maharey CNZM, John Brabazon, Bella Takiari-Brame, Dame Paula Rebstock DNZM, Pat Bowler, Dr Helen Nott.

Rehabilitation and return-to work rates were below target for most of the year. Management applied due focus and the 10-week and nine-month targets were met at year-end through utilising the new Next Generation Case Management model. Reducing the length of time clients require support for weekly compensation through improved rehabilitation performance and more effective claims management remain priorities for the year ahead.

The Board was pleased to see ACC record its highest ever quarterly Trust and Confidence result (72%) for the July-September 2020 period. This lifted our annual 12-month rolling result to 67% against a target of 64%.

ESG and climate change – significant emissions reductions achieved

We made significant progress towards the targets the Board set in the last year to reduce both our investment and corporate emissions. For investments, we reduced the carbon intensity of our equity portfolio by 45% compared to our 30 June 2019 baseline, versus our 2030 reduction target of 50%. On the corporate side we reduced our carbon emissions by 64% compared to the 30 June 2019 baseline which means we are meeting our 2025 target.

The Board revised our investment target in March, acknowledging the progress we have made. Any announcement of the revised target will be subject to the work ACC, other Crown Financial Institutions and Treasury have been doing on a broader responsible investment framework.

This year we became a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures and have expanded our climate disclosures in this annual report, working towards fulfilling these disclosure recommendations.

Last year we announced a $50 million health and safety impact fund and have secured key investments this year with Robotics Plus and Mentemia. This year we announced our intention to launch a new $50 million climate change impact fund in the second quarter of the year. Both funds demonstrate ACC's commitment to achieving both social and environmental change alongside strong financial returns.

Farewell and welcome

This year was one of significant change for the membership of the Board. We bid farewell to David May, Anita Mazzolini, and long-time director, Kristy McDonald QC. They all made a substantial contribution to the effective governance of the corporation during a time of comprehensive organisational change. Joining us on the Board were Bella Takiari-Brame, Pat Bowler, Dr Helen Nott and Hon Steve Maharey CNZM (as Chair successor). We acknowledge their broad skills and experience and look forward to their contribution.

Thanks to Scott Pickering

Finally, the Board wishes to acknowledge Scott Pickering for his eight years as Chief Executive of ACC. Scott's focus and that of the Board has been on ensuring ACC improves the access, outcomes and experience Kiwis have with their accident compensation scheme. Scott steadfastly worked hard pushing a strong customer culture within ACC, removing outdated processes and paperwork, and replacing them with modern systems and platforms that link to an increasingly digital world.

Under Scott's tenure, ACC is partnering with more organisations and communities to prevent injuries, financial performance remains strong in a volatile environment, the investment fund has grown to $50 billion, and privacy breaches have dropped dramatically.

ACC and New Zealand have been fortunate to have had in Scott a passionate, caring, and energetic chief executive committed to ACC doing its best for our customers and their wellbeing. We thank him for his outstanding leadership and accomplishments and wish him all the best for the future.

Dame Paula Rebstock DNZM

Dame Paula Rebstock DNZM
Former Board Chair
Dated 15 September 2021

Hon Steve Maharey CNZM
Board Chair
Dated 30 September 2021

James Miller
Deputy Chair
Dated 30 September 2021

Mai i te Tumu Whakarae

Ko te kaupapa matua a ACC, ko te tangata, ā, e whakapau kaha ana mātou mā tētahi motu e rima miriona te nui. Ka whakawhirinaki mai ngā tāngata o Aotearoa ki ō mātou manaakitanga, otirā, kei reira mātou ki te āwhina i a rātou. Nō mātou te waimarie i te ngākaunui o ō mātou tāngata, e māia ana ki te mahi mā te iwi whānui – kei ngā waea i ō mātou whare mahi, kei muri i ngā rorohiko e utu ana i ngā nama, kei waenga i te hapori rānei e tautoko ana i ngā kiritaki. Nō mātou anō te haepapa, ki te kimi i ngā ara hei whakapai ake tonu i ā mātou mahi. E whakahīhī ana au ki ā mātou whakatutukinga i te tau 2020/21.

E whakapau kaha ana kia pai ake ngā hua

I tēnei tau, ko tō mātou aronga nui ko te whakaūnga o te kaupapa o Next Generation Case Management (NGCM). Kua tahuri atu mātou i te rautaki whakahaere kaupapa o 'kotahi-te-ara-mā-te-katoa' nō tērā 20 tau, kia aro atu kē mātou ki ngā hiahia motuhake o ngā wharanga o ia kiritaki. Koia pū te tono mai a ngā tāngata o Aotearoa.

I tutuki te whakatinanatanga mai o tēnei kaupapa, arā, ko te huringa nunui ā-tāngata, ā-hangarau, ā-tukanga anō o ACC, i te marama o Mahuru i te tau 2020. Ka whakahoungia te ara mahi o ngā kerēme – neke atu i te 100,000 te nui – me ngā kaimahi, e 2,000. Ko te mea pai rawa ki a au, ko te waiaro pai o ō mātou tāngata i a rātou e whai ana i tēnei pūnaha hou, ahakoa ngā taumahatanga o KOWHEORI-19.

Kei te kitea ngā hua o te tauira hou, arā, ko te roa o ngā mahi whakarauora, ko te whakarauoratanga mai o te hunga mahi me te Net Trust Score a ngā kiritaki e mea ana he pai ake ngā putanga a ngā kerēme i tīmatahia i raro i te NGCM, i ērā i kawea ki te tauira hou. Nā ā mātou kaimahi tonu te mahi nui i tutuki pai ai te nuinga o ā mātou whāinga mō ngā mahi whakarauora.

E mōhio ana mātou ki ngā uauatanga o te whakahoutanga o tētahi pūnaha nui pēnei i tēnei, otirā, ka tirohia tonutia ēnei take, ka āta whakahāngaihia ā mātou mahi mā ngā kiritaki me ō mātou tāngata. Ko tō mātou aronga nui ko te whakatutukinga o ngā take e pā ana ki te nui o ngā mahi me ngā whakautu ki ngā waeatanga mai, waihoki, kia ū tonu mātou ki ngā tikanga matatapu e pā ana ki ngā kōrero a ō mātou kiritaki.

Kia pai ake ai te tukunga atu o ngā kōrero ki te iwi whānui

I tēnei tau, i haere tonu ngā kaupapa whakatairanga i ngā mahi a ACC i te ao matihiko, i ngā reo irirangi, i ngā tānga me ngā ara pāpāho o waho, kia kitea ai te nui o ā mātou momo ratonga hei hāpai i ngā tāngata o Aotearoa. Kua whakapā atu mātou ki te huhua o ngā tāngata o Aotearoa – kei ngā miriona kē te nui. Hei tāpiri atu, kua whakarewaina tā mātou kaupapa whakatika whanonga nui rawa e pā ana ki te āraitanga atu o ngā wharanga, arā, ko Preventable, i raro i te kaupapa whakatairanga o "Have a Hmmmm" e whakahau ana i ngā tāngata o Aotearoa ki te āta mahi i ētahi mahi hei kaupare atu i ngā wharanga.

Kia whaihua a ngāi Māori

I te tau 2020/21, i kitea anō ngā kokenga whakamua o te rautaki o Whāia Te Tika e pai ake ai ngā toronga mai a ngā kiritaki Māori, ā rātou putanga me ā rātou wheako ki ACC. Kātahi anō ka tīmata ngā mahi tōtika e heke ai ngā rerekētanga i waenga i ngā putanga hauora me ngā otinga o te mahi whakarauora. Ko te whakatūnga o ngā kaupapa ārai wharanga tērā, e tohua ana, e hoahoatia ana, e whakaratoa ana e te Māori, mā te Māori me te whakatūnga o ngā ratonga Kaupapa Māori e kitea mai ai ngā kōwhiringa tōtika ā-hauora, ā-ahurea anō i ngā whare hauora. Kei te mahitahi hoki mātou ki ngā tohunga o te mātauranga Māori hei kanohi mō ngā rōpū rerekē o te hapori, ā, kua tū tētahi rōpū ratonga Māori ki te mahi ki te taha o ngā iwi, o ngā whānau me ngā kiritaki a ACC.

He kāinga hou ki Te Waipounamu

Nō muri tata atu i te pānuitanga atu o tā mātou pātuinga ki a Tainui Group Holdings hei whakatū i tētahi whare e hāngai pū ana ki ō mātou tāngata i Kirikiriroa i te marama o Hakihea i te tau 2020, ka puta hoki ngā kōrero mō ā mātou mahi i te taha o Ngāi Tahu Property ki te whakatū i tētahi whare, e 8,000 mita pūrua te rahi ki Ōtepoti. Pērā i te whare ki Kirikiriroa, he whare mahi tēnei mā ā mātou kaimahi, e 650 te nui, e noho motuhake ana ki ngā whare e whā i tēnei wā ki te pokapū o Ōtepoti. Kua waihangatia tēnei whare hei painga mō ngā kaimahi, mō te taiao, waihoki kia ngāwari noa ngā toronga mai o ā mātou tāngata me ngā kiritaki. He kaupapa haumi te whare o Ōtepoti i waenga i ACC Investment group me Ngāi Tahu Property, kia 50-50 ki tēnā me tēnā. Ka rētihia te whare e ACC.

E noho rā

Hei whakatepe i ngā kōrero, he tino hōnore nui aku mahi mā Aotearoa hei Tumu Whakarae o ACC i ngā tau e waru kua pahure ake nei. E tū whakaiti ana au i te whakaaro nui mai. Kei te mihi au ki ngā Minita, ki a Kahurangi Paula me te Poari o ACC i tō rātou tautoko, i ā rātou tohutohu anō – waihoki ki ngā mema o te Rōpū Whakahaere o mua, o nāianei anō.

Ki ngā kaimahi a ACC, ko koutou tonu te take e noho ana a ACC ki te manawa o Aotearoa. He mea whakahirahira tonu tō koutou māia ki te manaaki i te hunga whara. E tū whakahīhī ana au i a koutou me ā tātou whakatutukinga katoa.

Scott Pickering
Former Chief Executive

From the Chief Executive

ACC is first and foremost a people business serving a nation of five million. New Zealanders rely on us to help care for them and are there when they need our help. We are lucky to have dedicated people, with a strong sense of public service on the phones in our contact centres, behind a computer processing payments, or out and about in our communities supporting clients. We have a duty to always look at how we can do better. I was proud of what we achieved in 2020/21.

Committed to achieving better results

This year embedding Next Generation Case Management (NGCM) has been our single largest transformational focus. We have moved from the 'one-size-fits-all' case management approach of the last 20 years, to better focus on the specific injury needs of each of our clients. It's what New Zealanders told us they wanted.

This implementation – the largest people, technology and process change in the history of ACC – was completed in September 2020. It involved the migration of more than 100,000 claims and the transition of nearly 2,000 staff to this new way of working. What impressed me most was the positive attitude of our people in working with this new system alongside the challenges associated with COVID-19.

Positive results from the new model have been demonstrated especially the recovery timeframes, vocational rehabilitation usage and client Net Trust Score where outcomes for claims that started in NGCM are better than those migrated into the new model. Meeting the majority of our rehabilitation performance targets was a credit to our people.

We acknowledge there have been challenges with rolling out a system of this size and scale and we will continue to address pain points and refine our approach for customers and our people. Our focus has been on resolving workload and call responsiveness issues and ensuring we maintain our commitment to our customers' privacy.

Proving better public information

This year saw ACC continuing our public awareness campaign across digital, radio, print and outdoor channels outlining the range of services with which we support New Zealanders. We have now reached millions of New Zealanders. Alongside this we commenced the delivery of our largest behavioural injury prevention programme – Preventable – with the "Have a Hmmm" campaign challenging New Zealanders to take action to avoid injury.

Delivering for Māori

Whāia Te Tika, our strategy to improve Māori clients' access, outcomes and experience, saw pleasing progress in 2020/21. We now have actions and activity underway that are starting to make a difference in reducing health outcome disparities, and rehabilitation results. This includes establishing injury prevention initiatives defined, designed, and delivered by Māori for Māori and the establishment of Kaupapa Māori services that provide choice in health services that are both clinically and culturally appropriate. We are also partnering with Māori providers who have strong connections within their community and have finished the establishment of a panel of Māori providers to work with iwi, whānau and ACC clients.

New home in the South

Following on from the announcement we were partnering with Tainui Group Holdings to build a purpose-built facility for our people in Hamilton, in December 2020 we announced we would be working with Ngāi Tahu Property to build an 8,000 square metre building in Dunedin. Like Hamilton, it will house approximately 650 of our staff, who are presently located in four different buildings in central Dunedin. It is designed to be a great place to work, environmentally friendly and easier to access for our people and customers. The Dunedin building is a 50:50 joint venture between ACC's Investment group and Ngāi Tahu Property that will be leased by ACC.

E noho rā

Finally, serving the people of New Zealand as ACC Chief Executive over the past eight years has been an absolute privilege. I have appreciated the opportunity. My thanks to the Ministers I have worked with, to Dame Paula and the ACC Board for their support and guidance, and to the members of the Executive Team past and present.

To the staff of ACC: you are the reason ACC is part of New Zealand's DNA. Your care and commitment to helping those in need is remarkable. I am proud of you and all that we have achieved together.

Scott Pickering
Former Chief Executive

Overview

Our strategic framework

"Injury arising from accident demands an attack on three fronts. The most important is obviously prevention. Next in importance is the obligation to rehabilitate the injured. Thirdly, there is a duty to compensate them for their losses…"

Sir Owen Woodhouse, Chair, Royal Commission on Compensation for Personal Injury, 1967

ACC's vision and values reflect the organisation that we want to be and the vision established by Sir Owen Woodhouse.

Our vision, values and outcomes are intended to remain constant over time, while our strategic intentions reflect the areas that we have identified as needing the most focus during the period of the Statement of Intent (2018-2022).[2] There is a strong alignment between our outcomes and our strategic intentions.

Our strategic intentions represent our commitment to:

- reduce the incidence and severity of injury in New Zealand by increasing the success of our injury prevention activities
- rehabilitate injured people in New Zealand more effectively by improving our customers' outcomes and experiences
- ensure that New Zealand has an affordable and sustainable scheme by improving the financial sustainability of the ACC Scheme.

Injury prevention is critical to the success of ACC. Most injuries are preventable and we have an important role in encouraging those behaviours that contribute most to stopping injuries in the first place. Success in injury prevention goes a very long way towards improving quality of life in New Zealand.

Where an injury has occurred, ACC works to rehabilitate the individual. We recognise that an individual's health and wellbeing are significantly improved with a rapid return to independence, so it is important that we ensure the Scheme is fair and accessible and provides individuals with the right services at the right time.

In 2020, we completed the roll-out across the country of our new case management model. This was a key milestone for our Integrated Change Investment Portfolio, which has given us a foundation from which better manage our performance and customer service delivery.

We will continue to transform, contribute to our strategic intentions and respond to the changing needs of our customers. This will be achieved through the delivery of new initiatives to support improved client outcomes, operational resilience and efficiency. This is in addition to upgrading several of our core systems.

We plan to maintain our pace of change and our management team and Board are committed to ensuring that our performance tracks as expected as changes are delivered.

2 *This document has been updated, covering intentions from 2021-2025.*

Long term (Enduring)

Medium term (Four years)

Short term (One year)

Vision	Outcomes	Intentions	Our outputs
	Our outcomes describe, at a high level, what we are delivering to support a healthy and prosperous New Zealand.	Our intentions reflect the areas that need the most focus during the four-year period covered by our Statement of Intent. They demonstrate where we intend to concentrate our efforts to deliver our vision, our outcomes and the Government's priorities for ACC. We have strategic intentions and intentions to improve the organisational health and capability of ACC. • **22 initiatives during 2020/21** • **46 key measures for 2020/21**	We aim to achieve the best possible delivery of New Zealand's unique ACC Scheme through four outputs representing the core activities we deliver and the areas we invest in. • **49 performance measures for 2020/21**
To create a unique partnership with every New Zealander, improving their quality of life by minimising the incidence and impact of injury.	Reduce the incidence and severity of injury in New Zealand.	**Injury prevention** Increase the success of our injury prevention activities.	**Injury prevention** We aim to reduce the incidence and severity of injury to reduce the economic, social and personal impacts of injury on individuals and to achieve a cost-effective reduction in levy rates or government funding.
	Rehabilitate injured people in New Zealand more effectively.	**Customer outcomes and experiences** Improve our customers' outcomes and experiences.	**Levy setting and collection** In order for us to deliver services we must collect revenue. Through our levy-setting process we calculate our future revenue needs for each Account and recommend levies in line with the full funding requirements of the Scheme.
	Ensure that New Zealand has an affordable and sustainable Scheme.	**Financial sustainability** Improve the financial sustainability of the Scheme.	**Investment management** Serious injuries will require ongoing expenditure for decades into the future, so a portion of levies collected each year is set aside to provide for future costs. We invest these funds to meet the future costs of claims.
		Organisational health and capability **People** – maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes. **Information** – improve the way we use, protect and share information. **Technology** – support our business outcomes with modern, reliable and secure information technology.	**Claims management** We deliver effective, high-quality rehabilitation services so that injured people covered by the Scheme get appropriate medical treatment, social and vocational rehabilitation services and compensation to enable an early return to work, independence or everyday life.

Whāia Te Tika – our strategy to pursue what is right for Māori and deliver on our aspirations.

Environmental, social and governance focus – our impact on the environment, and social and governance performance.

Integrated Change Investment Portfolio – our mechanism for delivering Shaping Our Future.

Environment, Social and Governance

"The purpose of the Act is to enhance the public good and reinforce the social contract represented by the first accident compensation scheme by providing for a fair and sustainable scheme for managing personal injury that has, as its overriding goals, minimising both the overall incidence of injury in the community, and the impact of injury on the community"

ACCIDENT COMPENSATION ACT 2001

Environmental, social and governance (ESG) themes are at the core of how ACC functions. ESG issues have long been considered in the way we operate, how we design and deliver our services to customers and how we manage our investments.

This section provides a summary of our progress in 2020/21 and references the areas of the Annual Report 2021 where we communicate our ESG deliverables.

FIGURE 1: OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE FRAMEWORK

Environmental	Social	Governance
Responsible and Ethical investing *(page 73)*		Governance and managing risk *(page 87)*
Climate change framework *(page 51)*	Injury Prevention *(page 35)*	
	Impact fund *(page 60)*	
	Whāia Te Tika *(page 28)*	
	Good employer obligations *(page 79)*	
	Rehabilition *(page 40)*	
	Injury management *(page 40)*	

Social

ACC is the Crown entity set up under the Accident Compensation Act to deliver New Zealand's accident insurance scheme (the Scheme).

The purpose of the Scheme is to deliver injury prevention initiatives and no-fault injury cover for everyone in New Zealand, including overseas visitors.

We partner with organisations and community groups across New Zealand to help prevent injuries happening, but if something does go wrong ACC is there to cover rehabilitation and recovery. We work closely with health providers to ensure those who are injured receive the right treatment at the right time.

As a publicly administered and delivered social insurance scheme, the social value we deliver is an integral part of our business and is fundamental to our strategic intentions.

ACC creates significant social value for New Zealand by:

- delivering evidence-based programmes to reduce the number of accidents and the severity of any injuries suffered
- risk pricing in a way that incentivises behaviours that reduce the frequency and severity of injuries
- encouraging broad participation in sport and leisure activities by New Zealanders and tourists
- ensuring effective injury management that improves quality of life for all injured people and their carers, whānau and communities
- rehabilitating people effectively
- providing injury compensation, thereby improving social inclusion and cohesion
- eliminating injury as a driver of poverty.

We are committed to developing and maintaining a diverse and high-performing workforce. Further information on what we have delivered in support of this commitment in 2020/21 is on *page 75*.

Whāia Te Tika

Whāia Te Tika, our ACC Māori strategy, aims to create better ACC experiences and outcomes for Māori through:

- Te Arotahi Kiritaki (a strong customer focus)
- Kia Hiranga Te Mahi Ngātahi (partnering for excellence)
- Whakawhanaketia te Kaha (developing capability).

Further details on Whāia Te Tika are included on *page 28*.

Good employer obligations

As an employer, we operate personnel policies that meet the requirements of employment-related legislation that applies to the public and private sectors in New Zealand. These policies have been developed in line with our commitment to be an equal employment opportunities (EEO) employer.

Additionally, as a Crown entity, ACC is required to be a good employer by providing safe working conditions and equal opportunities for employment and employees.

We have a long-standing employee volunteer programme that enables all employees to take one day each year to volunteer in the community.

We report on *page 79* activities carried out this year to meet our EEO obligations.

Diversity and inclusion

Papa Pounamu brings together diversity and inclusion practices across the Public Service and to support Public Service Chief Executives in meeting their diversity and inclusion obligations and goals. The Papa Pounamu work programme has five priority areas of focus. We report on our activities to create positive impacts in all diversity dimensions on *page 78*.

Responsible and ethical investing

In accordance with the Accident Compensation Act, ACC includes a statement on ethical investment in its Service Agreement. The investments report on *page 73* has more information on our ethical investment approach, which is guided by ACC's Ethical Investment Policy.

We participate in various industry groups that focus on ethical investment, including:

- the Principles for Responsible Investment[3]
- the Responsible Investment Association Australasia
- the New Zealand Corporate Governance Forum.

As a signatory to the Principles for Responsible Investment, we report on our implementation of the six principles and we are assessed on our commitment to responsible investment. For details of the six principles and ACC's latest annual filing, refer to ***www.unpri.org***.

3 ***Unpri.org/pri/what-are-the-principles-for-responsible-investment***

Impact funds

ACC has two investment impact funds: the Health and Safety Impact Fund and the Climate Change Impact Fund. We believe there are opportunities to deliver superior risk-adjusted returns as well as have a measurable positive impact on the lives of New Zealanders. Further information is included on *page* 60.

Governance and managing risk

ACC's corporate governance is largely underpinned by legislation that determines Board and Ministerial oversight. Within this legislated structure, ACC's governance framework includes ACC Executive and Board oversight and risk management. Refer to the governance section on *page* 87 for ACC's governance framework.

Environmental

We take our responsibilities regarding climate change and ethical investment seriously. We recognise the leadership role we must play by taking active steps in reducing greenhouse gas emissions and supporting New Zealand's transition to net zero.

In 2020 we released our Climate Change Framework, which aims for ACC to be proactive in leading New Zealand's commitment to net-zero emissions by 2050, including supporting efforts to limit the average temperature rise to 1.5°C above pre-industrial levels.

To achieve this aim, we have adopted a dual pathway approach:

- **Investments**

  ACC's strategy is aligned with the Climate Change Response (Zero Carbon) Amendment Act 2019. In June 2020, we set an interim target of reducing the carbon intensity of our investments in equities by at least 50% by 2029/30, compared with the 2018/19 levels.

- **Corporate**

  ACC will take a strong leadership role by reducing corporate emissions more quickly than required under the Zero Carbon Amendment Act. We have set a target of a 60% reduction in Scope 1, 2 and 3 emissions by 2025 from 2019 levels. We are exploring offsetting residual corporate emissions, subject to Board endorsement. The extent of offsetting required will be determined in part by the pace of emission reductions stipulated by the New Zealand Carbon Neutral Government Programme.

In 2021, the New Zealand Government announced the country would become the first in the world to require the financial sector, publicly listed companies and Crown Financial Institutions (including ACC) to report on climate risks, based on the TCFD framework. This information is included on *page* 51.

During 2020/21 ACC joined more than 2,000 organisations around the world in declaring our support for the Financial Stability Board-created TCFD.

As a Crown entity we acknowledge our role in supporting the transition to a low carbon economy through our corporate procurement, investment decisions and engagement with investee companies. We are pursuing continual improvement in managing climate risks and opportunities in ways that align with the goals of the Paris Agreement.

We recognise the need to continue balancing the delivery of our strategic intentions with the need to meet our responsibilities under the Zero Carbon Amendment Act.

Our position will remain under active review as we move towards net-zero emission targets, and we may alter the ambition of the approach as we gather more evidence on the costs and opportunities.

OVERVIEW OF ACC'S CARBON CHARACTERISTICS

Investments

The investment fund's target is focused on reducing the carbon intensity of its listed equity portfolio. As at 30 June 2021, the carbon intensity of the listed equity portfolio had fallen by 45% compared to our 2018/19 baseline.

Corporate

From a corporate perspective, our focus is on gross carbon emissions. ACC has approximately 4,000 staff, including contractors and casual employees, 34 offices, 121 fleet vehicles driven by our staff and 26,000 suppliers covering health, IT and corporate procurement.

We measure corporate Scope 1 and 2 emissions and some Scope 3 emissions where robust data is available.

We have reduced our gross carbon emissions from 3,659 tCO_2e (tonnes of carbon dioxide equivalent) at 30 June 2019, to 1,320 tCO_2e as at 30 June 2021, representing a reduction of 64%.

CASE STUDY

ACC is partnering with CORT Community Housing[4] to provide 100 new homes for people and whānau on the public-housing waiting list in Auckland.

In a first for New Zealand, ACC is partnering with CORT Community Housing to fund, build and manage 100 new homes for people and whānau on the public housing waiting list in Auckland.

This partnership is a good example of how our investments can improve the lives of New Zealanders. It is also a great opportunity for us to expand our social impact while also delivering a sound financial return for the Scheme for the benefit of all New Zealanders.

We are investing $50 million in this joint venture, and CORT Community Housing will oversee the development and management of new high-quality homes across Auckland. The returns from this investment will help pay for the costs of treating and supporting injured Kiwis.

4 ***www.cort.org.nz/***

Whāia Te Tika

Whāia te whānuitanga me te hōhonutanga o te mātauranga

Pursue the breadth and depth of knowledge

Ko te Tiriti o Waitangi te tūāpapa o te kāwanatanga o Aoteraoa i tū ai tēnei whenua i raro i te mana kotahi. Kei te tautoko mātou i te Karauna me ōna hononga i raro i te Tiriti o Waitangi. Ka mātua whai mātou i ngā ara mahi e whakawhiwhia ai te iwi Māori ki ngā hua ōrite i ā mātou ratonga.

Ko te whāinga matua o te rautaki Māori o ACC arā, o Whāia te Tika, mā ngā pou e toru o Te Arotahi Kiritaki, o Kia Hiranga te Mahi Ngātahi me Whakawhanaketia te Kaha, ka pai ake ngā wheako me ngā putanga a te Māori.

I te tau kua pahure, kua arotahi mātou ki ētahi mahi e hua mai ai ēnei āhuatanga:

- e heke ana te nui o ngā Māori o Aotearoa e whara ana.
- e whakakorengia ana ngā āhuatanga e haukoti ana i te āhei o te Māori ki te toro atu, ki te whakapāpā atu hoki ki ngā ratonga, kia heke iho ngā rerekētanga, ā, ka pai ake hoki te noho taurite
- e tika ana ngā mahi tautoko me te whakaratonga atu o aua mahi ki ngā kiritaki Māori rātou ko ō rātou whānau.
- e rongo ana, e mōhio ana, e whakautu ana hoki mātou i ngā matea, i ngā hiahia me ngā wawata o te Māori i te wā e whakapā mai rātou ki ACC.
- e mahi ngātahi ana mātou ki ngā ratonga hauora Māori me ētahi atu whakahaere ki te whakahoahoa, ki te tuku hoki i ngā rawa me ngā ratonga e ea ai ngā matea o ngā kiritaki Māori
- e ahu whakamua ana ō mātou wawata kia pai ake ngā toronga mai me ngā wheako o te Māori mā te whanaketanga ake o te anga putanga o Whāia te Tika.

Te Arotahi Kiritaki

Nā ā mātou mahi ka pai ake ai ngā toronga mai, ngā wheako me ngā putanga a te kiritaki

E whakapau kaha ana mātou kia hāpaitia e ACC te mana taurite o ngā Māori e pāngia ana ki ngā wharanga. Kei raro i tēnei whāinga ko te whakapuaretanga mai o ngā ara e manaaki ana i ngā tikanga ā-iwi me ngā mahi haumanu e ngā ratonga hauora tōtika kia pai ake ai ngā otinga ki a ngāi Māori.

Hei whakatutuki i tēnei whāinga, kua whakatū mātou i tētahi hōtaka mahi e pā ana ki te Hauora Māori ki te whakapakari i ngā hapori Māori, hei āwhina anō i te whakawhanaketanga o te ao ōhanga Māori. Kua whakatūria tēnei hōtaka i runga i ngā rangahau o mua a ACC, i ngā tauira kaupapa haumi, i ngā urupare mai i te rāngai Māori e tautohu ana i ngā tauārai, me ngā akoranga i puta mai i ngā whakawā o Te Rōpū Whakamana i te Tiriti o Waitangi.

E arotahi ana mātou ki te mahi ngātahi ki te Māori hei whakatutuki i ngā whāinga a te katoa.

RONGOĀ MĀORI

Ko te ratonga tuatahi i puta atu i te hōtaka o Hauora Māori ko te Ratonga Rongoā Māori. I te tau 2020, ka whakapuarehia ake ngā ara ki te rongoā Māori, e tū ai tētahi ratonga whai tikanga mā ngā Māori kua pāngia e tētahi wharanga, otirā, mā ngā tāngata nō ngā iwi katoa.

He nui tonu ngā tāngata e whakawhiwhia ana ki ngā painga o tēnei ratonga. Kei te takiwā o te 1000 ngā kerēme i whai i te rongoā Māori, arā, he mea whakarato tērā e nui atu i te 50 ngā tohunga huri noa i Aotearoa. He Māori tētahi 67% o ngā kiritaki, ā, e 70% o rātou, he wahine.

I te hauwhā tuatahi o te tau 2021/22, ka oti i a mātou te whakangungutanga o ā mātou kaimahi tuatahi e pā ana ki te rongoā Māori, ā, ka whakarewaina hoki te Ratonga Rongoā Māori.

NGĀ RATONGA HAUORA KAUPAPA MĀORI

Kua tīmata mai tētahi whakawhitinga kōrero ki ngā kaiwhaipānga Māori hei whakawhanake ake i ngā Ratonga Hauora Kaupapa Māori puta noa i te motu. He kaupapa nui whakaharahara tēnei ki a mātou.

E mōhio ana mātou, ehara i te mea 'e hāngai pū ana te tauira kotahi' ki ngā Māori katoa. Nō reira, kei te whakawhanakehia ngā Ratonga Hauora Kaupapa Māori ki ngā rohe, e ea ai ngā hiahia, e pai ake ai ngā wheako o ngā Māori e pāngia ana ki ngā wharanga. Ka waihangatia ēnei ara whai tikanga e te Māori, i te taha o te Māori, mā te Māori me ngā iwi katoa. Mā te mahi ngātahi ki ngā kaiwhakarato Māori ki te waihanga i ngā ratonga i te taha o ngā iwi, ngā hapū, ngā kiritaki o ACC me ō rātou whānau, ka noho ngā hiahia o ō mātou kiritaki rātou ko ō rātou whānau, ki te pūtake o ngā whakataunga o ia rohe.

I te tuatahi, ka arotahi mātou ki te whakaratonga o ngā mahi tiaki tūroro i raro i te kaupapa Māori mō te hunga kua pāngia e ngā wharanga matatini, he nui rawa ngā matea kino. Pērā i te hunga kua pāngia e tētahi wharanga kino rawa, e te taitōkai me ngā mahi tūkino, ā, i te hunga e hiahia ana i ngā ratonga me ngā mahi tautoko rerekē i roto i tētahi wā roa.

I te marama o Haratua i te tau 2021, i tuwhera ngā tono mā ngā kaiwhakarato o te rohenga tuatahi, arā, i te rohe o Tainui. Mā konā, ka kitea tētahi rōpū o ngā kaiwhakarato kaupapa Māori hei tīmata i te hoahoatanga me te whakaratonga tuatahi o ngā mahi mā ngā tāngata o te rohe o Tainui. Ko te whāinga, ka whakaratoa ēnei mahi i waenga i te tau 2022. Ka whakatūria ngā tono ki ērā atu rohe o Aotearoa i raro i ngā whakawhiwhinga pūtea e toru; ko te whāinga, ka tutuki te whakawhanaketanga ake o ngā ratonga ā-rohe katoa i waenga i te tau 2023.

E WHAKAPIKI AKE ANA I TE MŌHIOTANGA O TE IWI WHĀNUI KI A ACC

Ko te mahi whakatairanga tētahi wāhi o te rautaki mō ngā whakawhitiwhitinga a ACC[5]. I tīmata mai ēnā mahi i te tau 2020, ā, ko ngā aronga nui ko ā mātou mahi kaupare wharanga me te mahi tiaki me te whakarauora tūroro. Kua tae atu ngā kōrero ki te iwi Māori, ā, kua kitea e tino whaihua ana ngā mahi whakatairanga ki te hunga rangatahi, kei te takiwā o te 18–34 tau. I te roanga o te tau, kua piki ake ngā tohu ine a te Māori e pā ana ki ngā kitenga, ki te māramatanga, ki te mahi whakaratarata me te whakawhirinakitanga mai ki te waitohu a ACC. Kua piki ake anō te tautoko o ngāi Māori ki ngā uara o te Manaakitanga, o te Kotahitanga, o te Taonga, o te Tika me te Whanaungatanga i tēnei tau[6].

Kia Hiranga Te Mahi Ngātahi

E arotahi ana ā mātou mahi ki ngā whakapāpātanga whaitake, ki ngā mahinga ngātahi e whakapai ake ana i ngā putanga

E WAIHANGA ANA I TĒTAHI KŌPAKI KAUPARE WHARANGA MOTUHAKE MĀ TE MĀORI

E arotahi ana te rautaki Māori o ACC, arā, o Whāia Te Tika ki ngā kaupapa haumi e kaupare atu ana i te pānga o ngā wharanga, kia heke te nui me te kaha o ngā wharanga o ngāi Māori.

Kei te whakawhanake tonu a ACC i ngā kaupapa hou e kaupare atu ana i ngā wharanga, ā, he mea whakahoahoa, he mea whakarato hoki nā te Māori, mā te Māori anō. Kei te whakatū a ACC i tēnei kaupapa mahi hei kaupare atu i te pānga atu o ngā wharanga ki te Māori. E $7 miriona te nui o te pūtea i te tau 2021/22, ā, ka piki ake hei ngā tau e heke mai ana hei tautoko i ngā whānau Māori e pai ai ō rātou hauora, arā, e ora pai ai te mauri.

Ka noho ngā wawata me ngā putanga o te Māori ki te pūtake o te kauparetanga atu o ngā wharanga ki a ngāi Māori. Mā konā hoki, ka kitea ngā momo ara mahi e arotahi ana ki ngā pūkenga o te tangata, ki te whānau anō, hei kaupare atu i ngā wharanga, otirā, ko te mātauranga Māori te tūāpapa.

NGĀ TINI WHETŪ

Kei te mahi ngātahi mātou ki a Oranga Tamariki me Te Puni Kōkiri ki te tuku i te $42 miriona ($10.4 miriona i a ACC) i ngā tau e rua o te Whare Whakahaere o Whānau Ora ki te whakatū i tētahi Whānau-centred Early Support Prototype hei whakapakari i te whānau, hei whakapai ake hoki i te noho haumaru me te oranga o ngā tamariki.

Ka āta whakawhiwhia hoki ngā whānau Māori huri noa i Te Ika-a-Māui ki ētahi atu tautoko e Ngā Tini Whetū hei hāpai i te oranga o ngā tamariki me te whānau.

ORANGA WHAKAPAPA

Ko Oranga Whakapapa te ingoa o tētahi o ā mātou putanga i raro i te kaupapa Māori e hāpai ana i ngā tūhonotanga ā-hauora, i ngā tūhononga whai tikanga hoki. Mā konā, ka whakatūria tētahi pūnaha whakamarumaru matua hei tautoko i ngā whānau ki te tiaki i ō rātou whakapapa mā roto i te tapu me te mana o ngā tūhononga ki ētahi atu me te taiao.

TE TAUIRA MAHI O TUĀRAI

E whai ana tētahi whakaaetanga i waenga i a ACC, i ngā kaiwhakarato ā-iwi e whā me tētahi kaiwhakarato ā-hapū ki te tuku i ngā momo tūmahi e whakaheke ana i te pānga

5 *E kapi ana te rautaki whakawhitiwhiti a ACC i ngā tau maha, kia piki ake te mōhiotanga me te māramatanga ki ngā mahi me ngā ratonga a ACC, kia āta kitea ngā hua, kia whakatūria anō ngā noho rangapū pono ki ngā tāngata o Aotearoa.*

6 *TRA Brand Tracking: Rite tonu tā mātou tuku uiui, i ia wiki, ki tētahi rōpū motuhake (hei tauira mō te motu whānui o Aotearoa), 18 + te pakeke, mā te ipurangi, n=400 i ia marama.*

me te kino o ngā wharanga mā ngā Māori i Te Tairāwhiti. Ko ngā tūmahi ēnei:

- Ko te whakawhanaketanga o te tauira mahi o Tuārai, he kaupapa whakakore wharanga e kōkirihia ana e ngā iwi me ngā hapū i raro i te kaupapa Māori
- ko te whakatūnga o tētahi tūāpapa hei whakarahi ake i te tauira o Tuārai
- e whakamātautau ana i tētahi hōtaka mahi hou i raro i te kaupapa Māori e whakakore atu ana i ngā wharanga matua pērā i te tūkino whaiaro/te whakamomori, i te mahi tūkino ā-whānau me te taitōkai tūkino i te kāinga.
- e hopungia tonutia ana ngā reo o te whānau me te hapori i raro i tētahi atu hōtaka.

NGĀ MAHINGA NGĀTAHI A NGĀ IWI KI TE ACC

Kua whiriwhirihia tētahi whakaaetanga i te taha o tētahi pakihi ā-iwi, arā, o Ngāi Tahu Property ki te whakatū i tētahi tari whakahirahira ki Ōtepoti. Kei te mahi ngātahi a ACC ki a Ngāi Tahu kia mātua kitea ngā āhuatanga o te iwi i roto i te whakahoahoatanga, kia hāngai ngā mahi, kia iti anō ngā tuku-waro, kia whaihua hoki te whakatūnga o tēnei whare ki ngā pakihi o taua rohe. Ka whakakotahihia ngā tari e whā nō ACC ki te wāhi kotahi, kei te pokapū tonu o te tāone. Ka oti te whakatūnga o te wāhi hou ā te tīmatanga o te tau 2024.

MĀORI CUSTOMER ADVISORY PANEL

Rite tonu ā mātou hui i te taha o ngā mema o te Māori Customer Advisory Panel. Kua whakapiki ake mātou i te nui o ā mātou hui, arā, e rua ngā hui i ia marama i te taha o te rōpū ārahi o Whāia te Tika. Hāunga anō ngā hui i ia hauwhā o te tau ki ngā tari rerekē o ACC. Kei te Panel ngā mātanga e mātau ana ki te Kaupapa Māori me te huhua o ngā kaupapa, pērā i ngā māngai nō ngā whānau kua pāngia e te wharanga, ngā kaiwhakarato Māori me te hunga e whai ana i te whakakorenga o ngā wharanga i te wāhi mahi.

Whakawhanaketia te kaha

E hāngai ana ā mātou mahi ki te whakapikinga ake o te raukaha ki te whakaea i ngā tikanga me te whakaratonga o ngā mahi ki te Māori

Kei te tautoko mātou i te rautaki o Whāia te Tika mā te whakapakaritanga o te raukaha o ō mātou tāngata ki te whakaea i ngā tikanga, ki te whakanui ake hoki i ngā kanohi Māori i te rāngai mahi. Mā konā, ka pai ake ā mātou whakapāpātanga atu ki ā mātou kiritaki i raro i ngā tikanga tōtika.

TE HIHIRI – HE KAUPAPA MĀ NGĀ KAIĀRAHI MĀORI

Mā mua ka kite a muri; mā muri ka ora a mua

He hōtaka whakangungu kaiārahi a Te Hihiri mā ngā kaimahi Māori. He wāhi tēnei kaupapa o tā mātou whāinga ki te whakatū i tētahi ara mā ngā kaiārahi Māori o anamata. He huarahi anō hoki tēnei e whanaketia ai, e tautokona ai tō mātou kaihautū Māori. E whai ana mātou i te huarahi a "e te Māori, mā te Māori", ā, e mahi ngātahi ana mātou ki Indigenous Growth Ltd. Nō te whakarewatanga ake o te hōtaka, 16 ngā kaiārahi Māori hou i uru mai ki te kaupapa mai i ngā wāhi katoa o ACC.

Tokoiti noa ngā Māori kei ngā tūranga rangatira huri noa i te rāngai tūmatanui, kei roto anō i tō mātou whakahaere. Me tokomaha ake ngā kaiārahi Māori e tutuki ai te whāinga nui a Whāia Te Tika, arā, ko te whakatūnga o tētahi rōpū mahi kanorau me ngā kaiārahi kanorau. Ka nui ake ngā kaiārahi Māori, ka āhei hoki mātou ki te whakaata, ki te toro atu, ki te whakatū i ngā hononga tūroa ki ngā iwi me ngā hapori Māori.

KAUPAPA MĀORI GUIDELINES LAUNCH

I te marama o Whiringa-ā-nuku i te tau 2020, ka whakatakotoria e mātou tētahi puka ārahi ki ACC e pā ana ki te Kaupapa Māori, arā, he kōrero tēnā hei tautoko i a mātou ki te whakaaroaro, ki te ako, ki te tipu ake, ki te mahi rerekē hoki. Ko ngā Kaupapa Māori, arā, ko ngā kaupapa "nā te Māori, i te taha o te Māori, mā te Māori hei Māori anō" te ngako o tā mātou rautaki o Whāia Te Tika.

Ko tētahi atu āhuatanga nui o tēnei mahi ko te mōhio ki te whai i te ara Māori ki te whakapiki ake i te māramatanga ki ngā tikanga me te noho haumaru, ki te whakawhānui i tō mātou mōhiotanga ki ngā painga o te mātauranga Māori, ki te wāriu o te mātauranga Māori hei puna auaha, ā, kia pai ake ai ngā hononga ki ngā kiritaki katoa i raro i te Kaupapa Māori.

TE MAHERE O WHĀINGA AMORANGI ME TE MAHERE REO MĀORI

Kei te tuhia tā mātou Mahere Reo Māori kia āta kitea ngā mahi huri noa i te pakihi e pā ana ki te reo Māori me ōna tikanga. E whai wāhi mai ana ngā mahi whakangungu mō te reo Māor me ōna tikanga me te whakapikinga ake o te mōhiotanga ki ngā whakawhitiwhitinga me ngā noho rangapū i te ao Māori. Mā ēnā mahi ka hangaia tā mātou Mahere o Whāinga Amorangi. E hāngai ana tērā ki tā mātou Māori Cultural Capability Roadmap, hei hiki i te māramatanga o ACC ki ngā tikanga. Tēnā koa, tirohia te whārangi 78 o Papa Pounamu mō ngā taipitopito o ā mātou kaupapa.

Whāia Te Tika

Whāia te whānuitanga me te hōhonutanga o te mātauranga

Pursue the breadth and depth of knowledge

We recognise that the Treaty of Waitangi is a founding document of government in New Zealand and established the country as a nation. We aim to support the Crown in its Treaty of Waitangi relationships and deliver our services in ways that enable equitable outcomes for Māori.

Whāia Te Tika, our ACC Māori strategy, aims to create better ACC experiences and outcomes for Māori, through Te Arotahi Kiritaki (a strong customer focus), Kia Hiranga Te Mahi Ngātahi (partnering for excellence) and Whakawhanaketia te kaha (developing capability).

In the past year we have focused on actions through which we will ultimately see that:

- Māori New Zealanders are injured less often.
- barriers to access and engagement for Māori are removed, disparities are reduced and equity is improved
- Māori customers receive the right support delivered in the right way for them and their whānau.
- we engage with Māori and, understand and respond to their needs, expectations, and aspirations when they engage with ACC.
- we partner with Māori health providers and other agencies to design and deliver products and services to meet Māori customer needs.
- progress is made against our aspirations for improved access and experiences for Māori through the initial development of a Whāia Te Tika Māori outcomes framework.

Te Arotahi Kiritaki – customer focus

Our actions seek to improve customer access, experiences and outcomes

We are committed to creating a more equitable ACC for Māori who are injured. This includes improving outcomes by enabling access to culturally and clinically appropriate health services.

To achieve this, we have established a Māori Health programme of work to strengthen Māori communities and help grow the Māori economy. This programme has been developed based on previous ACC research projects and pilot investments, feedback from the Māori sector highlighting barriers that exist, and learnings from various Waitangi Tribunal hearings.

Our focus is on partnering with Māori to achieve collective outcomes.

RONGOĀ MĀORI

The first service delivered from the Māori Health programme of work was the Rongoā Māori Service. In 2020, we improved access to rongoā Māori, providing the option of a tikanga-aligned service for injured Māori, and people of all ethnicities.

The uptake of this service has been very positive. Approximately 1,000 claims have accessed rongoā Māori, delivered by more than 50 practitioners across New Zealand. 67% of the clients accessing rongoā Māori are of Māori descent and 70% are female.

Ongoing work with tohunga (rongoā Māori experts) has helped to uplift the cultural capabilities of ACC kaimahi and shape a service that pays respect to the taonga that is rongoā Māori.

In the first quarter of 2021/22 we will complete nationwide upskilling on rongoā Māori for our frontline teams, and the Rongoā Māori Service will be officially launched.

KAUPAPA MĀORI HEALTH SERVICES

We have embarked on our biggest Māori stakeholder engagement to develop kaupapa Māori health services across the motu.

We recognise that a ‘one size fits all’ model does not work for Māori. Therefore, kaupapa Māori health services are being regionally developed, to meet local needs and improve experiences for Māori who are injured. The design of these culturally appropriate pathways will be by Māori, with Māori, for Māori, and for all ethnicities. Through partnering with Māori providers to develop services alongside iwi, hapū, ACC clients and their whānau, we will place the needs of our clients and their whānau at the centre of each regional solution.

The services will initially focus on the delivery of kaupapa Māori care to injured people with complex and high-level needs. These include those seriously injured, those affected by sexual abuse and assault, and those who require a range of services and supports, often for the long-term.

In May 2021, an open tender was released for providers in the first regional tranche, the Tainui rohe. This enabled the procurement of a panel of kaupapa Māori service providers to initiate the design and delivery of services for people in the Tainui rohe, with delivery expected in mid-2022. Procurement will follow for the 11 remaining rohe of Aotearoa in three further tranches; all regional services are planned to be developed by mid-2023.

INCREASING PUBLIC AWARENESS OF ACC

Our public awareness activity, part of ACC's engagement strategy[5], started in early 2020 and highlights our role in injury prevention, care and recovery. The public awareness content has reached and resonated strongly with Māori, notably young Māori aged 18-34. During the year there has been an encouraging uplift across key metrics for Māori, including visibility, understanding, likeability, and brand trust. There has also been strong growth in Māori endorsement of the values of Manaakitanga, Kotahitanga, Taonga, Tika and Whanaungatanga during the year[6].

Kia Hiranga Te Mahi Ngātahi – partnering for excellence

Our actions focus on strategic engagement and partnering to improve outcomes

CREATING A MĀORI-SPECIFIC INJURY PREVENTION PORTFOLIO

ACC's Māori strategy, Whāia Te Tika, sets the direction for focusing and targeting injury prevention investments to reduce the incidence and severity of injury for Māori.

ACC continues to develop new injury prevention approaches designed and delivered by Māori, for Māori. ACC is establishing a Māori injury prevention portfolio with $7 million allocated in 2021/22, increasing in future years to support Māori whānau to achieve mauri ora, a positive state of wellbeing.

The Māori injury prevention portfolio will centre on Māori aspirations and outcomes and provide a mechanism to enable strength-based, whānau-centred approaches to injury prevention, underpinned by mātauranga Māori.

NGĀ TINI WHETŪ

We are partnering with Oranga Tamariki and Te Puni Kōkiri in co-investing $42 million ($10.4 million from ACC) over two years in the Whānau Ora Commissioning Agency to establish a Whānau-centred Early Support Prototype to strengthen whānau and improve the safety and wellbeing of tamariki.

Ngā Tini Whetū will see additional early support progressively offered to whānau Māori across Te Ika-a-Māui, to support tamariki and whānau wellbeing.

ORANGA WHAKAPAPA

Oranga Whakapapa is our kaupapa Māori outcome to support whānau in experiencing healthy and consensual relationships. The approach enables a primary prevention system to support whānau in protecting their whakapapa through tapu-enriched and mana-enhanced relationships with others and te taiao (the environment).

TUĀRAI MODEL PILOT PROJECT

A 10-year partnering agreement between ACC, four Tairāwhiti iwi providers and one hapū provider aims to deliver a range of activities to reduce the incidence and severity of injuries for Māori in Te Tairāwhiti. Activities include:

- developing the Tuārai Model Pilot Project as an iwi and hapū-driven kaupapa Māori approach to injury prevention
- establishing a platform for scaling the Tuārai model
- trialling a new kaupapa Māori primary prevention work programme to address self-harm/suicide, family harm, and sexual violence at a kāinga level
- Capturing whānau and community voices is an ongoing work programme.

5 *ACC's engagement strategy is a multi-year phased approach to increase awareness and understanding of ACC's role and services, to demonstrate value and build trusted partnerships with the people of Aotearoa.*

6 *TRA Brand Tracking: Continuous weekly surveying of a nationally representative sample of New Zealanders (18+ years), online, n=400 per month.*

IWI PARTNERSHIPS WITH ACC

We have negotiated a development agreement with an iwi-based company, Ngāi Tahu Property, to build a new, state-of-the-art office building in Dunedin. ACC is working in partnership with Ngāi Tahu to ensure that the building incorporates local iwi design elements; it is designed to be efficient and minimise carbon emissions; and the construction benefits local businesses. Four existing Dunedin ACC offices will be consolidated into one central location. The new site is due to be completed in early 2024.

MĀORI CUSTOMER ADVISORY PANEL

We meet regularly with members of our Māori Customer Advisory Panel. We have increased the frequency of our meetings to include bi-monthly meetings with the Whāia Te Tika steering group. These are in addition to quarterly meetings held at different ACC sites. The Panel represents kaupapa Māori expertise and knowledge from a broad range of backgrounds, including the voice of injured whānau, Māori providers and preventing workplace injuries.

Whakawhanaketia te kaha – developing capability

Our actions seek to improve cultural capability and how we deliver for Māori

We are supporting the Whāia Te Tika strategy by building the cultural capabilities of our people and increasing the representation of Māori employees within our workforce. This will lift our ability to engage in a culturally appropriate way with all our customers.

TE HIHIRI – MĀORI LEADERSHIP PROGRAMME

Mā mua ka kite a muri; mā muri ka ora a mua

Those who lead give sight to those who follow; those who follow give life to those who lead

Te Hihiri is a leadership-development programme for our Māori employees. It reflects our commitment to creating a pathway for future Māori leaders. It also provides a way to grow and support our current kaihautū Māori. We are taking a 'by Māori, for Māori' approach and have partnered with Indigenous Growth. The programme commenced with 16 emerging and aspiring Māori leaders from across ACC.

Māori are underrepresented in leadership roles, across the public sector and within our organisation. We need more Māori leaders to be able to deliver on the Whāia Te Tika goal of building a diverse workforce and diverse leadership. With more Māori leaders, we will also be in a better position to reflect, reach and build stronger relationships with iwi and Māori communities.

KAUPAPA MĀORI GUIDELINES LAUNCH

We introduced a set of Kaupapa Māori guidelines to ACC staff in October 2020 to support us to think, learn, grown and work in different ways. Kaupapa Māori, which takes a 'by Māori, with Māori, for Māori, as Māori' approach, is integral to our Whāia Te Tika strategy.

Another important aspect of this work is understanding how we can take a Māori-centric approach to raising cultural intelligence and safety, expanding our knowledge of strengths-based mātauranga Māori, valuing mātauranga Māori as a source of innovation, and building better connections with all customers using a Kaupapa Māori paradigm.

WHĀINGA AMORANGI PLAN AND MĀORI LANGUAGE PLAN

We are currently drafting our Māori Language Plan to capture activity across the business relating to te reo Māori me ōna tikanga. Elements include te reo Māori training and development, cultural practices and building cultural intelligence around engagement and partnership in te Ao Māori. This work will inform our Whāinga Amorangi Plan which will align with our Māori Cultural Capability Roadmap to lift ACC's cultural intelligence. Please refer to page 78 on Papa Pounamu for more detail on our initiatives.

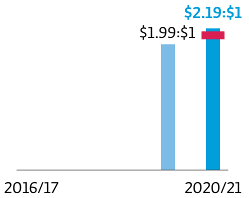
Core performance

Injury prevention

Return on investment:
0 to 20-year injury prevention programmes.

2020/21 Target met

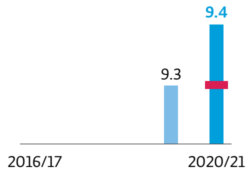
$2.19:$1



Rate of serious injury (inc fatal):
0 to 20-year injury prevention programmes.

2020/21 Target not met

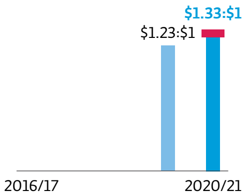
9.4



Return on investment:
Workplace injury prevention programmes

2020/21 Target met

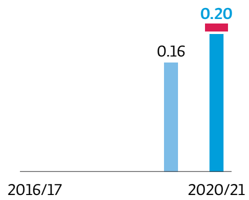
$1.33:$1



Rate of serious injury (inc. fatal):
Workplace injury prevention programmes

2020/21 Target met

0.20



Core to our purpose is reducing the incidence and severity of injury in New Zealanders. Achieving this has positive economic, social and personal impacts for New Zealanders and reduces the cost of injuries funded by levy payers and government.

Investment in injury prevention activity has been increasing in the past few years and in 2020/21, ACC invested $79 million.

During the year, we evolved and developed our injury prevention activity and initiatives with the aim of having a greater impact on improving New Zealanders quality of life. We continued to build on what works and scaling for impact. This included a focus on primary prevention investment, building protective factors in the early years, and protecting the whakapapa of our tamariki, rangatahi and whānau.

Creating a Māori-specific injury prevention portfolio

ACC continues to deliver on our commitment to developing new injury prevention approaches designed and delivered by Māori, for Māori. Refer to *page 28* for more information.

Increased investment in successful injury prevention programmes

In 2020/21, we renewed our investment in SportSmart partnerships for rugby and netball injury prevention. Our investment in touch and football SportSmart programmes continued.

We are continuing our investment in BikeReady, a national cycling education programme with Waka Kotahi. Our ongoing investment in water safety will further support the new government funding of front-line rescue services.

The combined 2020/21 reach of sport, bike and water safety programmes equates to more than 244,000 players, 17,000 coaches and 230,000 children learning bike and water skills across New Zealand.

Adaptation of our approach in response to COVID-19

In response to the compressed winter sport season due to COVID-19 lockdown, ACC worked with our partners, including Sport New Zealand, to rollout a Safe Return to Sport campaign. The campaign included advice on training progression and public health and safety messages on hygiene protocols.

The COVID-19-forced adaptation to more online delivery is now complementing face-to-face delivery on an ongoing basis.

In 2020/21, ACC and our Ride Forever training partners overcame many challenges presented through changes in COVID-19 alert levels. These included restricted training delivery in Auckland and the cancellation of various events to engage with the riding community in New Zealand.

The COVID-19 lockdown had a significant impact on for community strength and balance classes under our Live Stronger for Longer programme. Many providers adapted their offerings to Zoom delivery. We also contributed to the production of Healthy for Life, a well-received TV programme focused on general wellbeing for older people, including maintaining strength and balance.

We also launched Nymbl, a smart-phone application ideal for older adults looking to improve their balance at home. The app is easy to use and only requires 10 minutes per day It takes users through physical and cognitive exercises to support their ongoing strength and balance in their own homes.

More than 15,000 people registered to use Nymbl. Results show that regular use of the app has a positive impact on a user's balance. 48% of those who used the app for 21 days showed clinically significant improvements in their 30-second sit to stand balance test.

Preventable

'Preventable' is a communications initiative we started to roll-out in April 2021. It is designed to encourage people across New Zealand to change their behaviour when it comes to risk.

The Preventable campaign challenges New Zealanders to take action to avoid injury, leading to reduced injury costs. It works alongside our traditional injury prevention programmes and public awareness activities to increase people's understanding of ACC's role.

Preventable is modelled on a successful programme in British Columbia, Canada and is designed to listen to, and respond to, Te Ao Māori, reflecting ACC's Whāia Te Tika strategy.

Preventable is informed by research that explored motivations for, and barriers to, conscious and subconscious risk taking. The research identified a continuum of behaviours, and four different mindsets.

We are targeting the two mindsets that represent 62 percent of the population, 68 percent of our claim volume and 74 percent of our claim costs. These are:

- people who see risk as an opportunity to grow or gain, and are focused on the outcome of demonstrating mastery and gaining skill
- people who are focused on getting the job done for others, not the potential risks involved for themselves.

Improving workplace safety and wellness through partnerships and grants

Investing to improve workplace safety continues to be a focus for us.

In 2020/21, we extended our partnership with Farmers' Mutual Group and the Mental Health Foundation to deliver Farmstrong, a rural, wellbeing initiative. The Farmstrong initiative is designed to give farming communities skills and resources to live well, farm well and get the most out of life. Farmstrong research shows that 58% of recently injured farmers linked their accidents to stress and fatigue.

The construction industry's increasing size and injury rate is a key driver for ACC's new partnership with Construction Health and Safety New Zealand (CHASNZ). CHASNZ is an industry-backed charitable trust dedicated to improving health, safety and wellbeing in the construction industry.

We have made a $3.5 million, two-year investment as the first stage of a five-year partnership. The investment will allow CHASNZ to ramp up health, safety and wellbeing promotion and protection programmes.

We are proud to partner with industry change agents who take key leadership roles in creating safer and more productive workplaces.

Improving treatment safety

This year we worked with district health boards (DHBs) to implement quality improvement measures to reduce the chance of neonatal encephalopathy. Most DHBs are now using, or working towards implementing, a growth-assessment protocol programme to identify small babies. Our newborn observation chart and early-warning system helps identify the early signs of neonatal encephalopathy so its severity can be reduced.

We partnered with the Ministry of Health to develop an education and skills programme designed to prevent injuries related to surgical mesh. This will improve surgical skills in mesh placement, patient selection and recognition of mesh-related complications. The programme will upskill surgeons in the complex process of fully removing mesh when appropriate.

Some of our latest treatment injury information is available via the Health Quality and Safety Commission's health system quality dashboard[7], alongside other key health sector quality measures. This work is part of our ongoing effort to make our treatment injury data more accessible helping health providers to understand areas where harm can be prevented and informing their decision-making.

An increased focus on primary prevention of family and sexual violence

New Zealand has some of the worst violence and wellbeing indicators in the developed world. Left unchecked, issues such as sexual violence and family violence will lead to unacceptable levels of harm and, in the medium to long term, increasingly affect the sustainability of the Scheme.

To make meaningful and sustainable change, a focus on primary prevention is required. The growing body of evidence on this topic, both internationally and in New Zealand, demonstrates the efficacy of primary prevention approaches. If primary prevention is delivered in a sustained and coordinated way, it provides the best opportunity to prevent harm.

In consultation with joint venture agency partners, we have developed an eight-pillared primary prevention system for New Zealand. Some of the pillars are public facing, others are focused on system infrastructure. This approach will see investment spread across several areas within the system to create greater societal change, rather than focussing on one area of investment.

Our commitment to Te Tiriti o Waitangi underpins the primary prevention system. We will empower and provide space for Māori to use Māori paradigms and mātauranga to consider how mana-enhancing, healthy relationships can be enabled in a way that makes sense for Māori.

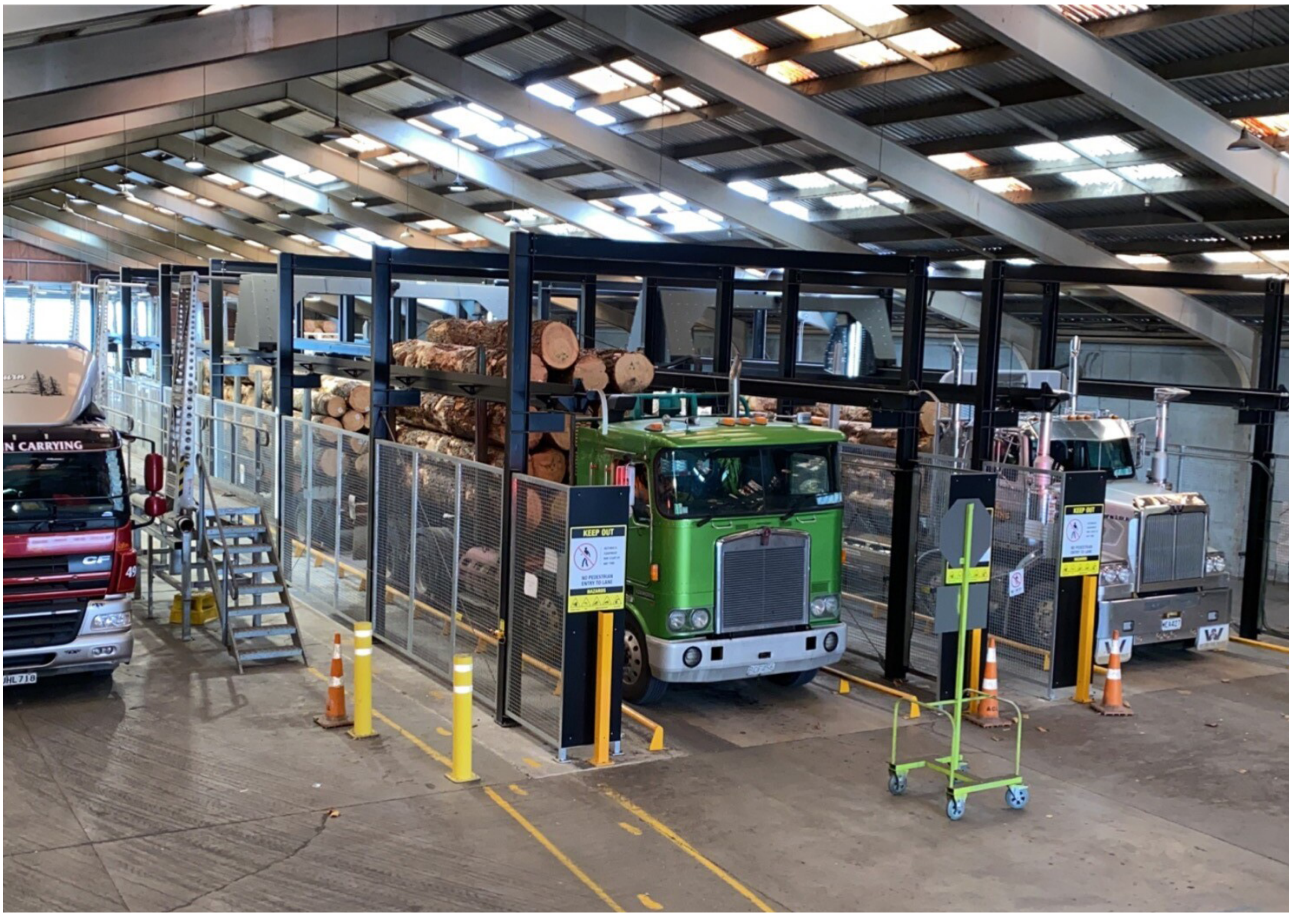
Drive

Young drivers aged between 16 and 24 have a greater risk of being involved in a fatal or serious injury crash than any other age group. Young drivers make up 13% of licensed drivers, but in the past five years have accounted for 25% of motor vehicle claims.

As part of our ongoing efforts to reduce the number of young drivers who are seriously injured or killed on our roads, ACC and Waka Kotahi created Drive in 2016. Drive provides free learning tools and information that covers the full learn-to-drive experience, and ultimately teaches young drivers to become safe drivers. A continued investment in the Drive programme and the partnership with Waka Kotahi will support ACC to ensure equitable access to safety-focused driver training and licensing.

Since Drive's launch, registrations have increased year on year and it is now one of our most successful injury prevention programmes. More than 36,000 young drivers have been trained since 2016, contributing to reductions in young driver fatalities and reducing the rate of serious injury. In 2020/21 the rate per 1,000 motor vehicle claims to ACC by young drivers was 24% lower for those who had been through the programme than it was for those who have not (adjusted for risk and claim bias).

7 ***www.hqsc.govt.nz/our-programmes/health-quality-evaluation/projects/quality-dashboards/dashboard-of-health-system-quality***



Case study

Impact investment into Robotics Plus

ACC has been seeking investments to improve health and wellbeing, advance health and safety standards in New Zealand, improve the rehabilitation experience of our clients, and assist in the reduction of ACC's OCL.

ACC's impact fund has taken a share in one of the world's top 50 innovative robotics companies, in a partnership to improve the wellbeing of those working in some of New Zealand's most dangerous industries.

Tauranga-based Robotics Plus was the first recipient of funding for our new Impact Fund.

Robotics Plus designs and develops technology to keep forestry, agriculture and transport workers safe. Its innovations include a Robotic Scaling Machine, which can quickly and accurately measure the volume of timber on logging trucks, eliminating what is a dangerous manual task at ports, forestry sites and sawmills.

Logs are New Zealand's third-biggest export, worth $4.5 billion in 2020. But log handling is a major cause of workplace injuries, with some 17,000 active claims costing $75 million last year.

The technology is among a suite of innovative projects that Robotics Plus has developed, including robotic fruit packers that reduce the musculoskeletal strains and injuries associated with repetitive manual tasks, and robots capable of a variety of tasks in horticulture.

Our investment to date sits within the target range of $2-15 million

TABLE 1: 2020/21 INJURY PREVENTION ACHIEVEMENTS

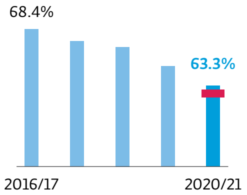
Objective	What we set out to deliver	Result
We use analytics to target our injury prevention programmes and increase the impact of our efforts.	We will continue to develop the use of advanced analytics to help predict injury and draw insights to better target and focus interventions, maximising returns from investment.	Achieved
We design for the client, creating sustained behaviour changes.	We will have continued to invest in injury prevention where we co-design and deliver programmes with our customers and partners. We will use the customer, not just the injury, as the basis for investment. Our investment in prevention will shift to understanding the customer cohorts who suffer injuries. We will focus on the root cause, be empathetic and apply a customer lens when designing and delivering interventions.	Achieved
We increase prevention effectiveness by partnering with capable, like-minded organisations.	We will have continued to evolve our existing injury prevention partnerships while developing new partnerships where appropriate. Together with our partners, we will have designed and delivered initiatives in the areas that have the greatest impact on reducing injuries.	Achieved
	We will have continued to evolve our injury prevention partnership with WorkSafe NZ to design and deliver initiatives that have the greatest impact on reducing injuries in the New Zealand workplace.	Achieved
We extend our reach by working closely with communities.	We will have implemented a Māori investment portfolio to appropriately resource kaupapa Māori approaches to injury prevention that will help reduce the incidence and severity of injury for Māori.	Achieved
	We will work with communities to develop and deploy effective injury prevention programmes to a cross-section of the New Zealand population using a broad set of channels.	Achieved
	We will continue to deliver an injury prevention grants and subsidies programme investing in businesses to stimulate the adoption of initiatives to reduce harm in New Zealand workplaces.	Achieved
Our injury prevention interventions contribute to a reduction in the OCL.	We will apply an investment approach that balances benefits, costs and risks and, where appropriate, assess both the claim and social economic returns from our investment.	Achieved

Customer outcomes and experience

Return to work within 10 weeks

2020/21 Target met

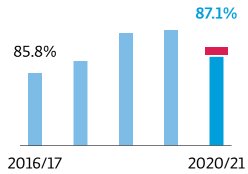
63.3%



Return to independence for those not in the workforce

2020/21 Target not met

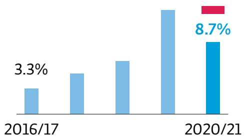
87.1%



Growth in the long-term claim pool

2020/21 Target met

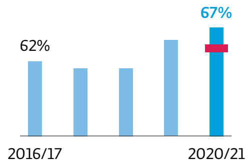
+8.7%



Public trust and confidence

2020/21 Target met

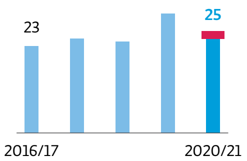
67%



Client net trust score

2020/21 Target not met

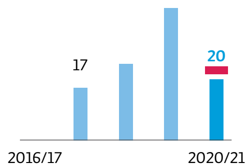
+25



Client net trust score for Māori

2020/21 Target not met

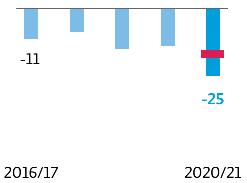
+20



Provider net trust score

2020/21 Target not met

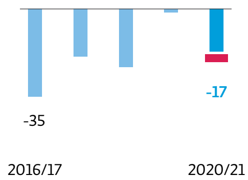
-25



Business net trust score

2020/21 Target met

-17



ACC is committed to driving better outcomes for our clients.

Our performance

Claim volumes have reverted to pre-COVID-19 levels, resulting in high year-on-year growth rates. The number of new claims registered is 3% higher than the pre-COVID-19 level and new weekly compensation claims have increased by 10%.

By the end of 2020/21 we had returned 63.3% of our clients back to work within 10-weeks. This was above target, but lower than the previous year.

Growth in the Long-Term Claim Pool performance was better than target at 8.7%, and since New Zealand returned to Alert Level 1 in June 2020, the Long-Term Claim Pool return-to-work rates have steadily improved. We returned 4,978 long-term clients to independence compared to 3,593 last year. The proportion of long-term clients in part-time work has increased to 12.6%, exceeding the target and demonstrating an improvement on last year's result of 9.3%.

Our public trust and confidence result of 67% exceeded target and was an increase on the previous year.

ACC regularly measures and monitors the perceptions and experiences of customers, as well as the New Zealand public, through a real-time feedback platform and our strategic research programme. This research enables ACC to understand the drivers of trust for clients, business customers and providers and supports the prioritisation of business activities that will improve health outcomes.

Improving outcomes for clients

Following the roll-out of the Next Generation Case Management model in September 2020, our focus has been on embedding and streamlining this new model. A key element of the model is ensuring we provide a consistent level of service throughout the country. Across all sites, we are working in a new way, with new tools and technology to support our clients and their needs, rather than focusing solely on their injuries.

This enables us to engage with clients in ways that add the most value to their recovery, by tailoring our input to their specific needs, and collaborating more with providers.

There are now more ways for clients to access support from us, regardless of where they live or their injuries. These changes have enabled us to provide a consistent service and become more responsive to our clients' needs, and ensures we are easier to engage with.

We have implemented telehealth as a permanent service-delivery option, improving access to services. This followed high client and provider satisfaction to telehealth during COVID-19 lockdowns and support from provider associations.

Our Hāpai Māori Centred Partnered Recovery project is creating a series of initiatives that will form the basis of a 2021 pilot. These initiatives seek to:

- have a consistent and prioritised investment in establishing relationships with clients and their whānau by building management systems, resourcing and communications
- increase the cultural capabilities of our staff
- enable our staff to deliver the ideal service journeys for Māori whānau by identifying, establishing and cultivating relationships with the community and culturally appropriate providers

In 2020/21, we expanded our real-time customer feedback programme (Heartbeat) to include providers, clients with sensitive claims, clients receiving home and community support services. Heartbeat also now covers entitlement decisions and the review process.

We received approximately 40,000 pieces of customer feedback in Heartbeat this year. Of this feedback, 78% was from clients, 14% from business customers, and 6% from providers. From this feedback, more than 6,000 tasks were generated for action by our people to address customer issues or provide further support.

MyACC for clients is an online service (accessed from a phone, tablet or computer) for clients to self-manage information about their injuries and supports online.

Through MyACC, clients can access information, apply for support (including for travel reimbursement and equipment), and change their details. Almost 150,000 clients have registered with MyACC since its launch in 2018. Through MyACC we have received more than 72,000 weekly compensation applications and nearly 69,000 applications for other supports.

The progressive introduction of our new payments system since May 2019 means we are now able to obtain client earning information in realtime, improving the timeliness of payments.

Joint Venture for Family Violence and Sexual Violence

We contribute to an integrated, whole-of-government approach to family violence and sexual violence as a member of the Government's Joint Venture for Family and Sexual Violence.

Our Safety Response team oversees our work on family violence and 'at-risk' children. The team centrally coordinates how we share information with other agencies such as Oranga Tamariki, DHBs and New Zealand Police.

The team also coordinates our involvement in multi-agency family violence intervention initiatives such as the Integrated Safety Response and Whāngaia Ngā Pā Harakeke. Our involvement includes sharing information to inform risk assessments and safety planning. In the past year the team has more than doubled the number of family violence initiatives we support.

Making life easier for business

We continue to partner with businesses to provide peace of mind that they and their people will be supported if they are injured and returning to work. Our focus in the past year has been on improving customer outcomes and creating digital first, seamless experiences.

We delayed our annual invoicing cycle by three months to reduce the immediate financial impacts from COVID-19 lockdown that many businesses felt. In addition, we provided easy access to payment plan support to help businesses through the toughest periods, and encouraged customers to forecast their liable earnings proactively to ensure that provisional invoices reflected their reality.

MyACC for Business allows businesses to update details, check what is owed and access claim reports anytime.

We made it easier for customers to manage their accounts online by improving MyACC for Business's application functionality and enabling CoverPlus Extra policy renewals, and live chats. Around 85,000 businesses joined the platform this year, a 29% increase on last year.

95% of customers are now requesting CoverPlus Extra changes digitally and more than 10,600 customers used the live chat service in 2020/21.

Improving health outcomes for New Zealanders

We continue to partner with healthcare providers to focus on what really matters to us all – improving outcomes for injured New Zealanders.

During the year some of our health sector strategy proof-of-concept trials reached the implementation phase and we have seen positive impacts.

The Escalated Care Pathway project worked in partnership with six groups of healthcare providers throughout New Zealand. This project is testing new integrated, interdisciplinary pathways for clients with non-acute knee, shoulder and lower-back injuries. Clients who have completed the pathways have reported a good experience, and significant improvements in their symptoms.

Our general practitioner (GP)-referred MRI service, which allows clients to access high-tech imaging services via their GPs, is now available nationally.

It simplifies the usual process, where a specialist was required to refer a client for an MRI. The trial showed a 16-working-day reduction in the time taken from a client's GP appointment to their receiving an MRI. There was also a 20% increase in clients referred through a conservative treatment pathway, where appropriate, rather than surgery. This will shorten recovery times and get New Zealanders back to their normal more quickly.

This year our non-acute rehabilitation and integrated home and community support services began the transition to a 'casemix' funding model. Casemix promotes better health outcomes by identifying best-practice care bundles that can be adapted to a clients' needs, rather than ACC paying for various supports individually. Casemix enables providers to work directly with clients to design flexible plans that best meet their recovery goals and can be adjusted as their needs change.

Our vocational rehabilitation service uses a multidisciplinary team approach to help clients to maintain employment, obtain employment or become ready for work following injury. We have increased the number of suppliers we work with, giving injured New Zealanders a broader range of services to choose from. We have also added a pathway for people with serious injuries, who need extra support to get back to work.

Alongside this we have continued to develop our health outcomes framework, helping us to measure what matters and shift towards an outcomes-based approach to delivering care and support to injured New Zealanders.

Improving equity for Māori

We have established a Māori health programme of work that looks to improve access and outcomes for Māori clients and aims to strengthen Māori communities and grow the Māori economy.

This programme of work has been developed based on a number of research projects and a pilot investment ACC had committed to, and in conjunction with listening to the Māori sector view of the barriers that exist and the learnings from various Waitangi Tribunal hearings.

Additional information can be found in the Whāia Te Tika section on *page 28*.

Resolving issues

We are committed to the early resolution of issues raised with us. Improvements we have made mean we can work with our customers to resolve satisfactorily over a third of all review requests without referring to an independent conciliator or third-party review provider.

Where an issue cannot be resolved, Fairway Resolution and the Independent Complaint and Review Authority provide independent review and dispute-resolution services. We also partner with Talk – Meet – Resolve, which provides conciliation where all parties agree that an independent conciliator can help.

The accessibility to conciliations and reviews has changed, as we provide videoconference options to attend (as an alternative to attending in person). Following the success of videoconferencing for clients and advocates during the 2020 COVID-19 alert level changes, this channel is now the preferred method of attendance by many.

We also fund a Navigation Service, which gives customers access to free and independent advice and advocacy. Agencies delivering this service (Way Finders and the Workplace Injury Advocacy Service) assist approximately 270 ACC customers per month.

TABLE 2: 2020/21 CUSTOMER OUTCOMES AND EXPERIENCE ACHIEVEMENTS

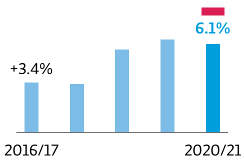
Objective	What we set out to deliver	Result
We engage with our clients in ways that add the most value to their recovery and deliver the most appropriate client outcomes.	We will have rolled out and be embedding our new case management model. This will improve the customers experience and return to independence outcomes.	Achieved
	ACC has committed to being part of the legislative Joint Venture to eliminate family and sexual violence within Aotearoa by 2040. We will be developing a programme spanning ACC working towards ensuring children, adults and whānau are supported and kept safe from harm.	Partially achieved
	We will have a real-time feedback system to understand the experience of our customers at key interaction moments. This system enables us to respond quickly to customer feedback and suggestions.	Achieved
	We will engage with New Zealanders in a way that is relevant and increases awareness of ACC's role and value and highlights the breadth of activity and our positive impact on New Zealanders' lives in the areas of injury prevention, care and recovery.	Achieved
We actively make it easier for others to work with us.	ACC will be integrated with the Ministry for Business, Innovation and Employment's (MBIE) business customer registry. We will be synchronising primary business data from MBIE's Company Register in all our customer facing systems.	Achieved
	We will deliver the initial enhancements to the Accredited Employer Programme to improve the worker experience of injury management and prevention services delivered through the Programme.	Partially achieved and ongoing
	We will be working collaboratively alongside MBIE and the Treasury to deliver the Government's Accident Compensation policy work programme priorities.	Achieved
	We will have migrated all client payments from a legacy system, increasing consistency, accuracy and timeliness of payments.	Achieved
We achieve improved experiences and outcomes for Māori.	Taking a kaupapa Māori approach, we will engage and partner with iwi and the Māori community to identify and co-design services to improve Māori outcomes and address disparities.	Achieved and ongoing
	ACC will take a human centred co-design approach to establish kaupapa Māori and culturally appropriate pathways and experiences for Māori with the most significant ongoing needs. This includes those seriously injured, those impacted by sexual abuse and assault, those with other high and complex needs requiring a range of services and supports, often over the long-term.	Achieved
	We will have delivered an evidenced-based cultural competency workforce development programme, enhancing our people's cultural literacy levels and lifting our ability to engage with all our customers.	Achieved and ongoing
We adopt new ways of working with providers.	We will be starting to work towards removing legacy healthcare payment systems. This will create straight-through processing opportunities with an automated exceptions' management process.	Achieved and ongoing
	We will have implemented our integrated escalated-care pathways to improve experiences and outcomes for clients with non-acute knee, shoulder and lower-back injuries. These pathways will put clients at the centre of a team of interdisciplinary health professionals to help them navigate smoothly and quickly from injury to recovery.	Achieved
	We will have enabled direct access to high-tech imaging services, meaning unnecessary MRIs and specialist appointments are reduced.	Achieved

Financial sustainability

Change in average treatment cost per claim

2020/21 Target met

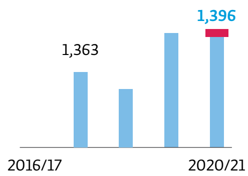
+6.1%



Average care hours per serious injury claim

2020/21 Target not met

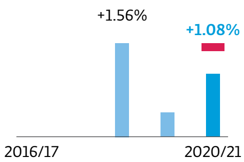
1,396



Actuarial movement

2020/21 Target met

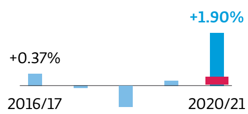
+1.08%



Investment performance after costs relative to benchmark

2020/21 Target met

+1.90%



Strong financial performance

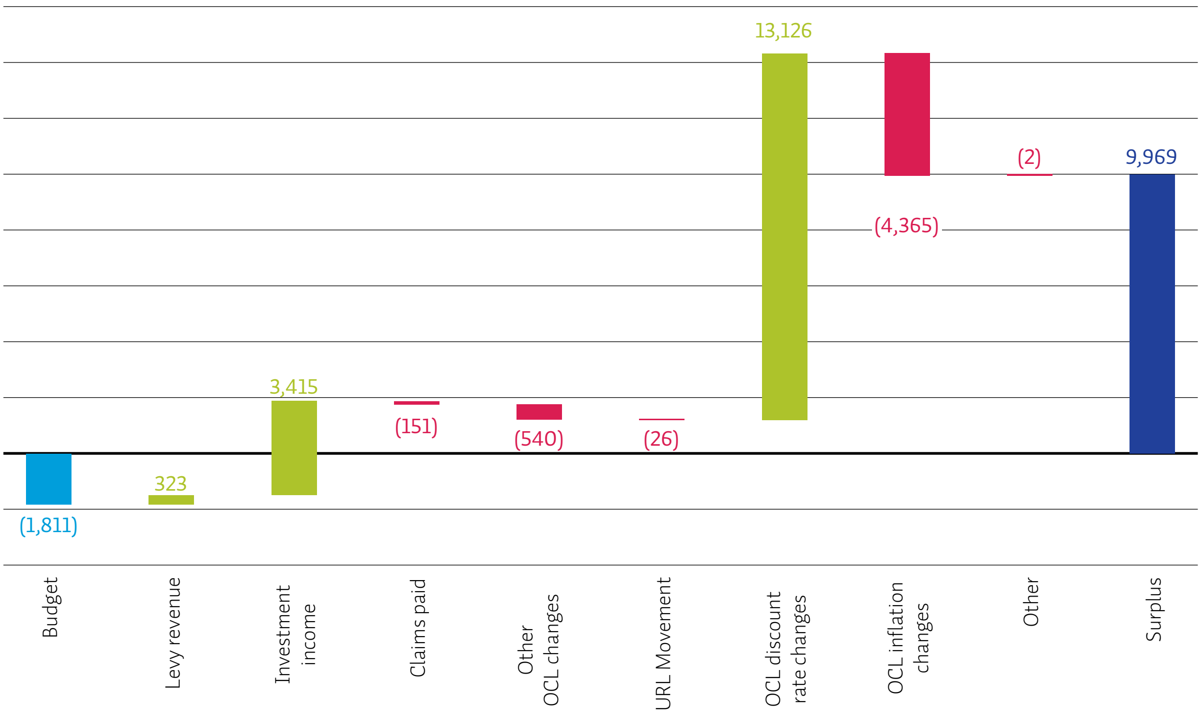
The Scheme's performance has again been heavily affected by external economic factors. A surplus of $10 billion was recorded versus a budgeted deficit of $2 billion.

The value of the OCL was relatively stable for the first four months of the year. However, New Zealand's economic outlook improved post the impacts of the COVID-19 lockdowns. The OCL decreased significantly as interest rates steadily rose from October 2020. These rising interest rates contributed to this year's surplus, reducing the OCL by $13.1 billion.

Investment returns were outstanding. The 10.4% return (after costs) generated $4.8 billion of income. Significant gains in the equity portfolios contributed to this result offset by revaluation losses on our bonds as interest rates rose during the year. Overall, we outperformed the benchmark by 1.9% (after costs) versus a targeted outperformance of 0.15%.

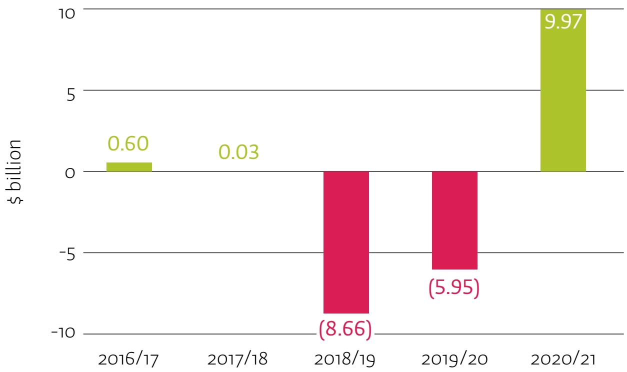
The analysis below shows the breakdown of components contributing to the result versus budget expectations that are discussed in the following sections.

GRAPH 5: 2020/21 FINANCIAL PERFORMANCE COMPARED WITH BUDGET ($M)



The current-year result contrasts with the previous two years, when a fall in interest rates was the main contributor to consecutive record deficits for the Scheme. This highlights the volatility of the Scheme to changes in interest rates.

GRAPH 6: HISTORICAL SURPLUS/(DEFICIT)



Rising interest rates

Movements in interest rates are outside ACC's control yet have an impact on two key areas of our financial performance: the OCL and investment returns.

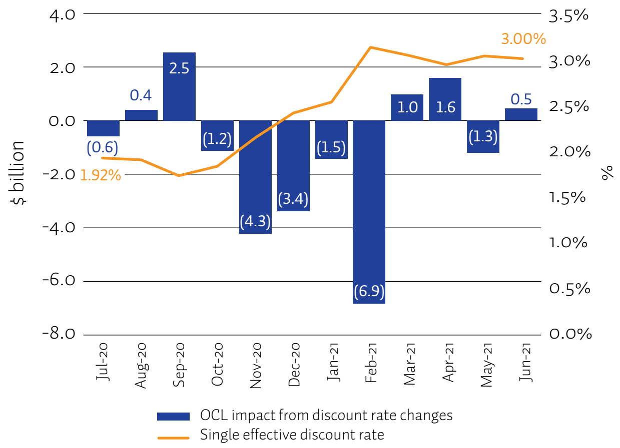
Outstanding Claims Liability

The OCL is a net-present-value estimate of how much ACC needs today to support already injured clients for as long as they need it. These future costs can extend up to 100 years. This net-present-value is calculated using the Treasury discount rates that are generated from the underlying government bond market yields.

During the year the OCL fell by $6.1 billion, from $61.5 billion to $55.4 billion. As noted above, the main reason for the decrease was a rise in interest rates, with an impact of reducing the OCL by $13.1 billion.

The following chart highlights the significant reductions in the OCL since October 2020 as interest rates rose from historical lows.

GRAPH 7: MONTHLY DISCOUNT RATE IMPACT ON OCL VALUATION



With such a significant OCL ($55 billion), ACC's financial results will continue to be affected by volatility in interest rates. For example, as at 30 June 2021, if discount rates had been 1% higher, this would have resulted in an $8 billion decrease in the OCL. A 1% decrease in discount rates would have resulted in an $11 billion increase in the OCL.

Refer to Note 8 C (d) (ii) (*page 142*) in the financial statements for an analysis of the sensitivities of key valuation assumptions on the OCL.

Offsetting the interest rate impacts were changes in experienced and forecast inflation rates that increased the expected cost of existing claims, adding $4.4 billion to the OCL.

The OCL was also affected by:

- the claim volume and claim costs experience
- the maturity of the Scheme
- legislative changes.

The OCL models of future claim behaviour for existing claims are updated every year to reflect recent experience. These updates include changes to the average amount paid per claim, the number of claims, and how long clients require assistance. This year we experienced a net $0.5 billion increase in the OCL due to claim experience and modelling changes. The largest increases were from:

1. weekly compensation, which contributed $500 million to this strain. Approximately half of the strain is a result of a deterioration in rehabilitation performance and half from new claim numbers.
2. The sensitive claims strain, which was ~$200 million resulting from modelling changes. These changes reflect a greater level of services being provided to clients for a longer period of time.

Refer to *page 139* for the full breakdown of the movements in the Outstanding Claims Liability.

Each year, more clients enter the Scheme, than leave. The OCL also grows with inflation and population growth. The impact of the Scheme growth this year was $2.1 billion.

Investment returns

ACC holds investments to meet the future costs of injuries that have already occurred. ACC's reserves portfolio delivered an excellent result, with a weighted average return of 10.4% after costs. This outperformed our market-based benchmark after costs by 1.9%.

The investment result helped us to grow our investment portfolio to $50.3 billion.

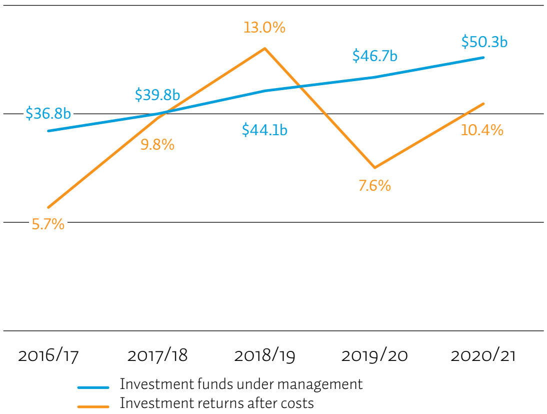
Although our investment portfolio generated $4.8 billion of income before investment costs, $3.4 billion above budget, rising interest rates had a negative impact on the returns of our bond portfolios.

Approximately 55% of our investment portfolio is invested in bonds and other fixed-interest instruments. These instruments act as a partial hedge against the impact that declines in interest rates can have on the valuation of the OCL. However, when interest rates rise, as they did this year, this results in a revaluation loss on these fixed-interest products partially offsetting some of the revaluation gains experienced on the OCL.

These rising bond yields resulted in revaluation losses, contributing to the 3.6% loss for our bond portfolios. These offsetting losses were minimised through a strong 0.69% outperformance in the bond portfolios versus the market benchmarks.

For more details on our investment performance, refer to the investments report section *page 56*.

GRAPH 8: HISTORICAL FUNDS UNDER MANAGEMENT AND INVESTMENT RETURNS



Unexpired risk liability (URL)

As at the end of the financial year, we have received or accrued levy revenue for cover periods that extend beyond 30 June 2021, referred to as an unearned levy liability (ULL). This revenue will be used to fund claims we expect to incur during the balance of the relevant cover period in the next financial year. Where the estimated lifetime costs of these claims exceed the ULL, including a risk margin, generally accepted accounting principles require us to recognise a URL.

This year the URL increased by $27 million. This increase was due mostly to changes in economic assumptions ($194 million) and claim experience and modelling changes ($221 million).

Levy revenue

Levy revenue in the levy-payer-sourced accounts was higher than expected by $313 million (10.6%), at $3.3 billion.

The higher-than-budgeted result was due to higher liable earnings in both the Work and Earners' Accounts ($150 million each). These were driven by above-budgeted liable earnings, with higher GDP and lower levels of unemployment occurring than initial Treasury forecasts indicated.

This resulted in a 10% increase in total levy revenue compared to 2019/20.

Claim volumes and costs

Claim costs increased by 12.4% to $5.2 billion (compared with a 6% increase in 2019/20).

Our claim costs have three main drivers:

- **Changes in claim volumes** driven by a range of economic factors, the most significant being GDP and the unemployment rate
- **Changes in the cost of goods and services** driven by wage levels, general cost inflation and medical health inflation
- **Changes in operational approach or settings** driven by several factors including judicial rulings, changes in legislation or regulations, and management decisions to change a service approach, design or offerings.

We received 2.1 million new registered claims, a volume growth of 13.1% compared to 2019/20. This was higher than we had included in our budgets as they were based on the Treasury's initial economic outlook following the national lockdown. However, New Zealand's economic recovery was significantly faster than these initial estimates, resulting in a greater number of new claims than anticipated.

The significant growth from the prior year is mostly due to suppressed volumes in 2019/20, when we saw a drop in monthly volumes by up to 50% in some months as a result of the COVID-19 lockdowns.

Rehabilitation and treatment services

Some rehabilitation and treatment services experienced higher growth than the overall new claims growth rate.

Physiotherapy grew strongly due to an increase in our clients' awareness of the value of physiotherapy and an increase in the capacity of physiotherapists practising in New Zealand.

The number of clients accessing radiology and high-tech imaging services increased, led by a greater clinical use of diagnostic imaging and guided injections.

Home and community care grew, with a focus on supporting clients to achieve the maximum independence possible. Some vulnerable clients required an increase in their levels of care during the COVID-19 lockdown and subsequent restriction periods.

The number of clients accessing support through the Integrated Services for Sensitive Claims and other related mental health services also continued to grow strongly, ensuring that those most in need of these services had the support they required.

Reflective of the aging profile of the New Zealand population, there was an increase in the utilisation of services appropriate for older people, such as non-acute rehabilitation, residential support services and home and community care.

Utilisation of treatment and rehabilitation services dropped during lockdowns

Auckland moved to Alert Level 3 several times during the year in response to the COVID-19 pandemic. During this time, medical treatment services in the region experienced a drop in volumes from closures, reductions in new claims, and clients not presenting for treatment. Rehabilitation services were affected to a lesser extent, with those such as personal support remaining at near-normal levels. The continued use of telehealth also allowed providers to deliver support to these clients where appropriate.

Other regions in New Zealand moved to Alert Level 2 during the year; however, most treatment and rehabilitation services were still able to be provided during these periods.

Weekly compensation

Weekly compensation costs grew by 14.6% this year due to increased claim volumes and longer claim durations.

New weekly compensation claims increased by 18.1% compared to last year, to 95,381. As with the new registered claim volumes, this increase was due to the suppressed volumes in 2019/20 due to the COVID-19 lockdowns.

On average, and compared to 2019/20, clients received weekly compensation for longer periods to support them in their rehabilitation. Some of these increases were a result of factors including COVID-19, health constraints, age, and changes in clinical pathways.

Inflation pressures and other changes to legislation, policy and our approach

There has been a continued cost pressure from wage inflation in the health sector that has affected both client entitlements and the cost of services provided to clients. These wage inflation cost pressures include changes to the health sector Multi-Employment Collective Agreements, ambulance sector wage increases supporting paramedics and emergency medical technicians, pay-equity settlements for teacher aides and increases in the minimum wage.

The Cost of Treatment Regulations specify how much we will contribute to the costs of certain treatments for GPs, nurses, nurse practitioners, medical specialists, and specified treatment providers. The price increases from the 2018 review of rates for the Regulations were implemented on 1 May 2020.

Funding position

The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each ACC Account. The funding position is expressed as a ratio of the assets divided by the liabilities for each Account. The calculation of the applicable assets and liabilities is defined in the funding policy[8].

When there is a positive funding balance, the assets exceed the liabilities and the funding position is greater than 100%. When there is a negative funding balance, the assets are less than the liabilities and the funding position is less than 100%.

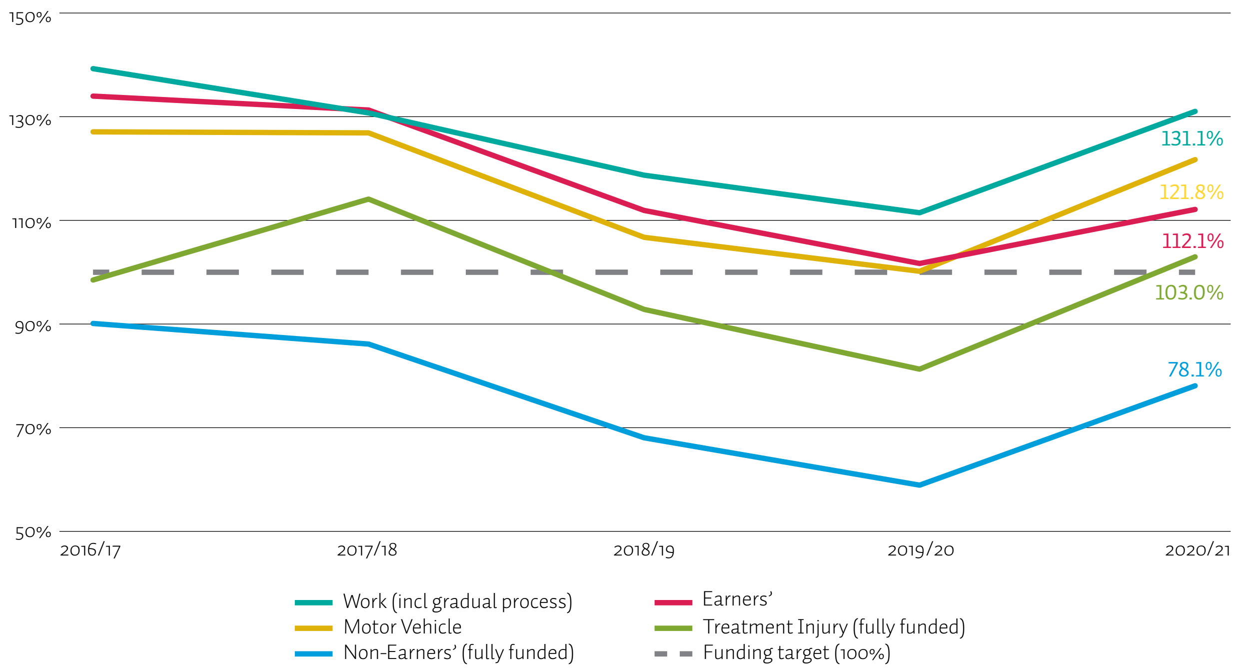
The funding balance is influenced by several factors, including a cumulative under- or over-funding of Accounts, and our investments, economic factors and claiming behaviour[9] being different from expectations.

8 *Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts – 2021-go1226 – New Zealand Gazette*
9 *Volume and cost of claims.*

Funding balance surplus/(shortfall) – 30 June 2021

	Motor Vehicle	Work	Earners'	Treatment Injury	Non-Earners'	Total
Funding gap surplus / (shortfall)	$2,738m	$2,749m	$1,351m	$173m	$(1,489)m	$5,522m
Funding ratio	121.8%	131.1%	112.1%	103.0%	78.1%	

GRAPH 9: FUNDING RATIOS BY ACCOUNT



As a result of surpluses in each Account, funding ratios have risen from the 30 June 2020 levels.

Increasing interest rates have been the main contributor to the improvement in the funding ratios of all accounts. However, economic factors are inherently volatile and we could expect to see further fluctuations throughout 2021/22.

Levy rates and appropriations

Funding for the Scheme comes from levies, appropriations, and investment income.

During 2021/22 ACC will consult on and recommend levy rates for the 2022/23, 2023/24, and 2024/25 levy years. The calculations outlined in the Government's funding policy produce both the recommended rates for the consultation years and a projection of future rates. ACC will make recommendations on future levy rates based on the funding policy, and Cabinet will decide what, if any, changes will be made.

There are three main steps set out in the funding policy to calculate the levy and appropriation requirements for each account:

1. Calculate new year claim costs

First, the new year claim costs represent the lifetime costs of ACC rehabilitating and supporting people injured during the year. New year costs are influenced by economic changes, the frequency and severity of claims, expense forecasts and exposure.

2. Adjust the levy for the funding position

Second, the funding adjustment ensures there is enough money to pay for the ongoing costs of past claims, while not over-collecting funds. The funding adjustment for each Account is calculated to move the funding position toward target over a period prescribed in the funding policies, usually 10 years[10]. The funding adjustment is influenced by the same factors as the new year costs.

10 *For any surplus in the Non-Earners' Account and the Non-Earners' portion of the Treatment Injury Account this is a three-year period.*

3. Limiting levy increases using a cap

The funding policy smooths movements in the funding by applying a cap to any recommended increases. Each year, the increase for levied Accounts is limited to 5% (plus inflation for the Motor Vehicle Account), and the increase for the appropriations is limited to 7.5%.

The combination of these three steps, along with the exposure units[11], derives the levy rate that is recommended by ACC, calculated in line with the funding policy.

The gap between the expected revenue using current levy rates and the new year cost, by Account, is shown below. When expected revenue is lower than the new year cost, we would expect the funding position to reduce as existing assets are used to fund some claim costs. When an Account is in a funding surplus, there is a deliberate move to collect less revenue than expected for new year costs. The opposite is true when an Account is in a funding deficit.

Gap between expected revenue and new year costs – levy year 2021/22

As at 30 June 2021	Motor Vehicle	Work	Earners'	Treatment Injury (Earners' portion)	Non-Earners' (including Non-Earners' portion of Treatment Injury)[12]	Total
New Year claims cost to revenue surplus / (shortfall)[13]	$(383)m	$(270)m	$(586)m	$(103)m	$(87)m	$(1,429)m

TABLE 3: 2020/21 FINANCIAL SUSTAINABILITY ACHIEVEMENTS

Objective	What we set out to deliver	Result
We carefully consider the costs of the services we offer to achieve the most appropriate client outcomes.	We will continue to refine our performance management approach to ensure we manage the dual focus on the costs and outcomes of the services we provide while increasing our overall effectiveness.	Partially achieved
	We will be working towards the delivery of a single integrated enterprise resource planning system including financial management, procurement and human resource processes. This will enhance controls and processes for non-health expenditure processing, up-front approval and related payment activities.	Achieved
We manage cost and liability growth.	We will continue to develop our understanding of which drivers of cost and volume changes are controllable, versus those that are outside our control. This will inform the actions we can take to improve customer and financial outcomes	Achieved
We apply the insurance approach when making investment decisions.	We will have continued to develop a deeper understanding of changes in injury causation and associated risk factors over the life courses of individuals. This will involve us thinking beyond the ACC client experience and use a range of factors (such as interactions with other agencies, changes in earning potential and other demographic factors) to support better prevention, treatment and rehabilitation interventions.	Achieved
We maintain investment performance above benchmarks.	We will continue to manage our investments with the objective of obtaining the best possible balance of return and risk.	Achieved
	We will continue to enhance the technology environment for our investments function to deliver fit-for-purpose, effective solutions. This will create an environment for making the best investment decisions.	Achieved
Risk management is embedded across our organisation.	We will continue to increase maturity of the organisation's risk culture, designing risk processes to help the entity operate to the full extent of ACC's risk appetite statements in decision making and activity.	Achieved

11 Exposure units are: PAYE earnings for the Earners', Work Accounts and a portion of the Treatment Injury Account and vehicle registrations and petrol consumption for the Motor Vehicle Account

12 The Non-Earner's (including Non-Earners' portion of the Treatment Injury Account) is based on December 2020 valuation assumptions and March 2021 economic assumptions.

13 The difference, by Account, between levy and appropriations and the lifetime cost of claims in the 2021/22 financial year.

Task Force on Climate-related Financial Disclosures

During 2020/21 ACC joined more than 2,000 organisations around the world in declaring our support for the Financial Stability Board-created TCFD.

We recognise the importance of increasing the transparency of climate-related risks and opportunities, promoting more informed financial decision-making, and building a more resilient financial system. By becoming a TCFD supporter we committed to working towards the implementation of the TCFD recommendations.

The TCFD recommendations are structured around the four areas of Governance, Strategy, Risk Management, and Metrics and Targets representing core elements of how organisations operate.

This section of the Annual Report considers these elements.

Section 1: Investment reporting for TCFD

Section 2: Corporate reporting for TCFD.

We have made good progress in addressing climate change in both our investment portfolio and corporate operations. Both pathways will evolve and strengthen over time, and our reporting will continue to evolve as we further embed our framework and as best-practice reporting standards are developed.

Section 1: Investments

GOVERNANCE

In June 2020 the ACC Board approved a climate change framework under which we committed to taking a leadership position to support New Zealand's goal of reducing all greenhouse gases (except biogenic methane) to net zero by 2050.

ACC's commitment to reducing the carbon intensity of the investment portfolio is outlined in the Investments Pathway of the Climate Change Framework. This commitment forms part of our Ethical Investment Policy[14]. The Board has also approved ACC's Investments Pathway target of carbon neutrality by 2050 and interim targets that set the trajectory to achieving this.

The Board has delegated responsibility for investment decisions to the Board Investment Committee (BIC). The BIC receives regular climate-related reports from senior investment management that consider how the pathway is tracking against ACC's interim carbon targets. Regular reporting, together with independent advice on climate-related risks and opportunities, ensures BIC oversight of the risks and opportunities presented by climate change.

The Chief Investment Officer is responsible for the execution of the Investments Pathway and achieving the targets. The management team implements the strategy to achieve these targets. The management team has established the Investments Climate Steering Group with responsibility for embedding the Investments Pathway. The Chief Investment Officer and the Investments Climate Steering Group are responsible for embedding climate-related metrics into risk management, business planning, investment decisions and reporting to the BIC.

STRATEGY

The risks presented by climate change include the physical risks that result from climate change and the transition risks that arise from attempts to combat climate change. Physical risks include the risk of more frequent and severe events, such as large storms and wildfires, and chronic climate change risks such as rising sea levels. They can affect businesses by damaging property and infrastructure and disrupting supply chains and business operations. Transition risks arise from changes in policy and law, new technologies and consumer and company behaviour as the world responds to climate change. Part of understanding climate-related transition risks is understanding how other investors are assessing and responding to climate risks.

The strategy is focused on achieving carbon-intensity reduction targets while managing the transition and physical risks of climate change. As an active manager, ACC requires our managers to consider all investment risks, including climate risks, when making investment decisions. We impose measurable carbon constraints on our managers and engage regularly with them on their climate risk management. More details on our strategy are provided below.

14 *ethical-investment-policy.pdf (**acc.co.nz**)*

- ACC uses a broad-based approach to measuring the carbon intensity of the listed equity portfolio. For all industries we measure investees direct (Scope 1) and indirect emissions relating to purchased electricity (Scope 2). For fossil fuel reserve owners, we also include value chain (Scope 3) emissions from the end-use of reserves extracted for energy purposes. Using this approach ACC can assess what sectors and issuers are the main contributors to climate risk and monitor changes in carbon intensity.
- To establish the trajectory to achieving carbon neutrality by 2050, ACC has set an interim target. This is to reduce the carbon intensity of the listed equities portfolio by 50% by 2030 compared to a 2019 base year.
- ACC has annually declining carbon caps on equity portfolios, in line with the established trajectory to the carbon-intensity targets.
- ACC does not invest in companies generating a large proportion of their revenue from thermal coal.
- This approach constrains investment in energy companies highly dependent on fossil fuels.

Carbon-reduction strategies are more robust when they include engagement. ACC engages with investee companies through a few channels. We engage directly, in collaboration with other Crown Financial Institutions, and we also use the Bank of Montreal as an engagement specialist.

ACC engages regularly with external and internal equity portfolio managers to assess their progress in integrating climate change with their investment strategies. We also assess how they are engaging with companies to influence lower carbon emissions.

The ACC Investments team believes that the consideration of climate-related financial risks under different scenarios requires a bottom-up assessment of portfolios. Bottom up assessments can improve existing information and models by identifying particular vulnerabilities in specific industries or regions.[15] ACC relies on portfolio managers to understand the relative exposures of sectors and geographies as well as how companies manage and mitigate exposures to climate-related financial risks, under a range of scenarios.

Climate change also presents opportunities to invest in firms that are part of the climate change solution and its impact on the world. These solutions are not confined to specific sectors. They include, for instance, sectors covering primary industries, power generation, industrial equipment and low-carbon consumables. ACC is currently exploring opportunities to invest in carbon solutions that will support New Zealand's transition to a lower-carbon economy.

RISK MANAGEMENT

Climate risks and opportunities need to be monitored as part of the investment process. Tracking portfolio emissions is a key part of this. To achieve this, ACC uses independent data providers to source carbon data. ACC rigorously reviews the data before it is used to construct our metrics in a manner that also captures the material fossil-fuel emissions from the energy sector, a priority sector. To estimate emissions, ACC uses an approach based on guidance from the Partnership for Carbon Accounting Financials[16].

ACC's portfolio managers use various data and analytical tools that consider multiple responsible-investment themes along with climate risks. The approach our external portfolio managers are taking to manage and mitigate ESG risk in their portfolios, including climate risk, is reviewed annually.

Several external managers use proprietary ESG research and integration platforms to capture company-specific carbon data and management information, then add it to existing models and disseminate it to portfolio managers to ensure it is incorporated in investment decisions.

ACC also engages collaboratively with investee companies on their management, mitigation and reporting of climate risks.

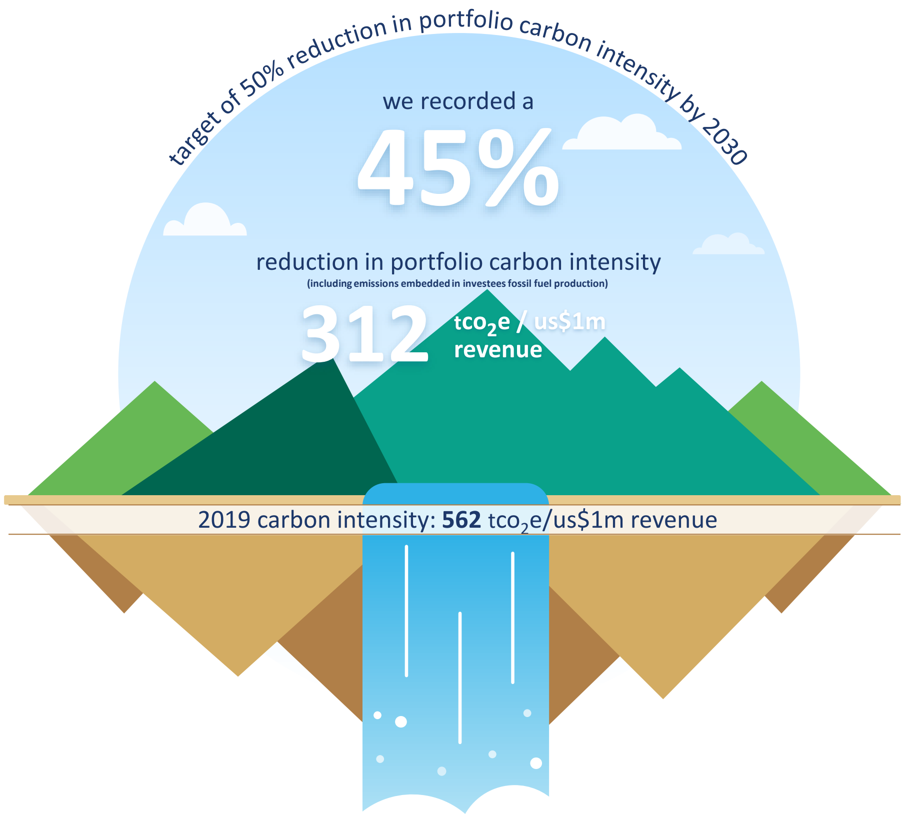
METRICS AND TARGETS

Developing carbon emission metrics is crucial to monitoring emission reduction and reporting on progress in supporting the transition and aligning with the Paris Agreement.

The metrics we have developed incorporate all the emissions for which our investee companies are directly responsible, the emissions generated in the production of the energy they use, and the emissions embedded in the fossil fuel production volumes of reserves' owners in the energy sector and the diversified metals and mining industry.

15 *Erik Landry, C. Adam Schlosser, Y.-H. Henry Chen, John Reilly and Andrei Sokolov, "MIT Scenarios for Assessing Climate-Related Financial Risk", Report 339, December 2019*

16 *PCAF: Enabling financial institutions to assess greenhouse gas emissions | PCAF (**carbonaccountingfinancials.com**)*



Section 2: Corporate

GOVERNANCE

In June 2020 the ACC Board approved our Climate Change Framework[17]. It was released publicly in August 2020 and is available on our website.

ACC's Board and Executive are highly engaged in our climate change programme and are driving its development and delivery. The ultimate responsibility for our climate change response sits with the Board. The Chief Financial Officer is responsible for the execution of the Corporate Pathway and achieving the targets. The Executive receives bi-monthly updates on the progress of the Corporate Pathway.

ACC's Corporate Pathway is embedded into our business activities, with a consideration of initiatives that will help reduce our emissions. We consider both our emission targets and planned initiatives when developing our forecasts and budgets (eg travel, rental cars), our vehicle fleet strategy and our new property builds with landlords. We balance the need to reduce emissions with ensuring we can continue to deliver on our strategic intentions.

The ACC Executive and Board have oversight and approval of this budget process, which highlights the impact the budget and planned activities will have on the corporate-emission reduction trajectory.

STRATEGY

Our Climate Change Framework identifies three pillars in the programme – Corporate, Investments (discussed in Section 1), and Actuarial and Risk. Our climate change approach will continue to adapt to new and emerging evidence, shifts in expectations and changes in Government policy settings.

ACC's internal Actuarial group has assessed the possible financial impacts of climate change for ACC. This work notes that the nature of climate change is complex and multifaceted, and therefore it is not possible to quantify reliably the impacts for ACC. Instead the work identifies several possible scenarios to estimate the financial impact for ACC under specific events.

In the short to medium term we may see more frequent extreme weather events and resulting adverse health impacts increasing claim rates from:

- activities that may be affected by climate change (eg driving, recreation, sporting activities and increased water-based activities);

17 ***www.acc.co.nz/assets/corporate-documents/climate-change-framework.pdf***

- an increase in violence claims, as research suggests violent crime is more frequent on hotter days[18];
- a possible increase in claims for injuries resulting from flooding events and wildfires.

In the medium to long term we may see a greater strain on the overall health system due to increases in illnesses and diseases, poorer nutrition from loss of agricultural land, and an introduction of or increase in diseases common in warmer climates. A strain on the health system may increase the cost of health services in general, having negative impacts on the ACC Scheme.

Based on the actuarial assessment of the impacts on the Scheme, the financial impact on ACC's new year costs of the scenarios considered is estimated to be between $100 million and $400 million, which represents an increase of between 3% and 10% in the new year costs. These cost estimates are based on the 2015 to 2017 levy years. For context, based on the activities identified as having links to climate change, we believe that around 88% of the annual cost of claims to ACC are not exposed to climate change risk.

We have not yet modelled a 2°C or lower scenario as part of our risk assessment. Planning and a further consideration of potential claim cost impacts have yet to be developed.

RISK MANAGEMENT

ACC recognises its response to climate change as an entity risk. The risk is described as follows: "Our response to climate change fails to satisfy legislative or other requirements related to NZ's climate change policies or is perceived as inadequate and lacking urgency (even if compliant)."

The ownership of each of ACC's 19 entity risks usually sits with a member of the Executive. The climate change response risk is owned by ACC's Chief Executive. ACC monitors and reports on its 19 entity risks regularly and at the most senior level:

- An Enterprise Risk and Compliance Report is submitted to the Board quarterly. It contains a status summary in relation to all entity risks and regularly features detailed commentary on ACC's response to climate change
- A Risk Mitigation Report is submitted to the Board Risk Assurance and Audit Committee quarterly. It contains status information and commentary on ACC's entity risks.

We also recognise and monitor a business group-level risk that considers our corporate climate obligations and the controls and actions we have in place to meet our targets.

METRICS AND TARGETS

ACC has approximately 4,000 staff (including contractors and casual employees), 34 offices, 87 fleet vehicles driven by our staff and 26,000 suppliers covering health, IT and corporate expenditure.

We measure the tCO_2e of our corporate-related Scopes 1 and 2 and certain Scope 3 emissions using an emissions tracker based on the Ministry for the Environment's emissions factors. We currently measure air travel, electricity, electricity transmission and distribution losses, the fleet, ground travel, hotel stays and rental cars.

Most of our corporate emissions come from air travel and the associated emission sources, such as hotel stays and rental cars. Following this in size are office electricity and petrol used to fuel our fleet cars.

We have reduced our carbon emissions from 3,659 $tcCO_2e$ as at 30 June 2019 to 1,320 tCO_2e as at 30 June 2021, representing a reduction of 64%. While we have reached our 2025 target sooner than anticipated, we recognise that some of this has been realised as a result of the impacts that COVID-19 has had on our travel plans.

We expect to lock in some of these reductions based on new ways of working enabling lower future travel needs. However, we anticipate a short-term rise in corporate emissions until we embed our longer-term travel and other corporate initiatives, to enable a sustained 60% reduction.

We have reduced the size of our vehicle fleet from 184 at 30 June 2019 to 121 at 30 June 2021. Alongside this reduction, we are transitioning our fleet to lower-emission hybrid and electric vehicles. As of 30 June 2021, our fleet is 22% electric, 47% hybrid, and 31% petrol internal combustion. We aim to transition our fleet to electric, where practicable, by 2025.

AUDITED AND CERTIFIED

Toitū Envirocare, an entity that is 100% owned by a Crown agency, has audited and certified our 2018/19 baseline, and 2019/20 emissions data.

18 *Increased heat is also associated with increased incidences of aggressive behaviour, violence and suicide –* ***www.royalsociety.org.nz/assets/documents/Report-Human-Health-Impacts-of-Climate-Change-for-New-Zealand-Oct-2017.pdf***

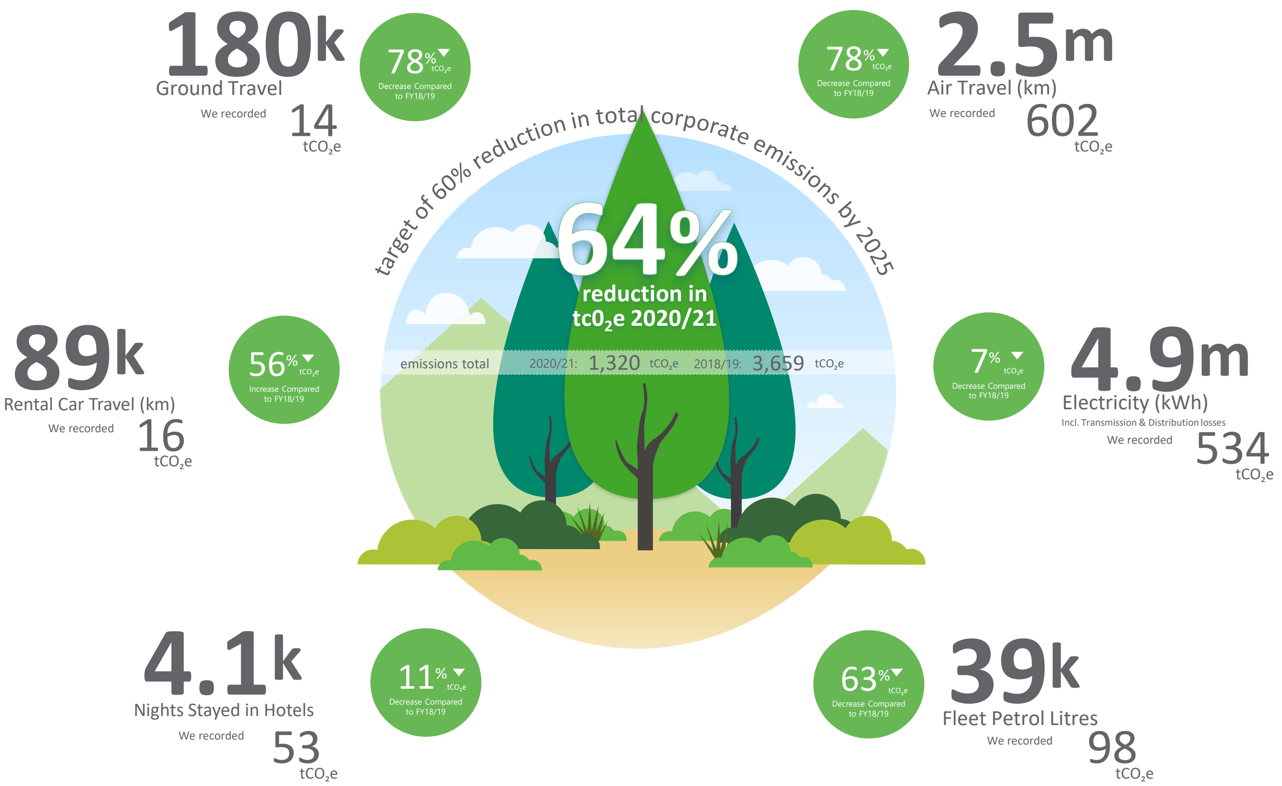
Our corporate data has been certified, with the highest level[19] being achieved for our data inventory quality, and the assurance that we have measured our greenhouse gas emissions in accordance with ISO 14064-1:2006 and are committed to managing and reducing emissions in respect of our corporate operational activities.

We have revised both the baseline 2018/19 and 2019/20 results to 3,659 tCO_2e and 2,657 tCO_2e respectively following the audit and certification by Toitū. In our Annual Report 2020 we reported our 2018/19 baseline as 4,040 tCO_2e and our 2019/20 results as 2,760 tCO_2e.

We have updated our calculations and data-collection processes to reflect these findings and give confidence of the emission reporting included in this Annual Report. Our 2021/22 results are due to be certified by late September 2021.Our Climate Change Framework and targets have also been guided by the Carbon Neutral Government Programme, which was announced in December 2020 to ensure alignment with government initiatives. The current key aims affecting ACC from a corporate perspective are:

- obtaining NABERSNZ ratings for our properties over 2,000 square metres in area
- transitioning the fleet to electric by 2025.

We will reassess the corporate target in 2022; this will enable an assessment of three years of audited data. We want to better understand our ability to lock in emission reductions made to date, without affecting outcomes for our clients.



19 *Data quality – "High" and Assurance level "Reasonable"*

ACC investments

10.57%
2020/21 RETURN (BEFORE COSTS)

7.72%
2019/20 RETURN

10.07%pa
INVESTMENT RETURNS SINCE 1992

8.74%pa
BENCHMARK RETURNS SINCE 1992

$1,615
VALUE OF $100 INVESTED SINCE 1992

0.14%
MANAGEMENT EXPENSE RATIO

$50.3 billion
BALANCE OF INVESTMENT PORTFOLIO AT 30 JUNE 2021

About investments

ACC as a Crown Financial Institution

ACC is a Crown agent and a Crown Financial Institution.

- ACC delivers services for New Zealanders (and visitors).
- ACC also manages a significant investment fund.

A Crown Financial Institution is an entity that, on behalf of the Crown, manages and invests financial assets to fund future expenditure. This is either for specific liabilities (as is the case with ACC) or expected future expenditure (for example, for the National Provident Fund). The Minister of Finance is responsible for overseeing ACC's risk and return objectives, as well as monitoring fund and Board performance.

ACC's investment function operates as a commercial stand-alone activity. The Minister of Finance sets expectations for financial practice, but the Minister is not involved in ACC's investing decisions. ACC's Investment Group operates under a delegation from the BIC to make investment decisions subject to our internal policy framework.

About the investment fund

ACC has built an investment portfolio designed to meet the future costs of accidents that have already occurred. Our investment portfolio reduces the risk that future levy payers will have to pay for past injuries.

Intergenerational equity is an underlying objective of the Scheme. In essence, this means that each year's levy income should be sufficient to meet the ongoing costs of accidents occurring in that year, including costs that are paid out over time. Future levy payers would end up having to pay these ongoing costs if investment returns were less than expected, or if there were unanticipated rising costs such as unexpected wage inflation.

ACC holds the investment funds in trust for levy payers. Each of the Accounts uses its investment funds to help meet its claim, injury prevention and administrational costs. One account cannot cross-subsidise another.

If ACC could invest to fully 'match' its liabilities, the changes in value of its assets would offset the valuation changes for its liabilities. In practice, ACC's assets can only partially match its liabilities given the long-term nature of its liabilities and the limited supply of equivalent assets.

How investment fits into the ACC Scheme

Funding

ACC receives funding for each Account, in the form of levies and (for the Non-Earners' Account) appropriations. ACC must separate the levies received for each Account. We tailor the investment allocation for each of the Scheme's five Accounts. Our allocation considers the maturity profile of the claims costs that are expected to be incurred for each Account.

Asset allocation

Asset allocation, the proportions of each Account's investments held in the various investment categories, shapes the overall risk and return characteristics. The Investment Group has an Asset Allocation team. The team's high-level objective is to strike an appropriate balance between risk and return. The principal focus is on managing the net asset-liability risk. Asset allocation considers both the OCL and the need to maximise the use of our investment assets.

Active portfolio management

Levies are allocated into portfolios. The portfolios invest in different categories of investments. These include:

- equity (shares in companies listed on exchanges)
- fixed income (interest-paying investments)
- cash (short-term interest-paying investments)
- property and infrastructure (that are listed on exchanges)
- private markets (assets that are held more directly than those listed on exchanges, including direct property, infrastructure and individual companies)
- overlay portfolios (using derivatives, where returns are linked to an underlying market) *page 65*

The Investment Group actively manages around 70% of ACC's portfolios, with the remaining 30% actively managed by external asset managers. Active management is an integral part of ACC's investment approach. We believe actively managing these assets enhances investment returns.

Reserves portfolios			
NZ fixed income	NZ equities	Private markets	Property & infrastructure
Australian equities	Global fixed income	Global equities	Cash
Overlays			

Important considerations:

Many of our clients need help for more than 20 years; this is a primary reason for ACC being a long-term investor. It is why the Scheme considers:

- the stability of ACC's assets in relation to liabilities (the cost of injuries that go into the future)
- the effects this has on levies
- the impacts this has on Government appropriations
- the need to be a good financial steward

Being stronger together also means responding to continually evolving social considerations, such as ethical investing and climate change, when making investment decisions.

Long-term objectives

The primary objective of the investment fund is to **cover the long-term costs of accidents** that have already occurred. The aim of ACC's funding policy is to share the costs of accidents fairly across generations to ensure all New Zealanders (and visitors) are cared for into the future.

It is important that we strike the right investment **balance between return and risk**. Higher investment income over time would contribute to lower levies, but we need to balance higher potential returns with an objective of limiting the potential for losses that could increase future levy rates.

We take ethical investment seriously and aim to incorporate evolving **ethical themes** into investment decision-making, while balancing our fiduciary duty of investing as a trustee.

Health and safety are central to ACC. We aim to incorporate health and safety considerations into investment decision-making.

We also aim to deliver value for money through prudent cost management to **maintain a low-cost fund** that is fit for purpose.

Themes during 2020/21

Carbon reduction	ACC supports the recommendations of the TCFD. This year we published our first report in line with the TCFD carbon risk reporting requirements (ref page 51), which covers the climate related risks in the management of the investment portfolio. ACC has made substantial progress towards achieving our interim target of a 50% reduction in the carbon intensity of our listed equity portfolio by 2030 compared to 2019 levels. ACC, alongside the Treasury and other Crown Financial Institutions, has been working together on a responsible investment framework for all Crown Financial Institutions. ACC has also been working on revised targets for its investment portfolio. Once this work has concluded, revised targets will be announced.
Impact funding	In 2020, ACC launched its first $50 million impact fund to seek investments that will have positive impacts on the health, safety and wellbeing of New Zealanders as well as provide commercial returns. We believe there are investment opportunities within New Zealand that can meet both objectives. Our impact fund is the first of its kind in the New Zealand market, combining ACC's established expertise in injury prevention with its proven skill in investment management. Since the launch ACC has invested in Robotics Plus and Mentemia. In June ACC announced its intention to launch a $50-100 million impact fund focused on climate change. The fund will invest in opportunities that support New Zealand's transition to net-zero emissions by 2050 while generating a commercial return. ACC's impact funds form part of our wider ongoing ethical investment work and reflect our commitment to deliver on both social and financial levels. ACC's ESG approach recognises that a public good role is at the heart of the corporation and its legislation.

Case study

We are re-investing in Mentemia[20], a market-leading mental wellbeing platform, and teaming up with Sir John Kirwan to help build a mentally well workforce.

In our second impact fund investment, we partnered with Sir John Kirwan in the workplace wellbeing platform Mentemia. Sir John co-founded Mentemia in 2019 with technology entrepreneur Adam Clark.

The digital mental wellbeing platform helps employers to embed wellbeing-first cultures across their organisations, their leaders and their people.

Mental health is the primary cause of lost working days and productivity in most westernised countries, and supporting good mental health has benefits for businesses and workers alike. In 2019/20, ACC paid $65.5 million for active work-related mental injury costs, and $312 million for mental injuries resulting from physical injuries in 2019/20.

Studies show mental health accounts for a loss of 5% of GDP in OECD countries and is a significant cause of suicide and disability worldwide. Improving mental health and wellbeing can help bring down injury rates, speed recovery and reduce the cost of ACC claims.

The ACC Investments team continues to work with other organisations that may be eligible for impact funding in the future.

20 ***www.mentemia.com/nz/home***

How ACC invests

Delivering returns while managing risk

We think about the risk to ACC's overall financial position.

Our long-term concern is to ensure that ACC has sufficient funds to pay the future costs of claims that have already occurred. The primary risk is that our assets do not sufficiently match the claims liability over the long term.

Over time, we also want to avoid large swings in levy rates, which may be required to restore asset balances to align with funding ratio[21] targets.

Both concerns encourage us to reduce the risk of large adverse movements in the value of our claims liabilities versus the market value of ACC's investment portfolios. This means that we need to think not only about financial risks that could affect the value of ACC's investment portfolios, but also about risks that could affect the value of ACC's claims liabilities. There are many economic and financial influences that could affect our net assets.

Factors that influence investment risk

Declines in real long-term interest rates	If interest rates declined without a corresponding decrease in inflation, this would lead to a decrease in our long-term expectations for investment returns, and thereby increase ACC's OCL. We aim to offset this risk by holding investment assets that tend to rise in value when real interest rates decline.
An increase in inflation	If inflation increases and bond yields increase, this will have a negative impact on the value of ACC's fixed-interest portfolios, as a large portion of our fixed-interest investments do not provide protection against inflation.
Poor returns in equity markets	Weak equity markets would likely result in a reduction in the value of ACC's investment portfolios, without a corresponding reduction in the OCL.
Poor investment returns	Other influences, such as credit defaults, a pandemic, a strengthening New Zealand dollar against foreign currencies and a worse investment performance than market benchmarks, can result in poor investment returns.

21 *The measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each Account. The funding position is expressed as a ratio of the assets divided by the liabilities for each Account. The calculation of the applicable assets and liabilities is defined in the funding policy.*

Allocating our funds

Each of ACC's Accounts splits its investment funds between an investment in ACC's short-term 'operational cash portfolio', used to meet near-term expenditure requirements, and its own longer-term 'reserves portfolio', set aside to meet the future costs of existing claims.

Asset allocations differ by Account. In determining these allocations, we consider the size and nature of claims liabilities, together with the assets available. Generally, Accounts with lower funding positions[21] and facing claims that go out into the future tend to have asset allocations more highly weighted towards equities. For example, the highest equity weighting is for the Non-Earners' Account, which has long-dated liabilities and a lower funding ratio than the other Accounts. The lowest equity weighting is for the Work Account, which has a higher funding ratio and comparatively shorter liability profile.

We allocate funds between distinct investment portfolios, each focused on different investment markets (global and domestic). We aim to add value both in how we allocate funds between different investment markets (i.e. asset allocation) and in how the portfolios perform within each investment market (i.e. active management).

External fund managers manage most of ACC's foreign assets. This provides another layer of expertise to ACC's portfolio and allows the team to focus on those areas that best align to our strengths.

The allocation of funds to different investment markets is directly linked to our objectives and risks. While it is not possible to fully offset all the long-term risks, we allocate funds between investment markets in accordance with our investment policy, which aims to keep these risks at a manageable level.

Allocating in New Zealand

We tend to invest a relatively large percentage of ACC's funds in New Zealand investment markets (refer 'Investing in New Zealand'), particularly fixed-interest assets with a long time to maturity. New Zealand fixed-interest assets match our claims liabilities better than the global fixed-interest markets. Overall, ACC has around 60% of the reserve portfolio assets invested in New Zealand.

The investment team actively manages almost all of ACC's investments in New Zealand investment markets and most of ACC's investments in Australia. This means the team aims to identify and take advantage of situations where some sectors or securities within their markets are being mispriced in relation to their risks and prospects.

We aim for consistent outperformance and seek to avoid exposing ACC to an above-average degree of market risk.

Reviewing the allocations

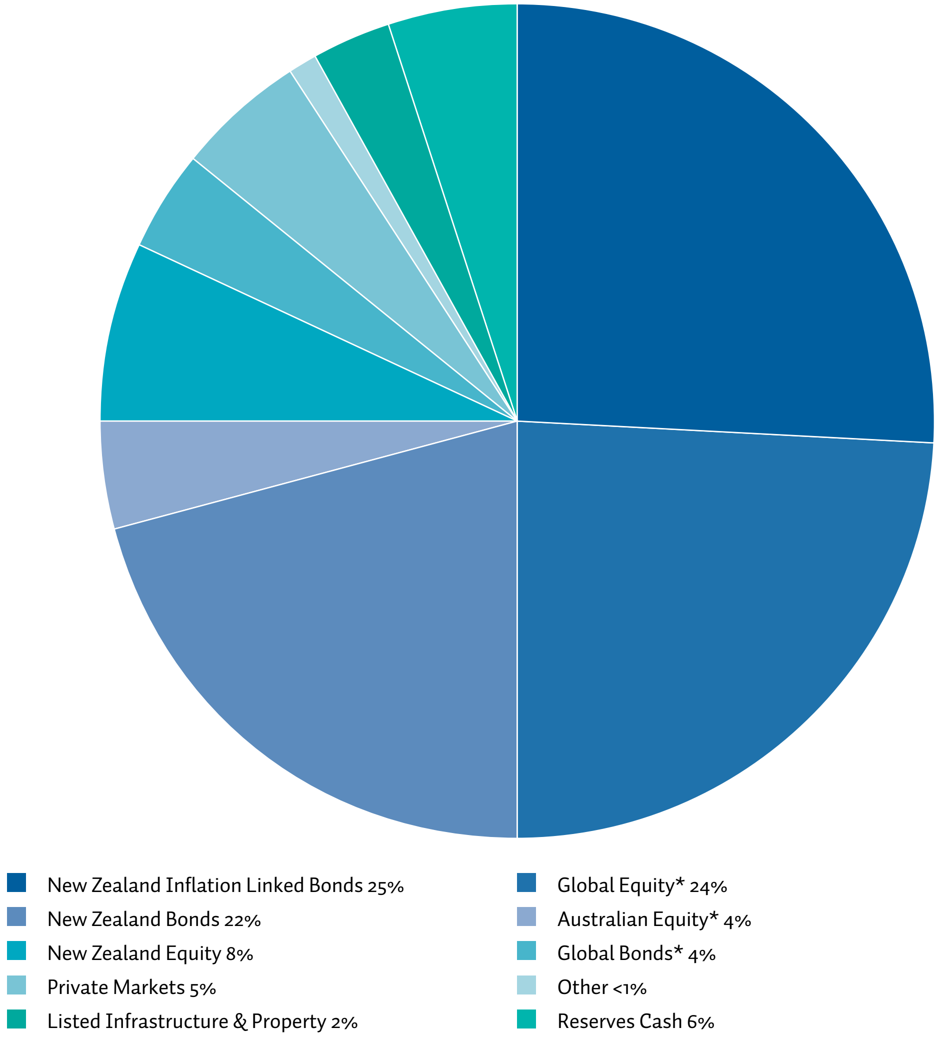
The Board's Investment Committee regularly reviews long-term benchmark investment allocations for each Account's reserves portfolio. These reviews consider both our long-term expectations for market returns and the need to limit the Accounts' various risk exposures. ACC aims to maintain a high level of consistency in how it evaluates the risk and return trade-offs from one year to the next, as over time inconsistency in our approach may result in lower long-term investment returns. The Investment Group may make short- or medium-term decisions to vary from the benchmark allocations, within risk-control parameters set by the Investment Committee.

Diversification of investments

Different categories of investment provide different risk-return profiles and add layers of diversification to the portfolio. The table below illustrates the types of investment ACC can hold in its investment portfolio.

Investments category	Types of investments
Cash	Cash, bank bills, deposits.
Debt	Government, corporate fixed income, investment and sub-investment-grade credit.
Equities	New Zealand, Australian, global and emerging market equities.
Private equity	Unlisted assets, private equity, venture funds.
Real assets	Infrastructure, real estate.
Overlay portfolios	Interest rate swaps, foreign currency, and futures.

GRAPH 10: COMPOSITION OF INVESTMENTS



* *Global Equity and Australian Equity slice includes effective exposure to equity markets obtained through futures contracts. Global Bond slice includes effective exposure to bond markets obtained through futures contracts. However, this pie chart has not been adjusted for the effective exposure to bond markets arising from the use of Interest Rate Derivatives as an asset allocation overlay. The manager benchmark effective exposure of Interest Rate Derivatives represented 4% of Total Reserves at the end of June 2021.*

Overlay portfolios

ACC also uses 'overlay strategies' to manage its exposure to different investment markets and to provide protection against factors that influence investment risk.

New Zealand interest rate derivatives	This overlay uses interest rate swaps. These are contracts where ACC receives a fixed interest rate and pays a floating interest rate. We run a New Zealand interest rate derivative overlay to mitigate declines in long-term real interest rates. This overlay generates revaluation gains when long-term interest rates decline. Despite this, ACC still has residual exposure to a decline in interest rates.
Global equity futures	These are exchange-traded contracts where the returns are linked to underlying equity market indexes (such as the S&P 500 Index for the United States). We regularly buy and sell global equity futures to readjust ACC's overall exposure to equity markets, as this is operationally cheaper than buying or selling equities. However, when we make a long-term decision to allocate funds in or out of equity markets, we ultimately implement this through the purchase or sale of physical equities.
Foreign exchange forwards	Some foreign exchange contracts allow investors to, in effect, 'lock in' the exchange rates at which foreign assets are converted to New Zealand dollars. We use foreign exchange forwards and cross-currency interest rate swaps to manage ACC's foreign exchange exposures. ACC's benchmarks specify a level of unhedged foreign exchange exposure, which is significant but is less than our total allocation to overseas markets. Our Investment Group may vary the extent to which ACC uses currency hedging (within predefined limits), such that ACC may have net unhedged foreign exchange exposures that are either higher or lower than this benchmark position.
Global bond futures	These are exchange-traded contracts where the returns are linked to the returns for holding bonds. We use global bond futures to adjust our overall exposure to interest rates. This can be operationally cheaper than either allocating funds in or out of bond portfolios or making changes to our New Zealand interest rate derivative position.

Managing our exposure – ACC gains credit exposure to counterparties when using derivative transactions like the above. We aim to only use derivatives when there are no equally good alternatives, or when the alternatives would be significantly more expensive for ACC.

Controls – Everything we do is subject to checks and balances. The Investment Committee has approved a set of credit criteria, including credit and portfolio limits for internally managed portfolios. These credit limits are designed to limit exposure to counterparties with a risk of defaulting when ACC seeks higher investment returns.

As ACC is a Crown Financial Institution, the Minister of Finance sets expectations on the use of derivative instruments through the annual Letter of Expectations to ACC.

ACC recognises and adheres to these expectations when using derivative instruments and within the control framework outlined above.

Investment performance – short term

10.57%
2020/21 RETURN (BEFORE COSTS)

8.53%
2020/21 BENCHMARK TARGET

10.44%
AVERAGE RETURN IN THE PAST 3 YEARS

		2020/21 financial year		Average past 3 years	
	$Million	Portfolio	Benchmark	Portfolio	Benchmark
Cash Portfolio	**268**	**1.00%**	**0.31%**	**1.79%**	**1.16%**
Reserves Portfolios by Asset Class:					
Reserves Cash	1,408	0.80%	0.27%	1.62%	1.08%
New Zealand Inflation Linked Bonds	12,839	-2.34%	-1.51%	7.45%	6.97%
New Zealand Bonds	10,920	-3.54%	-6.19%	5.80%	4.74%
New Zealand Equity	4,039	18.94%	15.68%	12.57%	12.81%
Listed Infrastructure and Property	1,278	16.68%	15.96%	11.18%	11.25%
Unlisted Property, Infrastructure and Private Equity[22]	2,494	30.19%		16.78%	
Australian Equity	2,218	29.86%	27.14%	10.15%	9.48%
Global Bonds	1,850	-1.71%	-3.14%	6.06%	4.92%
Global Equity	13,131	29.21%	28.86%	13.77%	13.94%
Interest Rate Derivative Overlay[23]	46	-0.30%	-0.53%	0.26%	0.38%
Equity Future Overlay[22,23]	141	-0.01%		0.06%	
Bond Future Overlay[22,23]	11	-0.03%		0.00%	
Foreign Currency Overlay[23,24]	-190	1.18%	1.12%	0.36%	0.30%
Total Reserves	**50,186**	**10.57%**	**8.53%**	**10.44%**	**9.88%**
By Funding Account:					
Earners'	12,293	12.97%	10.78%	10.91%	10.33%
Motor Vehicle	15,211	7.95%	6.01%	9.98%	9.47%
Work	11,541	9.18%	6.77%	9.46%	8.68%
Non-Earners'	5,384	16.16%	14.62%	12.54%	12.21%
Treatment Injury	5,757	10.64%	9.02%	10.85%	10.48%
Total Reserves	**50,186**	**10.57%**	**8.53%**	**10.44%**	**9.88%**

Please note: *For the purpose of this table, traded investments and performance are valued at last sale price (or at valuation, in the case of unlisted investments). The values of investments recorded in the financial statements are measured at fair value under IAS 39 requirements.*

This table shows investment returns after the deduction of some direct costs such as commissions (brokerage) and costs directly relating to the management of specific property investments. However, returns are shown prior to investment management costs of $71.11 million (including fees paid to external fund managers and the remuneration of ACC's investment staff), which detracted 0.14% from investment returns in 2020/21. ACC's investment returns are shown net of tax, whereas the benchmarks make no allowance for tax. However, as ACC is not liable for tax in New Zealand, offshore withholding taxes paid by ACC have reduced the calculated return by just 0.028%

22 *Benchmark returns are not shown, as there is no benchmark allocation for these asset classes.*

23 *The percentages in the 'Portfolio' columns show the contributions that these overlays made to the aggregate reserves portfolio return, rather than as a return on the funds physically invested in these derivative strategies. The percentages in the 'Benchmark' columns show the contribution that a 'benchmark-neutral' application of these strategies would have made to the benchmark for the aggregate reserves portfolio.*

24 *Foreign Currency Overlay shows the effect of foreign exchange derivatives used to adjust the foreign currency exposures of ACC's reserves portfolio. The benchmark return is calculated as the currency hedging that would have been required to maintain the currency exposures built into ACC's reserves portfolio benchmarks.*

We outperformed our market benchmark in 2020/21 by 2.04% (before costs), generating $1 billion of additional value for ACC. This was primarily because the majority of our portfolio managers achieved higher returns than their benchmarks.

The table below provides a summary of each of ACC's key investment areas.

Short-term investment performance

New Zealand debt	New Zealand long-term government bond yields increased by over 1% during the year, which produced lower bond prices. Given this, the New Zealand bond market delivered a reasonably substantial negative return; however, relative to benchmark ACC's bond portfolio had a significant level of outperformance given our active investing in long-term corporate debt and our management of interest rate risk following the COVID-19 outbreak.
New Zealand equity markets	The New Zealand market delivered strong returns for 2020/21. ACC's investments in New Zealand listed equities materially outperformed the benchmarks, with notable contributions from higher-than-benchmark positions in Contact Energy and Rakon and our underweight position in Fisher & Paykel Healthcare.
Global markets	Global equity markets were considerably higher during the year, with ACC's global equity asset class returning 29.12% (unhedged, New Zealand dollars). Our investments in global equities outperformed their benchmarks. There was strong performance in most portfolios. In general our external managers that performed well in the first few months of the year had a more challenging period for the remainder of the year, as investors shifted their focus from high-quality businesses with good growth prospects towards companies that were numerically cheap. Conversely, our external managers that had a challenging start to the year outperformed in the remainder of the year. Six of the global equity portfolios outperformed their benchmarks, with two equity portfolios underperforming their indexes
Private market investments	The private market portfolios generated a 30.19% return in 2020/21. ACC's private market investment activities span property, infrastructure, private equity and debt and more recently have commenced impact investing in the health and safety sector. ACC holds assets in Australasia both directly and in funds.
Asset allocations	Around 0.10% of value was added from the difference between asset class weightings and the corresponding weightings for the strategic asset allocation benchmarks. However, this was more than offset by a negative return impact of 0.34% from using global equity managers that tracked a different benchmark than the one we use to measure the asset class. This included the use of a lower-than-market risk benchmark for one of the managers.
Australian equity	The Australian market rose considerably during the year. Both of our internally managed Australian equity portfolios delivered 29.86%, well ahead of their benchmarks of 27.14%.

Investment performance – long term

10.07%

RETURN SINCE 1992

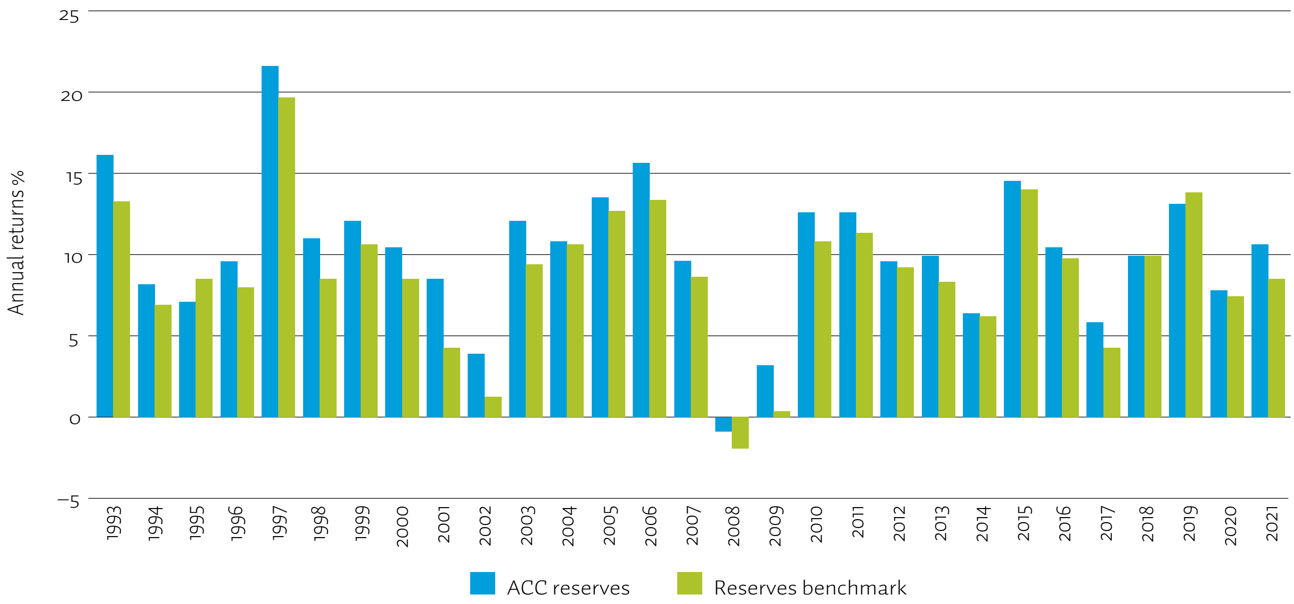
$1,615

GROWTH OF $100 SINCE 1992

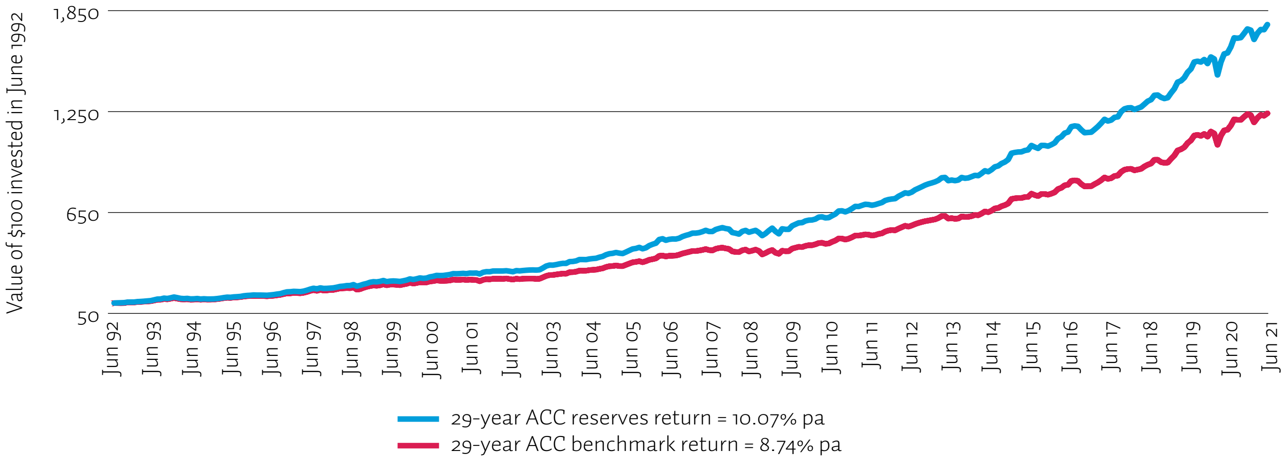
The investment portfolio has outperformed its benchmark for 27 of the past 29 years. ACC's consistent outperformance has been achieved by a unique group of highly dedicated and specialist individuals.

The consistency of ACC's historical investment performance has helped ACC to achieve compound returns from the reserves portfolio of more than 10% per annum for the past 29 years, which is higher than ACC could have achieved by passively investing in any of ACC's benchmark indices.

GRAPH 11: ACC FINANCIAL YEAR RETURNS AGAINST BENCHMARK

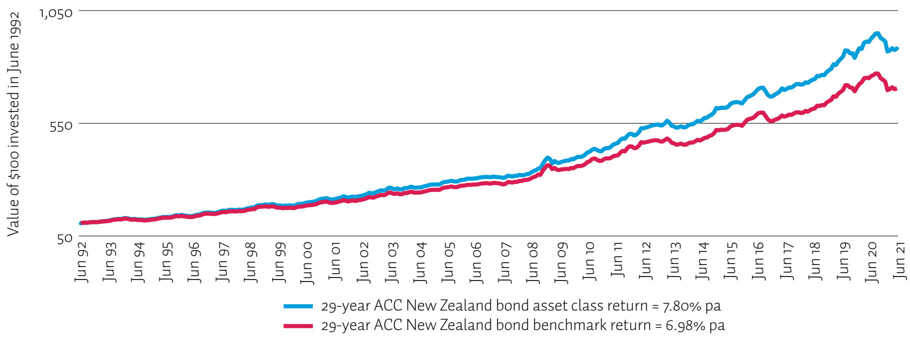


GRAPH 12: ACC 29-YEAR RESERVE PORTFOLIO RETURNS



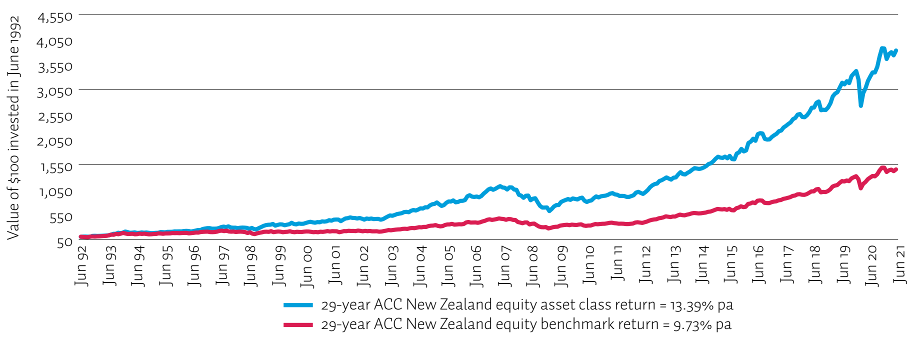
The **New Zealand bond** portfolio has outperformed its benchmark in 27 of the past 29 years.

GRAPH 13: ACC 29-YEAR NEW ZEALAND BOND RETURNS



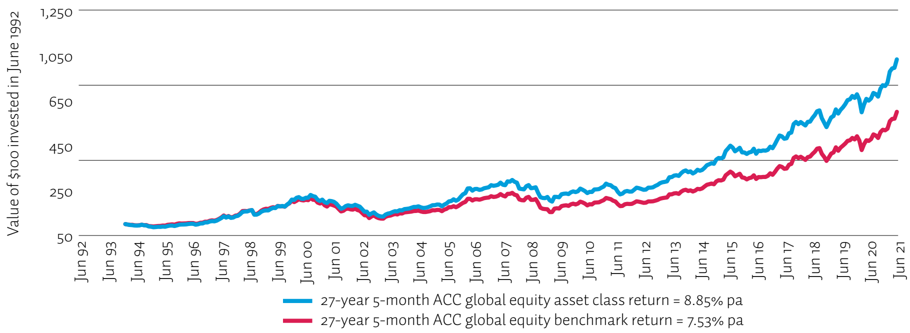
The **New Zealand equity** asset class has outperformed its benchmarks in 23 of the past 29 years.

GRAPH 14: ACC 29-YEAR NEW ZEALAND EQUITY RETURNS



GRAPH 15: ACC 27-YEAR 5-MONTH GLOBAL EQUITY RETURNS

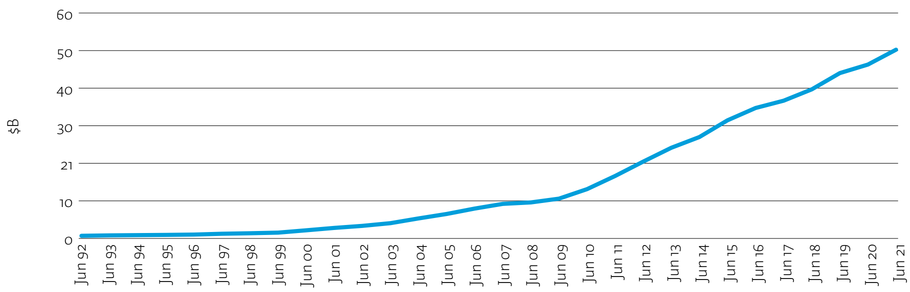
The **global equity** asset class has outperformed its benchmarks in 19 of the past 27 years.



GRAPH 16: VALUE OF ACC'S RESERVE PORTFOLIO ($ BILLION)

ACC's reserves portfolio has increased in value by 8.54% from $46.2 billion last year to $50.19 billion at the end of June 2021. The growth is the net impact of investment returns, offset by withdrawals ($910 million) for operational cash-flow needs.

Please note: *For the purpose of this graph, traded investments and performance are valued at last sale price (or at valuation, in the case of unlisted investments).*



Investments returns

Future investment returns

We expect future returns to average around half of what has been achieved historically (ie less than 5% per annum rather than the 10% historically achieved). This is because interest rates are now at low levels, and other investment assets such as equities are starting from high valuation levels.

The likelihood of negative returns

ACC has had only one instance of a negative overall investment return in the past 29 financial years. However, for the same reasons that we expect future investment returns to be lower than historically, the likelihood of negative returns has increased. With lower expected investment returns from fixed-interest assets, there is now less of an income buffer to absorb negative shocks. Going forward, we expect a negative return about once in every three years.

The two primary factors that drive the risk of negative returns are:

- a rise in bond yields. However, ACC's overall financial position would improve as a result, as the claims liability would decrease by an even greater amount than the decline in investment returns
- a general decline in foreign and domestic equity prices. Using current allocations for ACC as a whole, a decline of around 3.5%, over a financial year, would be far enough below our current expectations to offset the expected returns from other assets.

Investing in New Zealand

ACC is one of the largest investors in New Zealand companies. ACC owns about 2.7% of the market capitalisation of the New Zealand sharemarket. This rises to about 3.7% of the available shares if we exclude strategic shareholding blocks (such as the Government's shares in the gentailers) from the calculation.

ACC holds an even greater proportion of New Zealand sovereign investment-grade bonds. For example, ACC owns around half of the inflation-indexed bonds that have been issued by the New Zealand Government and other material holdings in New Zealand government bonds.

ACC's investments in individual companies or securities are generally too small to significantly affect total investment returns in a single financial year. ACC holds six equity investments that individually represent more than 0.5% of the reserves portfolio (i.e. greater than $251 million).

Note that in the below table, the largest holding, Kiwi Group Holdings, is an unlisted investment, it being the parent company of Kiwibank. ACC and the New Zealand Superannuation Fund jointly made this investment in Kiwi Group Holdings in October 2016 and contributed further capital to Kiwi Group Holdings in April 2017.

ACC holds most of its top-10 equity investments in companies or trusts listed on public stock exchanges. An exception is our investment in Kiwi Group Holdings.

The only individual credit exposures representing more than 1% of the reserves portfolio are to the New Zealand Government, Housing New Zealand and two banking groups.

Only one of ACC's direct property investments represents more than 0.5% of the reserves portfolio. ACC's largest property investment is industrial land and warehouse buildings located in Wiri, Auckland and valued at $257 million.

ACC's 10 largest equity investments at last price (as at June 2021)	$NZ million
Kiwi Group Holdings (holds Kiwibank)	452.69
Alphabet (Google)	353.64
Fisher & Paykel Healthcare	294.66
Microsoft Corp	279.59
Meridian Energy	273.54
Auckland International Airport	261.01
Contact Energy	246.32
Infratil	243.67
Samsung Electronics	225.60
Spark New Zealand	223.88

Ethical investment

OUR ETHICAL INVESTMENT POLICY

ACC aims to conduct its investment activities in an ethical manner that avoids prejudice to New Zealand's reputation as a responsible member of the world community.

ACC works closely with the Guardians of New Zealand Superannuation and the Government Superannuation Fund Authority on all aspects of ethical investment and is a signatory to the Principles for Responsible Investment (see ***www.unpri.org***).

ACC has a legal requirement to invest as a trustee, which implies a fiduciary responsibility to achieve the best possible mix of long-term return and risk on its investment funds. So while ACC recognises that significant numbers of New Zealanders may believe that various other activities are unethical (for example, involvement in gambling, fast food, sugary soft drinks, alcoholic beverages or factory farming), ACC would be unlikely to impose a blanket exclusion on investing in these activities unless New Zealand's Parliament passed laws to ban these activities in New Zealand. When New Zealand's Parliament does ban an activity, ACC will presume that Parliament's decision reflects the majority view of the New Zealand public. In addition to avoiding investments in companies that engage in activities that are contrary to New Zealand law, we will never make any form of investment that is in itself illegal under New Zealand law.

In addition to excluding investments in specific types of activity, ACC will occasionally exclude companies that it believes are behaving in an unethical manner, if there seems to be little chance that the companies will change this behaviour. In these cases, ACC will typically discuss its concerns with the companies before we make any final decisions to add them to our exclusion list. We hope that, in many cases, the board or senior management of a company will seek to improve their company's behaviour when they recognise that some aspect of how they have been conducting their business is attracting unfavourable attention from large investors such as ACC.

ACTIVITIES THAT WE WILL NOT INVEST IN

ACC seeks to avoid investing in entities that engage in activities that would be illegal if they occurred in New Zealand. This is why we avoid investing in the following areas:

- Production of cannabis-based products.
- Production or sale of anti-personnel land mines that are not compliant with the Anti-Personnel Mines Prohibition Act 1998.
- Production, design, testing, assembly, or refurbishment of nuclear explosive devices.
- Production or development of cluster munitions.
- Processing of whale meat.
- Production of automatic or semi-automatic firearms for civilian use.
- Mercenary activities.
- North Korean munitions.
- Coal-mining companies that get more than 30% of revenues from thermal coal.
- As a health-focused agency, ACC also avoids investing in companies involved in the production of tobacco. We recognise that while tobacco is still legal in New Zealand it is also greatly discouraged by New Zealand public policy.

CLIMATE CHANGE AND CARBON REDUCTION

ACC takes its responsibilities regarding climate change and sustainability seriously. We are continuing to take action that demonstrates this.

In June 2020 we set a target of reducing the carbon intensity of our investments in equities by at least 50 % by 2029/30, as compared with the 2018/19 levels, and ultimately to net zero by 2050.

These targets align with the Climate Change Response (Zero Carbon) Amendment Act 2019. The targets will be subject to review as we move towards net zero, and in light of progress and other developments.

We have also excluded coal mining companies in our Investment Universe that generate greater than 30% of their revenues from thermal coal.

ACC supports the transition to a lower-carbon economy and supports companies heading in that direction.

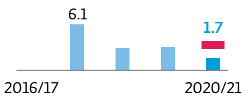
Organisational health and capability

People

Total recordable injury frequency rate

2020/21 Target met

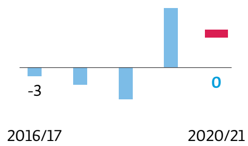
1.7



Employee net promoter score

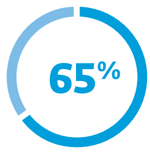
2020/21 Target not met

0

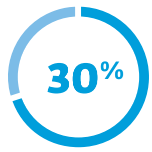


Workforce profile

We have
3,813
permanent and temporary staff



Women



Men

Gender diverse/ prefer not to say

Our people

50%
of our board members are women

48%
Senior employees (Tiers 3 and 4) are women

12%
of our people indicated a disability via survey

40.1
is the average age of our people

40%
of our Executive are women (Tiers 1 and 2)

13%
of senior employees (Tiers 3 and 4) identify as being Māori

15.9%
median gender pay gap[25]

Ethnicity profile of our people via survey[26]

75%	**11%**	**13%**	**6%**	**10%**
European	Māori	Asian	Pasifika	Other ethnicity

25 *This measure is based on the Ministry for Women's methodology and is from our Pay Gap Report 2020.*
26 *Ethnicity sums to more than 100% as employees were able to select more than one ethnicity.*

Improving health, safety and wellbeing

We are committed to providing a safe and healthy working environment for our employees. Our injury frequency rate further improved during 2020/21 and was better than our target for the year. This was due to the continued strong engagement we have with our people through our health and safety representatives, wellbeing champions and leaders. We also continue to partner with our providers to support the effective management of health and safety risks.

Enhancing employee engagement

Our employee engagement, as measured via the Employee Net Promotor Score (eNPS), reduced during the year from the high level we experienced during the COVID-19 lockdown in 2019/20. This was typical of many organisations and indicated the challenges our workforce faced during a year of adaption to both internal and external change. While our eNPS was lower this year, the overall trend of eNPS in the past four years has been a positive one as we continue to implement initiatives to improve the experience for our people.

Embracing flexible working

During the year, we implemented a 'new normal' way of working. This means that the option of working from home for up to two days a week is available for most of our people. It followed numerous trials across our workforce of various flexible work arrangements to ensure they were great for our people, our customers and our partners.

We also consolidated our property footprint for our corporate employees by introducing new ways of working within the office environment. We introduced flexible desking across teams and created a range of work zones to enable quiet working, on-line meetings and various forms of collaboration. These changes have created a more vibrant and fit-for-purpose work environment for our people and have resulted in property cost savings.

Building a performance organisation

In the past year we have shifted our focus from 'transform' to 'perform'. To enable this, we have reviewed, and in some cases, redesigned senior leadership roles within the Executive, Operations and Customer teams. These changes will further improve our ability to deliver performance outcomes and to continually improve for our customers.

We have also continued to embed and refine our agile delivery capability. This has included implementing cross-functional governance across ACC's core areas of value delivery.

A workforce that reflects our customers

We are committed to creating a diverse and inclusive workplace at ACC. We recognise that diversity helps us to better connect with customers, to attract great employees and to create a more engaged workforce.

ACC once again received the Accessibility Tick[27], which recognises our commitment to accessibility. We continue to progress multiple actions to further improve our support for disabled employees and customers.

We commenced our first Māori Leadership Programme, Te Hihiri, with 16 emerging and aspiring Māori leaders from across ACC. This programme is part of our commitment to addressing the underrepresentation of Māori in leadership roles within ACC. Further details are included in the Whāia Te Tika section on *page 28*.

ACC has been actively building its cultural capability to support an inclusive workforce and to improve ACC's ability to support our Māori customers. Te reo classes are available for all employees and 530 employees have undertaken them. Workshops have been held with senior leaders to understand ACC's Treaty obligations and to use ACC's kaupapa Māori guidelines in planning and executing mahi. We recently invited all Māori staff to hui held in four locations around New Zealand. Employees received an update on our Whāia Te Tika strategy to support Māori clients, contributed to planning future initiatives and provided feedback on how ACC could further improve the experience of Māori employees.

We are starting to see the results of recent initiatives to increase the proportion of new employees who are Māori or who have disabilities. As part of the application process for new roles at ACC, candidates are invited to share their ethnicity and disability information. This is used by our recruitment team to proactively include diverse candidates in the shortlists for interviews. This has resulted in more diverse candidates being interviewed for roles with ACC. Our employee-led networks have grown with the addition of two new networks this year. We now have six networks. Our networks help to promote the inclusion and support of diverse employees, and 15-20% of our total workforce is connected to one or more of our networks.

ACC's progress with diversity and inclusion has been recognised externally with ACC being nominated as a finalist in the Diversity Awards NZ in the category of inclusive workplace.

27 ***www.accessibilitytick.nz/***

Employee networks

We also continue to support the goals and activities of our six employee networks.

Approx. 42 Members

Te Whānau Uenuku ki

ACC Pride@ACC

To ensure LGBTQIA+ people are safe, visible and valued by ACC.

Approx. 300 Members

Te Aka Wāhine

Women's Network

To support the development, advancement and engagement of a gender-balanced workforce, encourage equality for all and enable women to achieve their personal and professional goals.

Approx. 40 Members

Te Whānau āhei ki ACC

Ability@ACC

To ensure disabled people are safe, included and valued, personally and professionally at ACC.

Approx. 90 Members

Te Tira Mārama

Cross-cultural Network

To ensure people and their cultures are recognised, respected and celebrated at ACC

Approx. 60 Members

Wairua o te Hinengaro

The Mind Network

To ensure people impacted by mental health complexities and neurodiversity are supported, enabled and celebrated at ACC through education and advocacy.

Approx. 300 Members

Te Kōtuitui Tāngata Kaimahi

Māori Network

To foster a mana-enhancing environment and advocate for the Māori voice. We will honour our ancestors by strengthening our collective Māori identity through whanaungatanga because we want to better serve our whānau, hapū and iwi. We are proud to be Māori

Reducing our gender and ethnic pay gaps

During the year, we reviewed all gender pay gaps within our pay grades and proactively addressed the one grade where a gap existed. However, our median gender pay gap is still wider than desired[28].

This is mostly due to our workforce having an over-representation of females in front-line roles and a slight under-representation of females at senior levels and in some functional areas. Due to this mix, our overall median pay gap increased slightly during the year due to an increase in the proportion of women in frontline roles compared to senior roles across ACC.

As part of planning for our 2020/21 annual remuneration review we have ensured our approach will help to reduce the gender pay gap.

We also monitor our ethnic pay gaps. Our overall median pay gap for Māori is 5.95%. Our diversity and inclusion initiatives are expected to help reduce this.

Papa Pounamu

Papa Pounamu was established in 2017, to bring together diversity and inclusion practices across the Public Service and to support Public Service Chief Executives to meet their diversity and inclusion obligations and goals. The Papa Pounamu work programme has five priority areas of focus. These five areas work together to create positive impacts across all diversity dimensions.

28 *More information on ACC's gender and ethnic pay gaps can be found at* ***www.acc.co.nz/assets/corporate-documents/gender-pay-gap-report-2020.pdf***

The following table provides information on how we are delivering these priorities across ACC.

Priority area	What we have delivered
Cultural competence	• 323 of our staff have completed the Kaupapa Māori Guidelines workshop. The workshop explores what kaupapa Māori is, how we apply it to our mahi and unconscious bias. • Our Māori Cultural Capability Roadmap outlines our approach to raising this capability across ACC, jointly led by the Pae Ora and Talent teams. • The Wall Walk[29] has been delivered over 10 times to our people, including a session for our Enterprise leaders and Executive.
Addressing bias	• Talent Management conversations in 2020/21 have included a focus on identifying high achievers from Māori backgrounds and supporting their development. Talent Management conversations in 2021/22 will assess progress in supporting these individuals. • We have launched a leadership programme to prepare Tier 4 leaders for Tier 3 positions. Preference has been given to applicants from ethnic-minority backgrounds. • We have launched a new qualifications approach, encouraging applicants to self-identify learning suitable for their own development. This has been oversubscribed, with preference given to applicants from four groups: Māori, Pasifika, disability and no previous tertiary qualification. • Our two new office builds include a quiet/prayer room, a parents' room and a wellness room. • Diversity and inclusion user stories have been incorporated into the build of our new HR, procurement and finance system, which is currently under development. • We have embraced flexible working and our employees can choose to work from home for up to two days a week. • We have taken several steps to address potential bias in the recruitment process: – Recruitment teams ensure shortlists have appropriate diversity representation. This includes a particular focus on increasing the representation of Māori and people with disabilities, who are underrepresented in comparison with our customer base. – We track candidates who are Māori and/or have disabilities through the recruitment stages to identify any potential bias concerns. – We have introduced accessibility and whānau interview guidelines. – We have recruitment goals for Māori and people with disabilities and share results with the Executive team. – Our recruitment team discusses the potential for diverse candidates at the job briefing stage. – We have made our job advertisements and role descriptions more accessible.
Inclusive leadership	• Te Hihiri, our kaupapa Māori leadership programme for Māori staff, has been launched to support more Māori into leadership positions within ACC. • There was deliberate recruitment for a more diverse Executive. • Our new Respectful and Inclusive Workplace Policy, outlines expectations of leaders in creating an inclusive workplace.
Building relationships	• Our Accessibility Toolkit has streamlined how our people access the equipment and other supports that allow them to be successful at work. • Sessions on mental wellbeing are provided for our leaders. • We have hosted hui across the country for our Māori employees and fed their insights into our Māori Cultural Capability Roadmap • Health, safety, and wellbeing innovation grants are provided for teams to self-identify projects for improving the wellbeing of their teams
Employee-led networks	• We have six employee-led networks all with an executive sponsor, as described on *page 77*. • The network leads meet every two months, chaired by the Executive sponsor of the network. • Budget is provided for the networks. • Our networks have led and provided input to: – speaker sessions – the upgrade of the parents' room in corporate office – sponsorship of the Cross- Agency Rainbow Network conference in 2021 – the creation of a Rainbow learning module – pronouns in emails – stories for Transgender Awareness Week, Mental Health Awareness Week and the International Day of People with Disabilities – feedback into accessibility of our new buildings – a Cross-Cultural Cookbook

29 ***www.thewallwalk.co.nz***

TABLE 4: 2020/21 PEOPLE ACHIEVEMENTS

Objective	What we set out to deliver	Result
Our workforce reflects New Zealand's diversity.	We will support ACC's Whāia Te Tika strategy through building the cultural capability of our people and increasing the representation of Māori employees within our workforce.	Achieved
	We will implement talent sourcing strategies that increase the representation of employees with a disability at ACC and model this to other employers in New Zealand.	Partially achieved and ongoing
We have highly motivated, capable leaders.	We will increase the number of ready successors we have for our key senior roles and we will support new appointees to these roles to transition successfully.	Achieved
We make our environments and those we have influence over injury-free.	We will continue to mature our Health, Safety and Wellbeing culture by progressing actions in our 2019-2021 Health, Safety and Wellbeing strategy.	Achieved
Our people are capable and are proud to be part of ACC.	We will support our people to adopt new capabilities, technology and ways of working to deliver our key organisational initiatives.	Achieved
	We will re-engage and re-energise our workforce with ACC's purpose, strategy and customer focus as we move from our transformation phase into our focus on ongoing performance and improvement.	Achieved
	We will improve our ability to hire and on-board new people at ACC to improve efficiency for people managers and ensure new people at ACC have everything they need for a smooth start.	Achieved
Our organisation design and our practices facilitate high performance now and into the future.	We will support ACC's move to increased organisational agility through effective change management, alignment of people processes, organisational design and workforce planning.	Achieved
	We will continue to mature our ability to effectively manage the cumulative impact of change on our people across our portfolio of change activity.	Achieved

Good employer activities

As a Crown entity, ACC is required to be a 'good employer' by providing safe working conditions and equal opportunities for employment and employees. Our activities under the seven elements of being a 'good employer' are set out below:

Element	Our activity this year
Leadership, accountability and culture	• Organisational values and behaviours are reinforced through our induction and leader-led conversations to support ACC's culture. • Regular Engagement and Pulse surveys provide leaders with feedback from their people on their effectiveness. • Talent management processes to review leadership effectiveness and identify opportunities to develop further capability and increase diversity in leadership. • Performance Development Cycle enables the setting of clear objectives for all employees each year, with regular feedback on progress. This was reviewed during the year to further improve effectiveness.
Recruitment, selection and induction	• Robust recruitment and selection processes are in place to attract capable applicants and to ensure consistent decision-making. • Proactive inclusion of diverse candidates on selection shortlists. • Use of broad assessment and selection tools to encourage diversity in age, ethnicity, gender and disability. • Partnerships with Waikato Tainui, TupuToa and Workbridge to support recruitment of Māori and people with disabilities, including an internship programme. • Diversity statement on our careers website and in job advertisements, which was revised during the year. • Effective on-boarding through standardised e-learning material and leader toolkit.

Continued ...

Element	Our activity this year
Employee development, promotion and exit	• Transparent performance development and remuneration framework in place with tools and resources to support employees and leaders. • Opportunities for our people to gain graduate or postgraduate qualifications through ACC sponsorship, with a focus on support for disadvantaged groups. • Comprehensive range of training programmes available to employees. • Grow@ACC portal allows employees to create their own development plans and access curated learning content on a wide range of relevant topics. • Accessibility guidelines in place with our learning team to ensure employee development programmes are accessible to all employees. • Significant internal promotion opportunities, with roles and secondment opportunities advertised internally. • Reviewing employee turnover trends and reasons for exit to identify improvement opportunities.
Flexibility and work design	• Introduced a 'new normal' way of working for employees to work up to two days a week from home. • Introduced 'modern workplace' ways of working in some locations, including 'flexible desks' and a range of collaboration, team and quiet zones. • Organisation-wide flexible working policy. • 'Dress for your day' guidelines to allow people more flexibility. • Parent rooms in key locations, which are seen as a benchmark for other organisations. • Strong focus on diversity and inclusion, including inclusive work practices.
Remuneration, recognition and conditions	• Our people have access to a range of financial and non-financial recognition options through our recognition system. • Transparent and equitable job evaluation and remuneration practices. • Actively enabling staff participation in contractual arrangements as part of collective bargaining with the Public Service Association and the Association of Salaried Medical Specialists. • Monitoring gender pay equity and ensuring equity within pay bands.
Harassment and bullying prevention	• Employee Code of Conduct and relevant policies available at all times. • We actively seek and encourage employee feedback and participation in all EEO-related matters, particularly as part of collective bargaining. • One of ACC's four core behaviours is 'inclusive'. It sets an expectation of a respectful and collaborative work environment. • Development of Respectful and Inclusive Workplace policy in partnership with our employee networks. • Our guidelines align with Te Kawa Mataaho Public Service Commission guidelines on bullying and harassment prevention.
Safe and healthy environment	• Strong employee representation and involvement in health and safety committees and initiatives. • Strong culture of reporting near misses and incidents so that learning and prevention can occur. • Health and safety learning modules for all employees, with ongoing safety alerts, recognition and initiatives to support a safe and healthy environment. • New learning module for leaders introduced during the year. • 'Safe Kiwis' awards reward individuals and teams for outstanding health, safety and workplace behaviours and introduction of new safety initiatives. • Small innovation grants for teams to implement new health, safety and workplace initiatives. • Effective management of key health, safety and wellbeing risks through a structured approach to identification, control and monitoring. • Comprehensive wellbeing programme, which has been tailored to our environment throughout the year, including: – flu vaccinations – Employee Assistance Programme and professional supervision support programme – ergonomic workstation assessments and sit/stand desks across ACC – support for employees with disabilities and other needs.

Case study

ACC has been named a finalist in Diversity Works' 2021 Diversity Awards NZ, in the Inclusive Workplace category.

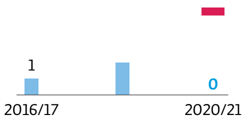
We have been recognised for the mahi across ACC that demonstrates good practice in workplace diversity and inclusion that benefits our people. Being recognised as a finalist is a great achievement. Our initiatives to date have created a more diverse and inclusive place to work. They include: our Employee Networks; the creation of accessibility standards for new learning materials: and the introduction of 'dress for your day', a more relaxed dress code to allow people to express themselves more freely. We have also reviewed all gender pay gaps within our pay grades and proactively addressed the one grade where a gap existed. We know we still have opportunities to improve, but this is great recognition of the journey we are on and the progress we are making.

Information

The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer's privacy matrix).

2020/21 Target met

0 category 3, 4 or 5 privacy breaches or near misses



Managing the privacy of our customers

ACC is the custodian of a wide range of personal, confidential, and sensitive information. We use this information for a variety of purposes associated with our statutory obligations, for example, to help us calculate weekly compensation entitlement. Sometimes we need to share it with third parties, for instance, when we report payday filing to Inland Revenue.

The effective management of this information is an essential element in maintaining the trust of New Zealanders. Fundamental to all our relationships is the need for our customers to have confidence that their personal information is collected appropriately, stored securely and only disclosed with appropriate authority, and can be accessed by them when needed.

Our people are committed to treating customer information as if it were their own. To support them, we have designed processes and systems to both minimise the possibility of privacy breaches and continually improve our privacy performance.

We have a long-established process for recording breaches and near misses. This includes completing a root-cause analysis of every breach to understand what improvements should be made to prevent further occurrences. Breaches are also assessed against the Government Chief Privacy Officer's five-level privacy impact matrix and the new Privacy Act 2020's breach reporting regime[30]. This year we have had no breaches at impact level 3 or above.

We also track the number of privacy complaints that are made to the Office of the Privacy Commissioner. During 2020/21 six privacy complaints were notified to us. This was three fewer than last year. Three of the complaints received in 2020/21 were dismissed and three were upheld.

The Next Generation Case Management Model was developed using a privacy-by-design approach that embedded good privacy practices in all new systems and processes. This was delivered through a tailored communication programme and an on-the-ground presence with our front line.

We have now published three Transparency Reports outlining how ACC shares client information for non-claim-related reasons and where there is a legal authority to do so, such as when safety is at risk or it is necessary to protect the integrity of the Scheme and detect fraud.

We have now established a centralised Safety Response team (refer *page 40*) which shares information with our partner agencies. This allows the provision of consistent, coordinated responses to assess and manage family violence risk.

Following extensive consultation, we are revising our privacy statement. The statement informs our clients how and why we collect personal information, who we share it with and their rights to access and correct it. We aim to improve readability and introduce concepts of Te Ao Māori, so that the statement better meets the needs of our clients. It will also better reflect client experiences and incorporate the Social Wellbeing Agency's Data Protection and Use Principles.

We have implemented the provisions of the Privacy Act, in particular the new compulsory breach-reporting obligations, which match closely our existing reporting and notification practices.

An Approved Information Sharing Agreement with Inland Revenue is being expanded to meet the information needs of both parties and is now expected to be implemented in 2021/22.

We strive to be fair, open and transparent, and are committed to making information available under the principles of the Official Information Act 1982, unless there is a good reason to withhold it.

30 **www.snapshot.ict.govt.nz/resources/digital-ict-archive/static/localhost_8000/assets/Guidance-and-Resources/Privacy/Reporting-privacy-breaches.pdf**

TABLE 5: 2020/21 INFORMATION ACHIEVEMENTS

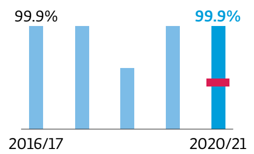
Objective	What we set out to achieve	Result
We enable safe and appropriate sharing of information.	We will have further protected our customers' information by rolling out important updates to our systems, and invested to ensure our systems have the capacity to meet predicted future demands.	Achieved
We are custodians of customer information.	We will have developed a Third Party Privacy Management model. This will contribute to improving privacy maturity amongst out provider network, helping us to better identify any areas of privacy risk and report as necessary.	Achieved
We enable the appropriate sharing of information across government.	We will have implemented an Approved Information Sharing Agreement between ACC and Inland Revenue. This will improve transparency and ensures the agreement meets the Office of the Privacy Commissioner's preferred framework	Partially achieved and ongoing
We have an organisation-wide strength in analytics.	We will generate value from ACC's business analytics platform by applying new advanced analytics and anomaly-detection capability to areas that generate the greatest return, with a focus on fraud, waste and abuse detection and anticipating client needs to ensure services best support recovery outcomes.	Achieved

Technology

Overall operational system availability

2020/21 Target met

99.9%



With modern technology comes improved functionality, enabling our people to deliver services and support better outcomes for our clients more efficiently.

Stable and secure technology platform

ACC requires stable and secure systems to ensure it can deliver its day-to-day services to clients, customers and providers. Our system stability has been maintained at 99.9% this year.

Essential maintenance and upgrades have continued to ensure that systems remain stable and available. We also continue to maintain and improve our resilience to the ever-increasing cyber threats.

ACC continues to replace legacy technology with more modern systems and platforms, including transitioning datacentres and moving more services to the cloud, improving system interoperability and scalability.

Internal enhancements are also underway with the introduction of a new cloud-based corporate enterprise resource planning system that will replace our existing back-office finance, HR and procurement systems; and the implementation of a cloud data platform to provide reporting, insights and analytics for monitoring and decision-making.

Delivering a better customer experience

Since the introduction of MyACC for clients in 2018, its uptake has continued to grow. (As at 30 June there were almost 150,000 clients registered with MyACC.) New functionality and features are continually being added, improving the user experience for our clients, business customers and health providers.

This year we completed the migration of client payments to EOS, our claim-management system, and decommissioned our legacy client-payment system. The client-payment changes have enabled faster weekly compensation payments and improved functionality for our people, clients, employers and government agencies.

We also implemented updates to EOS, enabling system deployments to occur without system outages. This means we can now deploy changes more often without affecting our clients.

Continuous Delivery

ACC has adopted Continuous Delivery as the main vehicle for change across the organisation. There are nine delivery streams working to better integrate and manage change across the business.

This has introduced new ways of working for the teams and improved collaboration, trust and transparency in change across the organisation. Business needs now drive investment prioritisation and the organisation of resources to complete work in the most optimal way. The model also enables us to test and deliver functionality in a more agile way.

Better tools for our people

We have continued to introduce new tools and functionality to enable our people to better collaborate and communicate and deliver services securely and remotely.

We have upgraded to Exchange Online, which provides seamless integration between Microsoft 365 tools. We also introduced our new ACC internal intranet site 'Te Pataka', a cloud-based SharePoint site that provides guidance, news and information on events to our people.

As at 30 June 2021, 88% of ACC staff have mobile devices that allow them to work remotely, and the remaining 12% of staff have access to remote virtual-desktop solutions.

This has enabled us to respond quickly to changes in New Zealand COVID-19 alert levels. As a result, ACC has significantly improved its business continuity resilience.

Cross-government collaboration

Work continues with the broader health sector and government agencies to identify the need for, deliver and support information and technology initiatives.

We have been working on our digital identity to help resolve common challenges and deliver better services, shared datasets and better interoperability.

TABLE 6: 2020/21 TECHNOLOGY ACHIEVEMENTS

Objective	What we set out to achieve	Result
We maintain safe, secure and stable information technology.	We will have continued to maintain the stability and security of our information technology by implementing an appropriate maintenance programme and ensuring that our suite of technologies remains well integrated.	Achieved
Our technology empowers our people.	We will have rolled out minor enhancements to our systems, allowing our operational teams to deliver services efficiently to our customers and improving our clients' experiences and outcomes.	Achieved
Our technology enables our digital aspirations.	We will have continued to enhance our digital environment, allowing us to have: • automated manual tasks and processes to remove friction and improve the quality and timeliness of payments, data and services • increased the range of assisted and self-service options so that our customers can choose the best options to suit their needs • worked collaboratively with our providers to ensure that our solutions integrate seamlessly with their ways of working.	Achieved
We create and maintain an adaptive technology environment.	We will have continued to develop our adaptive technology environment by: • implementing a range of modern technologies, supporting ACC to better manage performance and customer service delivery • reducing legacy and customisation of our core systems to provide more flexibility and agility.	Achieved

Governance and managing risk

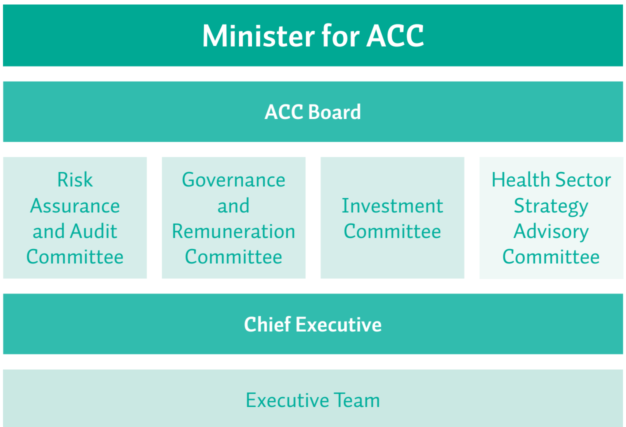
Governance

ACC Board and governance framework

ACC is committed to excellent corporate governance processes and practices and continues to work towards best practice in this area.

ACC is governed by a Board of up to eight non-executive members, each appointed by the Minister for ACC for up to three years.

FIGURE 2: GOVERNANCE STRUCTURE



The Board has the authority to exercise ACC's statutory powers and perform its functions. The Board may only act for the purpose of performing ACC's statutory functions.

Board members are accountable to the Minister and to ACC for the performance of their duties. The Board's governance role is largely governed by the provisions of the:

- Crown Entities Act 2004
- Accident Compensation Act 2001
- Public Service Act 2020
- Public Finance Act 1989
- Health and Safety at Work Act 2015
- Climate Change Response (Zero Carbon) Amendment Act 2019.

These Acts include the following elements:

- Maintaining appropriate relationships with the Minister, Parliament and the public.
- Ensuring ACC's compliance with the law, ACC's accountability documents and relevant Crown expectations.
- Ensuring that ACC is a good employer and creates an environment that promotes the highest standards of safety and wellbeing, both for its employees and for the communities it serves.
- Setting strategic direction and developing policy on the operation and implementation of the legislation.
- Maintaining the financial viability and security of ACC and its investments.
- Appointing the Chief Executive of ACC.
- Monitoring the performance of ACC and its Chief Executive.
- Exercising due diligence to ensure that ACC complies with its obligations and primary duties.

All decisions relating to the operation of ACC must be made by, or under the authority of, the Board. The Board delegates to the Chief Executive the day-to-day management and leadership of ACC.

BOARD COMMITTEES

ACC has four Board committees to enhance the Board's focus in key areas. Each committee operates under its own Terms of Reference, which set out the roles and responsibilities of the committee and its members.

RISK ASSURANCE AND AUDIT COMMITTEE

Assists the Board to fulfil its responsibilities for risk assurance and audit reporting relating to ACC. The Board may delegate to this Committee responsibilities associated with the sign-off and publication of the ACC Annual Report and financial statements.

Members: Anita Mazzoleni (Chair – external), John Brabazon, Fred Hutchings (external)

INVESTMENT COMMITTEE

Assists the Board to monitor ACC's investment responsibilities. The Board has delegated to this Committee authority for investment decisions.

Members: James Miller (Chair), Dame Paula Rebstock, John Brabazon, Pat Duignan (external), David Hunt (external), Stephen Montgomery (external)

GOVERNANCE AND REMUNERATION COMMITTEE

Assists the Board to fulfil its responsibilities for Board and Executive succession planning, Executive remuneration and monitoring ACC's Talent Strategy.

Members: Dame Paula Rebstock (DNZM), James Miller, Dr Tracey Batten

HEALTH SECTOR STRATEGY ADVISORY COMMITTEE

Assists the Board by providing advice on the development, design and implementation of the Health Sector Strategy including on the approach for meaningful sector engagement and implementation.

Members: Dr Tracey Batten (Chair), Dame Paula Rebstock (DNZM), Dr Matire Harwood (external), Dr Lloyd McCann (external), Professor Kath McPherson (external), Dr Api Talemaitoga (external)

In addition, ACC has set up a temporary nomination committee to support the recruitment of a new Chief Executive for ACC.

The ACC Board

Board appointments during the financial year

- Pat Bowler – appointed 1 February 2021
- Dr Helen Nott – appointed 1 February 2021
- Bella Takiari-Brame – appointed 1 February 2021
- Hon Steve Maharey CNZM – appointed 1 May 2021. Steve has been appointed as Chair of the Board from 1 August 2021 upon the retirement of Dame Paula Rebstock.

Members of the Board who served during the financial year

- Kristy McDonald – appointed September 2012, retired 31 January 2021
- Anita Mazzoleni – appointed July 2014, retired 18 March 2021
- David May – appointed January 2018, retired 31 January 2021

ACC Board (from left to right)

Dr Tracey Batten, James Miller (Deputy Chair), Hon Steve Mahary CNZM, John Brabazon, Bella Takiari-Brame, Dame Paula Rebstock DNZM (Chair), Pat Bowler, Dr Helen Nott.

Chair – Dame Paula Rebstock, DNZM

APPOINTED SEPTEMBER 2012 TO JULY 2021

Dame Paula is an Auckland-based economist and company director, who was made a Dame Companion of the New Zealand Order of Merit in 2015. She has a Bachelor of Science, Economics from the University of Oregon, and a Diploma and a Master of Science (Economics) from the London School of Economics.

Deputy Chair – James Miller

APPOINTED MARCH 2013

James is an experienced company director. He holds a Bachelor of Commerce from the University of Otago, and is a graduate of the Advanced Management Program, Harvard Business School (USA). He brings 15 years' experience in capital markets to the Board.

Dr Tracey Batten

APPOINTED FEBRUARY 2019

Tracey is an experienced non-executive director. She is a qualified medical practitioner and holds a Master of Business Administration from Harvard University. She brings over 30 years international experience in the health care sector including fifteen plus years in CEO roles of large, complex hospital groups.

John Brabazon

APPOINTED FEBRUARY 2019

John is a Chartered Fellow of the Institute of Directors in New Zealand and is an Associate Chartered Accountant, Chartered Accountants Australia and New Zealand. John's background includes investment banking at Banque Indosuez, Brierley Investments and Bancorp. He has had involvement in all aspects of mergers, acquisitions, capital raisings and due diligence assignments in New Zealand and internationally for more than 30 years.

Bella Takiari-Brame

APPOINTED FEBRUARY 2021

Bella is a chartered accountant with over 19 years' experience in oil and gas and utility industries. She is affiliated with Waikato-Tainui and Ngāti Maniapoto and has a Master in Management Studies from the University of Waikato.

Patrick (Pat) Bowler

APPOINTED FEBRUARY 2021

Pat is a very experienced lawyer and consultant for Corporate Advisory at Russell McVeagh. He has advised Crown agencies, and state-owned enterprises on some of the most complex public- and private-sector transactions and litigation, including the integration of commercial and government objectives.

Dr Helen Nott

APPOINTED FEBRUARY 2021

Helen is an experienced company director. She holds a Bachelor of Science, Mathematics and Computer Science from the University of Queensland, and a Doctor of Philosophy (Engineering) from Murdoch University. Helen brings 20 years' international advisory experience and experience in the insurance, health and disability sport sectors.

Hon Steve Maharey CNZM

APPOINTED MAY 2021, CHAIR FROM 1 AUGUST 2021

Steve is an independent director. He was previously the Vice-Chancellor of Massey University. He is a former Member of Parliament and Senior Minister in the New Zealand Government (1999-2008). In 2009 as part of the Queen's New Year Honours List, Steve was made a Companion of the New Zealand Order of Merit for services as a Member of Parliament. He holds a Master of Arts Sociology (with Honours) from Massey University.

TABLE 7: BOARD AND SUB-COMMITTEE ATTENDANCE AND FEES[31]

On 1 May 2020, the Board voluntarily agreed to reduce its base Board fee by 20% for a six-month period. This reduction is reflected in the remuneration amounts below.

Board memberrs	ACC Board	Risk Assurance and Audit Committee	Investment Committee	Governance and Remuneration Committee	HSS Advisory Committee	2020/21 remuneration
Dame Paula Rebstock (DNZM)	12/12		8/9	3/4	3/4	93,753
Dr Tracey Batten	12/12			4/4	3/3	51,900
John Brabazon	12/12	5/5	8/9			46,877
David May[32]	6/7	3/3	5/5			25,950
Anita Mazzoleni[33]	8/8	5/5			2/3	45,588
Kristy McDonald (ONZM, QC)[32]	5/7			2/2		28,880
Mr James Miller	12/12		9/9	4/4		58,596
Pat Bowler[34]	5/5					20,927
Helen Nott[34]	5/5					20,927
Bella Takiari-Brame[34]	5/5					20,927
Hon Steve Maharey (CNZM)[35]	2/2					8,371
Pat Duignan[36, 37]			9/9			60,000
David Hunt[36]			9/9			30,000
Stephen Montgomery[36, 37]			9/9			32,500
Fred Hutchings[38]		5/5				30,000
Dr Matire Harwood[39]					4/4	30,000
Dr Lloyd McCann[39]					4/4	30,000
Professor Kath McPherson[39]					4/4	30,000
Dr Api Talemaitoga[39]					2/4	30,000

Board members' and employees' indemnity and insurance

ACC has indemnified Board members and certain employees (and former employees) who have been appointed as directors, nominated by ACC, or as other officers of entities in which ACC has invested. These indemnities are given, to the maximum extent permitted by the Crown Entities Act 2004, in respect of any liability connected with acts or omissions carried out as a consequence of the role. Each indemnified person is also indemnified in respect of costs incurred by that person in defending any claim or proceeding.

ACC has effected Directors and Officers Liability insurance cover in respect of the liability or costs of Board members, certain employees and external director appointees.

31 *Attendance at committee meetings is recorded for committee members only. If a Board member is not a member of a committee but attended a meeting as an observer, their attendance has not been noted here.*
32 *Retired 31 January 2021.*
33 *Retired 18 March 2021, continued as external Chair of Risk Assurance and Audit Committee.*
34 *Appointed 1 February 2021.*
35 *Appointed 1 May 2021.*
36 *External Investment Committee Member.*
37 *Payment covers 2019/20 and 2020/21.*
38 *External Risk Assurance and Audit Committee Member.*
39 *External Health Sector Strategy Advisory Committee Member.*

Whole-of-government directions

Whole-of-government area	Date applies from
ICT	19 June 2014
Property	1 July 2014
Procurement	1 February 2015
New Zealand Business Number	1 January 2018

Subsidiary company

Shamrock, a wholly owned Crown entity subsidiary of ACC, was established in 1991 to act as the corporate trustee for the ACC Superannuation Scheme. Shamrock's role is to act in the interests of members by being an independent supervisor and custodian of the Scheme's assets. Shamrock is bound by the ACC Superannuation Scheme's Trust Deed.

Shamrock has four Directors (Bruce Kerr, Philip Newport, Louise Marsden and Sharon Champness). No remuneration was paid or is payable from ACC to the Directors in their capacity as directors in 2020/21. Shamrock has no employees to whom remuneration was paid or payable during 2020/21.

Te Tiriti o Waitangi

E mōhio ana mātou ko te Tiriti o Waitangi te pepa whai tikanga o te kāwanatanga, i noho pūmau ai tātou i te motu nei o Aotearoa. Ko ta mātou whāinga ki te tautoko i te Karauna ki ngā kaupapa whanaungatanga o te Tiriti. Na tēnei ka taea te tuku a mātou ratonga hei whakamana ki a tōkeke ai ngā tukunga iho mo te iwi Māori.

Treaty of Waitangi

We recognise that the Treaty of Waitangi is a founding document of government in New Zealand, and established the country as a nation. We aim to support the Crown in its Treaty of Waitangi relationships and deliver our services in ways that enable equitable outcomes for Māori.

The ACC Executive

Profiles for all ACC Executive members can be found at ***www.acc.co.nz/about-us/who-we-are/minister-ceo-executive/***

Chief Executive

- Customer
- Finance
- Pae Ora Māori & Equity
- Investments
- Operations
  - Business Partnerships
  - Client Recovery
  - Clinical & Health Partnerships
  - Operational Performance & Intelligence
  - Injury Prevention
  - Support & Capability Services
- Risk & Actuarial Services
- Talent
- Technology & Innovation
- General Counsel

Executive appointments during the financial year

- Vanessa Oakley – Chief General Counsel
- Michelle Murray – Tumu Pae Ora

Executive resignations during the financial year

- Deborah Roche – Chief Governance Officer
- Scott Pickering – Chief Executive, finished 30 June 2021

Scott Pickering

CHIEF EXECUTIVE

The Chief Executive leads the Executive. This is made up of senior managers from each of our business groups. The Executive:

- oversees the leadership and management
- makes sure we achieve all goals.

Emma Powell

CHIEF CUSTOMER OFFICER

The Chief Customer Officer focuses on:

- designing our customer-focused activities
- acting as the voice of the customer for our organisation.

John Healy

CHIEF FINANCIAL OFFICER

The Chief Financial Officer provides financial leadership and supervision across ACC. He is responsible for:

- finance activities, including financial accounting and control
- performance management, budgeting, forecasting and planning
- procurement, decision support and investment.

Herwig Raubal

CHIEF RISK AND ACTUARIAL OFFICER

The Chief Risk and Actuarial Officer oversees the Risk Management Office and Assurance Services, and makes sure all our risks are identified and managed.

He advises on operational and financial performance for:

- the funding policy
- levy rates
- other financial objectives.

Sharon Champness

CHIEF TALENT OFFICER

The Chief Talent Officer is in charge of all staff-related matters. She combines all areas of talent management, including:

- developing and leading the people strategy
- health and safety
- internal policy
- organisation practices.

Mike Tully

CHIEF OPERATING OFFICER

The Chief Operating Officer is accountable for:

- leading ACC's operational performance and ensuring delivery against the Service Agreement, including the alignment of Group business plans with the Service Agreement
- leading the Operations Group to provide effective and efficient multi-channel operations across all three customer groups – Client, Business Customer and Provider
- providing external claim management through third parties and Accredited Employers, and managing and processing provider payments and weekly compensation
- ACC's Client, Business Customer and Provider transformation programme
- communications within ACC on operational matters.

Peter Fletcher

CHIEF TECHNOLOGY AND INNOVATION OFFICER

The Chief Technology and Innovation Officer has end-to-end accountability for leading ACC's Information Technology Strategy development. He is accountable for defining the initiatives that will deliver on this strategy and for working with our strategic partners to deliver and manage the solutions required.

He is also responsible for our Enterprise Portfolio Delivery Team which provides enterprise-wide support for programme and project governance and supports the business to deliver change.

Michelle Murray

TUMU PAE ORA (CHIEF MĀORI AND EQUITY OFFICER)

Te Tumu Pae Ora, (the Chief Māori and Equity Officer) is in charge of developing and leading ACC's Māori strategy, Whāia Te Tika. This includes:

- leading ACC's relationships and partnerships with Māori organisations, leaders, iwi and providers
- forming valuable connections with Māori leaders within the health sector, government agencies and DHBs.

Paul Dyer

CHIEF INVESTMENT OFFICER

The Chief Investment Officer has overall executive responsibility for the operation of ACC's investment function. This includes making sure that:

- ACC's investment fund delivers superior risk-adjusted returns on a sustainable basis to support ACC's vision, values and purpose
- risks associated with ACC's investments and associated operations are appropriately managed to protect investment returns and maintain and enhance ACC's reputation.

Vanessa Oakley

CHIEF GENERAL COUNSEL

The Chief General Counsel's key responsibilities include:

- a key advisor and partner to the ACC Board, Board committees, the Chief Executive and senior leaders in strategic, operational, compliance, investment and commercial activities
- a leadership team member contributing to the strategic direction and performance of ACC and its external engagement.
- a centre of excellence in legal, privacy and corporate secretariat.

Managing risk

Our risk environment

ACC is exposed to a range of external risk factors. These include the macroeconomic and geopolitical landscape, changing societal trends, customer expectations and developments in technologies. We are also exposed to cyberattacks and other workplace events that may affect our people's health and safety.

The COVID-19 pandemic provided a stern test of ACC's overall resilience. ACC responded well to the challenge, in part due to its change agility and ability to take managed risks. ACC is also a more resilient organisation as a result. Lessons learned during the crisis and the ongoing application of new approaches to working together have made ACC stronger.

Effective risk management facilitates the achievement of our objectives and underpins our performance culture. We are committed to embedding risk management in everything we do at ACC.

Risk management is embedded in our culture and systems

Taking risks is a normal and necessary part of doing business. Our Enterprise Risk and Compliance Framework, which has recently been refreshed, outlines the responsibilities, processes and practices that enable our people to manage risk as part of their day-to-day decision-making. All staff members take responsibility for identifying and managing risk on behalf of ACC, while the Board determines our tolerance level for risk in each key area.

Often organisations are too focused on risk avoidance and do not proactively take risks in areas where they have an appetite for such risk. As ACC's risk maturity improves, we will take more risks in areas where we have an appetite in pursuit of performance/strategic objectives while continuing to avoid risks for which we have limited or no appetite.

Our Enterprise Risk and Compliance Framework is aligned to AS/NZS ISO 31000:2018 Risk management – principles and guidelines and the COSO Enterprise Risk Management – Integrated Framework. In 2018 we adopted a five lines of assurance model as our risk environment. Now, three years on, the five lines of assurance model is embedded both in our governance structures and in practice (with each line of assurance performing a discrete role).

Improving our risk culture remains a priority

In 2019 ACC assessed its risk culture and engaged an independent firm to complete a risk-culture review. The purpose of the review was to establish a risk-culture baseline across ACC that could be used to assess our risk culture in the future. In response, the Executive developed work plans to enhance our risk culture. The plans spanned the two-year period to mid-2021. By the end of 2021 we will have an independent, formal reassessment of our response to the 2019 review.

Enhancements to our risk maturity in the financial year

Key enhancements to our risk maturity in the financial year included:

- a new framework for control testing, which is now being used
- the development of a new, entity-wide tool for recording risks, controls, action plans and other data related to risk-management practices.

Risk and compliance practices will be assessed against best practice

Although ACC's risk maturity has improved considerably in the past five years, we take a continual improvement approach in this area. To identify new opportunities, we have commissioned an independent assessment of ACC's risk framework and compliance system against leading practice.

Priority risks

We understand and manage risks through regular engagements between the Executive and the Board. The Executive determines and prioritises entity-level risks. The Board focuses on the key risks and considers the management actions taken to mitigate the risks so that they remain within our risk appetite.

The Board is regularly presented with ACC's entity-level risks for challenge and discussion. This provides opportunities for the Board and the Executive to identify the value creation (upside) and value protection (hygiene and compliance) aspects of risks, and to assess the current (residual) risk for each strategic intention. This strengthens the links between organisational risk appetite, strategy, performance, risk management and independent assurance.

Our regular reviews of our entity risks are informed by (among other things) engagement with and feedback from business group representatives, the Executive and the Board.

There are currently six entity risks residually rated 'high'. These are the priority risks for ACC.

TABLE 8: TOP SIX PRIORITY RISKS

Strategic intention	Risk	Management activity
We engage with our clients in ways that add the most value to their recovery and deliver the most appropriate client outcomes.	Customer outcomes If we do not define and measure outcomes effectively, we may not fulfil our obligations under Te Tiriti o Waitangi and may fail to meet the current and future needs of our customers (injured people, levy payers, safer communities) in the context of ACC's strategic outcomes.	Development and implementation of a health outcomes framework as a tool for identifying and structuring the health outcomes that matter for our customers. Design and development of a customer outcomes framework for defining and assessing the effectiveness of all ACC services. Creation of a Whāia Te Tika Action Plan to improve Māori client access, experience and outcomes.
We manage cost and liability growth.	Claim cost management: We do not adequately anticipate, monitor and respond to claims cost performance trends resulting in pressures on levy rates.	Address the performance of the Long-Term Claim Pool through initiatives that (among other things) improve rehabilitation times and ensure clients receive optimal care. Alignment of ACC's services to clinical evidence, where spend and average cost per claim is reduced while maintaining efficacy for the client. Undertake initiatives related to expenditure on some capital cost items to ensure that the expenditure is as efficient as practicable.
Risk management is embedded across our organisation.	Model: Reliance on material models to facilitate key organisational decisions (resource allocation or investments) result in unintended outcomes due to the limitation in that model as a result of a lack of judgement applied to the interpretation of the model output, poor model calibration, model design flaw or documentation.	Undertake a model risk-maturity assessment and calibrate risk assessments for consistency. Finalise model policy and standards. Complete gap assessment of the existing model practices and framework. Take steps to address any gaps. Establish and embed model governance and ongoing compliance monitoring.
We maintain safe, secure and stable information technology.	Response and business interruption management: Failure to effectively respond to, and recover from, a business interruption.	Deliver business continuity work programme which will improve the organisation's ability to operate during a business disruption event and recover in a timely manner. Undertake an organisational review of preparedness for cyber security incidents.
We carefully consider the costs of the services we offer to achieve the most appropriate client outcomes.	Benefits: We fail to effectively identify and/or realise the short- and long-term outcomes and benefits of our Transformation investment.	Embed an ACC data model standard to exchange data with other agencies and across sectors. Implement an enterprise prioritisation framework to assess enterprise-wide priorities, improve decision-making and promote risk-taking, where warranted. Review and implement an enterprise benefits management framework which reflects greater maturity and volume of change.
We achieve improved experiences and outcomes for Māori.	Māori access and outcomes: We fail to make progress in implementing initiatives that are meaningful, scalable or timely enough to materially improve Scheme access, outcomes and engagement with Māori	Management Activity includes: Increase the number and range of kaupapa Māori services available to communities and injured clients. Increase cultural intelligence and capability across ACC. Measure our progress and evaluate our impact through insights gained by the creation of a Māori Customer Advisory Panel and engage in research on Māori client access, experience and outcomes.

There are several other entity risks that are also closely monitored. These include: customer centricity; public awareness of the Scheme; cybersecurity; health, safety and wellbeing; financial markets shock; leveraging our information assets; privacy; change delivery; people and culture; injury prevention impact; conduct; climate change response; and changes to the Scheme.

Statement of performance and financial statements

Statement of responsibility

(Pursuant to section 155 of the Crown Entities Act 2004)

We are responsible for the preparation of these financial statements and statement of performance and for the judgements made in them.

We are responsible for any end-of-year performance information provided by ACC under section 19A of the Public Finance Act 1989.

We have responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of ACC for the year ended 30 June 2021.

Signed on behalf of the Board:

Hon Steve Maharey CNZM
Board Chair

James Miller
Deputy Chair

Statement of performance

The statement of performance reports against the measures contained in ACC's Service Agreement 2020/21. It is divided into two sections: the public value scorecard and performance against output delivery. Definition of all measures included in the Statement of performance is included in the Glossary on *page 171*.

Section 1: Public value scorecard

This section summarises our performance against ACC's public value scorecard. Public value is an organising principle of public sector organisations that is equivalent to shareholder value for private companies. It has been adopted by public sector organisations worldwide.

Our public value scorecard framework recognises that our activities should:

- create economic or social value for clients as individuals or society at large
- enjoy sufficient support from politicians and the wider public to attract the necessary resources
- be achievable given the capabilities available from ACC and external suppliers.

We use three categories of measure to assess our overall performance in delivering public value:

- Customer – the quality and effectiveness of services provided.
- Impact – how effective we are at delivering the desired outcomes.
- Financial sustainability – value for money and financial sustainability.

We have provided explanations for performance where we did not achieve the targeted performance levels.

Section 2: Performance against output delivery

Section 2 of the statement of performance includes a brief explanation of what is intended to be achieved within each output, and ACC's performance against all other output measures included in the Service Agreement 2020/21, excluding those already reported in the public value scorecard. Again, we have provided explanations for performance measures where we did not achieve the targeted performance levels.

COVID-19 impacts on performance

The Service Agreement 2020/21 was developed and agreed based on the best available information in accordance with legislative requirements and timelines, within a context of the COVID-19 pandemic. ACC used a three-month extension to develop this Service Agreement. The additional time allowed ACC to consider actual experience and insights from the latest economic projections, and the impacts on performance of the lockdown and the transitions between alert levels.

At the time of finalising the Service Agreement 2020/21, the impacts of COVID-19 on ACC and its customers remained highly uncertain and pervasive. For example, ACC's performance is significantly affected by economic factors that influence levy revenue, claim volumes, claim costs, rehabilitation outcomes, investment fund performance and the OCL.

Some performance targets were adjusted to reflect the uncertainty in these factors. These included targets for injury prevention measures, short- and long-term rehabilitation, speed of cover decisions, average time to resolution for claims with reviews, growth in treatment cost per claim, net trust scores and financial measures.

The impacts of COVID-19 on ACC were significant, but not exactly as we predicted. The New Zealand economy improved more quickly than the Treasury forecasted, meaning volumes of new claims (both registered and weekly compensation) grew more quickly than we anticipated. The impacts of lockdowns on how treatment was provided to our clients differed from our expectations. Some treatment services experienced a drop in volumes and some vulnerable clients required an increase in care levels during the lockdown periods. Telehealth services were used to deliver support to clients where appropriate. Alongside our partners, we adapted how we delivered some of our injury prevention programmes. As New Zealand's economic outlook improved in 2020/21, rising interest rates contributed to a large surplus by reducing the OCL, while our investment portfolio produced another year of excellent returns.

Section 1: Public value scorecard

The measures included in our public value scorecard represent our key performance measures. These are the most important performance measures and best reflect the aspects of performance we can control.

TABLE 9: PUBLIC VALUE SCORECARD – CUSTOMER

Category	Measuring our contribution to New Zealand	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
CUSTOMER	Public trust and confidence	65.0%	64.0%	67.0%	Achieved
Did we meet expectations?	Client net trust score	+31.0	+26.0	+25.0	Not achieved Refer note 1
	Client net trust score for Māori	+43.0	+23.0	+20.0	Not achieved Refer note 2
	Provider net trust score	-14.0	-17.0	-25.0	Not achieved Refer note 3
	Business net trust score	-1.0	-20.0	-17.0	Achieved

NOTE 1: CLIENT NET TRUST SCORE

The client net trust score of +25 is a decrease on 2019/20 (+31), as measured in the fourth quarter. Despite this, the rolling average for the last four quarters was +28, an increase on the 2019/20 rolling average of +25. Our longer, five-year average result is also +25.

77% of clients agreed that ACC is focused on getting them the best possible outcomes in their situations, which meets the 2020/21 target and has stayed stable since 2019/20. Overall satisfaction with how clients perceived their claims were managed also remained stable at 78%.

The provision of timely treatment and support, effective communication, and showing empathy and understanding continued to be key areas on which ACC is focusing to improve the experience of clients. In the fourth quarter, performance declined in these areas. Key initiatives currently underway include enhancements to the client digital self-service portal, One Front Door for incoming phone calls[40], and the development of analytical products to improve customer experiences and reduce their risks of re-injury.

NOTE 2: CLIENT NET TRUST SCORE FOR MĀORI

The client net trust score for Māori of +20 is a decrease on 2019/20 (+43), measured in the fourth quarter. The rolling average for the last four quarters was +24, similar to the 2019/20 rolling average of +25.

77% of Māori clients agreed that ACC is focused on getting them the best possible outcomes in their situations, which is consistent with 2019/20 (76%), and overall satisfaction with how their claims have been managed has also stayed stable at 78%.

Improving equity of access, experiences and outcomes for injured Māori, and enabling direct relationships with Māori providers are key focus areas within ACC's Māori strategy Whāia Te Tika. Two key initiatives are currently being developed. Rongoā Māori (traditional Māori healing) is one new pathway enabling clients to access tikanga-aligned care through ACC. Kaupapa Māori Health Services is a significant initiative for ACC clients and whānau, developing regional services that are by Māori, for Māori, and Māori-led. Providers, with strong connections within their rohe and local knowledge, will ensure these services meet the needs of haukāinga (local people).

40 *The One Front Door approach channels all customers to our Customer Contact Centre, instead of multiple contact points. This removes inconsistent customer experiences when calling us and reduce long wait times.*

NOTE 3: PROVIDER NET TRUST SCORE

The provider net trust score of -25 is a decrease on 2019/20 (-14). This quarter there were significant falls in net trust scores for specific provider groups. These included GPs with a result of -37, specialists -16 and physiotherapists -42.

We are working to improve the provider experience and client outcomes by developing pathways of care for moderate- to high-complexity clients. We are also developing a single provider hub for all provider digital interactions with ACC. This platform will make it easier for providers to work with ACC and increase transparency. The One Front Door initiative will improve access for providers to frontline staff and provide faster responses to requests.

TABLE 10: PUBLIC VALUE SCORECARD – IMPACT

Category	Measuring our contribution to New Zealand	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
IMPACT	Rate of serious injury (including fatal): 0- to 20-year injury prevention programmes	9.3	9.3	9.4	Not achieved Refer note 4
Did we meet expectations?	Rate of serious injury (including fatal): workplace injury prevention programmes	0.16	0.22	0.20	Achieved
	Return to work within 10 weeks	65.0%	62.5%	63.3%	Achieved
	Return to independence for those not in the workforce	89.1%	87.5%	87.1%	Not achieved Refer note 5
	Growth rate of the Long-Term Claim Pool	+12.6%	+12.5%	+8.7%	Achieved

NOTE 4: RATE OF SERIOUS INJURY (INCLUDING FATAL): 0- TO 20-YEAR INJURY PREVENTION PROGRAMMES

There were five more fatal and serious injury claims (total 475) than expected by the target. Older adult fall claims have increased to prior-year levels following a drop off initially in 2020/21.

To drive better performance in the Falls programme and achieve a reduction in harm, we have renegotiated contracts with DHBs to include fall-related performance clauses to enable us to reach more clients at risk.

NOTE 5: RETURN TO INDEPENDENCE FOR THOSE NOT IN THE WORKFORCE

This measure has declined noticeably since its peak in May 2020. As this measure evaluates a new registered claim 12 months after its being accepted, the effects of last year's alert-level restrictions, which inflated this measure last year, are now reversing. Delays in accessing health services (eg elective surgery) during the national lockdown extended rehabilitation timeframes for some clients beyond the 12-month threshold on which this measure is based.

TABLE 11: PUBLIC VALUE SCORECARD – FINANCIAL SUSTAINABILITY

Category	Measuring our contribution to New Zealand	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
FINANCIAL SUSTAINABILITY	Return on investment: 0- to 20-year injury prevention programmes	$1.99:$1	$2.05:$1	$2.19:$1	Achieved
Did we meet expectations?	Return on investment: workplace injury prevention programmes	$1.23:$1	$1.30:$1	$1.33:$1	Achieved
	Investment performance after costs relative to benchmark	0.16%	0.15%	1.90%	Achieved
	Change in average treatment cost per injury	+6.4%	+8.4%	+6.1%	Achieved
	Actuarial movement[41]	+0.48%	Within +/- 1.5%	+1.08%	Achieved
	Average care hours per serious injury claim	1,393	1,393	1,396	Not achieved Refer note 6

NOTE 6: AVERAGE CARE HOURS PER SERIOUS INJURY CLAIM

Average care hours per serious injury claim were just slightly worse (higher) than target and continued to show an improving quarterly trajectory since quarter one 2020/21. Targeted initiatives are underway, including reviewing rates and policy settings, to ensure the improving trend is maintained.

41 *The actuarial movement tells us that claim volumes, types and costs differed from what we expected.*

Section 2: Performance against output delivery

The breakdown of revenue earned and costs incurred compared with expected revenue and costs reported in the Service Agreement 2020/21 is as follows:

TABLE 12: ACTUAL VERSUS EXPECTED REVENUE AND COSTS BY OUTPUT CLASS

	Administration		Claims paid		Revenue	
$M	Actual	Budget	Actual	Budget	Actual	Budget
Output class 1 – Injury prevention	79	76	–	–	–	–
Output class 2 – Levy setting and collection	31	34	–	–	5,039	4,716
Output class 3 – Investment management	77	64	–	–	4,866	1,451
Output class 4 – Claims management	508	503	5,219	5,068	–	–
Total	**695**	**677**	**5,219**	**5,068**	**9,905**	**6,167**
Other operating costs	71	87	–	–	–	–
Total ACC	**766**	**764**	**5,219**	**5,068**	**9,905**	**6,167**

Information on significant variances against budget is included in Note 22 of the notes to the financial statements on *page 169*.

Output 1: Injury prevention

ACC is one of a number of government agencies with a responsibility to reduce the incidence and severity of injury in New Zealand.

We can only undertake an injury prevention activity if it is likely to result in a cost-effective reduction in actual or projected levy rates or the Non-Earners' Account appropriation. This requirement means that we focus our efforts on injuries that affect the Scheme, such as high-cost and high-volume claims that affect claim costs and the OCL.

We work with non-government organisations, community groups and other government agencies on ensuring that the activities we fund are effective. This coordination role is as important as directly funding injury prevention interventions.

The public value measures relating to this output class are:

- return on investment for 0- to 20-year injury prevention programmes
- return on investment for workplace injury prevention programmes
- rate of serious injury (including fatal) for 0- to 20-year injury prevention programmes
- rate of serious injury (including fatal) for workplace injury prevention programmes

Refer to *Section 1: Public value scorecard* for our performance against public value measures.

TABLE 13: OTHER OUTPUT MEASURES – INJURY PREVENTION

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
Number of claims avoided through our injury prevention investments[42]	15,547	13,310	14,240	Achieved

42 *Estimates the number of claims avoided in the areas where we have targeted injury prevention programmes.*

Output 2: Levy setting and collection

The Scheme is managed through five Accounts, with each providing cover for a specific group of injuries.

In order for us to deliver services, we must collect revenue. Through our levy-setting process we calculate the future revenue needs for each Account, which include generating sufficient revenue to cover the costs of claims incurred in that year. We recommend levy rates that are consulted on with levy payers and provided to Cabinet for consideration.

Activity information

The public value measures relating to this output class are:

Actuarial movement.

Refer to *Section 1: Public value scorecard* for our performance against public value measures.

Cabinet sets levies at least every three years following public consultation and a recommendation from ACC

Appropriations are sought through the Budget process

	Work Account	Earners' Account	Motor Vehicle Account	Treatment Injury Account	Non-Earners' Account
	Work-related injuries	Non-work injuries to people in employment	Injuries on public roads involving a moving vehicle	Injuries that are caused by, or happen during treatment	Injuries not covered in other Accounts to people not in employment
	Levied from employers and the self-employed	Levied from employees and the self-employed	Levied from registration fees and petrol charges	Levied from employees and the self-employed plus appropriations	Funded through appropriations
2020/21	Number of employed and the self-employed 2.36 million	Number of earners 2.73 million	Number of vehicles 3.96 million	Number of non-earners 2.38 million Number of earners 2.73 million	Number of non-earners 2.45 million
2020/21	Levy revenue $889 million	Levy revenue $1,835 million	Levy revenue $470 million	Government appropriation $228 million Levy revenue $79 million	Government appropriation $1,537 million
2020/21	$0.67 per $100 liable earnings	$1.21 per $100 liable earnings	$113.94 per motor vehicle		

TABLE 14: OTHER OUTPUT MEASURES – LEVY SETTING AND COLLECTION

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
Ratio of this year's total levies to the total claims incurred for this year's accidents over time.	0.6	0.5-0.7	0.7	Achieved

ACCOUNT FUNDING RATIOS

The financial sustainability of each Account is measured by the funding ratio. The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each Account, expressed as a ratio for each Account. The calculation of the applicable assets and liabilities is defined in the funding policy. The current funding policy was published in the New Zealand Gazette[43] on 6 April 2021 (Gazette No. 2021-go1226).

Funding ratios provide an indication of the funding adequacy of each Account in relation to the funding policy. Each Account operates independently and cannot cross-subsidise another Account.

The Accident Compensation Act requires the Government to issue a funding policy setting out the criteria on how to fully fund the levied Accounts, including the Earners' portion of the Treatment Injury Account. ACC must make levy rate recommendations in accordance with that funding policy.

TABLE 15: FUNDING RATIOS AS AT 30 JUNE 2021

Account	Actual 2019/20	Actual 2020/21	Funding policy target
Work (including gradual process claims incurred but not yet made)	111.4%	131.1%	100%
Motor Vehicle	100.1%	121.8%	100%
Earners'	101.6%	112.1%	100%
Non-Earners' (fully funded portion)	58.8%	78.1%	100%
Treatment Injury (Earners' portion)	145.0%	159.1%	100%
Treatment Injury (Non-Earners' fully funded portion)	61.2%	82.6%	100%

43 *www.gazette.govt.nz*

Output 3: Investment management

The purpose of our investment portfolio is to meet the future costs of incurred claims from long-term injuries without the need for any catch-up contributions from future levy payers. To meet this purpose, we tend to favour long-term investments that we expect to deliver relatively certain income streams for long periods of time. Such investments match our long-term cash-flow requirements and provide a partial offset against the risk of declines in interest rates.

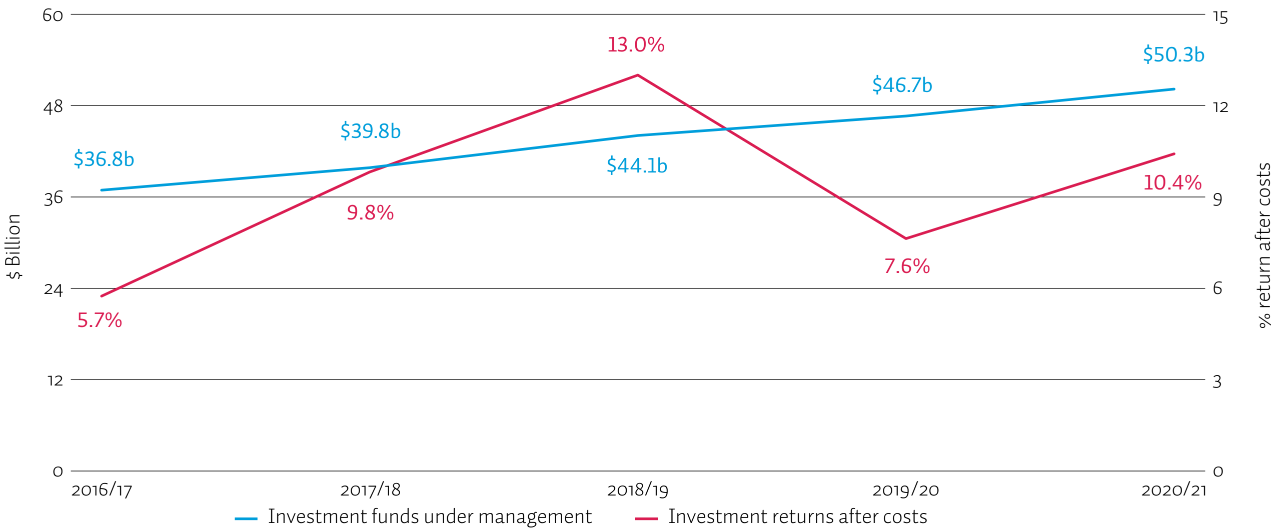
We take ethical investment seriously and aim to incorporate evolving ethical themes into investment decision-making, while balancing our fiduciary duty of investing as a trustee.

We manage our investments with the objective of obtaining the best possible balance of return and risk. To this end, we:

- review strategic asset allocations to ensure that the benchmark asset allocations provide the best possible balance of risk and expected returns for our objectives
- actively manage our investment portfolios with the objective of obtaining better risk-adjusted returns from those portfolios than would be achieved from passive investment.

Activity information

Graph 17: Total investment funds and investment returns



The public value measures relating to this output class are:

- Investment performance after costs relative to benchmark.

Refer to *Section 1: Public value scorecard* for our performance against public value measures.

Table 16: Other output measures – Investment management

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
Investment management costs as a proportion of total funds under management	0.13%	0.15%	0.14%	Achieved

Output 4: Claims management

We help injured people covered by the Scheme to get the appropriate medical treatment, social and vocational rehabilitation services and compensation to enable a return to work, independence or everyday life.

We manage claims from the relatively minor, where clients only require primary health services (such as a one-off visit to a GP), to claims from individuals who suffer serious injuries requiring lifelong services and support.

Activity information

Table 17 shows recent trends in the types of claims that we have received and accepted. The Scheme is based on legislation and each claim is evaluated to determine whether it meets the requirements of the Accident Compensation Act before being covered. We do not ration our services. Demand is determined by the number of covered injuries that occur and the types and amounts of services that those with covered injuries are eligible to receive. Note that historical claim activity values in this table may differ from values presented in previous annual reports. This is due to the timing of claim lodgements and claim decisions.

TABLE 17: CLAIM ACTIVITY

Measure	Definition	2017/18	2018/19	2019/20	2020/21
Registered claims	Total number of registered claims in the period.	1,978,574	2,025,895	1,860,844	2,104,788
Medical fees only claims	Total number of medical fees only claims in the period.	1,687,821	1,728,963	1,584,288	1,739,706
Other entitlement claims	Total number of entitlement claims (all entitlement claims excluding weekly compensation) that receive payments in the period.	129,576	138,588	134,182	143,742
Weekly compensation claims	Total number of weekly compensation claims that receive payments in the period.	119,426	126,938	125,376	143,421
Long-term weekly compensation claims	Total number of clients receiving weekly compensation for more than one year as at 30 June.	13,333	14,201	15,993	17,388
New serious injury claims	Total number of new serious injury claims in the period.	263	306	217	157
Fatal claims	Total number of fatal claims in the period.	1,380	1,545	1,422	1,234

We enable clients to receive the appropriate entitlements under the Scheme while at the same time monitoring expenditure against budget for the key costs of the Scheme.

EXPENDITURE FOR KEY CLAIM COSTS

TABLE 18: EXPENDITURE FOR KEY CLAIM COSTS

$M	Actual 2019/20	Budget 2020/21	Actual 2020/21
Weekly compensation	1,502	1,564	1,722
Medical treatment	846	956	982
Social rehabilitation	839	921	950
Public Health Acute Services	555	578	578
Elective surgery	375	489	443

Information on significant variances against budget is included in Note 22 of the notes to the financial statements on *page* 169.

The public value measures relating to this output class are:

- return to work within 10 weeks
- return to independence for those not in the workforce
- public trust and confidence
- client net trust score
- client net trust score for Māori
- provider net trust score
- business net trust score
- growth rate of the Long-Term Claim Pool
- change in average treatment cost
- average care hours per serious injury claim.

Refer to *Section 1: Public value scorecard* for our performance against public value measures.

The costs and associated liability from this output class have the largest bearing on overall Scheme financial sustainability. We must provide quality services to clients in an efficient manner. This requires the responsible management of controllable costs, ensuring that expenditure is appropriate and cost effective.

Key costs are influenced by the number of claims, the rate at which those claims access entitlements, the time taken to rehabilitate clients, and the medical costs associated with rehabilitation. Health-care inflation is also a key driver of costs in this area.

These measures align with the measures reported against the customer strategic intention but provide greater detail with which to assess our performance during the year.

TABLE 19: OTHER OUTPUT MEASURES – CLAIMS MANAGEMENT

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
Return to work within nine months.	91.0%	90.0%	90.4%	Achieved
Durable return to work.	72%	1% higher than Australia (last year)	72%	Not achieved Refer note 1
Weekly compensation days paid reduction.	4.9 day increase (102.2 days)	7.0 day increase (104.4 days)	8.5 day increase[44] (105.9 days)	Not achieved Refer note 2
Speed of cover decisions: non-complicated claims.	0.6 days	<1.0 days	0.9 days	Achieved
Speed of cover decisions: complicated claims.	59.7 days	<75.0 days	66.9 days	Achieved
Reviews as a percentage of decline decisions	8.2%	8.9%	8.5%	Achieved
Average time to resolution for claims with reviews	93.2 days	≤95 days	92.1 days	Achieved
Proportion of ACC reviews upheld (in favour of ACC)	87.2%	85.0%	90.6%	Achieved
ACC focused on the best possible outcomes for clients given their situations	77.0%	77%	77%	Achieved
Māori lodgement ratio	0.81	1% increase on previous year	0.82	Achieved
Long-Term Claim Pool returns to independence	3,593	2,000	4,978	Achieved
Rate of long-term claims in part-time work	9.3%	8.5%	12.6%	Achieved
Administration cost per claim	$2,875	$2,805	$2,403	Achieved
Percentage of total expenditure paid directly to clients, of for services to clients	86.1%	87.9%	88.3%	Achieved
Claims processed per full-time equivalent	507	549	580	Achieved

NOTE 1: DURABLE RETURN TO WORK

The durable return to work rate for 2020/21 was 72%, the same as 2019/20. The target for this measure was to exceed the combined Australian workers' compensation scheme result. However, the Australian survey result was delayed last year due to COVID-19 and is not yet available.

The quarterly results for this measure have steadily increased each quarter, from 69% in the first quarter to 76% in the fourth quarter. The reported result is a rolling four-quarter average. This is as expected, as the impacts of COVID-19 on the economy and rehabilitation performance lessened throughout the year.

NOTE 2: WEEKLY COMPENSATION DAYS PAID REDUCTION

The reduction in average weekly compensation days paid measure did not meet target. The measure reflects the average time to rehabilitate clients where rehabilitation outcomes were achieved in 29 to 365 days. The changing profile of weekly compensation durations has a direct impact on the results. Overall, the claim mix impact from COVID-19 restrictions was that fewer clients were rehabilitated due to longer periods of incapacity and fewer low complexity claims were lodged. In 2020/21, fewer claims achieved outcomes of 29-69 days and a relatively larger proportion of claims achieved outcomes of 70-181 days.

While the increased proportion of outcomes achieved within 70-181 days had a negative impact on this measure, it improved the return- to-work-within-nine-months rate performance and reduced the growth rate of the long-term claim pool. This was a good result for our clients and the Scheme.

44 *A decrease for this measure would reflect a reduction in weekly compensation days paid compared with the benchmark of March 2015. The increases presented the fact that weekly compensation days paid have increased not reduced. Longer-term targets are for a reduction.*

Other performance measures

This set of measures is used to demonstrate the extent to which we are achieving our organisational health and capability intentions, and the performance of our assets.

Organisational health and capability performance measures

TABLE 20: PERFORMANCE MEASURES – MAINTAIN A DIVERSE, HIGH-PERFORMING WORKFORCE EMPOWERED TO DELIVER GREAT CUSTOMER EXPERIENCES AND OUTCOMES

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
Key measure Employee Net Promoter Score	+21	+12	0	Not achieved Refer note 1
Supporting measure Proportion of staff who identify as Māori	12%	12%	11.4%	Not achieved Refer note 2
Supporting measure Proportion of staff who identify as having a disability	12%	14%	12.2%	Not achieved Refer note 2
Key measure Total recordable injury frequency rate	3.2	<3.5	1.7	Achieved
Supporting measure Lost-time injury frequency rate	1.0	<1.1	1.1	Achieved

NOTE 1: EMPLOYEE NET PROMOTER SCORE (ENPS)

Our 2020/21 employee survey recorded an eNPS of 0. The result of zero indicates that in response to the question 'to what extent would you recommend ACC as a place to work to friends and family?':

- one-third of employees are 'promoters' (those who rate 9 or 10")
- one-third are 'detractors' (those who rate 0-6)
- one-third are 'neutrals' (those rating 7 or 8).

While the eNPS result is a slight decrease on our last measurement in November 2020, underlying engagement has increased to 4.12 (out of a score of 5), is the highest score in the past 10 years.

NOTE 2: DIVERSITY AND INCLUSION – PROPORTION OF STAFF WHO IDENTIFY AS MĀORI AND PROPORTION OF STAFF WHO IDENTIFY AS HAVING A DISABILITY

Our employee survey results recorded reductions in the proportion of employees who identify as Māori and the proportion of employees who identify as having a disability.

Our recruitment rates have been strong (13% of new hires in the past six months have been Māori). However, we have seen a slightly elevated turnover of both Māori and disabled employees. There is a strong employment market for Māori employees. We continue to review our attraction and retention initiatives within our diversity and inclusion work programme.

TABLE 21: PERFORMANCE MEASURE – IMPROVE THE WAY WE USE, PROTECT AND SHARE INFORMATION

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
Key measure The number of category 3, 4 and 5 privacy breaches and near misses[45]	0	<5 per year No category 5 privacy breaches	0	Achieved

TABLE 22: PERFORMANCE MEASURE – SUPPORT ACC BUSINESS OUTCOMES WITH MODERN, RELIABLE AND SECURE INFORMATION TECHNOLOGY

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
Key measure Overall operational system availability	99.9%	99.5%	99.9%	Achieved

Asset-performance measures

Cabinet Office Circular (19)6: Investment Management and Asset Performance in the State Services sets out expectations for agencies to report on investment performance.

To address this requirement, we selected the following asset-performance measures aligned with our two largest asset portfolios: property; and information and communications technology (ICT).

TABLE 23: PERFORMANCE MEASURES – SUPPORT ACC BUSINESS OUTCOMES WITH MODERN, RELIABLE AND SECURE INFORMATION TECHNOLOGY

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
ICT Utilisation: Number of claim system transactions per minute.	90	>75	88	Achieved
ICT Condition: Percentage of key systems with a condition rating of Good or Excellent	93.3%	>80%	100%	Achieved
ICT Condition: Number of critical faults for key ACC systems	1	<5	3	Achieved
ICT Functionality: Total operational ICT spend per full-time equivalent (FTE).	$22,207	<$28,200	$22,659	Achieved
ICT Availability: Percentage of time key applications and networks are available to perform required functions	99.9%	99.5%	99.9%	Achieved
Property Utilisation: Square metres (m^2) of leased area per FTE.	$16.0m^2$	12-16 m^2/ FTE	$14.1m^2$/ FTE	Achieved
Property Condition: Percentage of total leased area with a current code compliance certificate/building warrant of fitness.	100%	100%	100%	Achieved
Property Functionality: Percentage of total leased area that meets or exceeds the ACC security standards.	100%	100%	100%	Achieved

45 *As defined by the Government Chief Privacy Officer's privacy matrix*

Non-Earners' Account appropriation measures

TABLE 24: PERFORMANCE MEASURES – NON-EARNERS' APPROPRIATION MEASURE

Category	Actual 2019/20	Target 2020/21	Actual 2020/21	Target met?
Increase in the total number of first presentations to SAATS	1,755	2,513	2,185	Not achieved Refer note 1
Agreement with Ministry of Health for public health acute services signed off no later than end of year to which is applies.	Agreement reached	Agreement reached	Agreement reached	Achieved

NOTE 1: INCREASE IN THE TOTAL NUMBER OF FIRST PRESENTATIONS TO SEXUAL ASSAULT ASSESSMENT AND TREATMENT SERVICES (SAATS)

The number of first presentations to SAATS (Sexual Assault Assessment and Treatment Services) increased on 2019/20. We are working to increase the availability of clinics in the future to ensure they are more readily available when clients require them and reduce any unmet needs.

Financial statements

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2021

$M	Notes	Actual 2021	Actual 2020	Unaudited Budget 2021
Net levy revenue	5	5,038	4,468	4,715
Other revenue		1	1	1
Interest, dividend and rental income	6	1,116	1,188	1,200
Total revenue		**6,155**	**5,657**	**5,916**
Claims paid		5,219	4,642	5,068
Expected increase in outstanding claims liability	4	2,146	2,171	2,145
Net losses from other factors on outstanding claims liability	4	539	257	–
Changes in unexpired risk liability	8(F)	221	108	1
Total claim costs		**8,125**	**7,178**	**7,214**
Injury prevention costs	7	79	102	76
Enterprise change costs	7	91	101	86
Investment management costs	7	77	60	64
Operating costs	7	519	544	538
(Deficit) from insurance operations		**(2,736)**	**(2,328)**	**(2,062)**
Net gains on investments	6	3,750	2,256	251
Net gains (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	8,761	(5,716)	–
Net gains (losses) from changes in discount and inflation rates on unexpired risk liability	8(F)	194	(158)	–
Net surplus (deficit)		**9,969**	**(5,946)**	**(1,811)**
Total comprehensive revenue and expense for the year		**9,969**	**(5,946)**	**(1,811)**

Consolidated statement of changes in reserves (equity)

For the year ended 30 June 2021

$M	Actual 2021	Actual 2020	Unaudited Budget 2021
Total Account reserves			
Balance at the beginning of the year (deficit)	(15,959)	(10,013)	(15,959)
Total comprehensive revenue and expense for the year	9,969	(5,946)	(1,811)
Balance at the end of the year (deficit)	(5,990)	(15,959)	(17,770)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2021

$M	Notes	Actual 2021	Actual 2020	Unaudited Budget 2021
Account reserves				
Motor Vehicle Account		847	(2,241)	(2,614)
Non-Earners' Account		(6,599)	(9,225)	(9,470)
Earners' Account		(852)	(1,952)	(2,705)
Work Account		2,699	1,336	1,141
Treatment Injury Account		(2,085)	(3,877)	(4,122)
Total Account reserves (deficit)		**(5,990)**	**(15,959)**	**(17,770)**
Represented by:				
Assets				
Cash and cash equivalents	11	131	256	256
Cash pledged as collateral	9(D)	59	34	–
Receivables	12	1,138	334	463
Accrued levy revenue	13	2,601	2,419	2,487
Investments	9	50,463	47,643	47,965
Derivative financial instruments	10	460	906	–
Property, plant and equipment, and intangible assets	15	152	173	151
Total assets		**55,004**	**51,765**	**51,322**
Less liabilities				
Cash collateral received	9(D)	38	641	–
Payables and accrued liabilities	16	1,195	1,890	1,863
Derivative financial instruments	10	562	176	–
Provisions	17	67	72	–
Unearned levy liability	8(E)	2,248	2,012	2,150
Unexpired risk liability	8(F)	1,497	1,470	1,471
Outstanding claims liability	8(C)	55,387	61,463	63,608
Total liabilities		**60,994**	**67,724**	**69,092**
Net assets (liabilities)		**(5,990)**	**(15,959)**	**(17,770)**

For and on behalf of the Board, which authorised the issue of these financial statements on 30 September 2021:

Hon Steve Maharey CNZM
Board Chair
Date: 30 September 2021

James Miller
Deputy Chair
Date: 30 September 2021

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2021

$M	Note	Actual 2021	Actual 2020	Unaudited Budget 2021
Cash flows from operating activities				
Cash was provided from:				
Levy revenue		4,910	4,432	4,678
Investment income		1,107	1,237	1,200
Other revenue		1	2	1
Goods and services tax (net)		6	–	–
		6,024	5,671	5,879
Cash was applied to:				
Payments towards injury treatment and prevention		6,081	5,247	5,892
Goods and services tax (net)		–	10	10
		6,081	5,257	5,902
Net cash movement from operating activities		**(57)**	**414**	**(23)**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		76,164	68,374	75,052
Proceeds from sale of collateral		4,646	9,550	–
Proceeds from sale of property, plant and equipment, and intangible assets		1	–	–
		80,811	77,924	75,052
Cash was applied to:				
Payment for investments		75,576	68,333	75,000
Payment for collateral		5,274	9,782	–
Payment for property, plant and equipment, and intangible assets		29	53	29
		80,879	78,168	75,029
Net cash movement from investing activities		**(68)**	**(244)**	**23**
Net (decrease) increase in cash and cash equivalents		**(125)**	**170**	**–**
Cash and cash equivalents – opening balance		**256**	**86**	**256**
Cash and cash equivalents – closing balance	**11**	**131**	**256**	**256**

The accompanying notes form part of these financial statements.

Reconciliation of the net cash (outflow) inflow from operating activities with the reported net surplus (deficit)

$M	Note	Actual 2021	Actual 2020	Unaudited Budget 2021
Net surplus (deficit)		**9,969**	**(5,946)**	**(1,811)**
Add (less) items classified as investing activities:				
Realised (gains) on sale of investments		(2,910)	(1,662)	–
(Gains) on sale of property, plant and equipment, and intangible assets		(1)	–	–
Add (less) non-cash items:				
Depreciation and amortisation		50	49	51
Unrealised (gains) on investments		(840)	(596)	(251)
Movement in provisions		(5)	(36)	–
Change in fair value of levy receivables		31	26	–
Movement in unexpired risk liability		27	266	1
Movement in outstanding claims liability	4	(6,076)	8,144	2,145
Add (less) movements in working capital items:				
Receivables and accrued levy revenue		(431)	116	(191)
Payables and accrued liabilities		(107)	129	(105)
Unearned levy liability		236	(76)	138
Net cash (outflow) inflow from operating activities		**(57)**	**414**	**(23)**

The accompanying notes form part of these financial statements.

Reporting and funding by Account

The Accident Compensation Scheme (as required through the Accident Compensation Act 2001 (AC Act)) comprises five separate Accounts, being the Motor Vehicle, Non-Earners', Earners', Work, and Treatment Injury Accounts. Each Account receives individual funding and is maintained for a separate purpose.

Under the AC Act, unless otherwise provided by that Act, funds held in an Account can only be used to meet costs incurred in the same Account. This means that cross-subsidisation between separate Accounts is not permitted. The Accident Compensation Corporation (ACC) therefore manages and separately reports on the performance and funding of each Account.

Sections 166A and 166B of the AC Act require the Government to issue a funding policy setting out the criteria on how to fully fund the levied Accounts including the earners' portion of the Treatment Injury Account. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was gazetted on 6 April 2021 (Gazette No. 2021-go1226).

The funding policy for the Non-Earners' Account and the non-earners' portion of the Treatment Injury Account is set by the Government (SEC-17-MIN-0028). The lifetime costs of post-2001 claims are fully funded using central estimates. The risk margin, which allows for the relative uncertainty and is included in the outstanding claims estimate, is not funded. Pre-2001 claims are funded on an annual pay-as-you-go basis.

The risk margin included in the Outstanding Claims Liability (OCL) for each levied Account, which allows for the relative uncertainty in liability estimates, is not funded.

The ACC Board recommends sustainable levies to meet the funding policy of the Motor Vehicle, Earners' and Work Accounts, but final levy rates are set by the Government.

The Non-Earners' Account is funded by the Government. The Treatment Injury Account is funded through levies from the Earners' and Non-Earners' Accounts on the basis of whether the treatment injury claims are from earners or non-earners.

The accompanying notes form part of these financial statements.

MOTOR VEHICLE ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2021

$M	Notes	Actual 2021	Actual 2020	Unaudited Budget 2021
Levy revenue[(i)]		470	444	459
Interest, dividend and rental income		347	377	347
Total revenue		**817**	**821**	**806**
Claims paid[(ii)]		654	618	693
Expected increase in outstanding claims liability	4	452	500	452
Net (gains) from other factors on outstanding claims liability	4	(242)	(165)	–
Changes in unexpired risk liability	8(F)	28	3	20
Total claim costs		**892**	**956**	**1,165**
Injury prevention costs		5	8	10
Operating, investment management and enterprise change costs		78	90	77
(Deficit) from insurance operations		**(158)**	**(233)**	**(446)**
Net gains on investments		794	747	73
Net gains (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	2,395	(1,595)	–
Net gains (losses) from changes in discount and inflation rates on unexpired risk liability	8(F)	57	(37)	–
Net surplus (deficit)		**3,088**	**(1,118)**	**(373)**
Total comprehensive revenue and expense for the year		**3,088**	**(1,118)**	**(373)**

Statement of changes in reserves (equity)

For the year ended 30 June 2021

$M	Actual 2021	Actual 2020	Unaudited Budget 2021
Account reserve – opening balance (deficit)	(2,241)	(1,123)	(2,241)
Total comprehensive revenue and expense for the year	3,088	(1,118)	(373)
Account reserve – closing balance (deficit)	**847**	**(2,241)**	**(2,614)**

Notes:

(i) The Motor Vehicle Account derives its funds from:

- levies on motor vehicle ownership
- the levies portion of the excise duty on petrol
- the motorcycle safety levy on moped and motorcycle owners.

(ii) These funds are applied in accordance with the AC Act in respect of motor vehicle injury suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

NON-EARNERS' ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2021

$M	Notes	Actual 2021	Actual 2020	Unaudited Budget 2021
Funds appropriated by Parliament[i]		1,765	1,469	1,755
Less funding of Treatment Injury Account		(228)	(191)	(228)
Interest, dividend and rental income		115	113	156
Total revenue		**1,652**	**1,391**	**1,683**
Claims paid[ii]		1,394	1,193	1,336
Expected increase in outstanding claims liability	4	498	411	498
Net losses from other factors on outstanding claims liability	4	41	46	–
Total claim costs		**1,933**	**1,650**	**1,834**
Injury prevention costs		24	23	16
Operating, investment management and enterprise change costs		120	109	111
(Deficit) from insurance operations		**(425)**	**(391)**	**(278)**
Net gains on investments		642	231	33
Net gains (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	2,409	(1,433)	–
Net surplus (deficit)		**2,626**	**(1,593)**	**(245)**
Total comprehensive revenue and expense for the year		**2,626**	**(1,593)**	**(245)**

Statement of changes in reserves (equity)

For the year ended 30 June 2021

$M	Actual 2021	Actual 2020	Unaudited Budget 2021
Account reserve – opening balance (deficit)	(9,225)	(7,632)	(9,225)
Total comprehensive revenue and expense for the year	2,626	(1,593)	(245)
Account reserve – closing balance (deficit)	**(6,599)**	**(9,225)**	**(9,470)**

Notes:

(i) The Non-Earners' Account derives its funds from appropriations by Parliament.

(ii) These funds are applied in accordance with the AC Act in respect of personal injury (other than motor vehicle injury) to non-earners, suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

EARNERS' ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2021

$M	Notes	Actual 2021	Actual 2020	Unaudited Budget 2021
Levy revenue[i]		1,914	1,740	1,755
Less funding of Treatment Injury Account		(79)	(76)	(73)
Other revenue		1	1	1
Interest, dividend and rental income		267	284	311
Total revenue		**2,103**	**1,949**	**1,994**
Claims paid[ii]		1,930	1,728	1,848
Expected increase in outstanding claims liability	4	689	661	688
Net losses (gains) from other factors on outstanding claims liability	4	604	(12)	–
Changes in unexpired risk liability	8(F)	152	77	13
Total claim costs		**3,375**	**2,454**	**2,549**
Injury prevention costs		16	34	11
Operating, investment management and enterprise change costs		263	254	252
(Deficit) from insurance operations		**(1,551)**	**(793)**	**(818)**
Net gains on investments		1,158	505	65
Net gains (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	1,397	(934)	–
Net gains (losses) from changes in discount and inflation rates on unexpired risk liability	8(F)	96	(85)	–
Net surplus (deficit)		**1,100**	**(1,307)**	**(753)**
Total comprehensive revenue and expense for the year		**1,100**	**(1,307)**	**(753)**

Statement of changes in reserves (equity)

For the year ended 30 June 2021

$M	Actual 2021	Actual 2020	Unaudited Budget 2021
Account reserve – opening balance (deficit)	(1,952)	(645)	(1,952)
Total comprehensive revenue and expense for the year	1,100	(1,307)	(753)
Account reserve – closing balance (deficit)	**(852)**	**(1,952)**	**(2,705)**

Notes:

(i) The Earners' Account derives its funds from:

- levies payable by earners on their earnings
- levies from the purchase of weekly compensation by non-earners.

(ii) These funds are applied in accordance with the AC Act in respect of personal injury to earners (other than work injury or motor vehicle injury) suffered on or after 1 July 1992.

The accompanying notes form part of these financial statements.

WORK ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2021

$M	Notes	Actual 2021	Actual 2020	Unaudited Budget 2021
Levy revenue(i)		889	815	746
Interest, dividend and rental income		258	283	251
Total revenue		**1,147**	**1,098**	**997**
Claims paid(ii)		965	855	911
Expected increase in outstanding claims liability	4	126	189	126
Net losses from other factors on outstanding claims liability	4	22	220	–
Changes in unexpired risk liability	8(F)	41	28	(32)
Total claim costs		**1,154**	**1,292**	**1,005**
Injury prevention costs		27	27	29
Operating, investment management and enterprise change costs		191	207	210
(Deficit) from insurance operations		**(225)**	**(428)**	**(247)**
Net gains on investments		716	490	52
Net gains (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	831	(669)	–
Net gains (losses) from changes in discount and inflation rates on unexpired risk liability	8(F)	41	(36)	–
Net surplus (deficit)		**1,363**	**(643)**	**(195)**
Total comprehensive revenue and expense for the year		**1,363**	**(643)**	**(195)**

Statement of changes in reserves (equity)

For the year ended 30 June 2021

$M	Actual 2021	Actual 2020	Unaudited Budget 2021
Account reserve – opening balance	1,336	1,979	1,336
Total comprehensive revenue and expense for the year	1,363	(643)	(195)
Account reserve – closing balance	**2,699**	**1,336**	**1,141**

Notes:

(i) The Work Account derives its funds from levies payable by employers and earners who are self-employed.

(ii) These funds are applied in accordance with the AC Act in respect of:

- work injury suffered on or after 1 April 2000 by employees of employers who are insured by ACC, and for all employees' work injuries incurred on or after 1 July 2000
- work injury suffered on or after 1 July 1999 and before 1 July 2000 by self-employed persons who were insured by ACC, and for self-employed work injuries incurred on or after 1 July 2000
- accidents prior to 1 July 1999 that are non-work injury, other than motor vehicle injury, suffered by earners on or after 1 April 1974 and before 1 July 1992
- accidents prior to 1 July 1999 that are work injury, other than motor vehicle injury, suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Non-Compliers Fund

Included in the Work Account is the Non-Compliers Fund (the Fund). The Fund was set up to cover employees who were injured while working for an employer who had not taken out accident insurance during the time when the workplace accident insurance market was opened up for competition. The Fund was transferred to ACC following the restoration of ACC as sole provider of workplace accident insurance. The net surplus for the year ended 30 June 2021 for the Fund was $0.05 million (2020: $0.04 million). The Fund's reserve as at 30 June 2021 was $0.6 million (2020: $0.5 million).

CoverPlus Extra

There were 40,210 (2020: 45,213) CoverPlus Extra policies purchased as at 31 June 2021. CoverPlus Extra is an optional product that lets self-employed people and non-PAYE shareholder employees negotiate a pre-agreed level of lost earnings compensation. Payments of $13.7 million (2020: $12.1 million) in weekly compensation relating to work-related injuries were paid to clients who had purchased weekly compensation under CoverPlus Extra policies from the Work Account during the year. Non-work injury payments of $24.0 million (2020: $19.6 million) were paid from the other Accounts.

The accompanying notes form part of these financial statements.

TREATMENT INJURY ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2021

$M	Notes	Actual 2021	Actual 2020	Unaudited Budget 2021
Levy revenue[i]		307	267	301
Interest, dividend and rental income		129	131	135
Total revenue		**436**	**398**	**436**
Claims paid[ii]		276	248	280
Expected increase in outstanding claims liability	4	381	410	381
Net losses from other factors on outstanding claims liability	4	114	168	–
Total claim costs		**771**	**826**	**661**
Injury prevention costs		7	10	10
Operating, investment management and enterprise change costs		35	45	38
(Deficit) from insurance operations		**(377)**	**(483)**	**(273)**
Net gains on investments		440	283	28
Net gains (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	1,729	(1,085)	–
Net surplus (deficit)		**1,792**	**(1,285)**	**(245)**
Total comprehensive revenue and expense for the year		**1,792**	**(1,285)**	**(245)**

Statement of changes in reserves (equity)

For the year ended 30 June 2021

$M	Actual 2021	Actual 2020	Unaudited Budget 2021
Account reserve – opening balance (deficit)	(3,877)	(2,592)	(3,877)
Total comprehensive revenue and expense for the year	1,792	(1,285)	(245)
Account reserve – closing balance (deficit)	**(2,085)**	**(3,877)**	**(4,122)**

Notes:

(i) The Treatment Injury Account derives its funds from allocations from the Earners' Account (in the case of earners) and the Non-Earners' Account (in the case of non-earners).

(ii) These funds are applied in accordance with the AC Act in respect of personal injury arising from medical misadventure suffered on or after 1 July 1992, and personal injury arising from treatment on or after 1 July 2005.

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of accounting policies

(A) REPORTING ENTITY

Accident Compensation Corporation (ACC) is designated as a Crown Agent under the Crown Entities Act 2004. ACC provides comprehensive 24-hour, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand.

ACC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

(B) BASIS OF PREPARATION

The financial statements of ACC have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements comply with PBE accounting standards and have been prepared in accordance with the Accident Compensation Act 2001 (AC Act) and the Crown Entities Act 2004.

The financial statements consolidate the financial statements of ACC and its sole subsidiary, Shamrock Superannuation Limited, a non-trading New Zealand entity.

The financial statements are prepared on a historical cost basis unless otherwise stated. All balances are expressed in New Zealand dollars and rounded to the nearest million dollars ($M) unless otherwise stated.

The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are unaudited.

Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective that have not been early adopted, and that are relevant to ACC are:

PBE IPSAS 41 *FINANCIAL INSTRUMENTS*

The XRB issued PBE IPSAS 41 *Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022, with early adoption permitted. Although ACC has not assessed the effects of the new standard, it does not expect any significant changes as requirements are similar to PBE IFRS 9. ACC will adopt PBE IPSAS 41 in line with the timing of adoption in the Crown's financial statements.

PBE FRS 48 *SERVICE PERFORMANCE REPORTING*

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. ACC has not yet determined how the application of PBE FRS 48 will affect its statement of performance. ACC will adopt PBE FRS 48 for the reporting period beginning 1 July 2022.

Standards not yet issued

CLIMATE RISK DISCLOSURES

The Task Force on Climate-related Financial Disclosures (TCFD) has established a framework that enables consistent and comparable climate-related financial risk disclosures. This year ACC became a supporter of TCFD and is using the framework to guide our climate change disclosures.

There are no other standards or amendments that have been issued, but are not yet effective, that are expected to have a significant impact on ACC.

(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes that they relate to.

2. Critical accounting judgements, estimates and assumptions

ACC makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

(A) OUTSTANDING CLAIMS LIABILITY

In estimating the OCL, a central estimate plus a risk margin is adopted. Due to the uncertainty in the OCL estimate, and the number of assumptions required in its determination, it is highly likely that the actual experience will differ from the stated estimate. Standard actuarial techniques are used to formulate the central estimate, taking into account trends in historical claims data, reviewing current conditions that may impact future trends, and scanning the horizon for possible changes that may affect trends in the future.

Where possible, both the number of clients receiving payments and the average amount of these payments are analysed separately. When claim numbers are too unstable for this method to be reliable, an analysis of aggregate payments is undertaken.

The following actuarial valuation techniques are used to project the various benefit types:

- payment per active claim method
- payment decay method
- individual claim projection method.

Some elements of the claims liability are subject to more uncertainty than others. For past injury years, a higher proportion of the ultimate number of claims for each year will have been reported. These reported claims will have a longer history of payments and a smaller outstanding amount, all other things being equal, than claims reported in more recent injury years. Incurred but not reported (IBNR) claims have no payment history and must be estimated in their entirety. Hence the OCL estimate for more recent injury years will be subject to more uncertainty.

The general sources of uncertainty include:

- actual future claim costs that differ from those expected due to unanticipated changes to Scheme utilisation, inflationary trends and claim durations
- the actual timing of claim payments differs from those expected
- unanticipated changes in operational processes that affect claim payments
- future advances in medicine and treatment that may impact recovery periods, cost structures and Scheme utilisation
- periodic review of ACC legislation and court decisions, which can result in entitlements that are not anticipated.

In general, the largest area of uncertainty affecting the OCL is the future costs associated with personal and social rehabilitation support services provided to individuals experiencing significant disability as a result of an injury, in particular the cost of personal care services whether they be home- or residential-based care. These may involve anything from helping with daily duties to providing nursing care services. The number of hours per day, types of service required, provider type and average costs per hour are key assumptions that need to be projected decades into the future. The estimate carries with it a wide range of uncertainty, due to the length of the projection period and the variation of disabilities and/or demonstrated independent participation by the clients.

The estimated future cash payments are discounted using a risk-free rate based on the yield curves of New Zealand government bond rates.

(B) GRADUAL PROCESS CLAIMS

These claims are a result of injuries that have occurred due to prolonged exposure in the workplace to conditions that result in some form of harm. The most common examples of such claims are those for asbestosis (due to prolonged exposure to asbestos dust in the atmosphere) and hearing loss (due to prolonged exposure to excessive noise).

Due to the nature of these injuries, many years can pass between exposure to the conditions that result in harm and the individual receiving treatment or suffering incapacity.

A gradual process claim can be made when a person is regarded as suffering personal injury caused by work-related gradual process, disease or infection which is in accordance with section 37 of the AC Act. The claim can be made at the earlier of either the date that the person first receives treatment or the date that the injury first results in incapacity.

ACC's accounting policy is to recognise a financial liability for gradual process injury only when a claim is made. The effect of this policy is that until the injury presents itself such that the person receives treatment or suffers incapacity and makes a claim, ACC does not record a liability in the OCL.

(C) ACCRUED LEVY REVENUE

Levies required to fund the Work Account are invoiced directly to employers or self-employed persons based on their respective liable earnings at the applicable levy rate.

Earner levies of shareholder-employees and the self-employed are also invoiced directly. Earner levies of employee earners are collected within the PAYE system and are paid to ACC by Inland Revenue.

Accrued levy revenue for the Work and Earners' Accounts is estimated by using their respective expected liable earnings and average levy rate.

(D) INVESTMENT ASSETS

Where the fair values of investment assets recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include inputs derived from observable market data where possible. Where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as economic growth, cash forecasts and discount rates.

(E) GOING CONCERN ASSUMPTION

The financial statements have been prepared on a going concern basis.

The Board has considered a combination of circumstances, and the likelihood these could create uncertainty over the going concern assumption. In addition, the regulatory scheme contemplates periods when funding of some accounts will be inadequate and catch up funding will occur at a later stage. In the circumstances where the Crown has elected for a period to not fund the deficit in the Crown funded accounts – the Non-Earners' Account and the Non-Earners' portion of the Treatment Injury Account, and /or not approve the levy changes recommended to the Crown by the Board, financial deficits may result. Were this to continue it would result in ongoing deficits and a deterioration in the funding ratios of the relevant Accounts. The financial statements are prepared on a going concern basis, reflecting the Government's on-going obligation to fund the scheme and the long-term nature of its funding policy pursuant to ss166 A&B of the AC Act.

3. Long term financial sustainability

The sufficiency of Scheme assets to meet its liabilities is primarily measured using Account funding ratios. Any deficiency in assets is referred to as a 'funding deficit'. Any excess in assets is referred to as a 'funding surplus'.

Where levy revenue is insufficient to cover new year claim costs and/or the funding ratio is below 100%, at some point levies will need to increase. This will pass on the burden of funding already incurred injuries to future levy payers. The timing and extent of those increases will depend on the degree to which an Account is underfunded or whether there is a new year claims cost shortfall.

The OCL decreased by $6.1 billion during the year (2020: $8.1 billion increase). $13.1 billion of the decrease (2020: $7.3 billion increase) is due to changes in interest rates, partially offset by a $4.4 billion increase (2020: $1.6 billion decrease) due to changes in inflation rates. Both of these factors are outside ACC's control. The OCL change has a significant impact on the funding ratios of ACC's Accounts.

4. Underwriting result

Underwriting in terms of ACC relates to the core business of collecting levies and paying for accident compensation and rehabilitation, excluding any investment activities. The below underwriting result is extracted from the statement of comprehensive revenue and expense:

$M	2021 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	2020 Total
Net levy revenue	**5,038**	**470**	**1,537**	**1,835**	**889**	**307**	**4,468**
Rehabilitation (including treatment) costs							
Vocational rehabilitation	79	8	1	46	23	1	96
Social rehabilitation	950	250	325	141	112	122	839
Medical treatment	982	31	405	406	123	17	846
Hospital treatment	443	27	99	217	67	33	375
Public health acute services	578	57	363	117	38	3	555
Dental treatment	34	1	17	12	3	1	28
Conveyance for treatment	192	30	104	42	13	3	162
	3,258	**404**	**1,314**	**981**	**379**	**180**	**2,901**
Compensation costs							
Income maintenance	1,722	200	26	891	537	68	1,502
Independence allowances	55	7	27	11	7	3	59
Lump sums	51	7	11	8	14	11	42
Death benefits	93	32	7	32	15	7	93
	1,921	**246**	**71**	**942**	**573**	**89**	**1,696**
Miscellaneous costs	40	4	9	7	13	7	45
Claims paid	**5,219**	**654**	**1,394**	**1,930**	**965**	**276**	**4,642**
Claims handling costs	508	49	109	214	112	24	525
Increase in outstanding claims liability							
Expected change	2,146	452	498	689	126	381	2,179
Effect of model recalibration	–	–	–	–	–	–	(8)
	2,146	452	498	689	126	381	2,171
Net (gains) losses from changes in discount and inflation rates and other factors on outstanding claims liability							
Effect of claims experience and modelling	695	(154)	223	515	33	78	651
Effect of legislative and policy changes	8	–	4	4	–	–	–
Effect of changes in risk margin	(122)	(88)	(50)	25	(43)	34	–
Effect of other changes	(42)	–	(136)	60	32	2	–
Effect of COVID-19 level 4 lockdown	–	–	–	–	–	–	(394)
	539	**(242)**	**41**	**604**	**22**	**114**	**257**
Effect of changes in economic assumptions	(8,761)	(2,395)	(2,409)	(1,397)	(831)	(1,729)	5,716
	(8,222)	(2,637)	(2,368)	(793)	(809)	(1,615)	5,973
(Decrease) Increase in outstanding claims liability	(6,076)	(2,185)	(1,870)	(104)	(683)	(1,234)	8,144
Total claims incurred	**(349)**	**(1,482)**	**(367)**	**2,040**	**394**	**(934)**	**13,311**
Movement in unexpired risk liability	27	(29)	–	56	–	–	266
Other underwriting costs	181	10	27	47	88	9	222
Surplus (deficit) from underwriting activities	**5,179**	**1,971**	**1,877**	**(308)**	**407**	**1,232**	**(9,331)**
Net investment income	4,789	1,117	749	1,407	956	560	3,384
Other revenue	1	–	–	1	–	–	1
Net surplus (deficit)	**9,969**	**3,088**	**2,626**	**1,100**	**1,363**	**1,792**	**(5,946)**

5. Net levy revenue

All levy revenue is recognised in the levy period to which it relates. Levy revenue relating to levy periods that commenced prior to balance date is accrued if not yet invoiced. This accrual is estimated based on expected liable earnings at the applicable levy rate, with the assumption that the levy revenue is earned evenly over the levy period. The proportion of levies not earned at the reporting date is recognised in the statement of financial position as unearned levy liability.

$M	2021	2020
Government appropriations	1,765	1,469
Levy revenue	3,313	3,066
(Less):		
Change in fair value of levy receivables	(31)	(26)
Change in fair value of accrued levy revenue	(9)	(41)
Total net levy revenue	**5,038**	**4,468**

Levy revenue is from exchange transactions.

6. Investment income

Investment income consists of and is recognised on the following basis:

- dividends on equity securities are recorded as revenue on the ex-dividend date (date security starts trading without the value of its next dividend payment)
- interest revenue is recognised as it accrues
- investment gains (losses) represent the realised and unrealised movements in the investment values. Realised gains (losses) occur at the time of disposal of an investment asset and are calculated as the difference between the proceeds received and their carrying value. Unrealised gains (losses) represent the difference between the carrying value of the investment assets and their fair value at year end.

Each of ACC's Accounts 'holds' a portion of different investment portfolios. These holding proportions are adjusted whenever an Account places additional funds into, or withdraws funds from, an investment portfolio. Investment income from each investment portfolio is allocated between the Accounts daily based on the Accounts' daily proportionate 'ownership'. Some derivative positions are allocated directly between Accounts rather than to investment portfolios, with all associated income from these positions directly allocated to the relevant Accounts.

$M	2021	2020
Interest, dividend and rental income		
Interest revenue		
Financial assets classified as fair value through surplus or deficit	583	719
Financial assets classified as held for trading	88	72
	671	**791**
Rental revenue from investment properties	16	15
Revenue from service concession arrangement	6	5
Dividend income	461	407
Other fee income	3	4
Gross interest, dividend and rental income	**1,157**	**1,222**
Direct investment costs		
Foreign withholding tax	14	12
Other direct investment costs	27	22
Total direct investment costs	**41**	**34**
Interest, dividend and rental income	**1,116**	**1,188**
Gains on investments		
Change in fair value of financial assets classified as fair value through surplus or deficit	4,084	1,791
Change in fair value of financial assets classified as held for trading	(334)	465
Net gains on investments	**3,750**	**2,256**
Investment income	**4,866**	**3,444**
Investment management costs	77	60
Net investment income	**4,789**	**3,384**

Investment income is net of direct investment costs, such as trading costs, to be consistent with the calculation of investment performance. The other costs, excluding direct investment costs, are classified as investment management costs.

7. Analysis of operating expenses

Total expenses comprising investment management, injury prevention, enterprise change and operating costs are allocated to Accounts using an activity-based costing methodology.

(A) EXPENSES BY FUNCTION:

$M	2021	2020
Investment management costs	77	60
Injury prevention costs	79	102
Enterprise change costs	91	101
Operating costs	519	544
Total expenses	**766**	**807**

(B) INCLUDED IN THE ABOVE ARE:

$M	2021	2020
Computer expenses	63	57
Professional expenses	10	16
Rental of office premises and equipment	23	25
Travel and accommodation	2	5
Depreciation and amortisation	50	49
Personnel expenditure	351	371
Restructuring costs (write-back)	–	(3)
Other expenditure	267	287
	766	**807**

Personnel expenditure

Personnel expenditure includes salaries, superannuation, contractors' costs, ACC levies paid and movement in the provision for employee benefits, but excludes termination benefits, which are included in restructuring costs. The defined contribution superannuation expense was $29.5 million (2020: $29.1 million).

Auditor remuneration

Included in other operating expenses are fees paid to ACC's auditor (EY) of:

$000	2021	2020
Total audit fee	700	705
Other services including:		
Actuarial survey	–	2
Environmental social governance framework quality assurance	18	43
Independent IT quality assurance services	348	670
Independent contract mediation support	–	4
Information security and management capability development review	–	23
Total other services	366	742
Total fees to EY	**1,066**	**1,447**

Enterprise change costs

$M	Actual 2021	Actual 2020	Unaudited Budget 2021
Capital expenditure	29	53	29
Operating expenditure	91	101	86
Total	**120**	**154**	**115**

This includes implementing major Integrated Change Investment Portfolio (ICIP) initiatives and expanding the continuous delivery model, which uses Agile delivery methodologies to drive continuous improvements to ACC's systems.

8. Insurance disclosures

(A) CLAIMS INCURRED

The table below relates to the claims incurred this financial year that includes the valuation of the OCL and claims payments during the year. Current year claims relate to injuries suffered in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (eg changes in economic assumptions, risk margin and claims experience) made in all previous financial years, and include the effects of discounting caused by changes in the discount rate and the natural unwinding of the discount as the claims move one year closer to settlement.

	2021			2020		
$M	Current year	Prior years	Total	Current year	Prior years	Total
Undiscounted	11,966	9,360	21,326	9,584	(3,821)	5,763
Discount movement	(4,525)	(17,150)	(21,675)	(2,725)	10,273	7,548
Total claims incurred	**7,441**	**(7,790)**	**(349)**	**6,859**	**6,452**	**13,311**

(B) ACTUARIAL RESULT

The actuarial view of the underwriting result is summarised as follows:

$M	2021	2020
Net levy revenue	**5,038**	**4,468**
Claims incurred		
Lifetime cost of new claims anticipated over the year	7,613	6,855
Effect of model recalibration	–	(8)
Effect of discount unwind	131	669
Effect of risk margin unwind	(385)	(365)
Effect of claims experience and modelling	695	651
Effect of COVID-19 level 4 lockdown	–	(394)
Effect of changes in economic assumptions	(8,761)	5,716
Effect of legislative and policy changes	8	–
Effect of payments experience	514	187
Effect of changes in risk margin	(122)	–
Effect of other changes	(42)	–
Total claims incurred	**(349)**	**13,311**
Movement in unexpired risk liability	27	266
Other underwriting costs	181	222
Surplus (deficit) from underwriting activities	**5,179**	**(9,331)**
Net investment revenue	4,789	3,384
Other revenue	1	1
Net surplus (deficit)	**9,969**	**(5,946)**

(C) OUTSTANDING CLAIMS

PBE IFRS 4 *Insurance Contracts* requires an outstanding claims liability to be recognised and to be measured as the central estimate of the present value of the expected future payments for claims incurred, with an additional risk margin to allow for the inherent uncertainty in the central estimate. The outstanding claims liability is to be discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.

The outstanding claims liability consists of expected future payments associated with:

- claims reported and accepted as at the valuation date that remain unsettled as at the valuation date
- claims incurred but not reported to, or accepted by, ACC as at the valuation date
- closed claims that are expected, on the basis of actuarial projections, to be reopened after the valuation date
- the costs of managing reported but unsettled, reopened and IBNR (incurred but not reported) claims.

The outstanding claims liability is the central estimate of the present value of expected future payments on claims occurring on or before the balance date, 30 June 2021, plus a risk margin to ensure the liability is sufficient to meet all the costs of future claim payments 75% of the time.

Future payments associated with gradual process claims that have not yet been reported are not included in the outstanding claims liability. ACC's major exposure to gradual process or latent claims is in respect of hearing loss and asbestos-related injuries. Section 37 of the AC Act states that a person is considered injured when:

- they first report the incapacity; or
- they first receive medical treatment for the incapacity.

The AC Act effectively defines gradual process claims as being consistent with the 'claims made' policies issued by general insurance entities. That is, clients are covered for a specified contract period, regardless of when the event occurred giving rise to the claim. Under 'claims made' policies, an insurer only has liability for reported claims.

However, in order to highlight the potential payments related to persons who may have suffered exposure to conditions of harm but have not yet suffered incapacity or made a claim on ACC, an assessment of the potential payments under such future claims has been made. The present value of the obligation for all future gradual process claims not yet made is estimated at $1,350 million (2020: $1,782 million). This is only for claims arising due to noise-induced hearing loss and exposure to asbestos, being the types of gradual process claims where sufficient data is available to permit a reasonable estimate of the obligation.

(a) Outstanding claims liability (discounted)

The future claim payments are brought to present value as at the valuation date using a risk-free discount rate.

$M	30 June 2021 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	30 June 2020 Total
Central estimate of present value of future claims payments	46,636	11,917	10,044	10,548	7,377	6,750	51,598
Present value of the operating costs of meeting these claims	2,498	627	437	587	643	204	2,795
	49,134	**12,544**	**10,481**	**11,135**	**8,020**	**6,954**	**54,393**
Risk margin	6,253	1,656	1,404	1,314	891	988	7,070
Outstanding claims liability	**55,387**	**14,200**	**11,885**	**12,449**	**8,911**	**7,942**	**61,463**
As at the beginning of the year	61,463	16,385	13,755	12,553	9,594	9,176	53,319
Movement during the year	**(6,076)**	**(2,185)**	**(1,870)**	**(104)**	**(683)**	**(1,234)**	**8,144**
Current	5,135	877	956	1,872	889	541	4,836
Non-current	50,252	13,323	10,929	10,577	8,022	7,401	56,627
Total outstanding claims liability with risk margin	**55,387**	**14,200**	**11,885**	**12,449**	**8,911**	**7,942**	**61,463**

(b) Reconciliation of movement in discounted outstanding claims liability

The following analysis reconciles the year-on-year movement of the actuarially assessed outstanding claims liability by the key drivers of the movement.

The broad definition of each movement category is:

(i) Model recalibration – the population exposure was updated during 2020, which involved changing the population estimate for the June 2019 quarter. This resulted in an adjustment to the opening balance.

(ii) Inflation assumptions – external assumptions made concerning inflationary factors that include labour cost inflation, average wage inflation and consumer price index (CPI). Future CPI assumptions are prescribed by the Treasury.

(iii) Discount rates – estimated future cash payments, which are adjusted in line with expectations of future inflation, are discounted using a risk-free rate that is based on the yield curves of New Zealand government bond rates and prescribed by the Treasury.

(iv) Risk margin – the risk margin ACC adds to the central estimate of the discounted future claims payments and is reviewed periodically.

(v) Claims experience and modelling – changes to actuarial assumptions and/or methods to reflect actual experience and/or future events that may have an impact on the number and size of claims.

(vi) COVID-19 level 4 lockdown – the lockdown led to a significant reduction in claims activity for which the impact is separately quantified.

(vii) Payments experience – the difference between actual and projected payments.

(viii) Legislative and policy changes – these include court rulings, legislation changes and ACC policy changes.

(ix) Other changes – these include changes to population estimates, accident frequency and data changes.

(x) Discount unwind – as prior claims move one year closer to the date of expected payment, the reduction in the number of years over which discounting takes place is termed as the discount unwind.

(xi) Risk margin unwind – the removal of the risk margin on the current year's expected claims payments for non-current claims is termed as the risk margin unwind.

(xii) Claims anticipated over the year – the expected claim and claims handling costs arising from new accidents in the year to 30 June 2021. The cost is the present value of projected payments post 30 June 2020 plus the expected payments to be made in the year ended 30 June 2021.

(xiii) Claims payments and handling costs – the actual claims paid and the actual claims handling costs incurred during the year ended 30 June 2021.

$M	30 June 2021 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	30 June 2020 Total
Outstanding claims brought forward	**61,463**	**16,385**	**13,755**	**12,553**	**9,594**	**9,176**	**53,319**
Effect of model recalibration	–	–	–	–	–	–	(8)
Effect of changes in inflation assumptions	4,365	1,202	1,067	776	498	822	(1,564)
Effect of changes in discount rates	(13,126)	(3,597)	(3,476)	(2,173)	(1,329)	(2,551)	7,280
Effect of changes in risk margin	(122)	(88)	(50)	25	(43)	34	–
Effect of claims experience and modelling	695	(153)	222	515	33	78	651
Effect of COVID-19 level 4 lockdown	–	–	–	–	–	–	(394)
Effect of payments experience	514	7	108	287	105	7	187
Effect of legislative and policy changes	8	–	4	4	–	–	–
Effect of other changes	(42)	–	(136)	60	32	2	–
Effect of discount unwind	131	35	30	26	20	20	669
Effect of risk margin unwind	(385)	(74)	(72)	(123)	(80)	(36)	(365)
Claims anticipated over the year	7,613	1,186	1,936	2,643	1,158	690	6,855
Incurred claims recognised in the underwriting result	**(349)**	**(1,482)**	**(367)**	**2,040**	**394**	**(934)**	**13,311**
Claims payments and handling costs	(5,727)	(703)	(1,503)	(2,144)	(1,077)	(300)	(5,167)
Outstanding claims carried forward	**55,387**	**14,200**	**11,885**	**12,449**	**8,911**	**7,942**	**61,463**

(c) Claims development table

The following table shows the development of undiscounted claim cost estimates for the seven most recent accident years.

	Accident year							
$M	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claim costs:								
At end of accident year	7,192	6,884	7,914	8,038	8,828	8,367	10,684	
One year later	6,682	7,272	7,160	7,738	9,137	8,963	–	
Two years later	7,062	7,230	7,430	7,655	10,183	–	–	
Three years later	7,382	7,518	7,500	8,365	–	–	–	
Four years later	7,261	7,246	8,021	–	–	–	–	
Five years later	6,755	7,605	–	–	–	–	–	
Six years later	7,126	–	–	–	–	–	–	
Current estimate of cumulative claim costs	**7,126**	**7,605**	**8,021**	**8,365**	**10,183**	**8,963**	**10,684**	**60,947**
Cumulative payments	(2,231)	(2,285)	(2,340)	(2,463)	(2,529)	(2,188)	(1,457)	(15,493)
Outstanding claims – undiscounted	**4,895**	**5,320**	**5,681**	**5,902**	**7,654**	**6,775**	**9,227**	**45,454**
			Discount					(24,568)
			Claims handling costs					2,809
			Prior to 2015 and other claims					31,677
			Short tail outstanding claims					15
			Outstanding claims – per statement of financial position					**55,387**

(d) Key assumptions

An independent actuarial estimate by Taylor Fry, consulting actuary, has been made of the future expenditure relating to accidents that occurred prior to balance date, whether or not the claims have been reported to or accepted by ACC. The Taylor Fry actuarial report is signed by Mr Alan Greenfield, Fellow of the Institute of Actuaries of Australia and Mr Ross Simmonds, Fellow of the New Zealand Society of Actuaries. Mr Ross Simmonds is also a Fellow of the Institute and Faculty of Actuaries (UK).

The actuarial estimate has been made based on actual experience to 30 June 2021. The calculation of the outstanding claims liability has been made in accordance with the standards of the New Zealand Society of Actuaries' Professional Standard No.4: *General Insurance Business* and PBE IFRS4 *Insurance Contracts*.

In determining the actuarial estimate, the independent actuaries have relied on information supplied by ACC. The independent actuaries have indicated they are satisfied as to the nature, sufficiency and accuracy of the information provided.

The table in Note 8(C)(a), Outstanding claims liability (discounted), shows the actuarial estimate of the present value of the outstanding claims liability that will be payable in future years. The actual outcome is likely to range about this estimate and, like any such forecast, is subject to uncertainty.

The main long-term assumptions used in the above estimates are:

	2021		2020	
% pa	Year 1	Beyond Year 1	Year 1	Beyond Year 1
Discount rate	0.38%	0.81% to 4.30%	0.22%	0.25% to 4.30%
Inflation rates:				
weekly compensation(i)	1.6%	2.0% to 2.2%	2.5%	1.2% to 2.2%
impairment benefits	1.5%	1.8% to 2.0%	2.5%	1.0% to 2.0%
social rehabilitation benefits	2.0%	2.1% to 2.2%	1.0%	1.4% to 2.2%
hospital rehabilitation benefits	2.0%	2.1% to 2.2%	1.0%	1.4% to 2.2%
short-term medical costs	2.0%	2.1% to 2.2%	1.0%	1.4% to 2.2%
other medical costs	2.0%	2.1% to 2.2%	1.0%	1.4% to 2.2%
Superimposed inflation:				
social rehabilitation benefits (contracted care)(ii)	4.6%	1.0%	0.2%	1.0% to 3.9%
social rehabilitation benefits (non-contracted care)(ii)	3.0%	1.0%	0.0%	1.0% to 3.8%
social rehabilitation benefits (residential care)(ii)	3.8%	1.0%	0.0%	0.5% to 3.0%
social rehabilitation benefits (serious injury capital expenditure)(iii)	0.7%	0.8% to 3.3%	0.7%	0.8% to 3.3%
hospital rehabilitation benefits(iv)	3.0%	3.0%	3.0%	3.0%
short-term medical costs (general practitioners)	2.0%	2.0%	2.0%	2.0%
short-term medical costs (radiology)	2.0%	2.0%	2.0%	2.0%
short-term medical costs (physiotherapists)	2.0%	2.0%	2.0%	2.0%
other medical costs	2.0%	2.0%	2.0%	2.0%
Weighted average risk margin	12.7%		13.0%	
Weighted average claims handling costs ratio	5.3%		5.4%	

Notes:

(i) Growth in weekly compensation benefits for existing accidents is inflated based on the Labour Cost Index (LCI). Growth in underlying wages to set starting levels of weekly compensation for future accidents is inflated using average weekly earnings.

(ii) Growth in liability due to increases in carer wages and residential care above LCI. Note this does not include increases in the hours of care provided or the affects of clients moving between care providers.

(iii) Capital expenditure: motor vehicle and housing modifications, along with other capital expenditure provided to those seriously disabled due to an accident, has been increasing significantly over the past years.

(iv) Predominantly elective surgery costs.

(i) Process used to determine assumptions

Discount rate

The risk-free rates are prescribed by the Treasury and based predominantly on the yield curve of the New Zealand government bond rates. The longest term of a current non-inflation-indexed New Zealand government bond is approximately 20 years from now. Discount rates beyond 20 years are smoothed over a minimum of 10 years to eventually attain the long-term risk-free discount rate of 4.30%. This long-term rate is based on an examination of average New Zealand government bonds over an extended period of time. This discounting methodology is consistent with that applied by the Treasury in valuing the liabilities on all Crown accounts.

The projected claim cash flows were discounted using a series of forward discount rates at balance date derived from the Treasury's risk-free rates. The equivalent single effective discount rate, taking into account ACC's projected future cash flow patterns, is 3.00% (2020: 1.86%).

Inflation rates

Short-term CPI inflation rates are prescribed by the Treasury. Assumptions for the LCI and average weekly earnings are based on their historical relationships with the CPI. Long term inflation is determined by using an assumption about the gap between inflation and interest rates.

Superimposed inflation

Superimposed inflation is an allowance for increases to the cost of claims, over and above any adopted inflation index.

Risk margin

ACC has added a risk margin to the central estimate of the discounted future claims payments to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments.

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate. Uncertainty was analysed for each benefit type, taking into account potential uncertainties relating to the claims experience, the insurance environment and the impact of legislative reform.

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates.

Claims handling costs

The allowance for claims handling costs is determined by analysing claims-related costs incurred in the accounting year and expressing these expenses as percentages of claims paid in the same year. These are used as the basis for deriving the percentages that are applied to future projected payments to estimate future projected claims handling expense payments.

(ii) Sensitivity to changes in key assumptions

The below sensitivity analysis shows the impact as at 30 June 2022 forecast, 30 June 2021 and 30 June 2020 (with comparatives) of a movement higher and lower at the beginning of the financial year and held constant throughout the year. Each sensitivity has been calculated in isolation to other changes, so an effect could be compounding.

The effects of the sensitivity for the OCL, the net surplus (deficit) and the net assets (liabilities) position to key assumption changes are detailed below.

One of the more volatile assumptions for the OCL is the interest rate. There is a partial hedge to interest rate movements through the interest rate exposure of the investment portfolios. The impacts of changes in interest rate assumptions on the forecast OCL balance of $57.0 billion, net liabilities of $7.3 billion and a net deficit of $1.3 billion as at 30 June 2022 are shown in the following table. The asset sensitivity only includes the impacts of interest rate changes on fixed interest assets. There may also be some impact on equities, property, etc; however, these impacts are indeterminant.

Levy rates and appropriations for the 2021/22 year have been set by the Government and there is no intention to review them. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with the funding policy statement issued by the Government under section 166B.

The forecast has been prepared based on the claims valuation as at 30 June 2021. The forecast figures are unaudited.

The impact below shows the movement and not the year end balance of the net assets (liabilities) and net surplus (deficit).

	2022 Forecast (Unaudited)		
$M	OCL	Net assets (liabilities)	Net surplus (deficit)
Forecast as at 30 June 2022	56,994	(7,303)	(1,313)

		2022 Forecast (Unaudited)		
		Increase (decrease) in OCL	Impact on net assets (liabilities)	Impact on net surplus (deficit)
Assumption	Movement	$M	$M	$M
Interest rates	+1.0%	(8,196)	6,006	6,006
	-1.0%	11,139	(8,850)	(8,850)
Inflation rate	+1.0%	11,778	(11,778)	(11,778)
	-1.0%	(8,820)	8,820	8,820
Long-term gap between discount rate and inflation rates	+0.75%	(1,008)	1,008	1,008
	-0.75%	1,178	(1,178)	(1,178)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	1,690	(1,690)	(1,690)
	-1.0%	(1,285)	1,285	1,285
Discounted mean term	+1 year	(548)	548	548
	-1 year	557	(557)	(557)
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	4,059	(4,059)	(4,059)
	-1.0%	(3,028)	3,028	3,028
Long-term continuance rates for non-fatal weekly compensation	+1.0%	1,180	(1,180)	(1,180)
	-1.0%	(1,019)	1,019	1,019
Sensitive claims continuance rates	+1.0%	787	(787)	(787)
	-1.0%	(626)	626	626

The impact on the net surplus (deficit) and net assets (liabilities), had changes in the key assumptions occurred at the end of the reporting period, is summarised as follows.

$M	2021 OCL	2021 Net assets (liabilities)	2021 Net surplus (deficit)
Actual	55,387	(5,990)	9,969

Assumption	Movement	2021 Increase (decrease) in OCL $M	2021 Impact on net assets (liabilities) $M	2021 Impact on net surplus (deficit) $M
Interest rates	+1.0%	(8,057)	5,491	5,491
	-1.0%	10,963	(8,250)	(8,250)
Inflation rate	+1.0%	10,930	(10,930)	(10,930)
	-1.0%	(8,198)	8,198	8,198
Long-term gap between discount rate and inflation rates	+0.75%	(925)	925	925
	-0.75%	1,077	(1,077)	(1,077)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	1,547	(1,547)	(1,547)
	-1.0%	(1,179)	1,179	1,179
Discounted mean term	+1 year	(503)	503	503
	-1 year	512	(512)	(512)
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	3,810	(3,810)	(3,810)
	-1.0%	(2,853)	2,853	2,853
Long-term continuance rates for non-fatal weekly compensation	+1.0%	1,097	(1,097)	(1,097)
	-1.0%	(949)	949	949
Sensitive claims continuance rates	+1.0%	732	(732)	(732)
	-1.0%	(583)	583	583

$M	OCL	Net assets (liabilities)	Net surplus (deficit)
	2020		
Actual	61,463	(15,959)	(5,946)

Assumption	Movement	Increase (decrease) in OCL $M	Impact on net assets (liabilities) $M	Impact on net surplus (deficit) $M
		2020		
Interest rates	+1.0%	(10,305)	7,771	7,771
	-1.0%	14,485	(11,643)	(11,643)
Inflation rate	+1.0%	14,302	(14,302)	(14,302)
	-1.0%	(10,411)	10,411	10,411
Long-term gap between discount rate and inflation rates	+0.75%	(59)	59	59
	-0.75%	65	(65)	(65)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	2,081	(2,081)	(2,081)
	-1.0%	(1,502)	1,502	1,502
Discounted mean term	+1 year	183	(183)	(183)
	-1 year	(178)	178	178
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	5,179	(5,179)	(5,179)
	-1.0%	(3,771)	3,771	3,771
Long-term continuance rates for non-fatal weekly compensation	+1.0%	1,287	(1,287)	(1,287)
	-1.0%	(1,069)	1,069	1,069
Sensitive claims continuance rates	+1.0%	869	(869)	(869)
	-1.0%	(659)	659	659

(D) INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES

Insurance risk is the risk that the cost of insurance claims is higher than the planned cost, with the consequence, in extreme cases, that the insurer cannot meet its claims liabilities. Although ACC's exposure to insurance risk differs markedly from insurance risks faced by private sector commercial insurers, ACC is still exposed to several facets of insurance risk. As a result, ACC has objectives, policies and processes for managing them. A summary of ACC's general approach to managing risk is contained in the 'Managing risk' section in the Annual Report. That general approach includes the application of ACC's *Enterprise Risk and Compliance Framework* and ACC's adoption and embedment of the five lines of assurance model. The general approach applies to the management of all risks, including insurance risk, and should be read in conjunction with Note 8(D)(i). Note 8(D)(i) contains a summary of the specific objectives, policies, processes and related methods relevant to ACC's management of insurance risk.

(i) Objectives, policies and processes for managing insurance risk and the methods used to manage that risk

The key activities that usually expose insurers to insurance risk comprise: product design, pricing, underwriting and claims management. Some of those activities are less relevant to ACC because, for example, the design of its products is (predominantly) prescribed by the AC Act and it does not have total control over its pricing. Nevertheless, those four categories of activity provide a useful framework to describe ACC's approach to managing insurance risk.

Product design: The personal injury events covered by the Scheme are prescribed by the AC Act, the contents of which are determined by Parliament, not ACC, and reflect Government policy. As such, the scope and nature of ACC's products are determined by statute. There is a risk that the product design can deviate over time from the original intentions of the legislature. This can occur by way of judicial (mis)interpretation or misapplication of the statutory provisions. ACC's objective is to ensure that the relevant provisions in the AC Act are interpreted and applied in a manner consistent with the original intentions of the legislature. ACC has implemented several controls to manage this risk, including:

- the review of material decisions by specialists to assess the accuracy and consistency of the interpretation of relevant statutory provisions concerning cover
- governance and other forums to review recommendations from specialists on whether to challenge potentially 'incorrect' interpretations and applications
- mature processes for conducting formal appeals of relevant decisions.

Pricing: The Reporting and Funding by Account section contains a description of how the Scheme is funded. Part of that funding comes from levies. Although ACC plays an important role by making levy rate recommendations in accordance with the Government's funding policy, the final decisions on levy rates are made by the Government. As a result, compared to private sector commercial insurers, ACC does not have as much direct influence on the pricing of its services. ACC's objective in relation to its levy rate recommendations is to comply with section 331 of the AC Act, which requires (among other things) that ACC must consult levy payers before making any recommendation and that the recommendations must give effect to the Government's funding policy. There is a risk, however, that ACC's levy rate recommendations may not give effect to the Government's funding policy, which could lead to underfunding of the Scheme. ACC has implemented several controls to manage this risk, including:

- processes to ensure that the actuarial valuations on which the levy recommendations are based are robust and prepared in accordance with relevant standards
- governance forums to oversee the levy consultation and recommendation process and to make decisions on levy recommendations in accordance with the Government's funding policy.

Underwriting: Note 4 contains ACC's underwriting result (in the sense of ACC's core business of collecting levies and paying for accident compensation and rehabilitation, excluding any investment activities). However, the concept of underwriting activity, in the context of insurance risk, concerns the activities of an insurer related to its decisions on (essentially) what insurance contracts to enter into. ACC does not engage in that type of underwriting activity, because the AC Act prescribes both who is entitled to cover under the Scheme and the personal injury events that are covered. As a result, ACC's insurance risks are not affected by this aspect of insurance risk, which applies to most insurers.

Claims management: There are two aspects of claims management at ACC that give rise to material risks:

(i) the routine handling and settling of claims in the ordinary course of business

(ii) the management of the costs of claims, especially future costs of rehabilitation support services provided to individuals experiencing significant disability as a result of injury.

In relation to the routine handling and settling of claims in the ordinary course of business, there is a risk that ACC could approve and settle claims incorrectly, potentially incurring inappropriate costs related to the claims. ACC's objective in relation to the routine handling and settling of claims is to ensure that claims are settled in a timely manner in accordance with the relevant requirements of the AC Act. ACC has implemented several controls to manage this risk, including:

- documented claims management processes with associated claims handling authority levels
- claims settlement procedures
- dispute resolution processes.

The management of the costs of claims, especially long-term future costs, is complex. Some of the drivers of future claims costs are not able to be controlled by ACC. For example, falling interest rates (and the consequential impact on discount rates) have a negative (inflationary) impact on future claims costs. See Note 2(A) concerning the Outstanding claims liability. There is a risk that growth in claims costs could (among other things) place unwarranted pressure on levy rates. ACC's objective in relation to the management of the costs of claims is to identify and respond to controllable causes of claims cost growth. ACC has implemented several controls to manage this risk, including:

- procedures to ensure that contracts with service providers are appropriate
- review of provider contracts to identify potential opportunities for efficiencies

- setting annual budgets for claims costs, performance against which is tracked and reported
- processes requiring and assessment of impact on OCL before service changes are adopted
- governance and other forums to oversee the management of claims costs and to identify initiatives that could improve the management.

(ii) Terms and conditions of accident cover

The terms and conditions of personal injury cover are determined by the AC Act. ACC operates in compliance with its governing legislation.

(iii) Concentration of risk

The ACC Scheme covers the risks related to the provision of rehabilitation and compensation to people in New Zealand who have injuries as a result of accidents.

(iv) Credit rating

ACC is not required to have a credit rating.

(E) UNEARNED LEVY LIABILITY

ACC recognises levy revenue that is earned for the financial year for the three levy funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account. This means that as of 30 June 2021 ACC has received unearned levies for the period 1 July 2021 to 31 March 2022 for both the Earners' and Work Accounts.

For the Motor Vehicle Account, ACC recognises a proportion of vehicle registration levies for vehicle registrations that expire after 30 June 2021, and a proportion of petrol levies that can be expected to be received after 30 June 2021 based on the number and expiry date of vehicle registrations purchased up to 30 June 2021 but that expire after 30 June 2021.

$M	2021 Total	Motor Vehicle Account	Earners' Account	Work Account	2020 Total
Opening balance at 1 July	2,012	165	1,298	549	2,088
Unearned levies received in the year	2,248	171	1,443	634	2,012
Levies received in previous years now recognised	(2,012)	(165)	(1,298)	(549)	(2,088)
Closing balance at 30 June	**2,248**	**171**	**1,443**	**634**	**2,012**
Current	2,248	171	1,443	634	2,012
Non-current	–	–	–	–	–
Total unearned levy liability	**2,248**	**171**	**1,443**	**634**	**2,012**

(F) UNEXPIRED RISK LIABILITY

At each balance date, ACC assesses whether the levy revenue recognised in the current period is sufficient to cover all expected future cash flows relating to future claims incurred in the current period. This assessment is referred to as the liability adequacy test and is performed for each Account. Gradual process claims are excluded from the liability adequacy test.

If levies are insufficient to cover the expected future claims plus a risk margin, then it is deemed to be deficient. The entire deficiency is recognised immediately in surplus or deficit. The deficiency is recorded in the statement of financial position as an unexpired risk liability.

The expected future claims are determined as the present value of the expected future cash flows relating to future claims. ACC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the claims liability (refer to Note 8(C)(d)(i)).

$M	2021 Total	Motor Vehicle Account	Earners' Account	Work Account	2020 Total
Opening balance at 1 July	1,470	264	832	374	1,204
Expected change	229	32	162	35	(40)
Other changes	(8)	(4)	(10)	6	148
Effect of changes in economic assumptions	(194)	(57)	(96)	(41)	158
Movement in unexpired risk liability	27	(29)	56	–	266
Closing balance at 30 June	**1,497**	**235**	**888**	**374**	**1,470**
Calculation of deficiency					
Unearned levy liability as reported in the statement of financial position	2,248	171	1,443	634	2,012
Adjustment(i)	(59)	–	(59)	–	(54)
Adjusted unearned levy liability	**2,189**	**171**	**1,384**	**634**	**1,958**
Central estimate of present value of expected future cash flows arising from future claims	3,310	359	2,036	915	3,076
Risk margin(ii)	376	47	236	93	352
Present value of expected future cash flows for future claims	**3,686**	**406**	**2,272**	**1,008**	**3,428**
Total unexpired risk liability	**1,497**	**235**	**888**	**374**	**1,470**
Current	1,497	235	888	374	1,470
Non-current	–	–	–	–	–
Total unexpired risk liability	**1,497**	**235**	**888**	**374**	**1,470**

Notes:

(i) This excludes the earners' portion of treatment injury in the Earners' Account as the liabilities that are assessed exclude those arising from medical misadventure.

(ii) The risk margins determined for the unexpired risk liability relate to future claims payments for injuries that have yet to happen. The risk margins are consistent with those used for the OCL valuation.

A liability adequacy test was not performed for the Non-Earners' Account as there was no unearned levy liability as at 30 June 2021 for this Account.

9. Investment assets

ACC holds investment assets to generate investment income that matches the expected future cash flows arising from insurance liabilities. All assets held in the investment portfolios are designated as 'assets backing insurance liabilities'.

All investment assets, other than service concession arrangements, are classified as financial assets recognised at fair value through surplus or deficit. The service concession arrangement is carried at cost less accumulated amortisation.

Fair value for investment assets is determined as follows:

- listed shares and unit trusts are valued at the quoted prices on established markets
- non-listed equity investments (private equity and venture capital) are valued at fair value, as determined using the most appropriate valuation technique. The valuation techniques include discounted cash flow analysis, capitalisation of earnings and prices observed from recent market transactions associated with the particular investments
- unlisted unit trust investments are valued based on the exit price (the value ACC would receive if the units were sold)
- bonds and other fixed interest investments are valued using quoted yield curves
- ACC uses independent valuations for various investments without active markets or quotable inputs. Fair value is determined using the most appropriate valuation technique. These techniques include reference to substantially similar investments with quotable prices, discounted cash flow analysis and option pricing models that incorporate as much supportable market data as possible and keeping judgemental inputs to a minimum
- investment properties are revalued by independent registered property valuers.

$M	2021	2020
New Zealand deposits at call	932	763
Overseas deposits at call	469	704
New Zealand government securities	14,954	18,817
Other New Zealand debt securities	5,397	2,892
Overseas debt securities	6,609	6,899
New Zealand equities	5,932	5,204
Australian equities	4,178	3,440
Overseas equities	11,392	8,438
Other investments	34	44
	49,897	**47,201**
Investment properties	530	403
Service concession arrangements	36	39
Total investments	**50,463**	**47,643**
Current	2,511	2,864
Non-current	47,952	44,779
Total investments	**50,463**	**47,643**

(A) INVESTMENT PROPERTIES

Investment properties are properties that ACC holds for rental revenue and capital gains. ACC is not the tenant of any properties it owns for investment purposes.

$M	2021	2020
Opening balance as at 1 July	403	377
Additions	–	1
Net gains from revaluations	127	25
Closing balance as at 30 June	**530**	**403**
Current	–	–
Non-current	530	403
Total investment properties	**530**	**403**

The investment properties are revalued annually. The market valuations have been determined by members of the New Zealand Institute of Valuers, who are independent valuers of Colliers International NZ Limited. The properties are valued under a combination of the capitalisation approach, the discounted cash flow method and direct comparison with prices for properties of a similar nature.

(B) SERVICE CONCESSION ARRANGEMENTS

ACC recognises an asset arising from a service concession arrangement where ACC has the right to charge for the use of a car park facility. The asset is carried at cost less accumulated amortisation and accumulated impairment.

The service concession arrangement was acquired in 2013 and will expire in 2037. Amortisation is calculated on a straight line basis over the period in which ACC is able to charge the public for the use of the facilities.

$M	2021	2020
Year ended 30 June		
Opening net carrying amount	39	41
Amortisation charge	(3)	(2)
Closing net carrying amount	**36**	**39**
At 30 June		
At cost	56	56
Accumulated amortisation	(20)	(17)
Net carrying amount at 30 June	**36**	**39**

(C) REPURCHASE AGREEMENTS

Securities held under repurchase agreements are included within investments classified as financial assets at fair value through surplus or deficit. These securities are subject to fully collateralised security lending transactions. Cash collateral received of $194 million (2020: $755 million) from these transactions is invested, and the liability to repurchase the investments is accrued in unsettled investment transactions.

	2021		2020	
$M	Value of transferred assets	Value of associated liabilities	Value of transferred assets	Value of associated liabilities
Nature of transaction				
New Zealand government securities – repurchase agreements	194	194	755	755
	194	**194**	**755**	**755**

(D) COLLATERAL

In line with standard industry practice, ACC uses Credit Support Agreements (CSAs) to provide credit protection for derivative positions. ACC's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with counterparties. Under these agreements, open derivative positions with the counterparty are aggregated and cash collateral is exchanged daily. The collateral is provided by the counterparty when their position is out of the money or provided to the counterparty by ACC when ACC's position is out of the money.

Cash balances relating to initial and variation margin on futures are lodged with the custodian and passed on to the relevant futures exchange. Fixed income securities pledged as collateral are lodged with a clearing house via an external collateral manager.

Cash pledged as collateral

ACC is required to pledge part of its deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to ACC when the underlying transactions have been settled, but in the event of default the counterparty is entitled to apply the collateral in order to settle the liability. The fair value of the amount pledged was $59 million as at 30 June 2021 (2020: $34 million).

Cash collateral received

ACC has received cash deposits as collateral to meet obligations under the CSAs for derivative positions. ACC has an obligation to repay the deposits to the counterparties upon settlement of the underlying transactions, but in the event of default ACC is entitled to apply the collateral received in order to settle the liability. The fair value of the deposits at call received by ACC was $38 million as at 30 June 2021 (2020: $641 million).

10. Derivative financial instruments

Derivative financial instruments form part of the actively managed investment portfolio. ACC uses various derivative financial instruments, such as foreign currency contracts, interest rate swaps and futures, to manage its exposure to movements in exchange rates, interest rates and equity market prices. Refer to Note 14 for further explanation of ACC's investment risks and how these are addressed.

The use of derivative financial instruments is covered by investment policies which control the risks associated with such instruments.

All derivative financial instruments are classified as 'held for trading' and are recognised at fair value through surplus or deficit. Fair value for derivative financial instruments is determined as follows:

- interest rate swaps are measured at the present value of future cash flows discounted based on the applicable yield curves derived from quoted interest rates
- credit default swaps are valued using discounted cash flow models that incorporate the default rate and credit spread of the underlying entity or index
- cross-currency interest rate swaps are valued using quoted market yields and exchange rates at balance date
- forward foreign currency contracts are valued with reference to quoted forward exchange rates and yield curves derived from quoted interest rates with similar maturity profiles
- futures contracts are valued using quoted prices.

Derivatives are reported in the statement of financial position as assets when their fair value is positive and as liabilities when their fair value is negative.

	2021		2020	
$M	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Interest rate swaps	298	232	537	19
Credit default swaps	5	5	1	1
Cross-currency interest rate swaps	33	61	123	55
Forward foreign currency contracts	90	237	209	82
Futures contracts	34	27	36	19
Total derivative instruments	**460**	**562**	**906**	**176**
Current	124	256	257	116
Non-current	336	306	649	60
Total derivative instruments	**460**	**562**	**906**	**176**

At balance date, the notional amounts outstanding were:

$M	2021	2020
Interest rate swaps	12,009	8,061
Credit default swaps	171	124
Cross-currency interest rate swaps	2,955	3,854
Forward foreign currency contracts	24,535	14,268
Futures contracts – long	2,285	3,276
Futures contracts – short	(4,712)	(3,110)
Options	81	157

11. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, current accounts with banks, deposits held on call with banks, and other short-term highly liquid investments net of outstanding bank overdrafts. These make up the operational cash balances used to meet operational needs such as paying claims and expenses. Cash and cash equivalents exclude items held for investment purposes within the reserves portfolio and not used for short-term cash needs. The carrying values of these items are equivalent to their fair values.

$M	2021	2020
Cash (overdraft) at bank	(1)	2
Investment operational cash		
Overnight call deposits	6	34
Deposits at call	126	220
Total cash and cash equivalents	**131**	**256**

The effective interest rate at 30 June 2021 on overnight call deposits was 0.25% (2020: 0.44%) and on deposits at call was 0.74% (2020: 0.92%).

12. Receivables

Receivables are recognised at fair value, which is approximated by the undiscounted expected future cashflows. Due to the short-term nature of receivables, the effect of discounting is immaterial.

$M	2021	2020
Levy debtors	238	45
Motor vehicle levy receivable[(i)]	17	19
Earners' levy receivable	15	–
Total levy receivables	**270**	**64**
Unsettled investment transactions	799	214
Other receivables	69	56
Total non-levy receivables	**868**	**270**
Total receivables	**1,138**	**334**
Current	1,138	331
Non-current	–	3
Total receivables	**1,138**	**334**
Levy receivables designated as at fair value through surplus or deficit	270	64
Non-levy receivables designated as at fair value through surplus or deficit	848	251
Prepayments and other sundry debtors held at amortised cost	20	19
Total receivables	**1,138**	**334**

Note:

(i) Motor vehicle levy receivable consists of:

- the amount collected by Waka Kotahi NZ Transport Agency from motor vehicle licensing that is due to ACC
- the amount collected by the New Zealand Customs Service for the levy portion of the excise duty on petrol that is due to ACC in the first week of the following month.

Levy receivables designated as at fair value through surplus or deficit

At 30 June 2021, the maximum exposure to credit risk of levy receivables designated as at fair value through surplus or deficit is their carrying value of $270 million (2020: $64 million).

The change in fair value of receivables due to changes in credit risk and other changes is a decrease of $31 million (2020: decrease of $26 million). The cumulative change in fair value of receivables due to changes in credit risk is a decrease of $125 million (2020: decrease of $94 million).

The change in fair value attributable to changes in credit risk is determined based on the undiscounted expected future cashflows. Customer credit risk is managed subject to ACC's policy, procedures and controls relating to customer credit risk management.

The change in fair value has been charged against levy revenue.

Non-levy receivables designated as at fair value through surplus or deficit

At 30 June 2021, the maximum exposure to credit risk of non-levy receivables designated as at fair value through surplus or deficit is their carrying value of $848 million (2020: $251 million).

Given the short-term nature of these receivables, no material credit risk is expected.

All receivables are from exchange transactions.

13. Accrued levy revenue

Levies required to fund the Work Account are invoiced directly to employers or self-employed persons based on their respective liable earnings at the applicable levy rate.

Earner levies of shareholder-employees and the self-employed are also invoiced directly. Earner levies of employee earners are collected within the PAYE system and are paid to ACC by Inland Revenue.

Accrued levy revenue for the Work and Earners' Accounts is estimated by using their respective expected liable earnings and average levy rate.

$M	2021	2020
Motor Vehicle Account	66	65
Earners' Account	1,664	1,519
Work Account	871	835
Total accrued levy revenue	**2,601**	**2,419**
Current	2,601	2,419
Non-current	–	–
Total accrued levy revenue	**2,601**	**2,419**

ACC recognises and accrues levy revenue up to the end of the levy year for the three levy-funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account.

The accrued levy revenue at 30 June 2021 therefore includes revenue for the period 1 July 2021 to 31 March 2022 for the Earners' and Work Accounts as well as uninvoiced revenue for levy periods up to 30 June 2021.

The accrued levy revenue for the levy year 1 April 2021 to 31 March 2022 is assessed using Inland Revenue's earnings data at 4.06% higher than the liable earnings for the levy year 1 April 2020 to 31 March 2021. Accrued levy revenue is $158 million lower if this is at 1.94% lower and $158 million higher if this is at 10.06% higher.

Included in accrued levy revenue is a fair value adjustment discount of 3.5% (2020: 7.5%) for employers and 12.0% (2020: 20.0%) for self-employed.

14. Financial risk management

(A) FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments held by ACC are categorised as follows:

$M	2021	2020
Financial assets designated as at fair value through surplus or deficit		
Cash and cash equivalents (Note 11)	131	256
Cash pledged as collateral (Note 9(D))	59	34
Receivables (Note 12)	1,118	315
Investments (Note 9)	49,897	47,201
Financial assets at fair value through surplus or deficit held for trading		
Derivative financial assets (Note 10)	460	906
Financial liabilities at fair value through surplus or deficit held for trading		
Derivative financial liabilities (Note 10)	562	176
Financial liabilities measured at amortised cost		
Cash collateral received (Note 9(D))	38	641
Payables (Note 14(E))	1,120	1,824

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES

Each of ACC's five Accounts allocates its investment funds to ACC's short-term operational cash portfolio and its own longer-term reserves portfolio depending on that Account's future cash flow needs. The operational cash portfolio is used to meet operational needs such as paying claims and expenses. When the Accounts allocate money to the various investment markets (asset classes), the money in each asset class is pooled from all Accounts and managed collectively to ensure operational efficiency and fairness between Accounts. The Accounts' ownership of each asset class is updated when each Account contributes money to or withdraws money from the investment portfolios. The ownership amounts are monitored on a daily basis.

The main financial risks that ACC is primarily exposed to are market, credit and liquidity risk.

ACC consciously chooses to be exposed to many of these risk exposures through the investment portfolios. These risks either provide a natural offset to risks inherent in the OCL or because ACC expects to enhance returns through prudent exposure to market risks. When ACC does not wish to incur the above risks in the reserves portfolio it will seek to reduce exposure to these risks using a variety of methods. These methods include disposing of investments currently exposed to these risks, purchasing investments with offsetting risk exposures, and using derivative financial instruments. Market risk (which comprises interest rate, foreign exchange and other price risk) is managed for all portfolios through the investment guidelines. This ensures that portfolio managers maintain their portfolios within defined market exposure limits. These limits include: limits on the percentage weight of any particular company in the portfolio relative to its benchmark weight; limits on aggregate investment in companies not represented in the benchmark; limits on the maximum percentage shareholding in any individual company; ratings-related credit limits on both a per-issuer and an aggregate basis; duration limits relative to the duration of the benchmark; and maximum exposure limits to single entities. Compliance with the investment guidelines is reviewed by ACC's Investment Risk and Compliance group on a daily basis, and by the internal auditors on a half-yearly basis.

Market risk exposures are measured in a number of ways, specific to the types of risk being measured. In some cases more than one measure of risk is used, recognising the fact that all forms of investment risk measurement are imperfect.

(C) MARKET RISK

(i) Interest rate risk

The interest rate exposures of the investment portfolios and the operational cash portfolio are managed: through asset allocation between asset classes; through the selection of physical securities within the asset class sub-portfolios; through the use of interest rate swaps within portfolios; and through the use of interest rate swaps as an 'asset allocation overlay'. Other derivative financial instruments may also be used to manage the interest rate exposures of the investment portfolios and the operational cash portfolio.

Interest rate risk affects ACC's investments and the OCL of each Account. For each Account, ACC would expect investment gains and an increase in the OCL to result from declines in interest rates and investment losses, and a decrease in the OCL to result from rises. However, the corresponding movements in ACC's outstanding claims liabilities (due only to interest rate movements) would be far more significant than the movement in the value of investments. Hence, investment gains or losses arising from changes in interest rates will tend to only partially offset a corresponding revaluation of ACC's claims liabilities.

Under interest rate swap contracts, ACC agrees to exchange the difference between fixed and floating rate interest payments calculated on agreed notional principal amounts. Such contracts enable ACC to manage its interest rate risk and create synthetic fixed-rate bonds from its investment in variable rate debt.

Sensitivity analysis

As at 30 June 2021, if the interest rate at the end of the financial year had been 1% higher/lower and held constant throughout the year with all other variables remaining constant, the consolidated net surplus (deficit) would have moved as per the table below. Any change in the net surplus (deficit) for the period would result in a corresponding movement in net assets (liabilities).

Fair value interest rate risk	Change in interest rate %	2021 Impact on net surplus (deficit) $M	2020 Impact on net surplus (deficit) $M
New Zealand dollar interest rates	+1.0	(2,566)	(2,534)
New Zealand dollar interest rates	-1.0	2,713	2,842

The above only shows the impact of changes in interest rates on ACC's investment portfolios. Changes in interest rates also have an impact on the OCL. Refer to Note 8(C)(d)(ii) for this sensitivity analysis.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of ACC's investment portfolios could be affected by a change in foreign exchange rates. ACC is exposed to foreign exchange risk principally due to its holdings of foreign currency denominated investments. ACC partially offsets these exposures by entering into foreign currency contracts for forward sales of foreign currencies against the New Zealand dollar and longer-term, cross-currency interest rate swaps.

Benchmark ranges of foreign exchange exposure are established by the Investment Committee for each Account. Accounts can move within these benchmark ranges but action must be taken if exposure exceeds these ranges. These benchmark exposures are designed to align with ACC's high-level objective of finding an appropriate balance between minimising risk whilst maximising expected returns.

All foreign exchange contracts held by ACC have remaining terms of 12 months or less. While the cross-currency interest rate swaps have maturities out to seven years, the floating interest rates on these swaps are reset every three months.

Sensitivity analysis

The following sensitivity analysis shows the impact on the consolidated net surplus (deficit) of a reasonably possible change of 10% in the New Zealand dollar against the respective major currencies and held constant throughout the year, with all other variables remaining constant. Any change in the net surplus (deficit) for the period would result in a corresponding movement in net assets (liabilities).

	2021							
$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Impact on net surplus (deficit)								
10% increase	(122)	(158)	(27)	(12)	(31)	(25)	6	(45)
10% decrease	149	194	33	15	38	30	(7)	54

	2020							
$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Impact on net surplus (deficit)								
10% increase	(81)	(121)	(15)	(18)	(18)	(44)	(20)	(30)
10% decrease	98	148	19	21	22	54	24	38

(iii) Other price risk

ACC invests in equities and unit trusts, and considers the risk on these from a long-term perspective. Changes in the market price of equity and unit trust investments:

- affect the value that ACC could realise for these investments if it chose to sell them in the short term
- will be reflected in the valuation carried in ACC's statement of financial position and the investment income reported in ACC's statement of comprehensive revenue and expense.

Sensitivity analysis

The table below details the sensitivity to a change of 10% in the market value of listed and unlisted equity investments to the consolidated net surplus (deficit) at reporting date, with other variables held constant. Any change in the net surplus (deficit) for the period would result in a corresponding movement in net assets (liabilities).

$M	Movement %	2021 Impact on net surplus (deficit)	2020 Impact on net surplus (deficit)
Overseas equities	+10	1,139	844
	-10	(1,139)	(844)
New Zealand equities	+10	593	520
	-10	(593)	(520)
Australian equities	+10	418	344
	-10	(418)	(344)

(D) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to ACC. Credit risk only applies to debt instruments, derivatives in gain, receivables and a selection of other assets.

For internally managed portfolios, the Investment Committee has approved an authorised set of credit criteria which includes credit limits and portfolio limits. There is a list of authorised New Zealand banks that ACC can invest with. These credit limits are designed to limit ACC's exposure to counterparties with a high risk of defaulting while at the same time allowing ACC to take on appropriate levels of risk whilst maximising investment returns. Investment in unrated debt is allowed if approved by ACC's Credit Committee. ACC's exposure and the credit ratings of its counterparties are continuously monitored.

Transactions involving derivative financial instruments are undertaken with authorised banks and executed in accordance with ISDA documentation.

The maximum exposure to credit risk at 30 June 2021 is the carrying value of each class of financial assets disclosed below and the cash flows for derivative instruments noted in the liquidity table in Note 14(E).

As all financial assets, except the service concession arrangement, are recognised at fair value through surplus or deficit, there is no expected credit loss recognised in respect of those financial assets. This is due to credit risk being factored into the fair value of those financial assets. Any movement in this value, is recognised in the consolidated statement of comprehensive revenue and expense, as part of investment gains (losses) within investment income.

Given the short-term nature of cash and cash equivalents, and collateral pledged, no expected credit loss has been recognised. The expected credit loss in respect to the service concession arrangement is deemed to be immaterial and therefore no expected credit loss has been recognised. Refer to Note 12 for the expected credit loss on receivables.

The credit ratings used in the table below relate to each individual security's credit rating. Where a security does not have an individual credit rating, the issuer's credit rating is used. In determining the credit ratings, the primary source used is Standard & Poor's.

	2021						
$M	AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	10	32	39	50	–	–	**131**
Deposits at call	–	748	656	–	–	(3)	**1,401**
Cash pledged as collateral	–	22	4	–	–	33	**59**
Other New Zealand debt securities	2,720	497	346	824	306	704	**5,397**
Overseas debt securities	4,108	173	546	1,391	240	151	**6,609**
New Zealand government securities	14,954	–	–	–	–	–	**14,954**
Interest rate swaps	–	187	136	–	–	8	**331**
Forward foreign currency contracts	–	19	14	3	–	54	**90**
Other derivatives	–	–	–	–	–	39	**39**
Receivables	–	–	828	–	–	290	**1,118**
	21,792	**1,678**	**2,569**	**2,268**	**546**	**1,276**	**30,129**

ACC has an additional exposure of $33 million (2020: $123.8 million) with regard to credit default swaps. This is the potential liability faced if the underlying entity defaults on its contractual obligations, which ACC will then be obligated to pay. Under PBE IFRS 9 *Financial Instruments*, ACC continues to recognise credit default swaps at fair value through surplus or deficit, rather than at amortised cost as a financial guarantee. This is due to the current measurement basis, which significantly reduces the accounting mismatch that would arise from measuring credit default swap assets or liabilities or recognising the gains and losses on them on a different basis.

$M	2020 AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	–	21	210	25	–	–	**256**
Deposits at call	–	405	963	85	–	14	**1,467**
Cash pledged as collateral	–	–	–	–	–	34	**34**
Other New Zealand debt securities	903	941	66	379	–	603	**2,892**
Overseas debt securities	4,846	96	436	1,114	270	137	**6,899**
New Zealand government securities	–	17,989	828	–	–	–	**18,817**
Interest rate swaps	–	383	239	–	1	37	**660**
Forward foreign currency contracts	–	73	66	–	32	38	**209**
Other derivatives	–	–	–	–	–	37	**37**
Receivables	–	–	234	–	–	81	**315**
	5,749	**19,908**	**3,042**	**1,603**	**303**	**981**	**31,586**

(E) LIQUIDITY RISK

Liquidity risk is the risk that ACC may not be able to raise cash when required and on acceptable terms. ACC maintains sufficient liquid assets to cover obligations and unforeseen expenses.

The table below summarises the maturity profile of the financial liabilities held by ACC. The amounts disclosed in the table are the contractual undiscounted cash flows for payables and estimated cash flows for the uncalled investment-related commitments.

At 30 June 2021 $M	Less than 1 year	Between 1-2 years	Between 2-5 years	Greater than 5 years
Payables	1,120	–	–	–
Uncalled investment related commitments	129	100	121	40
Collateral – received	38	–	–	–

At 30 June 2020 $M	Less than 1 year	Between 1-2 years	Between 2-5 years	Greater than 5 years
Payables	1,824	–	–	–
Uncalled investment related commitments	95	46	52	17
Collateral – received	641	–	–	–

The table below summarises the cash flows for all derivative instruments held by ACC. The amounts disclosed in the table are the contractual undiscounted cash inflows (outflows). The derivatives have been classified based on their settlement terms. The gross settled derivatives are the forward foreign exchange and cross currency swaps. All other derivatives are classified as net settled derivatives.

At 30 June 2021 $M	Less than 1 year	Between 1-2 years	Between 2-5 years	Greater than 5 years
Net settled derivatives – inflows (outflows)	83	75	241	82
Gross-settled derivatives – cash inflows				
Forward foreign exchange contracts	24,464	–	–	–
Cross-currency interest rate swaps	8	8	25	33
Gross-settled derivatives – cash outflows				
Forward foreign exchange contracts	(24,611)	–	–	–
Cross-currency interest rate swaps	(3)	(3)	(10)	(14)

At 30 June 2020 $M	Less than 1 year	Between 1-2 years	Between 2-5 years	Greater than 5 years
Net settled derivatives – inflows (outflows)	95	76	218	255
Gross-settled derivatives – cash inflows				
Forward foreign exchange contracts	14,332	–	–	–
Cross-currency interest rate swaps	13	11	29	33
Gross-settled derivatives – cash outflows				
Forward foreign exchange contracts	(14,205)	–	–	–
Cross-currency interest rate swaps	(13)	(11)	(31)	(35)

(F) FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

The three levels of fair value measurement are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2021			
$M	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	–	298	–	298
Credit default swaps	–	5	–	5
Cross currency swaps	–	33	–	33
Forward foreign currency contracts	–	90	–	90
Futures	34	–	–	34
	34	**426**	**–**	**460**
Financial assets designated as at fair value through surplus or deficit				
New Zealand equities	5,065	–	867	5,932
New Zealand government securities	–	14,954	–	14,954
New Zealand debt securities	–	4,760	637	5,397
Australian equities	2,391	1,629	158	4,178
Overseas equities	11,320	–	72	11,392
Overseas debt securities	–	6,606	3	6,609
Other investments	–	–	34	34
Receivables	–	799	319	1,118
	18,776	**28,748**	**2,090**	**49,614**
	18,810	**29,174**	**2,090**	**50,074**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	(232)	–	(232)
Credit default swaps	–	(5)	–	(5)
Cross currency swaps	–	(61)	–	(61)
Forward foreign currency contracts	–	(237)	–	(237)
Futures	(27)	–	–	(27)
	(27)	**(535)**	**–**	**(562)**

	2020			
$M	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	–	537	–	537
Credit default swaps	–	1	–	1
Cross currency swaps	–	123	–	123
Forward foreign currency contracts	–	209	–	209
Futures	36	–	–	36
	36	**870**	**–**	**906**
Financial assets designated as at fair value through surplus or deficit				
New Zealand equities	4,651	–	553	5,204
New Zealand government securities	–	18,817	–	18,817
New Zealand debt securities	–	2,300	592	2,892
Australian equities	3,339	19	82	3,440
Overseas equities	8,401	–	37	8,438
Overseas debt securities	–	6,895	4	6,899
Other investments	–	–	44	44
Receivables	–	214	101	315
	16,391	**28,245**	**1,413**	**46,049**
	16,427	**29,115**	**1,413**	**46,955**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	(19)	–	(19)
Credit default swaps	–	(1)	–	(1)
Cross currency swaps	–	(55)	–	(55)
Forward foreign currency contracts	–	(82)	–	(82)
Futures	(19)	–	–	(19)
	(19)	**(157)**	**–**	**(176)**

Reconciliation of Level 3 fair value movements

$M	2021	2020
Opening balance	1,413	1,026
Total gains recognised in net surplus (deficit)	342	44
Purchases	106	265
Sales	(10)	(1)
Settlements	–	(22)
Transfers into Level 3	31	101
Transfers out of Level 3	(10)	–
Net movement in receivables	218	–
Closing balance	**2,090**	**1,413**
Total gains stated on Level 3 instruments still held at balance date	**343**	**41**

Transfers between levels

During the year, there were net transfers of $21 million (2020: $nil) into Level 3 and out of Level 1. There were no significant transfers into Level 3 and out of Level 2 (2020: $101 million).

Level 3 sensitivity analysis

The following sensitivity analysis shows the impact on the consolidated net surplus (deficit) of reasonably possible changes in one or more of the significant unobservable inputs into the fair values of investments in Level 3. The fair values of the Level 3 investment assets have been estimated using a range of valuation methodologies, including discounted cash flows, market transactions and market ratio approaches.

				2021		2020	
				Impact on fair value movement		Impact on fair value movement	
	Valuation technique	Significant unobservable inputs	Movement	Increase $M	Decrease $M	Increase $M	Decrease $M
Financial services	DCF Method	Discount rate	+/-100bps	(27)	30	(33)	38
Infrastructure equity	DCF Method	Discount rate	+/-50bps	(12)	13	(19)	21
		Refinancing margin	+/-20bps	(7)	7	(12)	11
		Inflation	+/-20bps	(5)	5	(4)	5
Infrastructure debt	DCF Method	Discount rate	+/-50bps	(26)	19	(14)	16
Other investments	DCF Method	Discount rate	+/-50bps	(5)	5	(6)	7
Investment property	DCF Method	Discount rate	+/-50bps	(17)	14	(13)	14
		Price	+/-10%	(53)	53	(40)	40

The fair value of private equity investments is provided by independent valuers at balance date. ACC does not have access to the underlying valuation models to disclose sensitivities to assumptions. All other securities in Level 3 are considered not to have a material effect on fair value if alternative reasonable assumptions were used to obtain their fair values.

15. Property, plant and equipment, and intangible assets

MEASUREMENT

Property, plant and equipment are initially recorded at cost including transaction costs. Subsequent to initial recognition, all items classed as property, plant and equipment are stated at cost less accumulated depreciation/amortisation and any impairment in value.

Internally generated assets are carried at cost less accumulated amortisation and any impairment value. Research costs incurred in the investigation phase of internally generated software are expensed when incurred. Development costs are accumulated as work in progress until the project is completed, at which stage direct project costs are capitalised as an intangible asset.

Impairment occurs whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairments are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable service amount is the higher of the asset's fair value less costs to sell and value in use. Value in use is determined using either a depreciated replacement cost approach, a restoration cost approach, or a service units approach depending on the nature of the impairment.

DEPRECIATION AND AMORTISATION

Depreciation is calculated on a straight-line basis so as to allocate the cost or valuation of assets, less any estimated residual value, over their estimated useful lives.

The estimated useful lives are as follows:

Leasehold improvements	Lower of remaining life of lease, or 10 years
Furniture, fittings and equipment	4 years
Mainframe computer and network equipment	5 years
Personal computer equipment	3 years
Computer software	5-7 years
Other assets	5-10 years

$M	Leasehold improvements	Computer equipment	Internally generated software	Other fixed assets	Total
At 30 June 2019					
At cost and valuation	44	85	586	42	**757**
Accumulated depreciation/amortisation	(35)	(75)	(440)	(38)	**(588)**
Net carrying amount at 30 June 2019	**9**	**10**	**146**	**4**	**169**
Year ended 30 June 2020					
Opening net carrying amount	9	10	146	4	**169**
Additions	2	3	46	2	**53**
Depreciation/amortisation charge	(3)	(5)	(39)	(2)	**(49)**
Closing net carrying amount	**8**	**8**	**153**	**4**	**173**
At 30 June 2020					
At cost and valuation	44	86	631	43	**804**
Accumulated depreciation/amortisation	(36)	(78)	(478)	(39)	**(631)**
Net carrying amount at 30 June 2020	**8**	**8**	**153**	**4**	**173**
Year ended 30 June 2021					
Opening net carrying amount	8	8	153	4	**173**
Additions	4	11	15	3	**33**
Depreciation/amortisation charge	(2)	(5)	(41)	(2)	**(50)**
Impairment losses and other (including disposals)	–	(4)	–	–	**(4)**
Closing net carrying amount	**10**	**10**	**127**	**5**	**152**
At 30 June 2021					
At cost and valuation	48	92	631	44	**815**
Accumulated depreciation/amortisation	(38)	(82)	(504)	(39)	**(663)**
Net carrying amount at 30 June 2021	**10**	**10**	**127**	**5**	**152**

Impairment and write-offs

The carrying amounts of all intangible assets are reviewed on an ongoing basis. Any impairment in value is recognised immediately.

16. Payables and accrued liabilities

Payables and accrued liabilities are carried at amortised cost and due to their short-term nature are not discounted.

$M	2021	2020
Payables under exchange transactions		
Unsettled investment transactions	1,003	1,592
Claims expenditure	40	31
WorkSafe New Zealand	14	2
Sundry creditors	72	33
Other accrued expenditure	54	211
Total payables under exchange transactions	**1,183**	**1,869**
Payables under non-exchange transactions		
Goods and services tax	(6)	(12)
PAYE and earnings-related deductions	18	18
Earners' levy payable	–	15
Total payables under non-exchange transactions	**12**	**21**
Total payables and accrued liabilities	**1,195**	**1,890**
Current	1,195	1,890
Non-current	–	–
Total payables and accrued liabilities	**1,195**	**1,890**

17. Provisions

Provisions are recognised: when there is a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of expected future cash flows and discounted to present value where the effect is material.

$M	2021	2020
Employee benefits	58	56
Leasehold restoration	2	2
Restructuring	–	2
Levy refunds to business customers	7	10
Onerous contracts	–	2
Total provisions	**67**	**72**
Current	44	49
Non-current	23	23
Total provisions	**67**	**72**

18. Commitments

CAPITAL COMMITMENTS

$M	2021	2020
Investment – private equity	315	139
Investment – infrastructure and building projects	75	71
Other	3	4
Total undrawn capital commitments	**393**	**214**

The private equities include investments in several venture capital and private equity funds. In these investments, funds seek commitments from investors and call for the committed funds as they are required. ACC has committed to invest up to a total of $585.6 million (2020: $438.0 million) in these funds. Undrawn commitments to these investments are included in the table above.

ACC has committed to provide up to $350.8 million (2020: $317.9 million) to various infrastructure and building projects. Undrawn commitments to these investments are included in the table above.

There is a commitment of $2.5 million for property developments in Hamilton with iwi owned company Tainui Group Holdings and in Dunedin with iwi owned company Ngāi Tahu Property.

OPERATING LEASES

ACC leases premises for its branch network and its corporate offices under non-cancellable operating lease agreements. These lease agreements have varying terms and renewal options. Operating lease incentives are recognised as a liability when received and subsequently reduced by an offset to rental expenses and a corresponding reduction to the liability.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

$M	2021	2020
Non-cancellable operating leases		
Within one year	26	27
After one year but not more than five years	93	81
More than five years	146	75
Total non-cancellable operating leases	**265**	**183**

19. Contingent liabilities

A contingent liability is disclosed when a possible obligation arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ACC. A contingent liability is also disclosed when a present obligation arising from past events is not recognised because it is not probable that settlement of the obligation will result in a cost to ACC, or the amount of the obligation cannot be measured with enough reliability.

Sensitive claims

ACC provides victims of sexual violence and abuse who suffer mental injury support (sensitive claims) in the form of counselling services, weekly compensation and other entitlements. Due to the nature of these injuries, many years may pass before the individual starts receiving treatment. Based on section 36 of the AC Act, the date of mental injury is generally recorded as the date the person first receives treatment for that injury. Once a client starts receiving treatment, a liability is recorded in the OCL. With the information ACC holds for these claims, a reliable estimate of the mental injuries incurred but not yet reported as sensitive claims is unable to be made, and therefore no liability is recorded in the OCL for these unreported claims.

Current litigation

Litigation involving ACC arises mainly from challenges to operational decisions made by ACC through the statutory review and appeal process, but also occasionally includes general civil proceedings such as judicial review applications. The majority of appeals are able to be managed on a case-by-case basis, depending on the merits of the issue in dispute, and without wider Scheme management impact. There is currently one proceeding of note that ACC is a party to. ACC believes the resolution of the outstanding proceeding will not have any material effect on the financial statements of ACC.

20. Related parties

(A) INVESTMENT IN SUBSIDIARIES

ACC owns 100% (2020: 100%) of Shamrock Superannuation Limited, which acts as the corporate trustee for the ACC Superannuation Scheme. Shamrock Superannuation Limited is a non-trading New Zealand entity that does not have a material impact on the financial position of ACC. The investment ACC holds in Shamrock Superannuation Limited is valued at $100 (2020: $100).

(B) RELATED PARTY TRANSACTIONS

Transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies undertaken on the normal terms and conditions for such transactions. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those that it is reasonable to expect ACC would have adopted in dealing with the party at arm's length in the same circumstances.

(C) KEY MANAGEMENT PERSONNEL

The compensation for key management personnel is set out below:

	2021	2020
Board members		
Remuneration ($000)	415	419
Full-time equivalent members	7.3	6.7
Executive team		
Remuneration ($000)	5,521	4,664
Defined contribution plans ($000)	432	365
Termination benefits ($000)	83	–
Full-time equivalent members	11.5	10.6
Total key management personnel remuneration ($000)	**6,451**	**5,448**
Total full-time equivalent personnel	**18.8**	**17.3**

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2020: $nil).

ACC did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2020: $nil). ACC did not provide any loans to key management personnel or their close family members.

21. Events after balance sheet date

There were no significant events after balance date that require separate disclosure.

22. Explanation of significant variances against budget

The budget figures are those in ACC's Service Agreement 2020/21. The budget was prepared based on the preliminary OCL valuation and economic assumptions at 30 June 2020.

The budget figures are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are unaudited.

Explanations for significant variations from the budgeted figures approved by the Board are as follows:

(A) STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Net levy revenue

Levy revenue is over budget by 6.9%, mainly as a result of higher than budgeted liable earnings in the Work and Earners' Accounts from lower unemployment levels than expected as a result of COVID-19. The average levy rate invoiced was higher than budgeted, with a favourable change in the industry mix of liable earnings. Lower levels of bad debt were also experienced.

Investment income

ACC budgets for investment income based on a projected twenty year median rate of return. This means that ACC expects to exceed budget for ten out of the next twenty years, and similarly to achieve lower returns than budget for ten out of the next twenty years.

The investments portfolio achieved a 10.4% return boosted by a strong equity performance, overall outperforming the benchmark by 1.9%.

Claims paid

Claims paid were 3.0% higher than budget. This was mainly due to:

- significantly higher than budgeted weekly compensation commencements, coupled with lower than budgeted rehabilitation performance
- above budget costs from higher than expected claim volumes for treatment, which includes radiology, high-tech imaging, physiotherapy, general practitioners, acupuncture, and hand therapy. These were partly offset by lower than expected elective surgery costs.

New claim registrations grew by 13.1% and new weekly compensation claims growth was 18.1%. This high growth rate is a result of supressed volumes during the 2019/20 COVID-19 lockdown periods.

Outstanding claims liability

The budgeted change in OCL was based on the preliminary OCL valuation as at 30 June 2020, using economic assumptions as at 30 June 2020. The actual change in OCL was based on the 30 June 2021 actuarial valuation using economic assumptions as at 30 June 2021.

During the year the OCL fell by $6.1 billion versus an expected increase of $2.1 billion. The variance is mainly due to rising interest rates which decreased the OCL by $13.1 billion. Partially offsetting this were changes in forecast and experienced inflation resulting in a $4.4 billion increase in the OCL. The other significant factors impacting the OCL were changes in claims experience and modelling ($0.7 billion OCL increase) including:

- increases in weekly compensation due to higher average payments and longer rehabilitation durations
- increases in social rehabilitation for serious injury, due to higher average attendant care hours and residential care payments, as well as the new claims having more severe injury profiles than expected
- increases in sensitive claims, mainly due to higher new claims whose accidents were more than one year old
- decreases in elective surgery due to lower than expected average payments, particularly for medium- to long-term claims
- decreases in social rehabilitation for serious injury, due to changes made to the mortality assumptions in the valuation model.

Movement in unexpired risk liability

The unexpired risk liability (URL) is the shortfall, if any, by Account between the levy income that ACC will earn for a future period where the rate of levy income has been fixed and the actuarially calculated costs of claims arising over the same future period. The forecast increase in URL was the difference between the forecast calculation of the URL at 30 June 2020 and the forecast calculation of the URL at 30 June 2021.

(B) STATEMENT OF FINANCIAL POSITION

Accrued levy revenue

The accrued levy income has remained relatively unchanged as there has been no change in levy rates between the previous levy year and this levy year.

Intangible assets

The value of intangible assets (primarily software) is lower than budgeted due to lower capital expenditure incurred during the year than anticipated in replacing and upgrading major IT systems.

Investments

The net investment asset balance is higher than budgeted, reflecting the continued higher than budgeted investment income earned over the financial year.

Payables and accrued liabilities

The payables and accrued liabilities balance is lower than budgeted. The major movement in payables and accrued liabilities is money owed by ACC for unsettled investment transactions such as the purchase of equities and bonds. Investment market conditions resulted in higher investment purchases in the days immediately before 30 June 2020 and therefore a higher short-term payables balance than anticipated when the budget was approved.

Outstanding claims liability

The OCL, based on the June 2021 actuarial valuation of the claims liability using economic factors as at 30 June 2021, is lower than budgeted mainly as a result of rising interest rates partially offset from the impact of higher inflation assumptions.

More detail on the variance is noted in the 'Outstanding claims liability' section above.

Unearned levy liability

The unearned levy liability is the levy revenue that will be earned up to the end of the levy year for the three levy-funded Accounts.

The unearned levy liability has increased despite no change in levy rates between the 2019/20 and 2020/21 levy years.

Unexpired risk liability

The URL is the shortfall between the expected future levy income and future costs. The URL is marginally higher than budget.

(C) STATEMENT OF CASH FLOWS

Net cash outflow from operating activities was close to budget, with higher than budgeted cash claim costs offsetting higher levy revenue.

Net purchases of investments exceeded sales of investments, resulting in a net cash outflow from investing activities.

REMUNERATION OF EMPLOYEES

The number of employees whose remuneration was within specified bands is as follows:

$000	2021	2020
$100 – $110	290	293
$110 – $120	236	229
$120 – $130	135	141
$130 – $140	85	91
$140 – $150	81	72
$150 – $160	58	61
$160 – $170	49	46
$170 – $180	40	36
$180 – $190	28	30
$190 – $200	23	24
$200 – $210	21	19
$210 – $220	21	17
$220 – $230	16	7
$230 – $240	13	13
$240 – $250	6	5
$250 – $260	7	8
$260 – $270	4	3
$270 – $280	3	4
$280 – $290	3	4
$290 – $300	1	4
$300 – $310	1	2
$310 – $320	4	1
$320 – $330	–	2
$330 – $340	1	3
$340 – $350	1	2
$350 – $360	1	2
$360 – $370	1	1
$370 – $380	3	1
$380 – $390	1	–
$390 – $400	1	–
$400 – $410	–	1
$410 – $420	2	2
$420 – $430	–	–
$430 – $440	–	–
$440 – $450	–	1
$450 – $460	1	–
$460 – $470	1	2
$470 – $480	2	2

$000	2021	2020
$480 – $490	1	–
$490 – $500	1	–
$500 – $510	1	–
$510 – $520	1	–
$520 – $530	–	–
$530 – $540	1	–
$540 – $550	1	2
$550 – $560	–	–
$560 – $570	–	1
$570 – $580	1	–
$580 – $590	–	1
$590 – $600	–	–
$600 – $610	–	–
$610 – $620	1	2
$620 – $630	–	–
$630 – $640	–	–
$640 – $650	1	–
$650 – $660	–	–
$660 – $670	–	–
$670 – $680	–	–
$680 – $690	–	–
$690 – $700	–	–
$700 – $710	–	–
$710 – $720	–	1
$720 – $730	–	–
$730 – $740	–	–
$740 – $750	1	1
$750 – $760	–	–
$760 – $770	–	–
$770 – $780	–	–
$780 – $790	–	–
$790 – $800	–	–
$800 – $810	–	–
$810 – $820	3	–
$820 – $830	–	–
$830 – $840	–	1
	1,153	**1,138**
Average remuneration of above employees	**$146,132**	**$143,925**

82 staff received redundancy payments or settlement payments in 2021, totalling $2,542,139 (2020: 80 staff, $2,492,144), which is not included in the above table.

The above table reflects all employee remuneration paid during the financial year.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ACCIDENT COMPENSATION CORPORATION'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of Accident Compensation Corporation group (the Group). The Auditor-General has appointed me, Simon O'Connor, using the staff and resources of EY, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 116 to 171, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 35 to 50, 75 to 85 and 101 to 115.

In our opinion:

- the financial statements of the Group on pages 116 to 171:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 35 to 50, 75 to 85 and 101 to 115:
    - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2021, including:
        - for each class of reportable outputs:
            - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
            - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and

A member firm of Ernst & Young Global Limited

Building a better working world

- what has been achieved with the appropriations; and
- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.

○ complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Building a better working world

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the service agreement.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

EY
Building a better working world

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 34, 51 to 74, 86 to 100, 172 and 178 to 185, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out independent quality assurance services related to information technology projects being undertaken by the Corporation and environmental social governance assurance framework quality assurance, which are compatible with those independence requruiements. Other than the audit fee and these engagements, we have no relationship with or interests in the Group.

Simon O'Connor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

A member firm of Ernst & Young Global Limited

Glossary

Glossary of terms

ACC Scheme
New Zealand's no-fault accident insurance scheme that provides cover to all New Zealanders and visitors to our country.

Accident Compensation Act 2001
The major piece of legislation under which ACC is governed.

Business customer
A business that pays a levy under the Scheme.

Client
A person who makes a claim under the Scheme.

Consumer price index
A measure of the price change of goods and services purchased by private New Zealand households.

Crown entity
An organisation in which the Government has a controlling interest.

Customer
A client, provider or business customer.

Earners' Account
The Account for non-work injuries to people in employment that occur outside work (eg at home or playing sport), that are not motor vehicle or treatment injuries.

Entitlement claim
A claim that has received additional support such as weekly compensation or social or vocational rehabilitation for a covered injury, as well as any funded medical treatment required.

Full-time equivalent
The hours worked by one employee on a full- time basis, generally considered to be 35-40 hours per week.

Funding Ratio
The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each ACC Account. The funding position is expressed as a ratio of the assets divided by the liabilities for each Account. The calculation of the applicable assets and liabilities is defined in the funding policy.

Gradual process claims
Claims as a result of injuries that occurred due to prolonged exposure in the workplace to conditions that result in some form of harm (eg hearing loss).

Labour cost index
A measure of the increased cost of salaries and wages paid to workers, commonly expressed as an annual percentage.

Gross Domestic Product (GDP)
GDP is the standard measure of the value added created through the production of goods and services in a country during a certain period.

Levies
Amounts charged, separate from general taxation, and used to cover the cost of injuries caused by accidents within the Motor Vehicle, Earners' and Work Accounts.

Long-term claim pool
A Long-Term Claim Pool client has received weekly compensation for more than 365 days.

Long-term continuance rate
The proportion of claims, with an accident date older than five years, in one quarter that continue to the next quarter

Motor Vehicle Account
The Account for all road-related injuries.

NABERSNZ
National Australian Built Environment Rating System New Zealand (NABERSNZ) is a system for rating the energy efficiency of office buildings.

New claims registered
Total number of new claims registered. Presented as a rolling 12-month result.

Non-Earners' Account
The Account for injuries of people not in the workforce, such as children and retirees.

Outstanding claims liability (OCL)
An estimate of the present value of expected future payments on all existing ACC claims.

Pay-as-you-go basis
Funding the costs of injuries as the costs are incurred.

Provider
A person or organisation providing a treatment or rehabilitation service to a client (eg a GP or physiotherapist).

Return on investment
The return or benefit obtained from an investment over and above the original investment, commonly expressed as a percentage or ratio.

Risk margin
ACC has added a risk margin to the central estimate of the discounted future claim payments to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments.

Shaping Our Future
Our overarching strategy to look at how we operate, from our technology to how we train our people, while putting the customer at the centre of everything we do

Statement of Intent
A statutory document that covers a four-year period and outlines our medium-term strategic intentions.

Strategic intentions
The areas that ACC has identified as needing the most focus during the period of the Statement of Intent (2018-2022).

Tonnes of carbon dioxide equivalent (tCO_2e)
Tonnes of carbon dioxide equivalent is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another gas, such as methane

Transformation programme
A series of projects that were focused on improving our systems, processes and employee capabilities.

Treatment Injury Account
The Account for injuries arising during medical treatment.

Weekly compensation
Payments to a client who cannot work because of an injury, based on 80% of weekly income (capped) before the injury occurred.

Whāia Te Tika
Our strategy to pursue what is right for Māori and deliver on our aspirations.

Work Account
The Account for injuries that occur in the workplace.

Glossary of performance measures

ACC is focused on the best possible outcomes for clients given their situations
A measure of the extent to which respondents agree that ACC has focused on achieving the best possible outcomes for them given their situations. Agreement is measured via a five-point scale (strongly agree to strongly disagree), with the reported score reflecting the percentages that agree and strongly agree. Presented as a rolling four-quarter result.

Actuarial movement
The percentage growth in the OCL (balance at the start of the year) from actuarial gains or losses. Actuarial gains or losses arise from claim volumes, types and costs differing from expectations.

Administration cost per active claim
The average administration cost per active entitlement claim. Administration costs exclude investment and injury prevention costs. Presented as a year-to-date measure.

Average care hours per serious injury claim
The average annual hours of attendant care, home help and childcare per serious injury claim. Presented as a rolling four-quarter result.

Average time to resolution for claims with reviews
The average time (in working days) for resolution of a review after the review has been sent to a third-party resolution services provider. Presented as a rolling 12-month result.

Change in average treatment cost per injury
The percentage change in the average cost of medical treatment and elective surgery per claim. Presented as a rolling 12-month result.

Claims processed per FTE
The average number of new claims registered per FTE. The number of new claims registered is 12-month rolling and FTE is a point in time.

Durable return to work
The percentage of clients in the Work Account who have returned to work and have remained at work.

Employee Net Promoter Score
A measure of how likely our employees are to recommend ACC as a place to work. Respondents rate themselves on an 11-point scale, with 0 being 'not at all likely' and 10 being 'very likely'. The net promoter score is the proportion of 'promoter' respondents (score 9-10) less the proportion of 'detractor' respondents (score 0-6). Total scores can range from −100 to +100.

Funding Ratio
The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each ACC Account. The funding position is expressed as a ratio of the assets divided by the liabilities for each Account. The calculation of the applicable assets and liabilities is defined in the funding policy.

Growth rate of the Long-Term Claim Pool
The percentage growth in the number of Long-Term Claim Pool clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

Investment management costs as a proportion of total funds under management
Investment costs excluding costs associated with trading as a percentage of average funds under management. Presented as a year-to-date result.

Investment performance after costs relative to benchmark
A measure of ACC's investment performance after costs compared with the industry standard. Measured as the percentage above the blended market average benchmark. Presented as a year-to-date result.

Long-Term Claim Pool returns to independence
The net number of Long-Term Claim Pool clients who have returned to independence (ceased receiving weekly compensation) in 12 months. A Long-Term Claim Pool client has received weekly compensation for more than 365 days. Presented as a rolling 12-month result.

Lost-time injury frequency rate
The number of lost-time incidents per million hours worked.

Māori lodgement ratio

The ratio between the claim lodgement rate per head of population for Māori, benchmarked against the claim lodgement rate for all New Zealand.

Net trust score

A measure of the extent to which respondents have trust and confidence in ACC on a 0-10 scale grouped into four categories (low trust and confidence, medium trust and confidence, high trust and confidence, and don't know/refused). The net trust score is the proportion of respondents with high trust and confidence (score 9-10) less the proportion of respondents with low trust and confidence (score 0-6). Overall scores can range from -100 to +100. Four groups of our customers are included; clients, Māori clients, providers and businesses

Number of category 3, 4 and 5 privacy breaches and near misses

The year-to-date number of category 3, 4 and 5 privacy breaches and near misses. The category of a breach or near miss is determined using the Government Chief Privacy Officer's definition of a privacy breach.

Number of claims avoided through our injury prevention investments

The number of claims avoided in the areas where we have targeted injury prevention programmes. Presented as a year-to-date result.

Overall operational system availability

Percentage of time key applications and networks are available to perform required functions. Presented as a year-to-date result.

Percentage of total expenditure paid directly to clients or for services to clients

The proportion of expenditure (claims paid and administration costs) paid for clients (claims paid). Investment costs are excluded. Presented as a year-to-date result.

Proportion of ACC reviews upheld

The proportion of all review outcomes where the decision was in favour of ACC. Reviews in favour of ACC include all reviews dismissed at an external review hearing, as well as any reviews that have been withdrawn or settled. Presented as a rolling 12-month percentage.

Proportion of ACC staff who identify as having a disability

The proportion of FTEs who identify as having a disability, self-reported in a six-monthly survey. Presented as a point-in-time result.

Proportion of ACC staff who identify as Māori

The proportion of FTE who identify as Māori, self-reported in a six-monthly survey. Presented as a point-in-time result.

Public trust and confidence

The proportion of general public surveyed (who felt they had a reasonable understanding of ACC) who reported having full trust and confidence in ACC. Presented as a rolling four-quarter result.

Rate of long-term clients in part-time work

The proportion of Long-Term Claim Pool clients with part-time earnings (abated weekly compensation payments). In this context, Long-Term Claim Pool clients are those who have received weekly compensation for more than 365 days. This is a point-in-time measure.

Rate of serious injury

The number of new serious injury and fatal claims where we have injury prevention programmes, as a proportion of the New Zealand population. Presented as a rolling 12-month result.

Ratio of this year's total levies to the total claims incurred for this year's accidents over time

A measure of the levy income received in a year and the investment income from those levies as a proportion of the cost of claims incurred in that year and the future estimate of those claims liability. Presented as a point-in-time result.

Reduction in average weekly compensation days paid

The difference between the average number of weekly compensation days paid when a client exits the Scheme (rolling 12-month basis) relative to a benchmark average (March 2015) number of weekly compensation exit days. Claims with 29 to 365 days of weekly compensation are included. A negative number represents an increase in average weekly compensation days over the benchmark.

Return on investment

The return on investment from our injury prevention investments in two areas: 0 to 20-year programmes and workplace programmes. This consists of two parts: the historical value of claims saved divided by the cost of the interventions to date, and the 10-year expected claims saved divided by the likely future cost of the interventions. Presented as an evaluation of the costs and savings at a point in time.

Return to independence for those not in the workforce

The proportion of clients (who have never received weekly compensation) who have returned to independence (ceased receiving any entitlements) in 12 months. Presented as a rolling 12-month result.

Return to work within 10 weeks

The percentage of clients receiving weekly compensation who return to work within 10 weeks (70 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Return to work within nine months (273 days)

The percentage of clients receiving weekly compensation who return to work within nine months (273 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Reviews as a percentage of decline decisions

The number of client reviews lodged as a percentage of the number of cover and entitlement decline decisions, presented as a rolling 12-month result.

Speed of cover decisions

The average number of calendar days between the lodgement date and time and the date and time of first cover decision (accept or decline). Presented as a rolling 12-month result.

Total recordable injury frequency rate

The number of lost-time incidents, restricted work incidents and medical treatment incidents per million hours worked.

Directory

Directory

Claims	Business	Providers
0800 101 996	**0800 222 776**	**0800 222 070**
claims@acc.co.nz	***business@acc.co.nz***	***providerhelp@acc.co.nz***

Our three main call centres are open Monday to Friday, 7am to 7pm.

Claims	0800 101 996	*claims@acc.co.nz*
From overseas	+64 7 848 7400	***claims@acc.co.nz***
Sensitive claims	0800 735 566	***sensitiveclaims@acc.co.nz*** Sensitive Claims PO Box 1426 Wellington 6140
Treatment injury centre	0800 735 566	Treatment Injury Centre PO Box 430 Dunedin 9054
Deaf services		***deaf@acc.co.nz***
Language and cultural services	0800 101 996	

Business	0800 222 776	*business@acc.co.nz*
Employers	0800 222 776 +64 7 859 8675	ACC Business Service Centre PO Box 795 Wellington 6140
Self-employed	0508 426 837 +64 7 859 8676	
Agents and advisors	0800 222 991 +64 7 859 8677	
Injury management (for employers)	0800 101 996	***returntowork@acc.co.nz***
Collections and recoveries	0800 729 538 +64 4 805 4296	***collections@acc.co.nz*** ACC Collections and Recoveries PO Box 3248 Wellington 6140

Providers	0800 222 070	***providerhelp@acc.co.nz***
		Northern Service Centre PO Box 90341 Auckland 1142

General questions	04 816 7400	***information@acc.co.nz***
		ACC PO Box 242 Wellington 6140
Statistics		***statistics@acc.co.nz***
Complaints and feedback	0800 650 222 +64 7 859 8560	***complaints@acc.co.nz*** Customer Resolution Freepost 264 PO Box 892 Hamilton 3240
Media		***media@acc.co.nz***

More contact information, including branch details, Official Information Act requests and reviews, is available at **www.acc.co.nz/contact.**

He Kaupare. He Manaaki.
He Whakaora.
prevention. care. recovery.

www.acc.co.nz
0800 101 996

New Zealand Government

The cover stock is an environmentally responsible paper, produced using Elemental Chlorine Free (ECF) and Third Party certified pulp from Responsible Sources, and manufactured by an ISO140001 certified mill.

The text stock is a recycled-content paper made from 100% post-consumer waste. Manufactured by an ISO9001 and 14001 certified mill and FSC certified. No chlorine bleaching is used in the manufacturing process.

ACC8278 October 2021 Print ISSN 1177-6013 Online ISSN 1177-6021