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Annual Report 2026

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To view full list of contact details for services offered at Accident Compensation Corporation (ACC), including Sensitive Claims, collection and recoveries, or media inquiries, please visit our website www.acc.co.nz/contact.

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Approved Microsoft Co-pilot was used for editorial support during the preparation of this Annual Report. Final decisions on content, disclosures, and presentation remained the responsibility of ACC staff.

Contents

How to read this report

The Annual Report 2026 provides information about who we are, what we do, and the key aspects of our operating environment for 2025/26. It also outlines progress against our strategic intentions and includes information on governance, organisational health and capability, the Investment Fund, the Statement of Performance and the Financial Statements.

Previous Annual Reports, our Statement of Intent and Service Agreement are available on our website: acc.co.nz/about-us/corporate-documents.

I Overview	From the Board	4
	Statement of responsibility	6
	About ACC	7
	Strategic framework	8
	Responding to reviews	9
II Our performance 2025/26	Improving outcomes, strengthening sustainability	11
	Progress against our strategic intentions	18
	Finance report	21
	Investment report	27
III Organisational health and capability	Governance	32
	Our people	38
	Managing risk	41
IV Statement of Performance	Statement of performance	44
	Output 1: Injury prevention	47
	Output 2: Levy engagement and collection	48
	Output 3: Investment management	51
	Output 4: Claims management	53
	Other performance measures	58
V Financial Statements	Financial statements	63
	Notes to the financial statements	74
	Independent Auditor's report	137
VI Appendices	Appendix 1: Investment statement	143
	Appendix 2: Glossary of terms	152
	Appendix 3: Glossary of performance measures	154
	Appendix 4: Performance framework	157

From the Board

The Board is pleased to present the Annual Report of the Accident Compensation Corporation for the year ended 30 June 2026.

ACC is a key part of New Zealand's social fabric, providing no-fault accident injury cover to New Zealanders for more than 50 years. New Zealanders value the Accident Compensation Scheme (the Scheme) and want to see it protected for future generations. Our focus is on preventing injuries, supporting recovery for injured people, and ensuring the Scheme's long-term financial sustainability.

This year, we initiated a Turnaround Plan in response to the findings of three independent, external reviews undertaken in 2025. The focus was simple: improve recovery outcomes, strengthen performance and support the long-term sustainability of the Scheme.

As part of this plan, ACC refreshed its strategy and performance expectations, setting more ambitious rehabilitation targets and a clearer direction for change. We invested in additional frontline capacity and capability to provide more timely support and improve recovery outcomes for clients.

The Board is pleased to report that the first year of its plan to turn around performance has delivered encouraging early results.

More injured people returned to work and independence sooner, rehabilitation performance improved, the volume of claims in the long-term claims pool reduced, and operational performance contributed to a \$3.3 billion influenceable reduction in the outstanding claims liability. In addition, our Investment Fund returned 10.27% (after costs) for the year, outperforming the comparative benchmark. These results demonstrate that improving client outcomes and improving Scheme sustainability go hand in hand.

However, despite these improvements, significant challenges remain. Growth in Sensitive Claims was higher than expected and continues to represent a material risk to the long-term sustainability of the Scheme. Addressing this challenge while continuing to support clients appropriately will remain an important focus.

This year marked a significant period of change for the ACC Board. We farewelled Mark Cross and Dan Buckingham. Their commitment and contribution to the effective governance of ACC over many years has been invaluable, and we thank them for their service.

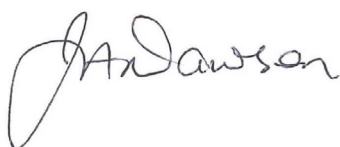
Jan Dawson was appointed Board Chair, and Richard Keys, Michael Playford, and Lindsay Wright were appointed to the Board. We look forward to their contribution to the governance and future direction of ACC.

The Board wishes to acknowledge Megan Main for her nearly five years as Chief Executive of ACC. During the past year, Megan led ACC's renewed focus on improving recovery outcomes, strengthening performance and positioning the Scheme on a more sustainable path.

We recognise that a high-performing organisation is critical to Scheme sustainability and depends on capable, empowered people. The Board extends its sincere thanks to all employees for their dedication and continued efforts for improving recovery outcomes for injured people and helping commence the turnaround in performance.

We acknowledge the health sector, providers, employers and all New Zealanders for their ongoing support. Improving recovery outcomes and protecting the Scheme for future generations requires a collective effort, and we are grateful for the contribution each makes in helping injured people recover and return to work and independence.

The Board remains committed to ensuring ACC builds on this progress and turns early gains into lasting change so more New Zealanders get the right support sooner, recover well, and return to work and independence. To sustain this momentum and continue to strengthen Scheme performance, the Board welcomed Sid Miller OBE as Chief Executive in September 2026 to lead ACC through the next phase of its performance turnaround. We are confident ACC can deliver continuing improvements in rehabilitation outcomes in the coming years.



Jan Dawson
Board Chair



David Hunt
Deputy Chair

Statement of responsibility

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

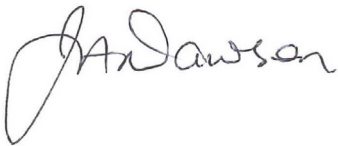
We are responsible for the preparation of these financial statements and statement of performance and for the judgements made in them.

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

We have the 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 2026.

Signed on behalf of the Board:



Jan Dawson

Board Chair

Date: 21 September 2026



David Hunt

Deputy Chair

Date: 21 September 2026

About ACC

ACC is a Crown entity set up to deliver New Zealand's Accident Compensation Scheme. ACC delivers and commissions services to prevent injuries and get New Zealanders and visitors back to everyday life if they have had accidents or personal injuries.

ACC was established following a Royal Commission of Inquiry, and since 1974, has provided a no-fault Scheme for personal injury, replacing the right to sue. ACC is established under the Accident Compensation Act 2001 (AC Act) and governed by the Crown Entities Act 2004.

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

The purpose of the Scheme is to provide 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 (including economic, social, and personal costs).

ACC fulfils this purpose by delivering and commissioning services to prevent injuries and get New Zealanders back to everyday life if they have had accidents or personal injuries.

Each year ACC receives more than two million claims from people who are injured. Most claims are for relatively minor injuries, such as sprains, but a small proportion are serious injuries which require ongoing support for decades into the future.

The Scheme is managed through five Accounts, with each providing cover based on the circumstances of the covered injury. Each Account operates independently and cannot cross-subsidise another.

ACC is funded through a combination of levies and government appropriations. A portion of the levies collected, and appropriations received, is invested in funds managed by us. ACC has one of the largest investment funds in New Zealand, valued at over \$50 billion. ACC's Investment Fund is designed to meet the future costs of injuries that have already occurred.

By sharing the costs of accidents fairly across generations, ACC can ensure all New Zealanders (and visitors) are cared for into the future. 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.

Strategic framework

Our strategic intentions change over time to reflect our medium-term areas of focus. From 1 January 2026, ACC implemented a new strategy that is reflected in the Statement of Intent 2026–2030.

This strategy refocuses ACC's efforts on its core role of delivering quality rehabilitation outcomes for injured people in New Zealand, while ensuring the Scheme is financially sustainable in the future.

Figure 1: Our strategic framework



Responding to reviews

Drawing on the findings of the independent, external reviews undertaken in 2025, ACC implemented the multi-year Turnaround Plan to give effect to all 38 recommendations.

The Turnaround Plan, released in January 2026, was our response to the recommendations of the reviews. This plan outlined a set of immediate, targeted actions to improve claims management and operational decision-making, engage differently with health providers, and build an organisational culture and strategic direction that enables excellent performance (see Table below).

Table 1: Findings and responses to the independent, external reviews

Findings	Our response
Scheme performance review (commissioned by the Minister for ACC)	
In December 2024, the Minister for ACC announced an independent review of ACC prompted by concerns about declining rehabilitation performance and increasing costs. The review assessed whether ACC was taking the right approach to improving rehabilitation performance, identified gaps, and recommended further improvements. It focused on areas ACC could directly influence. The core recommendation was for ACC to get back to the basics of claims management. The review highlighted the need to support effective claims management and improved rehabilitation performance to help restore the financial sustainability of the Scheme.	• ACC has accepted and actioned all 23 recommendations from the review. • 17 recommendations have been completed. • The remaining recommendations are multi-year initiatives that will be completed in 2026/27 as anticipated. • ACC refreshed its organisational strategy, Statement of Intent, and Service Agreement 2025/26. This has set a clear path to turn around Scheme performance.
Investment review (commissioned by The Treasury)	
This independent review of our investments function is consistent with monitoring arrangements for other Crown Financial Institutions. ACC has worked with The Treasury on preparations for this review since 2023. The findings of the review were released in July 2025. The review found the investment function to be strong and fit-for-purpose across the board, with robust governance, effective investment practices and operational capabilities that are aligned with both its organisational objectives and legislative mandate.	• The review made several recommendations to further strengthen ACC's investment capability. ACC has actioned all recommended enhancements. • Improvements include: Investment's code of conduct implemented, compliance training completed, and enhanced risk reporting implemented.
Culture review (commissioned by ACC Board)	
The Culture Review was commissioned to provide an external review of ACC's workplace culture. The review looked at the experiences of our people, as well as the existing policies, systems and procedures to promote appropriate conduct. The review, released in September 2025, showed that ACC is full of hard-working people who are dedicated to supporting injured New Zealanders in their recovery. It also identified several areas for improvement. Building a high-performing culture was a core recommendation because engaged and productive employees are critical to organisational performance and long-term success.	• ACC has completed actions to address nine of the 10 recommendations from the review, starting with a public acknowledgement of how it responds to poor behaviour and by addressing lessons learnt from the 2024 restructure process. • ACC launched refreshed organisational values, supported by improvements in recruitment practices, conduct and behaviour policies, and training programmes.



II.

Our performance 2025/26

Improving outcomes, strengthening sustainability

Progress against our strategic intentions

Finance Report

Investment Report

Improving outcomes, strengthening sustainability

Rehabilitation performance had declined over several years, contributing to poorer outcomes for injured New Zealanders and increasing financial pressure on the Scheme. Independent reviews identified opportunities for ACC to improve performance, informing our Turnaround Plan and our renewed focus on improving recovery outcomes.

In 2025/26, ACC focused on improving rehabilitation performance and helping more injured New Zealanders return to work and independence sooner. Through reducing delays, improving decision-making and strengthening access to rehabilitation support, more people recovered sooner and spent less time on the Scheme. This improved outcomes for clients and contributed to stronger operational and financial performance.

In assessing performance, it is important to distinguish between factors ACC can directly influence and those that are driven by external factors. Improvements in rehabilitation outcomes, decision-making, and claims management reflect areas where ACC has direct influence. At the same time, broader pressures such as population growth, health system constraints, economic conditions, and growth in Sensitive Claims continue to affect overall Scheme performance and sustainability.

While early signs of improvement are encouraging, challenges remain. Of particular concern, from a funding and sustainability perspective, is the continued growth in Sensitive Claims. Our focus is now on sustaining improvement, lifting rehabilitation performance, and building the capability needed to achieve our best-ever rehabilitation outcomes in the coming years.

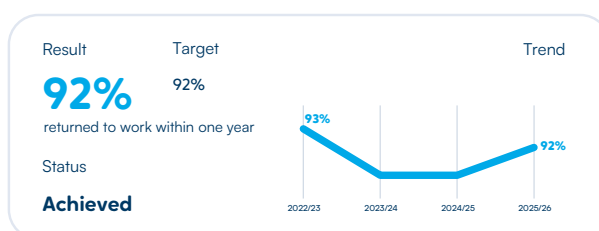
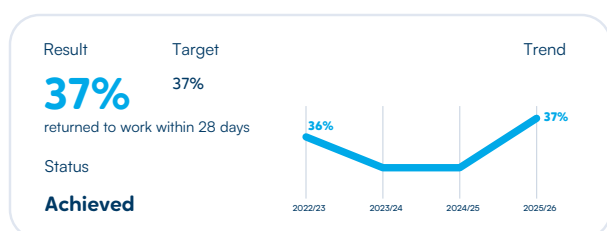
Improving rehabilitation outcomes

Over the last decade, more people with less serious injuries, such as sprains and strains, have taken longer to return to work and independence. This has meant ACC's focus was needed to support people with less serious injuries to return to work and independence sooner.

Short-term rehabilitation performance improved across all measures, with results generally returning to levels last seen in 2022/23. This year, more than 98,000 (92%) clients returned to work or independence within one year; 90% within nine months; 62% within ten weeks; and 37% within 28 days. 83% of clients who were not working, including children and retirees, returned to independence.

While the ten-week and nine-month measures finished the year slightly below target, recent performance has continued to improve, providing confidence that the positive momentum achieved during the year is being sustained.

Turning around our performance in short-term rehabilitation



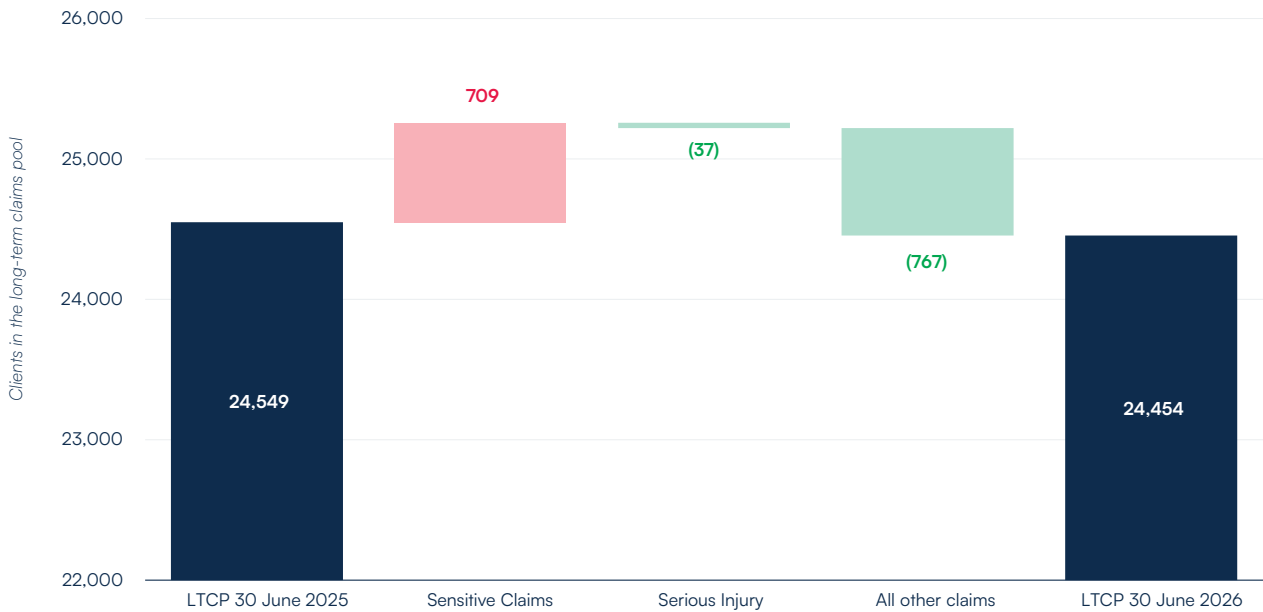
Some clients experience complex or severe injuries that require ongoing rehabilitation, support services and compensation over many years. These clients often need sustained and coordinated support to maximise their independence and quality of life.

In 2025/26, the long-term claims pool reduced for the first time in a decade, falling from 24,549 in 2024/25 to 24,454 despite forecasts that it would exceed 26,000 by the end of the year.

Excluding Sensitive Claims, the pool reduced by 804 claims (-3.6%) to 21,813, reflecting fewer clients requiring long-term support and more returning to work and independence.

These reductions were partially offset by continued growth in long-term Sensitive Claims, which increased by around 700 claims (37%). Sensitive Claims now represent 11% of the long-term claims pool.

Figure 2: Client movements in the long-term claims pool (LTCP)



Sensitive Claims continued to grow in 2025/26, increasing demand for services and compensation and creating significant financial pressure on the Scheme. Approximately 14,500 clients registered a Sensitive Claim during the year, with around 3,000 clients receiving weekly compensation or compensation for loss of potential earnings. In total, we are managing 33,500 Sensitive Claims.

Much of this growth relates to the Court of Appeal ruling from December 2023, which clarified eligibility for financial support for some survivors of sexual abuse who are unable to work or study.

Growth in Sensitive Claims increased the outstanding claims liability by \$4.1 billion during the year, substantially offsetting gains achieved through improved performance elsewhere in the Scheme.

To respond, ACC expanded specialist claims management capability, including dedicated teams to support increasing volumes and growing complexity. Specialist teams have been established to manage increasing volumes of financial entitlement applications, and planning has commenced for further claims management specialisation within mental injury recovery.

Strengthening the foundations of rehabilitation performance

Delivering better recovery outcomes requires the right people, systems and capability. During the year ACC invested in frontline case management, clinical expertise, workforce capability, technology, data and artificial intelligence (AI). These investments helped reduce delays, improve decision-making, identify clients at risk of delayed recovery earlier, and provided more timely rehabilitation support.

We also expanded the use of data, analytics and AI-supported tools to identify clients at risk of delayed recovery, to better understand long-term claim pathways, and support more targeted rehabilitation. These technologies are designed to support our people by reducing repetitive tasks and freeing up time for more meaningful, human-centred work. Accountability remains with ACC people and clinical experts. Judgement, empathy, and expertise remain central to how we operate.

While long-term rehabilitation performance remains a significant challenge, improvements in rehabilitation outcomes and careful management of cost pressures contributed to stronger influenceable financial performance during the year. Our focus remains on sustaining these gains and continuing to improve outcomes for clients.

Working with providers to improve rehabilitation outcomes

ACC is strengthening how we commission services so injured New Zealanders receive the right care at the right time. This means working closely with the health sector, using evidence and insights to improve services, and ensuring the rehabilitation system consistently supports better recovery outcomes.

We worked closely with providers to improve medical certification practices, strengthen recovery-focused decision-making, and improve access to specialist care. This included improvements to referral pathways, provider performance monitoring, and service capacity to help clients access rehabilitation support sooner.

Together, these initiatives support more consistent clinical decision-making, strengthen provider capability, and improve access to rehabilitation services. While further work is required to fully implement many of these initiatives, they establish strong foundations for improved rehabilitation outcomes over time.

Supporting recovery through the workplace

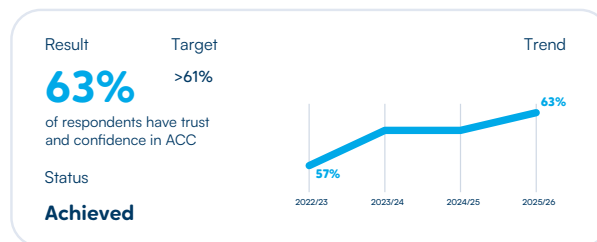
Employers play an important role in rehabilitation by helping injured people remain connected to work. Staying connected can improve recovery outcomes, reduce time away from employment, and support a more sustainable return to independence.

In 2025/26, ACC worked with industry associations and employers to trial workplace-based recovery approaches across 120 organisations. The trial promoted recognised good practice, including early engagement with injured employees, suitable duties, manager capability, and stronger coordination of recovery support.

These approaches increased opportunities for injured people to remain connected to work during recovery. Our research shows that maintaining connections with work and community supports recovery and helps people return to work and independence sooner.

Strengthening public trust and confidence

ACC is entrusted with public and levy-payer resources and makes decisions that have a significant impact on New Zealanders. Public trust and confidence increased to 63% (from 61%) in 2025/26, reflecting the importance of making evidence-based decisions, using resources responsibly and protecting the Scheme for future generations.



Public engagement activity focused on encouraging people to take an active role in their recovery through the *Get back to what matters, sooner* campaign. The campaign highlighted the importance of staying connected to work, community and support networks during recovery and reinforced ACC's broader rehabilitation objectives.

Protecting natural justice through review and appeal rights

ACC's review process provides an important safeguard that enables clients to seek an independent review of ACC decisions. Through early resolution pathways and independent review services, we seek to resolve disputes as quickly as possible while preserving clients' rights to have decisions independently examined.

Review applications increased in 2025/26 and volumes are expected to remain elevated. High demand across the review process and wider health system pressures affected timeliness, with average time to resolution increasing from 108.6 days to 127.3 days.

Despite these pressures, 92.4% of ACC decisions reviewed were upheld, indicating that decisions are generally being made in accordance with legislation and policy and are standing up to independent scrutiny.

Targeting injury prevention investment where it delivers the greatest impact

Injury prevention is a core part of ACC's role and contributes to the long-term sustainability of the Scheme. In 2025/26, we strengthened our focus on directing investment towards initiatives with the greatest evidence of impact, using data and insights to target activities that reduce injuries and deliver measurable results.

ACC invested \$55 million¹ in injury prevention activity during the year and achieved a return on investment of \$1.78 for every dollar spent. More than 11,700 injuries were prevented, up from approximately 9,500 in 2024/25.

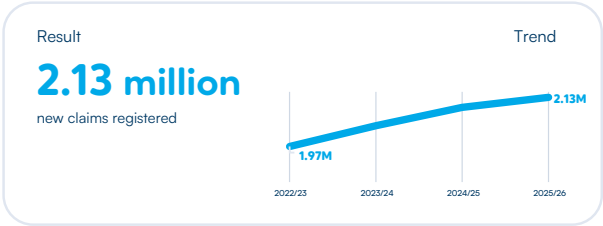
Strong-performing prevention programmes included *DRIVE*, delivered in collaboration with the New Zealand Transport Agency to support safer driving among young drivers; *Ride Forever*, which provides motorcycle rider coaching and training; a partnership with Netball New Zealand which focuses on reducing sports injuries; and *Live Stronger for Longer*, which helps reduce falls among older New Zealanders.



¹ Overhead costs are included.

Managing claim cost pressures

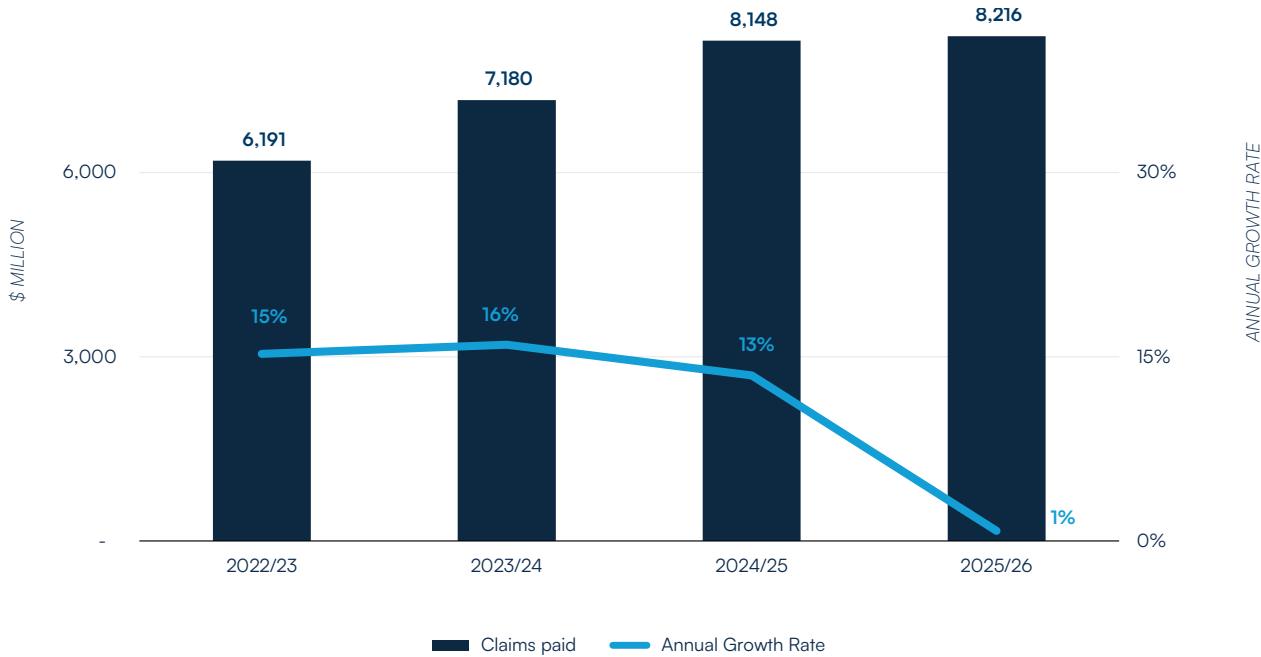
Managing claim costs responsibly is an important part of maintaining the long-term sustainability of the Scheme. While claim volumes are influenced by broader economic and population trends, ACC can improve performance by supporting better recovery outcomes, making consistent decisions, and ensuring services are delivered effectively.



In 2025/26, ACC received more than 2.1 million new claims, 33,000 more than in 2024/25 (1.6% growth). In contrast, the number of new weekly compensation claims reduced by 2,000 to 105,000, a 1.9% reduction on the previous year.

During the year, ACC provided more than \$5 billion of treatment and rehabilitation services and almost \$3 billion in compensation payments. Claims costs were 7% below budget and less than 1% higher than in 2024/25.

Figure 3: Reducing growth in claims costs



As claim volumes and demand for rehabilitation services continue to grow, we need to improve how we work, make better use of our systems, data and technology, and focus our effort where it will have the greatest impact for clients.

Making social rehabilitation more sustainable

Social rehabilitation helps injured people regain their independence and take part in everyday life. These services can include support with things such as managing daily activities at home, personal care, hygiene and equipment, home modifications, or training that helps a person live more independently.

In 2025/26, we spent \$1.5 billion on social rehabilitation services. Over the past five years, these costs have increased by about 60%, significantly faster than growth in demand, population and inflation.

Our analysis highlights that ACC is over-servicing some clients, providing more expensive support for longer than required, or funding unnecessary services that are not directly related to injury needs. Receiving unnecessary support is not good for clients or the Scheme. It can delay recovery or lead to ongoing reliance on support.

In 2025/26, we targeted an in-year cost reduction of \$82 million and achieved a reduction of \$122 million. This was supported by a focus on ensuring clients received the support they needed while strengthening the consistency of decision-making.

While costs reduced during the year, further work is required to ensure social rehabilitation services remain effective, appropriate and sustainable.

Strengthening elective surgery decisions to support better recovery

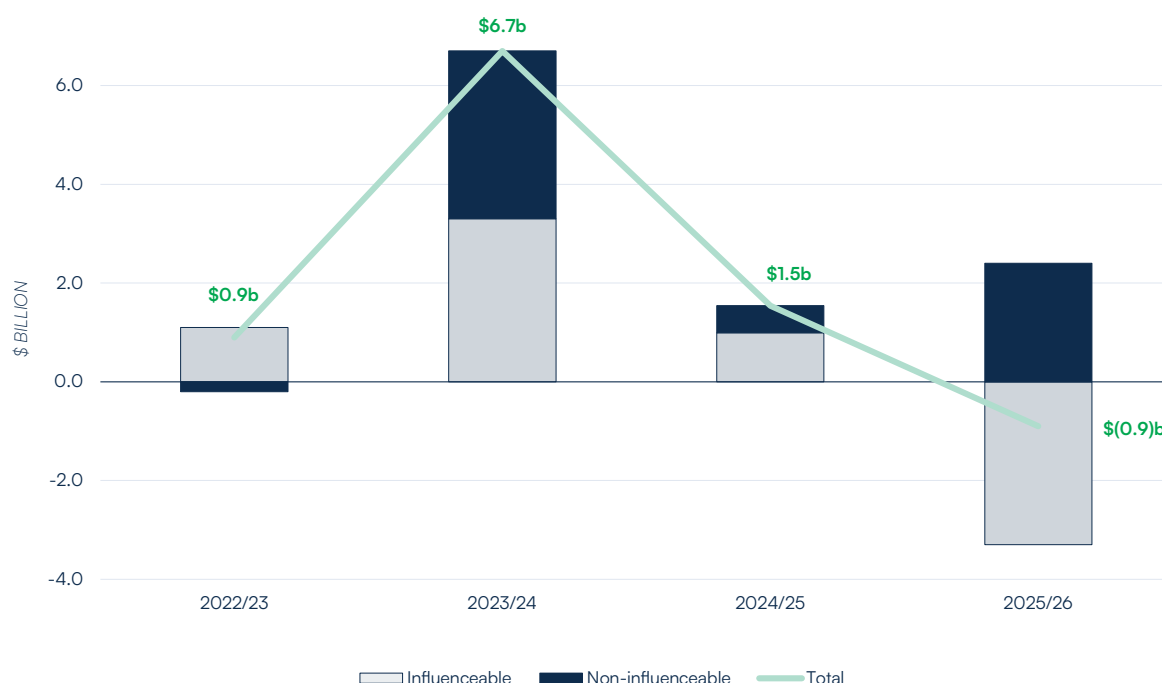
Over the past decade the costs associated with elective surgery have grown significantly. In 2025/26, ACC spent \$616 million on elective surgery for approximately 44,000 claims. Throughout 2025/26, we focused on improving elective surgery decision-making and recovery outcomes. Costs were 9% lower than expected.

During the year, we strengthened clinical guidance and introduced decision-support tools to support more consistent and evidence-based surgery decisions. This included structured guidance on the interpretation of surgery cover criteria and decision-support tools for knee and shoulder surgery. These changes support decisions that are aligned with ACC legislation and clinical best practice, while providing greater clarity and consistency for clients.

Building Scheme sustainability

In 2025/26, influenceable claims experience reduced the outstanding claims liability by \$3.3 billion. The outstanding claims liability is the net present value estimate of how much money is needed in today's terms to support already injured people for as long as they need it.

Figure 4: Actuarial movement over time



Improved rehabilitation performance and lower claim volumes contributed to a \$2.6 billion influenceable actuarial release for weekly compensation. Cost reductions across social rehabilitation services, including provider travel, attendant and residential care, and housing and vehicle modifications, contributed a further \$1.1 billion influenceable release. Smaller influenceable releases were recorded for elective surgery (\$394 million) and medical treatment (\$157 million).

The steep rise in Sensitive Claims continues to place significant pressure on the Scheme's long-term financial sustainability. In 2025/26, the outstanding claims liability associated with Sensitive Claims increased by around \$4.1 billion. Part of this increase in the Sensitive Claims liability is classified as influenceable and reduced the overall benefit of improvements achieved elsewhere in the Scheme.

With the exception of Sensitive Claims performance, these results are encouraging. However, sustained improvement will be required to strengthen the long-term sustainability of the Scheme. More information is provided in the Finance report on pages 22-26.

Investing today to meet the future cost of existing claims

ACC is not just paying for injuries that occur this year. While most claims are resolved relatively quickly, some people with serious injuries require treatment, rehabilitation, compensation and support for many years. To help meet these future obligations, ACC invests a portion of levy revenue and government appropriations alongside funding current claims costs.

Our Investment Fund is one of the largest in New Zealand, and to reduce the impact on levy payers and taxpayers, we aim to maintain our investment performance above benchmarks. ACC's reserves portfolio delivered a return of 10.27% (after costs) for the year and, over the past 10 years, has returned 6.93% per annum (after costs), outperforming its benchmark by 0.39%. The value of \$100 invested in 1992 (when the fund started) has grown to \$2,041 as at 30 June 2026, contributing to a total Investment Fund balance of \$54 billion. Further information on our investment performance is included on pages 27-30 and pages 143-151.

Progress against our strategic intentions

The amended Service Agreement 2025/26 identified initiatives with associated actions for delivery aligned to the Turnaround Plan. The following provides an overview of the progress made this year against Our Strategy 2026—2029. Details of the impact these had on performance are included in the preceding performance section.



Care that leads to lasting recovery

We invest in effective and appropriate care that supports people to recover from their injuries. Our decision-making is evidence-based, consistent, timely, and aligned with our legislative purpose. We commission outcome-focused services and ensure that providers play their role in achieving lasting recovery outcomes. The following actions supported these objectives during 2025/26.

Table 2: 2025/26 achievements

What we set out to achieve	Result
We are ensuring people are getting the social rehabilitation they need, through improved and more consistent decision-making	Achieved
We are improving elective surgery decision-making and recovery outcomes	Achieved
We are enhancing proactive monitoring and fraud detection	Ongoing
We are working with health providers to support faster and more sustainable returns to work	Ongoing



Timely return to work and independence

We are focused on helping injured people return to work and independence sooner. Our best-practice case management sees injured people return to lasting work or independence. We ensure that employers and clients play their part in achieving recovery outcomes. The following actions supported improvements in rehabilitation performance during 2025/26.

Table 3: 2025/26 achievements

What we set out to achieve	Result
We are growing the capability and capacity of ACC's frontline workforce	Achieved
We are engaging early with clients at-risk of delayed recovery	Achieved
We are working with health providers to support faster and more sustainable returns to work	Achieved
We are actively supporting clients at-risk of becoming dependent on support long term	Achieved
We are supporting clients who are no longer eligible to transition to independence	Achieved



Efficient organisation, sustainable Scheme

We are focused on our core purpose and administer the Scheme responsibly and fairly, ensuring it is here for future generations. We better leverage technology and data to improve how we operate. We work with others to lift New Zealand's safety culture, promoting injury prevention to reduce harm. The following actions supported operational performance and Scheme sustainability during 2025/26.

Table 4: 2025/26 achievements

What we set out to achieve	Result
We have refined ACC's operating model to support long-term financial sustainability	Achieved
We have ensured ACC is a high-performing organisation, with a safe, positive, and inclusive culture	Achieved
We have reset ACC's strategic direction and priorities	Achieved
We have ensured ACC's operating expenses represent value-for-money for tax and levy payers	Achieved



Enabler: Capable, enabled, empowered people

We are a high-performing organisation with leadership, accountability, and respect at our core. We have a safe, positive, and inclusive culture where staff feel connected to our purpose. Our workforce is motivated and trusted to deliver the right outcomes. We invest in our people, grow their capability, and foster inclusivity, engagement and collaboration. The following actions supported workforce capability and organisational performance during 2025/26.

Table 5: 2025/26 achievements

What we set out to achieve	Result
We are growing the capability and capacity of our frontline workforce	Achieved
We have ensured ACC is a high-performing organisation, with a safe, positive, and inclusive culture	Achieved

Huakina Te Rā: our previous strategy

For the first six months of 2025/26, Huakina Te Rā was our organisational strategy. It was replaced by our new organisational strategy (Our Strategy 2026—2029) from 1 January 2026.

Huakina Te Rā was launched in 2023/24 as our organisational strategy. It built on the whakapapa and aspirations of Whāia Te Tika and was developed with a dual framework that acknowledged Treaty of Waitangi | Te Tiriti o Waitangi partners.

The goals under the strategy were:

- **Mana Taurite | Equity:** the dual-framed goal for all people in New Zealand to experience accessible services and improved outcomes.
- **Ringa Atawhai | Guardianship:** the dual-framed goal for the Scheme to be sustainable for present and future generations.
- **Oranga Whānau | Safe and Resilient Communities:** the dual-framed goal to partner and invest to help create safer and more resilient communities.

During the transition to the new strategy, some deliverables included in Huakina Te Rā and the original Service Agreement 2025/26 were superseded or reprioritised through the amended Service Agreement.

ACC remains committed to building cultural capability. We aim to support the Crown in its Treaty of Waitangi | Te Tiriti o Waitangi relationships and deliver our services in ways that enable equitable outcomes for Māori.

Finance report

Financial sustainability improved, but significant pressures remain

ACC's financial performance improved significantly in 2025/26. Improved rehabilitation and claims performance slowed claims cost growth and reduced the expected future cost of existing claims, while strong investment returns supported the year-end result. ACC recorded a deficit of \$961 million, compared with \$1.5 billion in 2024/25 and a budgeted deficit of \$2.9 billion. Factors ACC can at least partially influence reduced the outstanding claims liability by \$3.3 billion. Investment revenue was \$5.3 billion and the Reserve Portfolio returned 10.27% after costs.

However, the Scheme remains under significant pressure. The outstanding claims liability increased to \$68.4 billion, largely because of the expected annual growth in existing claims, lower discount rates, changes in inflation assumptions and higher projected Sensitive Claims costs. The Earners' Account and non-levied Accounts remain below their 100% funding target, and expected revenue for 2026/27 is below the estimated lifetime cost of new claims in every Account.

The 2025/26 result shows that ACC's actions are strengthening the Scheme's financial position, but sustained performance improvement and appropriate future funding will be required to address remaining shortfalls. In addition, largely as a result of increased Sensitive Claim costs, the Non-Earners' Account is under significant pressure.

Lower claims expenditure strengthened the result

The cost of providing treatment, rehabilitation and compensation was \$8.2 billion in 2025/26. This was \$582 million below budget and less than 1% higher than in 2024/25, a marked slowdown from annual growth of between 13% and 16% in the preceding three years.

Social rehabilitation costs reduced by \$38 million as we focused on ensuring clients received the support they needed while strengthening the consistency of our decision-making. Compensation costs reduced by \$32 million as improved rehabilitation performance lowered weekly compensation costs, partly offset by wage inflation and backdated payments associated with the Court of Appeal ruling from December 2023. Medical treatment costs continued to increase (\$91 million) because of demand and price pressures. Public Health Acute Services costs increased by \$54 million, reflecting annual price uplifts and growth in publicly funded acute health services.

These movements are the financial consequence of the operational changes described earlier in this report. More consistent claims and service decisions, together with improved rehabilitation performance, reduced current expenditure and the projected future cost of claims. Detailed operational commentary is provided in the preceding performance section, and significant budget variances are explained in Note 20 of the financial statements.

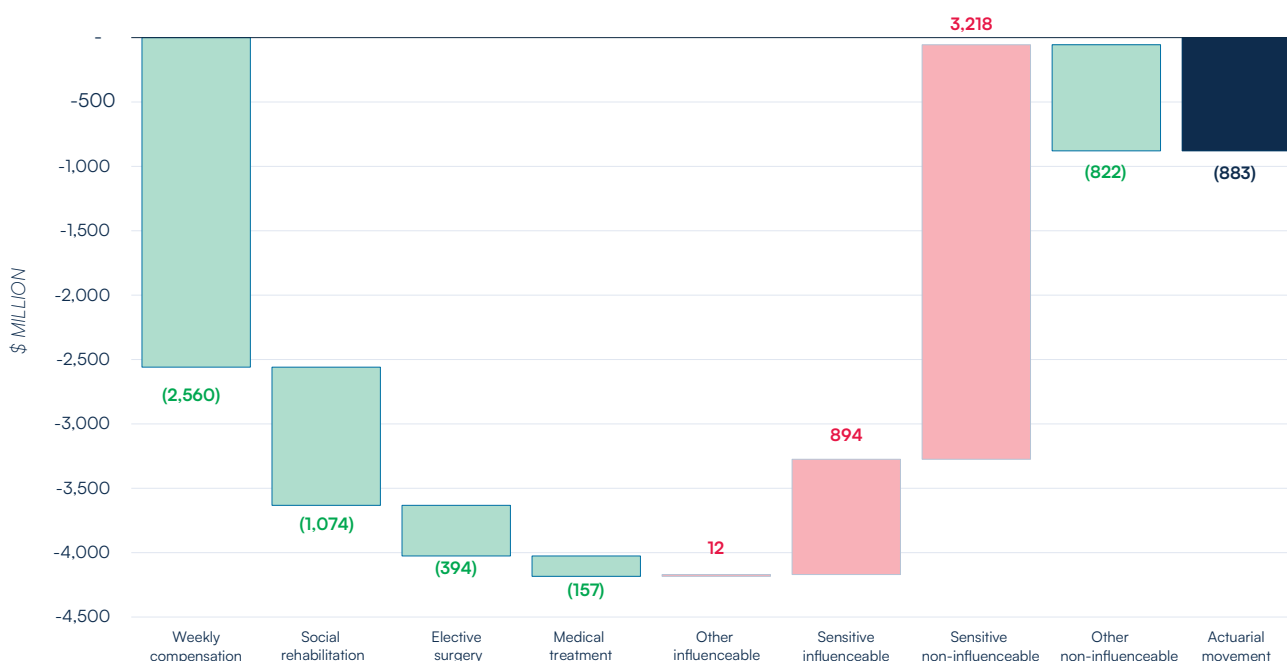
Performance improvements reduced future claim costs

At 30 June 2026, the outstanding claims liability was \$68.4 billion, an increase of \$4.8 billion from \$63.6 billion a year earlier. The increase this year included expected annual growth in the Scheme that added \$2.6 billion to the claims liability. The liability represents the estimated present value of the future cost of supporting people for injuries that have already occurred.

The year-end valuation included a \$3.3 billion reduction from factors ACC can at least partially influence. This reflected improvements in rehabilitation and more disciplined management of services that changed the expected future cost of claims.

- \$2.6 billion reduction from weekly compensation for non-sensitive claims, reflecting improved rehabilitation performance and fewer new claims than expected.
- \$1.1 billion reduction from social rehabilitation, including lower-than-expected expenditure on care, provider travel and capital items.
- \$394 million reduction from elective surgery, reflecting lower volumes and price increases below previous expectations.
- \$157 million reduction from medical treatment.

Figure 5: Breakdown of actuarial movement by key influences



Economic assumptions and Sensitive Claims offset operational gains

The financial benefits of improved performance were more than offset by factors outside, or not fully within, ACC's control. Changes in the economic environment increased the claims liability by \$3.2 billion. This came from a 17-basis-point reduction in the single effective discount rate and increased the present value of future claim payments by approximately \$2.8 billion, while changes in inflation assumptions added \$0.4 billion.

Higher projected Sensitive Claims costs also materially affected the result. The outstanding claims liability for Sensitive Claims increased by \$4.1 billion, including weekly compensation, counselling and other support, and claims associated with the Court of Appeal ruling from December 2023. There remains material uncertainty about the future volume and cost of these claims.

Figure 6: Key influences on the future cost of existing claims

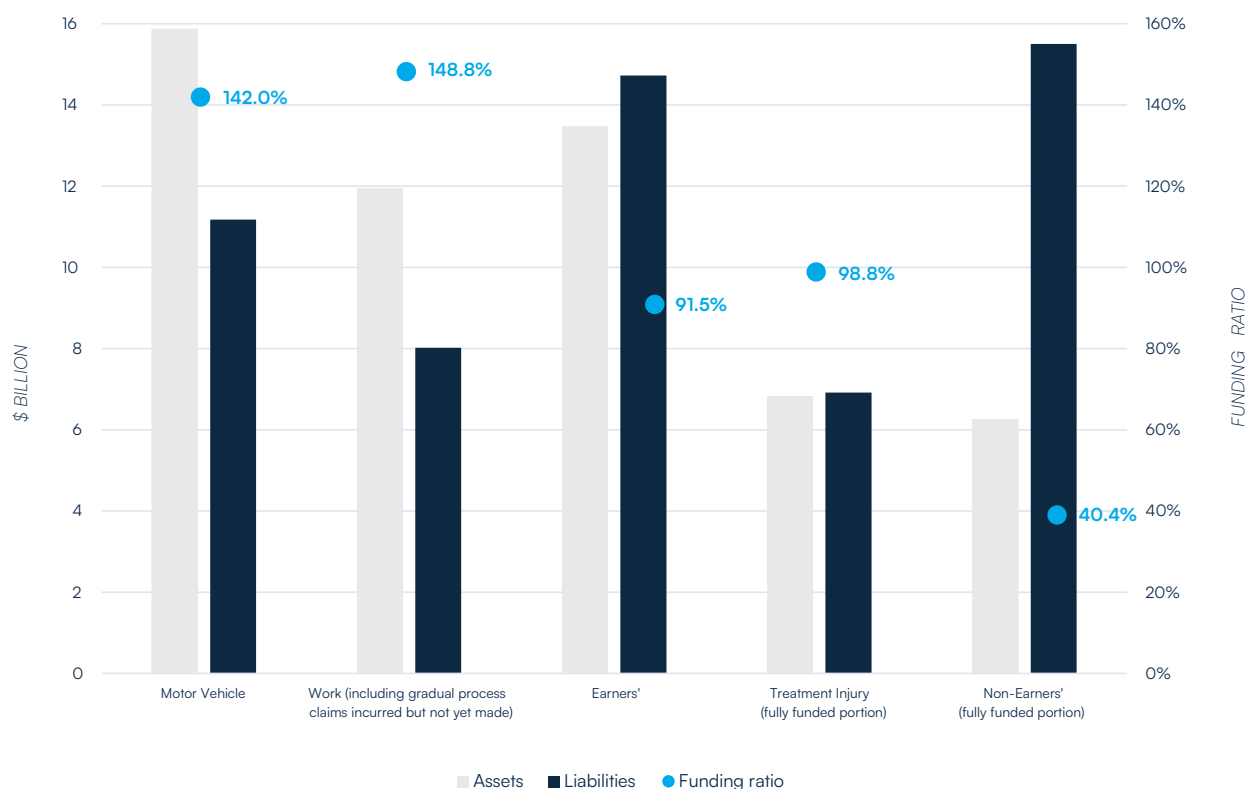


Funding positions improved across most Accounts

Intergenerational fairness is an underlying objective of the Scheme. This means each population cohort should bear the costs of accidents occurring during the period when it was paying levies. Because ACC's Accounts are managed separately and cannot cross-subsidise one another, the financial position of each Account must be considered separately.

Funding ratios improved across most Accounts except Non-Earners', primarily because improved Scheme performance reduced the outstanding claims liability. The Non-Earners' Account deteriorated because of increasing Sensitive Claims costs and the impact of the Court of Appeal ruling from December 2023.

Figure 7: Funding ratio by Account type



Growing Sensitive Claims are a sustainability pressure

Supporting clients appropriately remains ACC's primary focus. However, continued growth in Sensitive Claims is offsetting gains achieved elsewhere in the Scheme and is placing particular pressure on the Non-Earners' Account. At 40.4%, the fully funded portion of that Account is substantially below the 100% funding target.

Government appropriations increased but did not fully offset continued growth in Sensitive Claims. Higher claim volumes, growth in long-term weekly compensation Sensitive Claims and the ongoing effect of the Court of Appeal ruling from December 2023 increased pressure on the Non-Earners' Account appropriation.

Restoring the Non-Earners' Account to a fully funded position will require more than operational improvement. Future appropriations will need to exceed the estimated lifetime cost of new claims for a period, while ACC continues to improve client outcomes, manage services effectively and better understand the future volume and cost of Sensitive Claims.

Improving performance can reduce the liability and future funding pressure, but management action cannot by itself resolve existing funding shortfalls.

Future revenue is below the lifetime cost of new claims

For every Account, expected revenue for 2026/27 is currently below the estimated lifetime cost of claims expected to arise during that year. This difference is referred to as the new year claims cost gap. Although the gap reduced in the fully levied Accounts during 2025/26, it is expected to persist for at least four years.

Future levy rates and appropriations may therefore need to exceed the expected cost of new claims to progressively restore underfunded Accounts to the funding policy target.

Table 6: New year claims cost gap by Account – levy year 2026/27

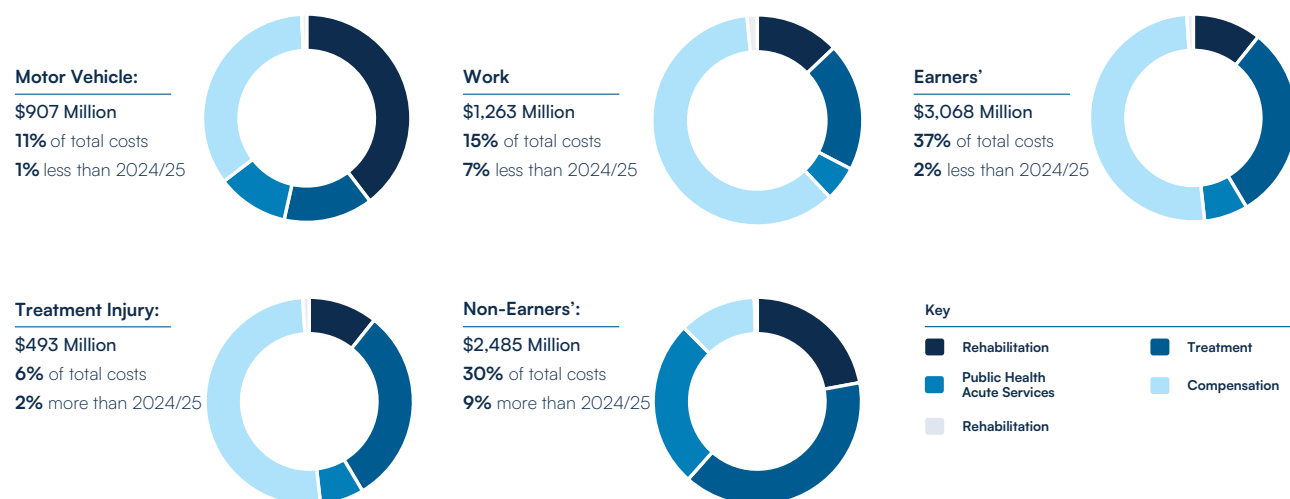
New year claims cost gap (shortfall) as at 30 June 2026	\$M
Motor Vehicle	(382)
Work	(161)
Earners'	(534)
Treatment Injury — Earners' portion	(174)
Treatment Injury — Non-Earners' portion	(71)
Non-Earners'	(761)

Claims costs affect each Account differently

The financial effect of performance improvements differs by Account. An Account's position may strengthen through any combination of lower in-year expenditure, lower lifetime costs for new claims, and a lower outstanding claims liability.

Claims costs reduced in the Motor Vehicle, Work and Earners' Accounts compared with 2024/25, largely reflecting improved rehabilitation performance. In contrast, Non-Earners' Account claims costs increased by 9%, reflecting the impact of Sensitive Claims. The account-level picture reinforces why the Scheme's financial sustainability cannot be assessed through the overall result alone.

Figure 8: Claims costs by Account



Strong investment returns reduced funding pressure

ACC invests a portion of levy and appropriation revenue to meet the future cost of injuries that have already occurred. Investment returns reduce the amount that must ultimately be collected from future levy payers and taxpayers.

Investment revenue was \$5.3 billion in 2025/26, \$843 million higher than the previous year. ACC's investment approach is designed to reduce, but cannot eliminate, the financial effect of economic movements on the liability. Approximately \$1.3 billion of gains from New Zealand fixed-interest investments partly offset the effect of lower discount rates. A complete offset is not possible because available investment assets are shorter in duration than ACC's long-term liability profile. Further detail is provided in the Investment Report and the financial statements.

Expenditure remained focused on long-term value

Operating costs were \$1.0 billion and below budget, although higher than in 2024/25. The increase primarily reflected additional claims management capacity and technology intended to reduce delays, improve decision-making and deliver better client outcomes. ACC also reprioritised injury prevention expenditure towards programmes expected to deliver the greatest Scheme benefit.

ACC will continue to apply expenditure discipline while protecting investment needed to improve frontline performance, modernise critical systems and deliver the Turnaround Plan. The key test is whether expenditure improves client outcomes, reduces long-term Scheme costs or strengthens organisational resilience.

Sustaining progress will protect the Scheme for future generations

The 2025/26 result demonstrates that deliberate performance improvement efforts can materially strengthen the Scheme's financial position. Better rehabilitation outcomes and more disciplined management of claims and services reduced current expenditure and the expected future cost of existing claims.

However, these gains do not remove the Scheme's underlying financial challenges. Economic assumptions will continue to create volatility in the reported result. Sensitive Claims volumes and costs remain uncertain. The Non-Earners' Account is significantly underfunded. The Earners' and the non-levied Accounts are also underfunded, and revenue for 2026/27 is expected to be below the estimated lifetime cost of new claims in every Account.

ACC's response will therefore remain multi-year. The focus is on sustaining rehabilitation gains, embedding stronger operational disciplines and pursuing further opportunities to improve service effectiveness and value for money. This must be supported by funding settings that progressively address existing shortfalls without transferring today's costs unfairly to future generations.

From 1 July 2026, ACC will report under PBE IFRS 17 *Insurance Contracts*. The new standard changes the presentation and measurement of insurance-related liabilities, but does not change the Scheme's underlying economic obligations or the need to improve rehabilitation, manage costs and maintain appropriate funding.

Improving financial sustainability will not be achieved through a single intervention or in a single year. It will require sustained performance improvement, appropriate funding decisions and continued work with clients, employers, providers and the wider health system.

Investment report

ACC's Investment Fund is designed to meet the future costs of accidents that have already happened. Our investments reduce the risk that future levy payers will have to pay for past injuries.

ACC's investment objective is to maximise long-term risk-adjusted returns, while reducing variances between investment income and changes in the claims liabilities. Therefore, while fund returns are a key measure of performance, so is how well assets move in line with liabilities over time.

Key statistics

2025/26

**Reserves Portfolio
Return (before costs)**

10.45%

**Reserves
Benchmark return**

10.07%

**Return relative to
benchmark (before costs)**

0.38%

**Value added in 2025/26
(excess dollar return above benchmark)**

\$ 186 million

**2025/26
Management Expense Ratio**

0.18%

Long-term
returns

Investment returns since 1992

9.27 %
per annum

Benchmark return since 1992

8.08 %
per annum

Funds Under
Management

Value of ACC's Reserve Portfolio (as at 30 June 2026)

\$53.5 billion²

² Valuation based on last sale price at 30 June 2026.

Message from Chief Investment Officer, David Iverson

ACC's Investment function has three essential roles in supporting the Scheme's long-term financial sustainability. We are required to match ACC's claims liabilities as closely as possible and balance this with higher-returning assets; add value through active management; and provide funding when claims payments and operating costs exceed revenue.

I am pleased to report another strong year for the Fund in 2025/26.

Our performance

The Fund returned 10.45% (before costs) for the year to 30 June 2026, generating \$5.20 billion in investment income. Of this \$2.46 billion supported claims payments and ACC's operational costs. The Fund grew to \$53.5 billion³ at year end.

Active management added 0.38% (before costs), equating to around \$186 million above benchmark returns. The Fund has exceeded benchmark returns in 32 of the 34 years since its inception, reflecting the skill, discipline and long-term focus of our investment team.

Investment environment

Market conditions were supportive for returns, despite being a challenging investment environment. Early interest rate cuts bolstered our domestic fixed income portfolios and global equities delivered strong returns. However, elevated equity valuations and the "AI-trade" continued to dominate markets, particularly in the US, where indices are highly concentrated in AI-adjacent themes. Market wariness about the substance behind valuations triggered periodic pull-backs, causing volatility to spike, while conflict in the Middle East contributed to increased uncertainty.

The outlook remains mixed. Persistent geopolitical tensions, the potential for higher inflation and historically high equity valuations are expected to weigh on investment returns. Successfully navigating such conditions requires experience, judgement and a strong investment culture, all of which remain key priorities.

Strengthening our foundations

During 2025/26, we completed the implementation of all recommendations arising from the 2025 independent review by Willis Towers Watson. These improvements further strengthened our governance, compliance and operational control environment while preserving the capabilities that have underpinned ACC's long-term investment success.

Investment highlights

ACC executed the first trade on the newly-launched S&P/NZX 20 Index Futures in April. This is an important milestone for New Zealand's capital markets and supports our ability to manage portfolio risk efficiently.

Our private equity portfolio benefited from the successful sale of PartsTrader, a New Zealand founded business which ACC had invested in for over a decade. The investment demonstrated the value our private markets team can create through active ownership and governance.

We are also a cornerstone investor in Zealandia, an infrastructure fund manager focused on public private partnership investments. These assets provide stable, long-term cashflows that suit our objectives while helping to address New Zealand's infrastructure needs.

³ Valuation based on last sale price at 30 June 2026.

Our investments

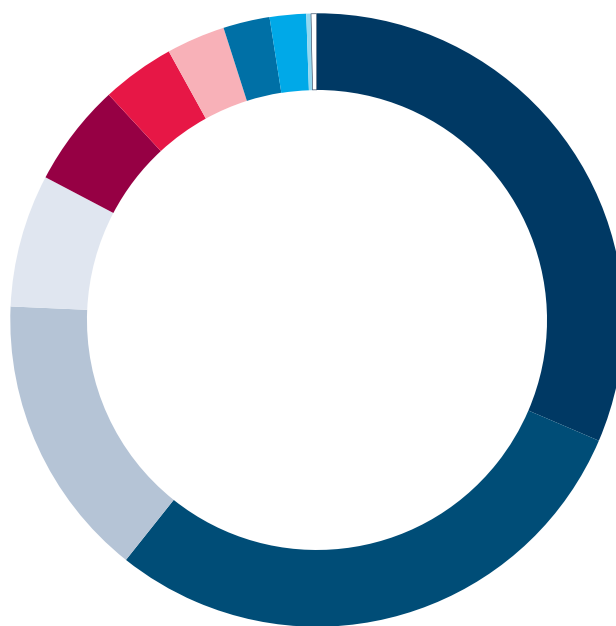
Different investment assets provide different risk and return characteristics. ACC's asset allocation strategy is shaped by the long-term nature of the Scheme's liabilities.

New Zealand bonds comprise just over 60% of the investment portfolio as they provide the best liability match. Equities and private market assets are included because they offer higher returns, though with the potential for more short-term volatility.

Figure 9: Asset composition of the Reserves Portfolio at 30 June 2026

Composition of Investments

New Zealand Bonds	32%	■
New Zealand Inflation Linked Bonds	29%	■
Global Equity *	15%	■
New Zealand Equity	7%	■
Private Markets	5%	■
Listed Infrastructure & Property	4%	■
Reserves Cash	3%	■
Global Bonds *	2%	■
Australian Equity*	2%	■
Other	<1%	■
Foreign Currency Contracts Overlay	<1%	□



*Global Equity and Australian Equity includes effective exposure to equity markets obtained through futures contracts. Global Bond 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 13% of Total Reserves at the end of June 2026.

Our corporate governance

ACC meets its corporate governance responsibilities both by actively engaging with boards and exercising our voting rights in the interests of levy payers. We also use a third-party specialist for global engagements. Our focus remains on holding boards to account for corporate strategy, including decisions on changes of corporate control, and for managing the conflicts of interest inherent in company structures.

Board composition and leadership also remain key areas of attention. The structure and disclosure of executive remuneration was the most time-intensive issue over the last year. Improved disclosure is giving shareholders greater ability to hold boards accountable for remuneration decisions. Regulatory work has focused on balancing shareholder rights with efforts to attract issuers to the listed market.

Table 7: ACC's 20 largest listed equity investments⁴

Listed equity investments	NZ\$ million	Listed equity investments	NZ\$ million
Infratil	413.47	Apple	221.48
Auckland International Airport	379.75	Amazon	201.22
Alphabet	298.43	Samsung Electronics	198.39
Contact Energy	281.48	Precinct Properties Group	195.16
Taiwan Semiconductor Manufacturing	280.89	Goodman NZ	194.73
NVIDIA	277.05	a2 Milk	188.24
Fisher & Paykel Healthcare	260.13	Transurban	183.29
EBOS Group	254.02	Mainfreight	176.59
Microsoft	230.71	Mercury NZ	172.02
Meridian Energy	226.26	BHP	166.00

⁴ At 30 June 2026.

III.

Organisational health and capability

Governance

Our people

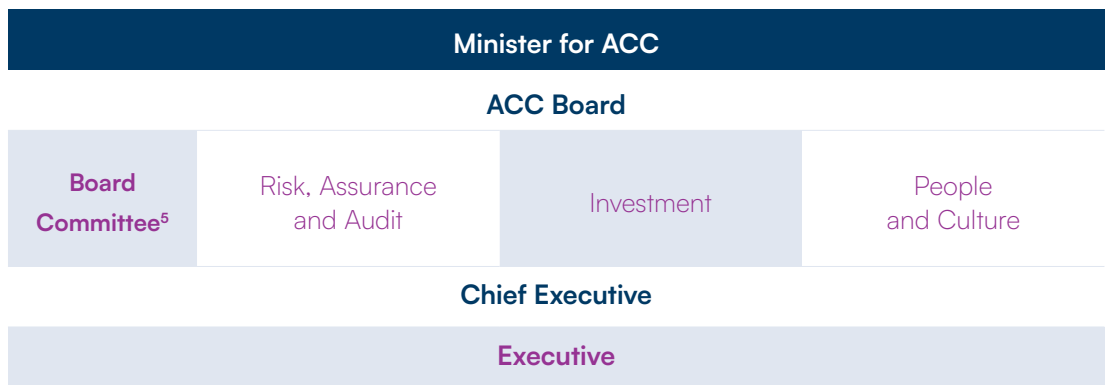
Managing risk

Governance

ACC is governed by a Board of up to nine non-executive members, each appointed by the Minister for ACC for up to three terms. ACC is committed to excellent corporate governance processes and practices.

The ACC Board (the Board) has the authority to exercise ACC’s statutory powers and performs its functions. The Board may only act for the purpose of performing ACC’s statutory functions. Board members are accountable to the Minister for ACC for the performance of their duties.

Figure 10: ACC Governance structure



The Board’s governance role is largely governed by the provisions of the Crown Entities Act 2004 and the AC Act. These Acts include the following elements:

- Maintaining appropriate relationships with the Minister, Parliament, and the public
- Ensuring ACC’s compliance with the law
- Setting strategic direction and developing policy on the operation and implementation of the legislation
- Meeting requirements for ACC’s accountability documents and relevant Crown expectations
- Maintaining the financial viability and security of ACC and its investments
- Exercising due diligence to ensure that ACC complies with its obligations and primary duties
- Making decisions about the operation of ACC (decisions must be made by, or under, the authority of the Board)
- Appointing the Chief Executive of ACC
- Delegating to the Chief Executive the day-to-day management and leadership of ACC
- Monitoring the performance of ACC and its Chief Executive
- 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 the communities it serves.

⁵ In July 2026, the Board agreed to establish a Technology Committee, to be chaired by Board member Kim Gordon.

The current ACC Board

Jan Dawson was appointed Board Chair in 2025. During the first quarter of 2025/26, David Hunt served as the interim Board Chair.

As at 30 June 2026, current members and initial appointment dates

Jan Dawson (Chair)	Appointed June 2024
David Hunt (Deputy Board Chair)	Appointed September 2021
Dr Helen Nott	Appointed February 2021
Bella Takiari-Brame	Appointed February 2021
Kim Gordon	Appointed September 2023
Lindsay Wright	Appointed May 2026
Michael Playford	Appointed May 2026
Richard Keys	Appointed May 2026

Former members of the ACC Board who served in 2025/26

- Mark Cross — appointed August 2021, Chair of the Investment Committee from 2022, resigned in December 2025.
- Dan Buckingham — appointed June 2024, member of the People and Culture Committee, term ended May 2026.

For bios of the ACC Board visit our website.⁶

Board committees

ACC has three standing Board committees. Each committee operates under its own Terms of Reference, which sets out the roles and responsibilities of the committee and its members and the procedures it follows. The ACC Board Chair is an ex officio member of all Board committees and may be included to meet the quorum requirements.

Risk, Assurance and Audit Committee

The Risk, Assurance and Audit Committee assists the Board to oversee financial, investment and operational service delivery controls, and performance monitoring and reporting. The Board has delegated authority to the Committee to oversee, review, monitor and make recommendations to the Board on these matters.

Committee membership as of 30 June 2026

Chair	Bella Takiari-Brame
Members	Dr Helen Nott, Kim Gordon, Richard Keys, and Michael Playford
Independent members*	None

* Note: Fred Hutchings was an independent Committee member during 2025/26.

⁶ www.acc.co.nz/about-us/who-we-are/our-minister-board-ce-and-executive

Investment Committee

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

Mark Cross served as Chair until his resignation in December 2025, followed by David Hunt who served as the interim Chair. Lindsay Wright was appointed the Chair following her joining the Board. To meet quorum requirements, the Board Chair served as a committee member during the transition period.

Committee membership as of 30 June 2026

Chair	Lindsay Wright (from 23 June 2026)
Members	David Hunt and Richard Keys
Independent members	Stephen Montgomery and Paul Richardson

People and Culture Committee

The People and Culture Committee assists the Board to review, approve, and make recommendations on people and culture matters, including diversity and inclusion, health, safety and wellbeing, and recognition, reward and remuneration. The Board has delegated authority to this committee to approve the appointment of the Executive Team on recommendation of the Chief Executive, approve gender, ethnic and pay gap reporting, and monitor operations of Shamrock Superannuation Limited.

Committee membership as of 30 June 2026

Chair	Dr Helen Nott
Members*	Kim Gordon and David Hunt
Independent members	None

* Note: Dan Buckingham served as Committee member during 2025/26.

Financial Sustainability Committee

An ad hoc sub-committee of the Board was established to assist the Board to focus on the recommendations of the independent, external reviews and establish the Turnaround Plan. The Committee supported the Board from April to November 2025.

David Hunt served as Chair between June and September 2025. Jan Dawson then served as Chair from October 2025. Dr Helen Nott served as a Committee member.

Board and sub-committee attendance and fees

Attendance at committee meetings⁷ 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.

Table 8: Board and sub-committee attendance and fees

Members	ACC Board	Risk, Assurance and Audit Committee	Investment Committee	People and Culture Committee	Financial Sustainability Committee	2025/26 remuneration
Jan Dawson	13/13		5/6		5/5	\$139,700
David Hunt	13/13		5/6	6/6	4/5	\$96,200
Dr Helen Nott	11/13	6/6		11/11	3/5	\$80,100
Kim Gordon	13/13	6/6		10/11		\$72,900
Bella Takiari-Brame	12/13	6/6				\$80,100
Dan Buckingham	12/12			11/11		\$66,200
Mark Cross	7/7		3/3			\$32,900
Lindsay Wright	1/1					\$11,300
Michael Playford	1/1					\$11,300
Richard Keys	1/1					\$11,300
Independent members						
Paul Richardson	-	-	6/6	-	-	\$30,000
Stephen Montgomery	-	-	6/6	-	-	\$30,000
Fred Hutchings	-	2/2	-	-	-	\$10,300

Managing potential conflicts of interest

ACC proactively manages conflicts of interest. All Board and Board Committee members must declare and record details of all relevant external interests, including actual, potential, or perceived conflicts of interest. Unless the Chair gives written permission, interested Board and Board Committee members must not:

- vote or take part in any Board or Board Committee discussions or decisions (or otherwise participate in any activities) related to the matters in which they have an interest
- sign any documents related to the matters in which they have an interest
- be regarded as part of the quorum for any part of a meeting during which the matters in which they have an interest are discussed or in which a decision is made.

ACC Board and Committee members are excluded from receiving information relating to ACC investments where their involvement may give rise to an actual, potential or perceived conflicts of interest.

⁷ Includes all scheduled and out-of-cycle Board and committee meetings.

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, for any liability connected with acts or omissions carried out as a consequence of the role. Each indemnified person is also indemnified for costs incurred by that person in defending any claim or proceeding.

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

All-of-government directions

The following provides the details of the current directions given by a Minister that remain current. The Minister of Finance and the Minister for the Public Service may jointly issue all-of-government directions, which may apply to a Crown entity or a specified group of Crown entities. There were no new directions given in 2025/26. These directions apply to the whole of government.

Table 9: All-of-government directions

All-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
Carbon Neutral Government programme	27 March 2022

Subsidiary company

Shamrock Superannuation Limited (Shamrock) is a wholly owned Crown entity subsidiary of ACC. It was established in 1991 to act as the independent corporate trustee for the mysuper Superannuation Scheme (mysuper). Shamrock's role is to act in the best interests of members by serving as the independent trustee, manager, and custodian of mysuper's assets, as outlined in the mysuper Trust Deed.

As at 30 June 2026, Shamrock had six directors: Paul Bevin (Chair), Michael Frampton, Andrew Johnson, Stewart McRobie, Philip Newport, and Jennifer O'Sullivan-Brown. No fees were paid by ACC to these directors for their work on the Shamrock board during 2025/26.

The following fees were paid by mysuper and not by ACC:

- mysuper paid fees to Paul Bevin an independent director of Shamrock, for his role as mysuper's Licensed Independent Trustee under the Financial Markets Conduct Act 2013. Paul Bevin did not receive separate fees for his role as a director of Shamrock.
- mysuper also paid directors' fees to Andrew Johnson, an independent director of Shamrock, in accordance with the Cabinet Fees Framework CO (25) 2, as approved by the ACC Board.

ACC Executive

The Executive is responsible for the day-to-day management of ACC and for delivering the strategic direction set by the Board. The Executive leads ACC’s operations, people, performance and organisational capability, supporting the delivery of better outcomes for injured New Zealanders and the long-term sustainability of the Scheme.

Chief Executive Megan Main ended her tenure with ACC on 31 July 2026, after the reporting date. Sid Miller OBE has been appointed as ACC’s next Chief Executive and started on 21 September 2026. Stewart McRobie, Deputy Chief Executive Corporate and Finance, served as Acting Chief Executive in the interim.

For biographies of the ACC Executive, please refer to our website⁸.

Figure 11: ACC Executive Structure as at 30 June 2026

ACC Board								
Chief Executive — Megan Main								
Service Delivery	System Commissioning and Performance	Clinical	Corporate and Finance	Investments	People and Culture	Strategy, Engagement and Prevention	Technology and Data	Māori ⁹
Michael Frampton	Lisa Williams	Debbie Holdsworth	Stewart McRobie	David Iverson	Lisa Hansen	Shaun Jones	Michael Dreyer	Vacant

Other Executive members who served during 2025/26

- **Andrew Milne** — Deputy Chief Executive Strategy, Engagement and Prevention
- **Thomas Ronan** — Deputy Chief Executive System Commissioning and Performance (Acting)

Executive appointments in 2025/26

- **Debbie Holdsworth** — Chief Clinical Officer
- **Shaun Jones** — Deputy Chief Executive Strategy, Engagement and Prevention (Acting)
- **Lisa Williams** — Deputy Chief Executive System Commissioning and Performance

Treaty of Waitangi | Te Tiriti o Waitangi statement

We recognise that The Treaty of Waitangi | Te Tiriti o 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 | Te Tiriti o Waitangi relationships and deliver our services in ways that enable equitable outcomes for Māori.

⁸ www.acc.co.nz/about-us/who-we-are/our-minister-board-ce-and-executive#the-executive

⁹ In July 2026, a restructure of our Māori and Equity structure was confirmed. This included the disestablishment of the Deputy Chief Executive — Māori position.

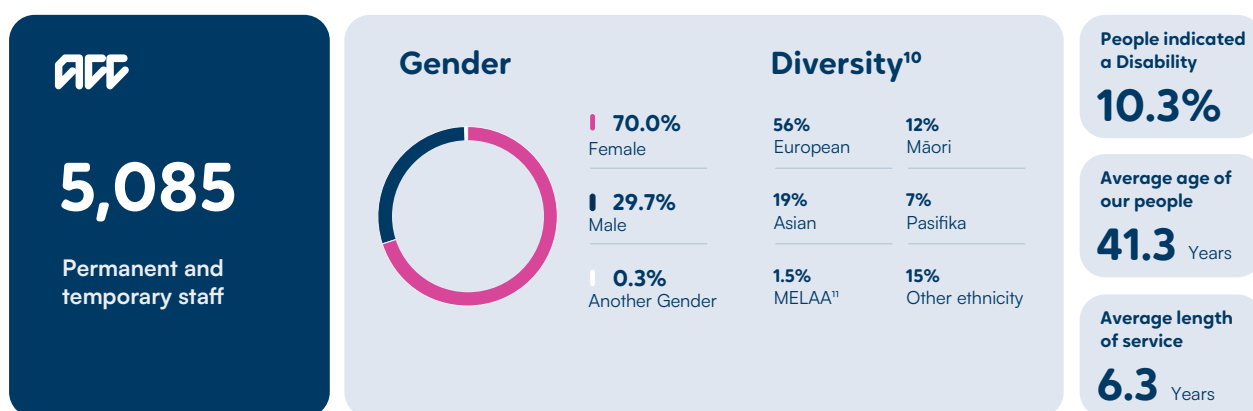
Our people

Our people and their diverse perspectives and talents are our greatest asset. We are committed to creating an inclusive, high-performing workplace where everyone is valued, treated fairly, and has equal opportunities to grow, contribute, and succeed.

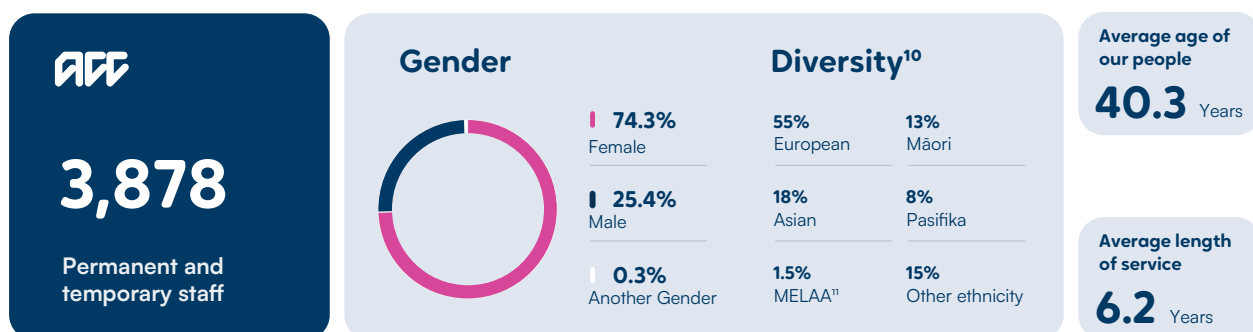
By recognising and supporting the diverse talents, perspectives, and aspirations of our employees, we foster a culture where people can perform at their best, develop their potential, and build meaningful careers. This commitment strengthens employee engagement and wellbeing, helps us attract and retain talented people, and contributes to the integrity, performance, and long-term success of ACC.

Figure 12: Workforce profile as of 30 June 2026

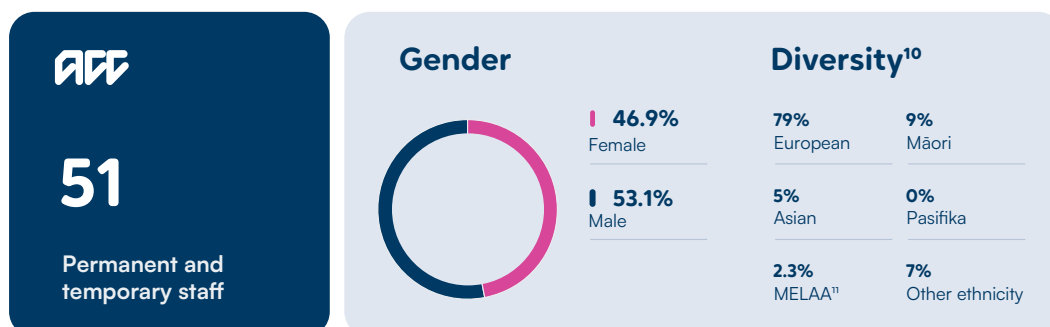
All Staff



Frontline Staff



Tier 1-3 managers



¹⁰ Diversity can add to more than 100% as employees were able to select more than one ethnicity. All percentages are calculated based on the respondents who disclosed their diversity. All unknown diversity responses are excluded from the percentage calculations.

¹¹ Refers to Middle Eastern, Latin American, African and other non-European ethnic backgrounds in New Zealand.

Our commitment to being a good employer

As a statutory Crown entity, ACC is committed to being a good employer under section 118 of the Crown Entities Act (2004) by providing safe working conditions and promoting equal employment opportunities. Our activities under the seven elements of being a good employer are set out below:

Elements	Activities
Leadership, accountability and culture	- Used employee feedback to inform initiatives designed to improve culture, leadership, and the workplace - Delivered leadership programmes to strengthen leadership capabilities, values-based decision-making, and leadership consistency - Updated ACC's values after engagement with employees, creating a shared foundation for culture, leadership, and performance
Employee development, promotion and exit	- Updated our performance and development approach to support better development conversations - Provided a wide range of learning opportunities, including professional qualifications, leadership development and on-the-job learning - Supported career development and capability growth through internal moves and secondment opportunities - Monitored employee turnover trends to identify opportunities for improvement - Expanded leadership development opportunities to build capability and strengthen leadership practice across ACC
Recruitment, selection and induction	- Improved recruitment and on-boarding practices through an updated Recruitment, Appointment and Engagement policy, supporting fair and transparent recruitment processes - Adhered to Equal Employment Opportunity policy and guidance during recruitment, appointment and engagement processes - Offered flexible ways of working, promoting work-life balance to attract talent from across New Zealand - Used inclusive recruitment and selection practices and partnered with organisations that help attract a diverse workforce - Included diversity and inclusion commitments in job advertisements and on our career website - Provided a standardised, consistent on-boarding experience for new employees

Elements	Activities
Remuneration, recognition and conditions	• Offered a range of financial and non-financial benefits and recognition options • Maintained transparent and equitable job evaluation and remuneration practices • Annual remuneration follows a performance-based pay approach • Monitored gender and ethnic pay gaps to maintain fairness within pay bands
Flexibility and work design	• Supported hybrid working arrangements to support flexibility, productivity and employee wellbeing • Provided role-relevant flexibility options through diverse work arrangements • Supported inclusion through reasonable accommodation guidelines, ensuring employees have equitable access to the tools, environments, and flexibility to succeed • Built employee capability in artificial intelligence through learning, development and access to modern workplace technologies, guided by the Use of Artificial Intelligence policy
Harassment and bullying prevention	• The updated Code of Conduct is aligned with public sector standards and supported by guidance for behaviour and expectations • Introduced an Inappropriate Behaviour, Bullying and Harassment policy supported by training and clear reporting pathways • Strengthened processes for raising and managing workplace concerns through trusted accessible channels
Safe and healthy environment	• Supported employee representation on health and safety committees • Encouraged reporting of near misses, incidents and wellbeing concerns to support learning, prevention and safer ways of working • Increased focus on psychosocial risk management with a focus on understanding underlying causes • Provided a comprehensive wellbeing programme to support employee wellbeing, health and safety • Enhanced leadership capability development through tailored resources and objectives

Managing risk

ACC operates in a dynamic environment where taking appropriate risks to achieve strategic objectives is both expected and necessary. Risk management is integrated into our governance, business planning and decision-making processes.

We adopt the Three Lines Model to manage risk across ACC. Our Enterprise risk management and compliance policy sets out clear accountabilities and responsibilities, ensures appropriate separation of duties between first and second-line risk activities, and supports the independence of Internal Audit.

The Enterprise risk management framework supports staff to apply risk management in practice as part of their day-to-day activities and is aligned with the principles set out in the ISO 31000:2018 Risk management guidelines.

In April 2026, the Board approved a refreshed suite of Risk appetite statements, providing clearer guidance on the level and types of risk we are willing to accept in the pursuit of our strategic objectives.

During the year, we also strengthened our approach to controls and assurance through the introduction of a Controls assurance framework and an Operational controls framework. These frameworks enhance our ability to identify, monitor, and test key controls, supporting greater confidence in the effectiveness of our control environment.

The Risk, Assurance and Audit committee monitors and evaluates the maturity of ACC's risk management system and receives regular risk reporting.

Our enterprise risks

ACC's enterprise risks are identified and assessed using a combination of top-down and bottom-up approaches. This includes consideration of our refreshed strategy and emerging changes in the external environment, informed by global and industry trends.

Our enterprise risks are focused on ensuring the long-term financial sustainability of the Scheme and maintaining public trust and confidence. The Board and Management recognise the interrelationship between these risks and that, if they occur in combination, they could impact the Scheme's funding position and its long-term sustainability.

They are reviewed quarterly to ensure alignment with the current environment. Note: the ordering of risks does not denote risk rating or imply any form of ranking

Scheme sustainability and long-term funding position

- **Claim management** — Risk that ACC's claims management approach fails to deliver improved client outcomes in a way that ensures the long-term sustainability of the Scheme.
- **Fee and levy management** — Risk that our fee and levy management systems and processes are not fair, effective, efficient and / or lack transparency.
- **Health system commissioning** — Risk that ACC fails to effectively engage with the health sector and manage providers to deliver improved client outcomes, quality, and value for money.
- **Injury prevention impact** — Risk that ACC's injury prevention investments and system-level influence do not achieve the impact or scale required to reduce the incidence and severity of injuries across Aotearoa New Zealand.

- **Investment performance** — Risk that investment performance does not materially offset the economic assumptions of the outstanding claims liability on a long-term basis.
- **Overhead cost management** — Risk that our forecasting, cost control, and financial reporting processes are not effective, efficient and / or do not adhere to relevant laws, regulations, and standards.
- **Scheme boundaries** — Risk that judicial or Government policy-driven expansions to Scheme boundaries create unfunded increases in Scheme costs and liabilities.

Strategic risks

- **Change delivery system** — Risk that ACC does not effectively coordinate, sequence, and embed enterprise-wide change in a way the organisation can absorb and sustain to fully realise expected outcomes and benefits.
- **Climate change adaptation** — Risk that ACC fails to monitor, prepare and adapt for known and future climate change impacts and opportunities.
- **Data as a strategic asset** — Risk that ACC fails to manage data as a strategic asset to enable evidence-based decision-making and organisational priorities.
- **Mana Taurite | Equity** — Risk that ACC fails to improve access, experience, and outcomes for Māori and identified populations.
- **Strategic direction and planning** — Risk that ACC does not establish and maintain a clear, coherent, and fit-for-purpose enterprise strategic direction and plan to achieve long-term goals and objectives

Operational risks

- **Business continuity** — Risk that ACC does not effectively respond to and recover from a business disruption.
- **Cyber and information security** — Risk of loss of data, or other information security event, due to cyber security threats, including malicious acts, cybercrime, and misuse of technology (emerging or existing).
- **Integrity and internal fraud** — Risk that ACC employees fail to uphold expected behaviours and / or “do the right thing.”
- **Operational control environment** — Risk that core operational processes and controls are not effective, efficient and / or do not adhere to relevant laws, regulations, and standards.
- **Wellbeing, health and safety** — Risk that ACC does not take all practicable steps to ensure the Wellbeing, health and safety of employees and those impacted by our work.
- **Workforce** — Risk that ACC does not have sufficient capacity of workforce, and / or is unable to identify, attract, develop and retain the current and future capability required to achieve core objectives and priorities.

Legal and compliance risks

- **Privacy** — Risk that our actions or decisions involving personal information are unlawful, unethical, and / or do not maintain the trust and confidence of people in New Zealand.

IV.

Statement of Performance

Statement of performance

Output 1: Injury prevention

Output 2: Levy engagement and collection

Output 3: Investment management

Output 4: Claims management

Other performance measures

Statement of performance

In 2025/26 ACC operated under two Service Agreements. The initial Service Agreement and a subsequent amendment to the Service Agreement. The initial Service Agreement was signed in June 2025, in accordance with legislative requirements under Section 271 of the Accident Compensation Act 2001 (AC Act).

Following a series of independent, external reviews of Scheme performance, investment function and organisational culture, the Minister for ACC issued an updated Letter of Expectations. As a result, ACC and the Minister agreed an amendment to the Service Agreement under Section 149j of the Crown Entities Act 2004. The amendment was signed in December 2025 and effective from 1 January to 30 June 2026, reflecting ACC's new organisational strategy, Statement of Intent, and Turnaround Plan.

The amendment aligns with ACC's renewed focus on its core responsibilities. Several performance measures and targets were revised to reflect increased ambition and support performance improvement. The Statement of Performance therefore reports against the measures contained in both the initial Service Agreement and its amendment to provide a complete account of ACC's performance during 2025/26. Where measures or targets were revised, full-year results are presented against the more ambitious targets set out in the amendment.

The Statement of Performance is framed around the outputs we are funded to provide. Outputs are the actual products and services that ACC provides to New Zealanders and other stakeholders.

For each output class we include a description of what is intended to be achieved within it, as well as our performance against the measures from the Service Agreements. This is supplemented with activity information which is contextual or service-demand information to provide greater context for our performance. Significant variations in demand for rehabilitation and treatment can influence the achievement of our performance measure targets. We have provided explanations of our performance, specifically where we did not achieve the targeted performance levels. Definitions of all measures included in the statement of performance are included in the Glossary of performance measures on page 154.

Performance summary

ACC's focus on performance is working; rehabilitation outcomes are improving; claims costs were lower than budget and as a result we recorded a substantial influenceable release (\$3.3 billion) in the outstanding claims liability. Other areas of Scheme performance are also tracking positively. Public trust and confidence towards ACC remained strong and the Investment portfolio once again outperformed benchmark.

This positive performance is being materially offset by the continued growth and uncertainty related to Sensitive Claims and the Court of Appeal ruling from December 2023. This is particularly impacting the Non-Earners' Account.

Our priority now is to sustain the rehabilitation gains and embed the operational disciplines needed to protect long-term Scheme sustainability.

PBE FRS 48 Service Performance Reporting

Our service performance information aligns with Public Benefit Entity Financial Reporting Standard 48 *Service Performance Reporting* (PBE FRS 48). Our performance framework and measures align with the following qualitative characteristics to provide useful information to our stakeholders:

1. Relevant — selecting and aggregating service performance information
2. Representative — our service performance information is complete, neutral and free from material error
3. Understandable — our service performance information is communicated simply and clearly
4. Timely — our service performance information is provided in a timely manner to ensure it is useful for our stakeholders' accountability and decision-making purposes
5. Comparable — our service performance information is provided against previous years
6. Verifiable — our performance information is capable of measurement or description in a consistent manner, capable of independent verification, and excludes unsubstantiated claims.

PBE FRS 48 acknowledges there are constraints on reporting service performance information. We therefore consider what is material, whether the benefits of reporting outweigh the costs and how to balance the qualitative characteristics of information.

Our performance framework provides a clear view of ACC's strategic objectives and the outcomes we deliver. It ensures we measure, monitor, and report our activities effectively. This provides a clear link between our work and the strategic objectives we strive to achieve for our clients and the communities we serve.

Breakdown of revenue and costs by output class

The breakdown of revenue and costs incurred compared with expected revenue and costs as per the Budget Economic and Fiscal Update 2025 is as follows:

Table 10: Actual versus expected revenue and costs by output class

2025/26	Administration		Claims costs		Revenue		Other		Total	
\$M	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Output 1 Injury prevention	(55)	(80)							(55)	(80)
Output 2 Levy engagement and collection	(16)	(18)			7,115	7,330			7,099	7,312
Output 3 Investment management	(97)	(83)			5,300	2,391	(42)		5,161	2,308
Output 4 Claims management	(728)	(734)	(8,216)	(8,798)			(4,130)	(2,823)	(13,099)	(12,355)
Sub-total	(896)	(915)	(8,216)	(8,798)	12,415	9,721	(4,172)	(2,823)	(894)	(2,815)
Other operating costs	(68)	(70)			1	1			(67)	(69)
Total ACC	(964)	(985)	(8,216)	(8,798)	12,416	9,722	(4,172)	(2,823)	(961)	(2,884)

Other operating costs include the indirect costs allocated to all four output classes by enabling business groups such as Corporate and Finance, People and Culture, and Strategy, Engagement and Prevention.

Aligning our strategic intentions and our outputs

ACC delivers the Scheme through four core outputs. These are injury prevention, levy engagement and collection, investment management, and claims management. Our outputs are aligned to our strategic objectives as shown in the table below.

Strategic Objective	Output	How the output supports the strategic objectives
 Care that leads to lasting recovery	Output 2: Levy engagement and collection	By ensuring funding and resources are allocated in ways that address the needs of all people.
	Output 4: Claims management	By collaborating with our providers to achieve the most appropriate outcomes for our clients.
 Timely return to work and independence	Output 4: Claims management	By working closely with our clients and their families to return them to work and independence as soon as possible.
 Efficient organisation, sustainable Scheme	Output 1: Injury prevention	By minimising the incidence and severity of personal injury to reduce the economic, social, and personal impacts on people and communities.
	Output 2: Levy engagement and collection	By recommending levies that are sufficient to cover the costs of claims incurred in each year and collecting levies approved by Cabinet.
	Output 3: Investment management	By investing effectively in order to meet the future costs of claims from injuries already incurred so the collected levy is most effectively managed.
	Output 4: Claims management	By balancing the quality, efficiency and effectiveness of claim services delivered to clients.

Output 1: Injury prevention

One of our core roles is to reduce the incidence and severity of injury to reduce economic, social, and personal impacts of injury on individuals and to achieve a cost-effective reduction in levy rates or government funding over time.

Our responsibility to safeguard Scheme sustainability for present and future generations means that injury prevention is carefully targeted. 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' appropriation. This means that we focus our efforts on injuries that have the greatest impact on the Scheme, such as high-cost and high-volume claims that affect claims costs, the outstanding claims liability, and levies. We also work with non-government organisations, community groups, and other government agencies to ensure activities and funding are effective. This coordination role is as important as directly funding injury prevention interventions.

Performance summary

In 2025/26 we spent \$55 million¹² in injury prevention activity to reduce the incidence and severity of injury, as demonstrated by the following measure.

Table 11: Performance measures: injury prevention

Measure	Actual 2022/23	Actual 2023/24	Actual 2024/25	Actual 2025/26	Target 2025/26	Target met?
Return on investment — injury prevention	\$1.81:\$1	\$1.86:\$1	\$1.92:\$1	\$1.78:\$1	\$1.78 : \$1 to \$1.98 : \$1	Achieved

This matters because: We invest in injury prevention initiatives to minimise the incidence and severity of personal injury. We estimate the return on investment to ensure our initiatives achieve a cost-effective reduction in levy rates or government funding.

We have developed a new injury prevention approach to better focus injury prevention investment where it will have the greatest impact. As a result, some of the budgeted investment and planned programme delivery was reprioritised. The return on investment — injury prevention target remained unchanged.

There are two key components to the return on investment calculation; the number of injuries prevented and the estimated lifetime costs for the injuries prevented.

In 2025/26 approximately 11,700 injuries were avoided, higher than the targeted 11,200. 94% of avoided injuries were delivered through five programmes. In addition, four prevention programmes increased future expected values based on performance: *DRIVE*, *Ride Forever*, *Netball*, and *Older Adult Falls*.

The estimated lifetime costs for the injuries prevented decreased in the year. This reflects the improvements in rehabilitation performance in 2025/26, including reduced treatment, rehabilitation and compensation costs. While this performance is positive for the Scheme overall, it does decrease the value of the claims saved, negatively impacting the return on investment.

¹² Overhead costs are included.

Output 2: Levy engagement and collection

Under the Accident Compensation legislation, our role is to engage with levy payers and collect revenue for us to commission and deliver services under the Scheme.

The Scheme is managed through five Accounts, with each providing cover for a specific grouping of injuries. Through our levy-setting process we calculate the future revenue needs for each Account and ensure that funding and resources are allocated in ways that address the needs of all people. We recommend levies based on the Government's Funding Policy, balancing the long-term sustainability of each Account with levy stability. The recommendations are informed by consultation with levy payers and provided to Cabinet for consideration. Once levy rates are approved, we manage the process of levy invoicing and collection.

Performance summary

In 2025/26 we spent \$16 million in levy engagement and collection activity, with performance demonstrated by the following information.

Table 12: Performance measures: levy engagement and collection

	Actual	Actual	Actual	Actual	Initial Target	Amended Target	
Measure	2022/23	2023/24	2024/25	2025/26	2025/26	2025/26	Target met?
New year costs' movement	+1.6%	+12.5%	+0.9%	-6.9%	Between -2% and 0%	Between -5% and -2%	Achieved

This matters because: By effectively managing our controllable costs, the long-term sustainability of the Scheme is enhanced.

Actuarial movement (influenceable)	+2.3%	+6.4%	+1.6%	-5.2%	Between -2% and 0%	Between -5% and -2%	Achieved
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This matters because: Management action in areas such as injury prevention and claims management practices have the potential to partially mitigate the increases in the outstanding claims liability, which in turn reduces pressure on levies and appropriations.

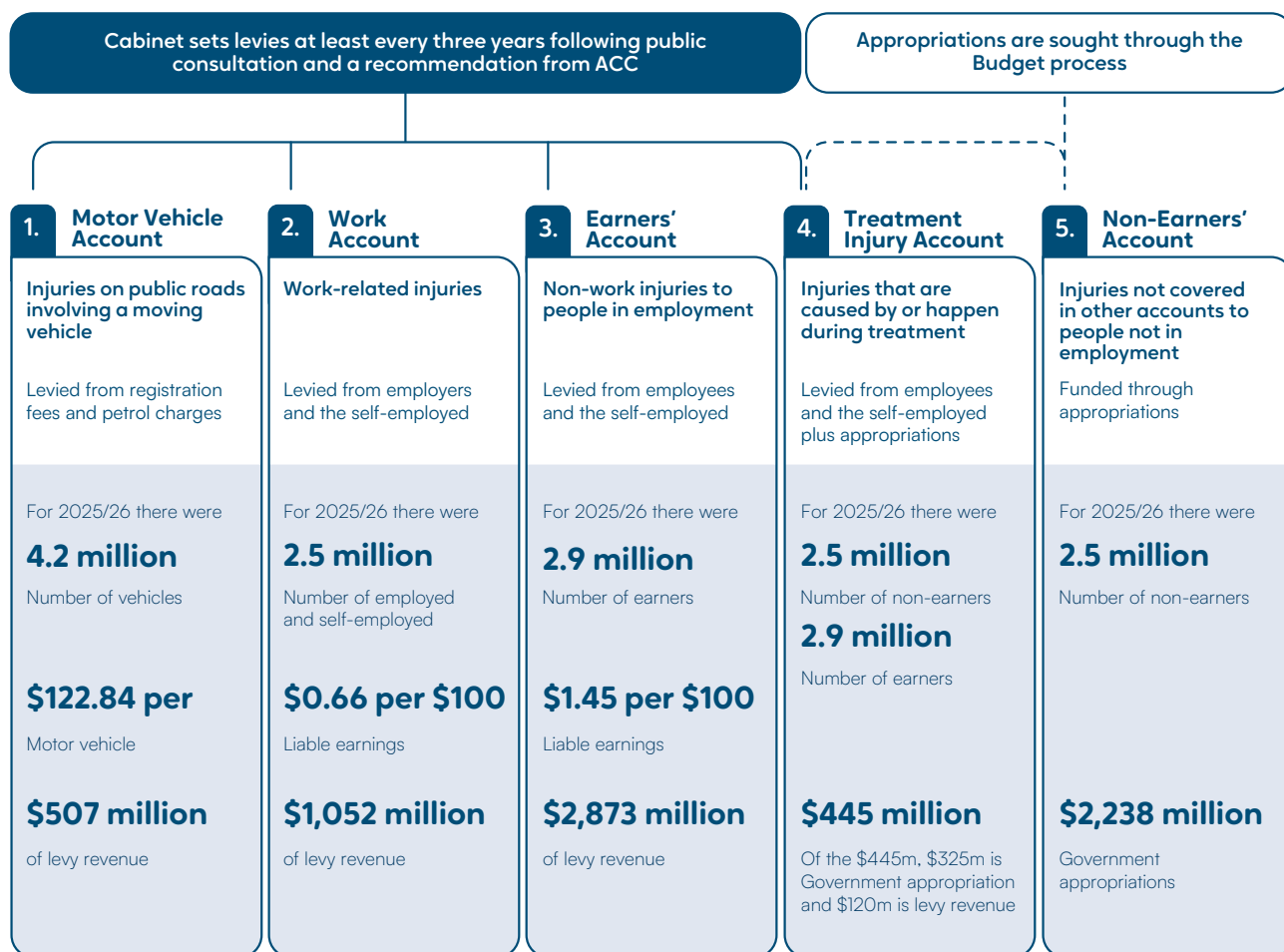
These two measures demonstrate whether we are keeping our influenceable costs reasonable, to support the financial sustainability of the Scheme. Influenceable costs include expenses and the resulting liability that we can reasonably affect, either directly or indirectly, through our decisions, service design, claims management practices, or injury prevention activities.

The actuarial movement (influenceable) demonstrates the impact on the outstanding claims liability from claim volumes, types and costs differing from expectations, where we have at least partial influence over the drivers. As a direct reflection of performance improvements made this year, we recorded an influenceable actuarial reduction in the outstanding claims liability of \$3.3 billion. Specifically, there was a \$2.6 billion influenceable actuarial reduction in weekly compensation and \$1.1 billion reduction in social rehabilitation-related costs. These were both key areas of focus in the Turnaround Plan.

Similarly, the performance improvements in rehabilitation performance, serious injury social rehabilitation and elective surgery have driven a positive movement in the New year costs' movement.

The figure below shows the number of funders, the levy and appropriation revenue, and the currently approved levy rates for each Account for 2025/26.

Figure 13: Sources of Account funding



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 policy¹³.

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.

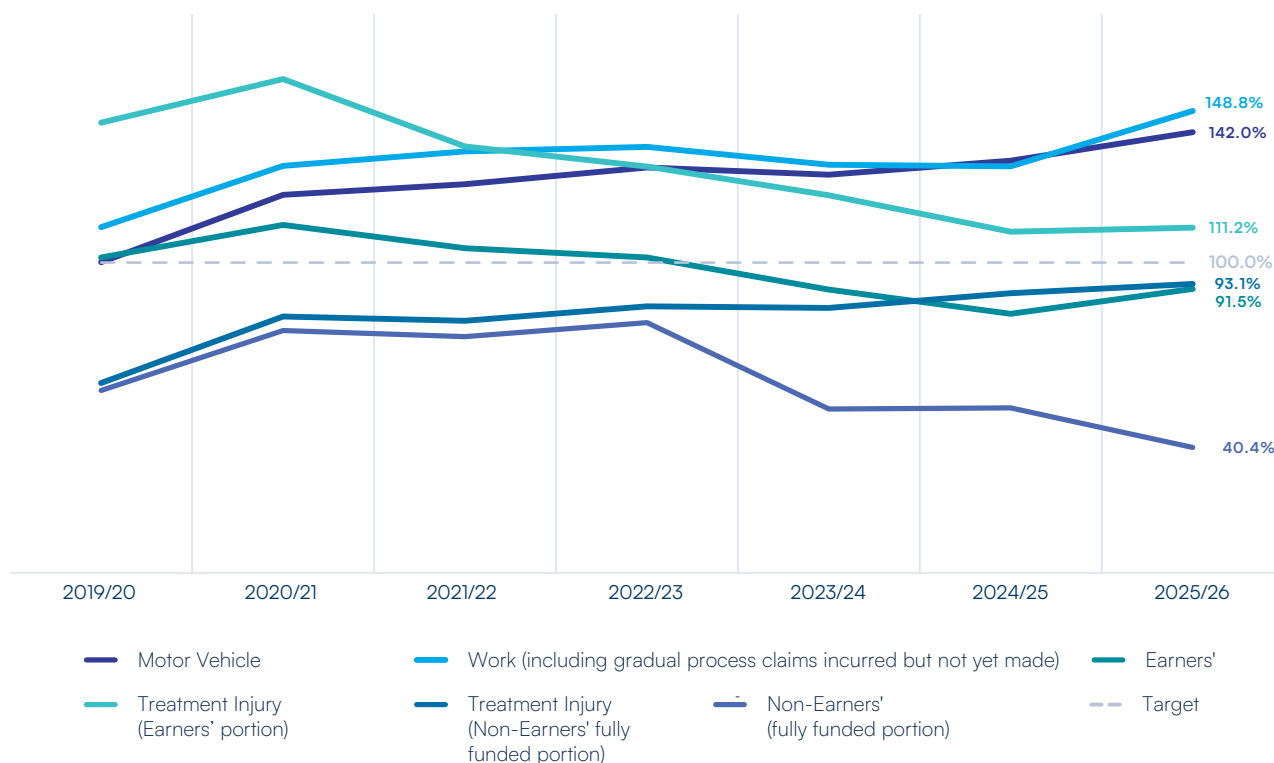
The AC Act requires the Government to issue a Funding Policy setting out the criteria for fully funding the levied Accounts, including the Earners' portion of the Treatment Injury Account. ACC must make levy rate recommendations in line with that funding policy.

Funding ratios fluctuate over time in response to claim costs, funding levels and other external factors. This year, the funding ratios for all Accounts (except the Non-Earners' Account) increased. The key driver was favourable changes to the outstanding claims liability from improving Scheme performance, particularly relating to weekly compensation and serious injury-related claims.

In contrast, the funding ratio for the Non-Earners' Account decreased, primarily due to sensitive claim-related increases in costs and outstanding claims liability. A large driver of this is the impact of the Court of Appeal ruling from December 2023 on weekly compensation performance and experience. Additional information is provided in the Finance report on pages 23-24.

Largely, as a result of the impact of increased volume of Sensitive Claims, the funding position of the Non-Earners' Account deteriorated significantly. Despite improvements across the Earners' Account and the other non-levied Accounts some remain below the funding policy target of 100%. Based on current trends, returning these Accounts to a fully funded position requires ACC to continue delivering performance improvements, with other potential actions also required, such as changes to levies and appropriation funding.

Figure 14: Funding ratios by Account



¹³ Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts (Gazette No. 2021-go1226).

Output 3: Investment management

Intergenerational fairness is an underlying objective of the Scheme. In essence, this means that each population cohort should bear the costs of accidents occurring during the period when it was paying levies. To achieve this, legislation requires ACC to collect enough money each year to fund all the future costs of any injuries that occur in that year.

Serious injuries can require ongoing expenditure for years, and sometimes decades. Unanticipated rising costs, rising incomes, and the introduction of effective but expensive new medical treatments could mean that future levy payers will contribute to the costs of previous years' injuries. To manage this risk, a portion of the levies collected each year is set aside and invested to provide for future costs.

ACC's investment objectives seek to maximise investment returns over the long term while minimising unexpected mismatches between investment income and growth in the outstanding claims liability. 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 to the risk of declines in interest rates.

Performance summary

In 2025/26 we spent \$97 million on investment management activity, with performance demonstrated by the following performance measure.

ACC's reserves portfolio delivered a return of 6.93% (after costs) outperforming benchmark by 0.39% on a rolling 10-year basis. Performance was driven by strong returns from Global Equity and New Zealand Bond portfolios. The value of \$100 invested in 1992 has grown to \$2,041 at 30 June 2026. Further information on our investment performance is included in Appendix 1 on page 143.

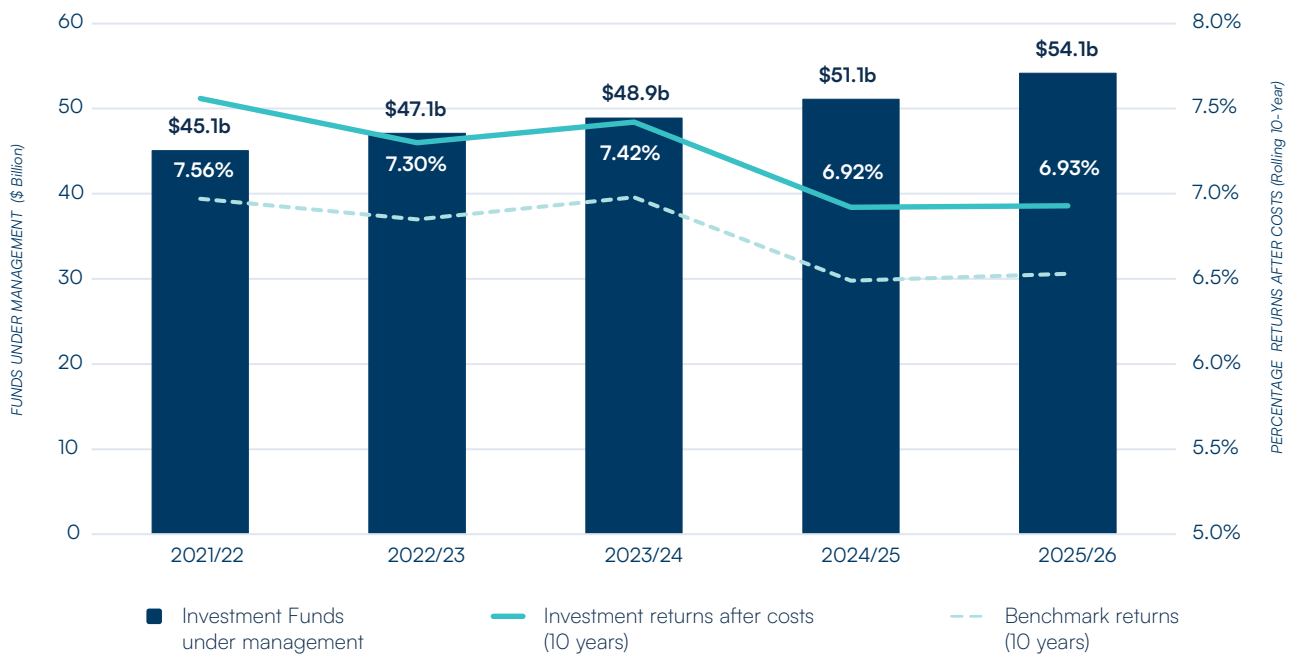
Table 13: Performance measures: investment management

Measure	Actual 2022/23	Actual 2023/24	Actual 2024/25	Actual 2025/26	Target 2025/26	Target met?
Investment performance (after costs) relative to benchmark (rolling 10-year) ¹⁴	+0.45%	+0.44%	+0.42%	+0.39%	+0.15%	Achieved

This matters because: The quality of our investment management can be gauged by comparing our returns net of costs with that of a blended market average benchmark. This is an important factor in ensuring we have sufficient resources in the future. The Fund is designed to meet the future costs of accidents that have occurred. Our investments reduce the risk that future levy payers will have to pay for past injuries.

¹⁴ From 2025/26 this measure was changed to reflect the rolling 10-year performance. Historical results have been restated to reflect this change and have not been previously audited.

Figure 15: ACC Investment Funds and investment returns



Output 4: Claims management

Our purpose is to improve lives every day through a focus on building a trusted and high-performing organisation by providing care, supporting recovery and promoting injury prevention, now and into the future for all injured people in New Zealand. We support injured people covered by the Scheme to get the appropriate treatment, social and vocational rehabilitation, and compensation to enable a return to work, independence, or everyday life.

Each year, more than two million people rely on us when they are injured. We manage claims from the relatively minor, where clients only require primary health services (such as a one-off visit to a general practitioner), to claims from individuals who suffer serious injuries requiring lifelong services and support.

The Scheme is under financial pressure, with more injured people seeking our support and for longer periods. This is further exacerbated by rising costs of services, and as a result it is costing us more to support injured people to lasting recovery. Research tells us that a rapid return to work and/or independence reduces the adverse social and economic impacts of injury.

In 2025/26 we made changes to ensure that injured people get the right level of support at the right time, while better managing our increasing costs. We are building on the work completed to date to scale up and accelerate improvements in claims management through our case management and service commissioning.

One of the areas we focused on is growing the capability and capacity of ACC's frontline workforce. Our people are crucial to achieving the ambitious performance needed for the financial sustainability of the Scheme.

By focusing on building strong, connected, and trusting partnerships with employers and service providers we achieve the best outcomes for our clients. This enables clients to access the right treatment and rehabilitation services at the right time, ensuring simple, seamless, and effective delivery of these services.

Performance summary

In 2025/26 we spent \$728 million on claims management activity, as demonstrated by the performance measures in Tables 16-18.

The Scheme is based on legislation, and each claim is evaluated to determine whether it meets the requirements of the AC Act. We do not ration our services. Demand is determined by the number of covered injuries that occur, and the service types and amounts that those with covered injuries are eligible to receive.

Our analysis has demonstrated a strong correlation between claim volume growth and four key drivers:

- **Population** — as the population increases, the number of claims increases (assuming the rate of injury stays constant).
- **GDP** (gross domestic product) — an increase in the rate of GDP growth will increase the rate of new claims growth.
- **Unemployment** — as unemployment increases, claim numbers tend to reduce.
- **Distance driven** — motor vehicle claim volumes increase as the total distance travelled in motor vehicles increases.

Table 14 shows recent trends in the types of claims that we have received and accepted. Please note that historical claim activity values in this table may differ from the values presented in other reports. This is due to the timing of claim lodgements and claim decisions.

Table 14: Historical claim volumes, by type

Claim type	Definition	2022/23	2023/24	2024/25	2025/26
Registered claims	Total number of registered claims in the period.	1,968,268	2,037,472	2,098,419	2,131,690
Medical fees only claims	Total number of new medical fees only claims in the period.	1,631,470	1,687,261	1,741,619	1,765,372
Weekly compensation claims	Total number of claims that received weekly compensation payments in the period.	149,053	159,367	167,639	168,272
Other entitlement claims	Total number of entitlement claims (excluding weekly compensation) that received payments in the period.	175,661	191,366	208,459	213,170
Long-term weekly compensation claims	Number of clients receiving weekly compensation for more than 365 days as at 30 June.	19,993	22,592	24,549	24,454
New Sensitive Claims	Total number of new Sensitive Claims in the period	12,029	12,573	13,494	14,454
New serious injury claims	Total number of new serious injury claims in the period.	316	439	240	291
Fatal claims	Total number of new fatal claims in the period.	1,691	1,564	1,622	1,420

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

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.

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. Total claims costs in 2025/26 were \$582 million (7%) lower than budget, and less than 1% higher than 2024/25.

Table 15: Expenditure for key claims costs

	Actual	Actual	Actual	Actual	Budget
Key claims costs \$M	2022/23	2023/24	2024/25	2025/26	2025/26
Weekly compensation	2,102	2,474	2,855	2,830	3,083
Social rehabilitation	1,201	1,402	1,551	1,513	1,664
Medical treatment	1,041	1,207	1,324	1,415	1,498
Public Health Acute Services	733	815	974	1,028	1,031
Elective surgery	498	566	671	616	678

Information on significant variances against budget are included in Note 20 of the Notes to the financial statements on page 133.

Table 16: Performance measures: short-term rehabilitation

	Actual	Actual	Actual	Actual	Initial Target	Amended Target	
Measure	2022/23	2023/24	2024/25	2025/26	2025/26	2025/26	Target met?
Return to work: 28 days ¹⁵	36%	35%	35%	37%	n/a	37%	Achieved
Cover decision timeliness: non-complicated claims	0.85 days	1.21 days	0.84 days	0.88 days	n/a	< 1.0 days	Achieved
Cover decision timeliness: complicated claims	63.5 days	62.2 days	47.0 days	50.4 days	n/a	< 70 days	Achieved
Weekly compensation setup timeliness ¹⁵	New measure	New measure	8.7 days	8.7 days	n/a	< 9 days	Achieved
Return to work: 10 weeks	62%	60%	60%	62%	62.2%	63%	Not achieved
Return to work: nine months	90%	88%	88%	90%	88.8%	91%	Not achieved
Return to work: one year	93%	91%	91%	92%	91.4%	92%	Achieved
Return to independence for those not in the workforce	80%	80%	83%	83%	82.5%	83%	Achieved

This matters because: Research tells us that a rapid return to work and/or independence reduces the adverse social and economic impacts of injury. We make cover decisions and payments promptly to reduce uncertainty for our clients. These measures evaluate how timely we are and how effectively we are supporting clients to return to work or independence, and whether their returns are sustained.

Short-term rehabilitation

Improving claims management performance to deliver better rehabilitation outcomes was our key focus for 2025/26. This included strengthening case management to ensure timely, consistent decision-making to enable clients to receive the right treatment and rehabilitation services at the right time.

More people are returning to work and independence faster with both the 28-day and one-year return-to-work rates meeting target. This is a significant achievement and reflects our focus on early intervention and preventing entries into the long-term claims pool.

While we did not meet the ten-week and nine-month return-to-work targets based on a rolling 52-week methodology, performance has improved substantially and more recent (rolling 13-week results) are now exceeding these levels. This shows we are building positive performance momentum, setting us up well for the coming financial year.

¹⁵ Historical results (pre-2025/26) have not been previously audited.

Table 17: Performance measures: long-term rehabilitation

	Actual	Actual	Actual	Actual	Initial Target	Amended Target	
Measure	2022/23	2023/24	2024/25	2025/26	2025/26	2025/26	Target met?
Long-term claims pool volume	19,993	22,592	24,549	24,454 ¹⁶	n/a	24,000	Not achieved
Growth rate of the long-term claims pool	+5.5%	+13.0%	+8.7%	-0.4%	+6.6%	n/a	n/a
Long-term claims pool returns to independence	6,117	6,278	7,950	8,404	8,610	n/a	n/a

This matters because: Minimising the incidence and impacts of injury is a primary responsibility for ACC. Long-term claims represent more complex injuries. A low growth in long-term claims is an indication of the effectiveness of injury prevention and rehabilitation.

Long-term rehabilitation

The long-term claims pool reduced by 0.4% in 2025/26. While the long-term claims pool year-end volume of 24,454 was above the target of 24,000, it is significantly ahead of the ~26,000 forecast signalled in the initial Service Agreement. The result reflects significant progress in slowing growth and stabilising the number of clients receiving weekly compensation for more than one year. It is the first time in over a decade there have been real reductions in this cohort of clients that are delivering material claims cost savings and outstanding claims liability reductions.

Ongoing growth in Sensitive Claims (most of which are related to the Court of Appeal ruling from December 2023) continue to impact pool volumes. Over the year, there was a net increase of 709 Sensitive Claims (+37%), approximately 300 more than anticipated when the amended Service Agreement came into effect (on 1 January 2026). Excluding Sensitive Claims, the pool reduced by 3.6% in 2025/26. Sensitive Claims continue to put pressure on the pool and remain a growing area of risk to the Scheme.

¹⁶ Excluding Sensitive Claims, there are 21,813 clients in the long-term claims pool.

Table 18: Performance measures: customer sentiment

Measure	Actual 2022/23	Actual 2023/24	Actual 2024/25	Actual 2025/26	Initial Target 2025/26	Amended Target 2025/26	Target met?
Public trust and confidence	57%	61%	61%	63%	57%	> 61%	Achieved
This matters because: Public perceptions of ACC provide a key indicator of how effectively we demonstrate the value delivered through our engagement with levy payers, clients, providers, and stakeholders.							
Percentage of total expenditure paid directly to clients or for services to clients	89.8%	89.6%	90.8%	90.4%	90.7%	90.4%	Achieved
This matters because: Maximising the proportion of spending that goes directly to addressing the incidence and impacts of injury ensures we are best serving our existing clients to enhance the long-term sustainability of the Scheme.							
Proportion of ACC reviews upheld in favour of ACC (in favour of ACC at hearing or resolved before hearing) ¹⁷	91.9%	93.7%	94.7%	92.4%	>86%	> 86%	Achieved
Average time to resolution for claims with a review	127.3 days	120.7 days	108.6 days	127.3 days	<130 days	<130 days	Achieved
This matters because: If most independent reviews are found in our favour, this suggests that we usually make a correct and fair decision the first time around. This is supported by communicating effectively with our clients during the process. When a client asks for a review of an ACC decision, early resolution is important to reduce uncertainty for them.							
Claim lodgement rate for Māori	New measure	New measure	27.2%	29.0%	Greater than previous year	Greater than previous year	Achieved
This matters because: We seek to reduce the severity of injury by ensuring timely access to ACC support for all injured people.							

Customer sentiment

Public trust and confidence towards ACC remained stable. Review volumes are increasing, reflecting our continuing focus on accurate decision-making aligned to legislation. The increasing volumes are affecting timeliness. We remain focused on ensuring sufficient system capacity to support timely access to reviews. The proportion of decisions upheld in ACC's favour remained strong.

¹⁷ From 2026/27, this measure has a new methodology, and results will not be comparable.

Other performance measures

Performance and culture are intrinsically linked. Ensuring our people are highly engaged, and the organisation has a positive culture is key to delivering improved outcomes for clients. While people will always remain our most important resource, we recognise that workforce effort alone is not a sustainable long-term approach. Resetting ACC requires a forward-looking mindset, one that ensures we remain efficient and effective over time, by leveraging new technology and continuously improving how we operate.

Our people

Our people remain central to achieving our vision and outcomes. We continue to foster a positive, safe, and inclusive culture where everyone feels supported in their roles and understands how their work contributes to client outcomes. Building on this foundation, we are focusing on enabling our people to drive high performance, with a particular emphasis on developing leadership capability and modernising our approach to learning.

Table 19: Performance measures: Our people

Measure	Actual 2022/23	Actual 2023/24	Actual 2024/25	Actual 2025/26	Target 2025/26	Target met?
Employee engagement	4.22	n/a	4.14	4.01	>4.00	Achieved

This matters because: Equipping our staff with the right tools and capabilities enables them to be high-performing employees, engaged in their organisation and work.

Performance summary

While our employee engagement result was lower than previous years, it remained above target. We are implementing a new employee engagement measure for 2026/27 onwards. The new measure can be benchmarked against the rest of the New Zealand public sector.

Our information and systems

ACC is the custodian of a wide range of personal, confidential, and sensitive information. Our customers have the right to know that their personal information is collected appropriately, stored securely, and only disclosed with appropriate authority. Customers must also be able to access and correct their information when needed.

At the same time, our technology must empower our people by providing them with the tools they need to deliver positive outcomes for our customers. Equally our use of customer, clinical, and provider data should support effective decision-making to deliver the right level of entitlements and service to customers. As a continually improving organisation, we also need to ensure that our organisation and customers are supported by reliable, safe, and secure information technology.

Table 20: Performance measures: our information and systems

	Actual	Actual	Actual	Actual	Initial Target	Amended Target	
Measure	2022/23	2023/24	2024/25	2025/26	2025/26	2025/26	Target met?
Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)	New measure	11	2	0	<10	0	Achieved

This matters because: We care for the personal and health information of New Zealanders, applying the principles of stewardship. Should a privacy breach occur, we aim to reduce resulting harm.

Overall operational system availability	99.9%	99.9%	99.9%	99.9%	99.8%	99.9%	Achieved
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This matters because: Our systems need to be available so we can deliver the services our customers expect.

Performance summary

There were no privacy breaches (notifiable to the Office of the Privacy Commissioner) this year. Privacy remains essential across the organisation. We continue to encourage our people to report issues. Better reporting of incidents demonstrates our increasing privacy maturity towards raising awareness and embedding privacy practices.

To maintain operational system availability in the long term, we migrated our levy management system, Guidewire, and claims management system, EOS to cloud-based platforms. This ensures our core systems are modern and resilient.

Our carbon emissions

We continue to deliver on our public commitment to New Zealand's environmental goals, including reporting on our progress in reducing carbon emissions and our climate change transition planning. For more information on our climate responsibilities, please refer to our ACC Climate Report¹⁸.

Table 21: Performance measures: carbon emissions

Measure	Actual 2022/23	Actual 2023/24	Actual 2024/25	Actual 2025/26	Target 2025/26 ¹⁹	Target met?
Reduction in corporate emissions (from 2019 levels)	37%	42%	39%	41%	42% by 2030	On track
Reduction in carbon intensity of the global equity portfolio (from 2019 levels)	60%	62%	74%	73%	65% by 2030	On track

Asset performance measures

Cabinet Office Circular (23) 9: Investment Management and Asset Performance in Departments and Other Entities sets out expectations for agencies to report on relevant asset performance indicators for service critical assets.

Table 22: Asset performance measures

Measure	Actual 2023/24	Actual 2024/25	Actual 2025/26
Utilisation: Percentage of active ACC computer devices that are within the accepted lifecycle target	86%	91%	82%
Condition: Number of critical faults for key ACC systems	1	2	0
Condition: Percentage of key systems with a condition rating of Good or Excellent	88%	89%	100%
Functionality: Total operational ICT spend per full-time equivalent (FTE)	\$27,210	\$28,377	\$27,892
Availability: Percentage of time key applications and networks are available to perform required functions	99.9%	99.9%	99.9%

¹⁸ www.acc.co.nz/about-us/corporate-documents

¹⁹ Measure part of all-of-government Carbon Neutral Government programme requirements.

Year-end performance information on appropriations

The Minister for ACC purchases outputs from ACC consistent with the provisions of the AC Act in respect of claims in the Non-Earners' Account, the Non-Earners' portion of the Treatment Injury Account and Sexual Abuse Assessment and Treatment Services. This funding is appropriated within Vote Labour Market.

Table 23: Appropriation measures

Measure	Actual 2022/23	Actual 2023/24	Actual 2024/25	Actual 2025/26	Target 2025/26	Target met?
Case management and supporting services						
Return on investment (0- to 20-year injury prevention programmes)	\$1.77:\$1	\$1.79:\$1	\$1.95:\$1	\$1.82:\$1	\$2.15:\$1	Not achieved
Investment management costs as a proportion of total funds under management	0.18%	0.16%	0.15%	0.18%	0.17%	Not achieved
Reviews as a percentage of decline decisions	7.6%	7.5%	8.9%	9.6%	≤ 8.5%	Not achieved
Administration costs per active claim	\$2,527	\$2,614	\$2,536	\$2,707	\$2,435	Not achieved
Public Health Acute Services						
Agreement with Ministry of Health for public health acute services to be signed off ²⁰	Agreement reached	Agreement reached	Agreement reached	Agreement reached	Agreement reached	Achieved
Rehabilitation entitlements and services						
Change in average treatment cost	+9.9%	+10.3%	+9.3%	-1.0%	≤ 4.1%	Achieved
Sexual Abuse Assessment and Treatment Services (SAATS)						
Increase the total number of first presentations to Sexual Abuse Assessment and Treatment Services	1,865	1,829	2,228	1,566	3,395	Not achieved

Several appropriation measures have not met target. Our focus on the turnaround of performance meant we increased full-time equivalent employees (and operating costs) to support client outcomes and deliver more substantive longer-term financial benefits in the form of outstanding claims liability reductions and increase financial sustainability. Review volumes are elevated and expected to remain elevated, reflecting the continued focus on appropriate and accurate decision-making.

²⁰ By no later than the end of the year to which this applies.



V.

Financial Statements

Financial statements

Notes to the financial statements

Independent Auditor's report

Financial statements

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2026

	Note	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Levy revenue and Government appropriations	3	7,115	6,681	7,330
Claims paid	6.1	8,216	8,148	8,798
Claims handling costs	5.1	728	664	734
Increase in outstanding claims liability	6.3(a)	4,859	3,336	2,885
Total claims incurred	6.1	13,803	12,148	12,417
(Decrease) increase in unexpired risk liability	6.6	(704)	207	(62)
Other underwriting costs	5.1	139	159	168
(Deficit) from underwriting activities	6.2	(6,123)	(5,833)	(5,193)
Investment revenue	4	5,300	4,457	2,391
Investment costs	4 & 5.1	(139)	(107)	(83)
Other revenue		1	1	1
Net (deficit)		(961)	(1,482)	(2,884)
Total comprehensive revenue and expense for the year		(961)	(1,482)	(2,884)

Consolidated statement of changes in Account reserves

For the year ended 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Total Account reserves			
Balance at the beginning of the year (deficit)	(13,849)	(12,367)	(14,236)
Total comprehensive revenue and expense for the year	(961)	(1,482)	(2,884)
Balance at the end of the year (deficit)	(14,810)	(13,849)	(17,120)

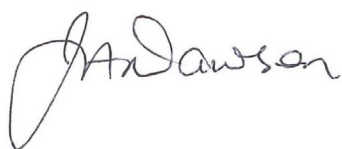
The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2026

	Note	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves				
Motor Vehicle Account		3,008	1,998	812
Work Account		3,531	1,988	1,291
Earners' Account		(3,793)	(5,415)	(6,020)
Treatment Injury Account		(2,254)	(2,378)	(2,655)
Non-Earners' Account		(15,302)	(10,042)	(10,548)
Total Account reserves (deficit)		(14,810)	(13,849)	(17,120)
Represented by:				
Assets				
Cash and cash equivalents	9	84	48	200
Assets supporting collateral	7.4	81	22	31
Receivables	10	636	723	666
Accrued levy revenue	11	4,053	3,835	4,310
Investments	7	56,234	54,490	52,923
Derivative financial instruments	8	646	801	690
Property, plant and equipment, and intangible assets	13	40	62	34
Total assets		61,774	59,981	58,854
Less liabilities				
Collateral received	7.4	77	357	153
Payables and accrued liabilities	14	2,581	4,087	3,271
Derivative financial instruments	8	653	507	710
Employee entitlements and provisions	15	131	113	42
Unearned levy liability	6.5	3,474	3,253	3,633
Unexpired risk liability	6.6	1,253	1,957	1,818
Outstanding claims liability	6.3(a)	68,415	63,556	66,347
Total liabilities		76,584	73,830	75,974
Net liabilities		(14,810)	(13,849)	(17,120)

For and on behalf of the Board, which authorised the issue of these financial statements on 21 September 2026.



Jan Dawson
Board Chair
Date: 21 September 2026



David Hunt
Board Deputy Chair
Date: 21 September 2026

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2026

	Note	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Cash flows from operating activities				
Cash was provided from:				
Levy revenue and Government appropriations		7,012	6,657	7,207
Interest		1,329	1,099	1,220
Dividends		417	380	505
Revenue from investment properties and other investments		35	30	16
Other revenue		2	1	1
		8,795	8,167	8,949
Cash was applied to:				
Payments towards claims		8,235	8,146	8,798
Payments towards injury prevention and other operating costs		966	828	947
		9,201	8,974	9,745
Net cash outflows from operating activities		(406)	(807)	(796)
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		75,157	88,483	65,823
Proceeds from sale of collateral		2,938	4,246	-
		78,095	92,729	65,823
Cash was applied to:				
Payment for investments		74,367	88,114	65,020
Payment for collateral		3,276	3,814	-
Payment for property, plant and equipment, and intangible assets		10	14	7
		77,653	91,942	65,027
Net cash inflows from investing activities		442	787	796
Net increase (decrease) in cash and cash equivalents		36	(20)	-
Cash and cash equivalents — opening balance		48	68	200
Cash and cash equivalents — closing balance	9	84	48	200

The accompanying notes form part of these financial statements.

Reconciliation of the net cash outflows from operating activities with the net deficit

	Note	Actual 2026 \$M	Actual 2025 \$M
Net (deficit)		(961)	(1,482)
Add (less) items classified as investing activities:			
Realised gains on sale of investments		(2,242)	(2,126)
Losses on disposal of property, plant and equipment, and intangible assets	5.2	28	-
Add (less) non-cash items:			
Depreciation and amortisation	5.2	4	41
Unrealised gains on investments		(1,206)	(7)
Other movements in investments		(65)	(751)
Movement in employee entitlements and provisions	15	14	21
Movement in impairment allowance of claimant debtors		12	5
Movement in the fair value of levy receivables		(15)	(17)
(Decrease) increase in unexpired risk liability	6.6	(704)	207
Increase in outstanding claims liability	6.3(a)	4,859	3,336
Add (less) movements in working capital items:			
Receivables and accrued levy revenue		(380)	(237)
Payables and accrued liabilities		29	30
Unearned levy liability	6.5	221	173
Net cash outflows from operating activities		(406)	(807)

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: the Motor Vehicle, Work, Earners', Treatment Injury and Non-Earners' 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 that Account. This means that cross-subsidisation of 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 for fully funding the levied Accounts, including the earners' portion of the Treatment Injury Account. Under sections 331(1) and 331(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, Work and Earners' 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' Account and appropriations from the Non-Earners' Account on the basis of whether the treatment injury claims are from earners or non-earners.

MOTOR VEHICLE ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2026

	Note	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Levy revenue		507	481	500
Claims paid	6.1	907	917	1,131
Claims handling costs		61	63	64
(Decrease) increase in outstanding claims liability	6.3(a)	(267)	120	511
Total claims incurred		701	1,100	1,706
(Decrease) increase in unexpired risk liability	6.6	(29)	7	-
Other underwriting costs		12	9	20
(Deficit) from underwriting activities		(177)	(635)	(1,226)
Investment revenue		1,224	1,197	667
Investment costs		(37)	(28)	(25)
Net surplus (deficit)		1,010	534	(584)
Total comprehensive revenue and expense for the year		1,010	534	(584)

Statement of changes in Account reserves

For the year ended 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves — opening balance	1,998	1,464	1,396
Total comprehensive revenue and expense for the year	1,010	534	(584)
Account reserves — closing balance	3,008	1,998	812

Statement of financial position

As at 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves	3,008	1,998	812
Represented by:			
Assets	17,105	16,908	16,340
Less liabilities	14,097	14,910	15,528
Net assets	3,008	1,998	812

Funds for the Motor Vehicle Account are derived and applied in accordance with section 213 of the AC Act.

The accompanying notes form part of these financial statements.

WORK ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2026

	Note	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Levy revenue		1,052	999	1,133
Claims paid	6.1	1,263	1,351	1,566
Claims handling costs		137	129	142
(Decrease) increase in outstanding claims liability	6.3(a)	(478)	502	443
Total claims incurred		922	1,982	2,151
(Decrease) increase in unexpired risk liability	6.6	(347)	76	2
Other underwriting costs		66	82	69
Surplus (deficit) from underwriting activities		411	(1,141)	(1,089)
Investment revenue		1,161	938	532
Investment costs		(30)	(23)	(18)
Other revenue		1	1	1
Net surplus (deficit)		1,543	(225)	(574)
Total comprehensive revenue and expense for the year		1,543	(225)	(574)

Statement of changes in Account reserves

For the year ended 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves — opening balance	1,988	2,213	1,865
Total comprehensive revenue and expense for the year	1,543	(225)	(574)
Account reserves — closing balance	3,531	1,988	1,291

Statement of financial position

As at 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves	3,531	1,988	1,291
Represented by:			
Assets	14,147	13,820	13,421
Less liabilities	10,616	11,832	12,130
Net assets	3,531	1,988	1,291

Funds for the Work Account are derived and applied in accordance with section 167 of the AC Act.

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 2026 for the Fund was \$93,000 (2025: \$55,000). The Fund's reserves as at 30 June 2026 were \$743,000 (2025: \$649,000). The values in this note are rounded to the nearest thousand dollars.

CoverPlus Extra

There were 35,285 (2025: 36,055) CoverPlus Extra policies purchased as at 30 June 2026. 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 \$19 million (2025: \$20 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 \$45 million (2025: \$46 million) were paid from the other Accounts.

The accompanying notes form part of these financial statements.

EARNERS' ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2026

	Note	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Levy revenue		2,873	2,695	3,005
Claims paid	6.1	3,068	3,116	3,350
Claims handling costs		313	276	314
(Decrease) increase in outstanding claims liability	6.3(a)	(442)	1,992	1,071
Total claims incurred		2,939	5,384	4,735
(Decrease) increase in unexpired risk liability	6.6	(328)	124	(64)
Other underwriting costs		29	37	35
Surplus (deficit) from underwriting activities		233	(2,850)	(1,701)
Investment revenue		1,425	1,204	591
Investment costs		(36)	(28)	(21)
Net surplus (deficit)		1,622	(1,674)	(1,131)
Total comprehensive revenue and expense for the year		1,622	(1,674)	(1,131)

Statement of changes in Account reserves

For the year ended 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves — opening balance (deficit)	(5,415)	(3,741)	(4,889)
Total comprehensive revenue and expense for the year	1,622	(1,674)	(1,131)
Account reserves — closing balance (deficit)	(3,793)	(5,415)	(6,020)

Statement of financial position

As at 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves (deficit)	(3,793)	(5,415)	(6,020)
Represented by:			
Assets	16,793	16,110	15,959
Less liabilities	20,586	21,525	21,979
Net liabilities	(3,793)	(5,415)	(6,020)

Funds for the Earners' Account are derived and applied in accordance with section 218 of the AC Act.

The accompanying notes form part of these financial statements.

TREATMENT INJURY ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2026

	Note	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Levy revenue and Government appropriations		445	424	454
Claims paid	6.1	493	483	521
Claims handling costs		54	57	60
Increase in outstanding claims liability	6.3(a)	435	418	393
Total claims incurred		982	958	974
Other underwriting costs		2	2	5
(Deficit) from underwriting activities		(539)	(536)	(525)
Investment revenue		680	503	301
Investment costs		(17)	(13)	(10)
Net surplus (deficit)		124	(46)	(234)
Total comprehensive revenue and expense for the year		124	(46)	(234)

Statement of changes in Account reserves

For the year ended 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves — opening balance (deficit)	(2,378)	(2,332)	(2,421)
Total comprehensive revenue and expense for the year	124	(46)	(234)
Account reserves — closing balance (deficit)	(2,254)	(2,378)	(2,655)

Statement of financial position

As at 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves (deficit)	(2,254)	(2,378)	(2,655)
Represented by:			
Assets	7,245	6,887	6,875
Less liabilities	9,499	9,265	9,530
Net liabilities	(2,254)	(2,378)	(2,655)

Funds for the Treatment Injury Account are derived and applied in accordance with section 228 of the AC Act.

The accompanying notes form part of these financial statements.

NON-EARNERS' ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2026

	Note	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Government appropriations		2,238	2,082	2,238
Claims paid	6.1	2,485	2,281	2,230
Claims handling costs		163	139	154
Increase in outstanding claims liability	6.3(a)	5,611	304	467
Total claims incurred		8,259	2,724	2,851
Other underwriting costs		30	29	39
(Deficit) from underwriting activities		(6,051)	(671)	(652)
Investment revenue		810	615	300
Investment costs		(19)	(15)	(9)
Net (deficit)		(5,260)	(71)	(361)
Total comprehensive revenue and expense for the year		(5,260)	(71)	(361)

Statement of changes in Account reserves

For the year ended 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves — opening balance (deficit)	(10,042)	(9,971)	(10,187)
Total comprehensive revenue and expense for the year	(5,260)	(71)	(361)
Account reserves — closing balance (deficit)	(15,302)	(10,042)	(10,548)

Statement of financial position

As at 30 June 2026

	Actual 2026 \$M	Actual 2025 \$M	Unaudited Budget 2026 \$M
Account reserves (deficit)	(15,302)	(10,042)	(10,548)
Represented by:			
Assets	6,484	6,256	6,259
Less liabilities	21,786	16,298	16,807
Net liabilities	(15,302)	(10,042)	(10,548)

Funds for the Non-Earners' Account are derived and applied in accordance with section 227 of the AC Act.

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2026

1. Statement of accounting policies

1.1 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.

The financial statements for ACC are for the year ended 30 June 2026, and were authorised for issue by the Board on 21 September 2026.

1.2 Basis of preparation

ACC is a Tier 1 entity, and the financial statements and statement of performance have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements and statement of performance comply with Public Benefit Entity Standards (PBE 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 specified.

The budget figures are derived from the Service Agreement as approved by the Board in June 2025. They have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. The budget figures are unaudited. A revised Service Agreement was issued in January 2026, but there were no changes to the budget figures.

Standard issued and not yet effective and not early adopted

PBE IFRS 17 *Insurance Contracts*

The public sector modified version of PBE IFRS 17 *Insurance Contracts* was issued in June 2023 and is effective for periods beginning on or after 1 January 2026. PBE IFRS 17 replaced PBE IFRS 4 *Insurance Contracts* and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. ACC will adopt PBE IFRS 17 for the year ending 30 June 2027 and will apply the standard retrospectively with restatement of comparatives for the year ended 30 June 2026.

ACC will apply the transitional provisions in PBE IFRS 17, which require entities to retrospectively apply the standard as if it had always been in effect, unless it is impracticable to do so. ACC has determined that reasonable and supportable information was available for all insurance contracts in force at the transition date (1 July 2025) and will apply the full transition approach.

The expected financial impact on Account reserves/net liabilities at the transition date is presented in the table below. These changes will be applied to the 2025/26 comparatives in the 2026/27 financial statements. An explanation of the impact of the initial application of PBE IFRS 17 is provided after the table. ACC is still working on the full impact for the year ended 30 June 2026.

	Note	Account reserves/net liabilities \$M
Closing balance (deficit) under PBE IFRS 4 at 30 June 2025		(13,849)
Expected impact of initial adoption of PBE IFRS 17		
Risk margin	(b)	7,682
Zero risk adjustment	(b)	-
Illiquidity premium	(c)	4,022
Onerous contracts	(d), (e)	(127)
Total expected impact of initial adoption of PBE IFRS 17		11,577
Opening balance (deficit) under PBE IFRS 17 at 1 July 2025		(2,272)

(a) Measurement model

PBE IFRS 17 introduces two measurement models — the general measurement model (GMM) and the premium allocation approach (PAA). The PAA is a simpler model and is similar to the current measurement model used for general insurance under PBE IFRS 4.

Impact: ACC has elected to apply the PAA to all its insurance contracts. Other than the changes noted below there are no other significant changes from the application of the PAA.

(b) Risk adjustment

PBE IFRS 17 requires the measurement of insurance contract liabilities (new term under PBE IFRS 17 that includes the unexpired risk liability and outstanding claims liability) to include a risk adjustment to reflect the compensation required for uncertainty around the amount and timing of the future cash flows from non-financial risk. This differs from the risk margin applied under PBE IFRS 4, which allows for the inherent uncertainty in the central estimate. The Government sets ACC's funding policies and the Accounts are managed on this basis. The funding policies do not require compensation, as defined in PBE IFRS 17, for assuming non-financial risk. Therefore, ACC's risk adjustment is expected to be zero, which achieves a 50% confidence level (that is, a 50% probability of sufficiency) for the insurance contract liabilities.

Financial impact: Insurance contract liabilities are expected to decrease because the risk margin under PBE IFRS 4 is removed and a zero risk adjustment is applied under PBE IFRS 17.

(c) Discount rate

Discount rates used to measure insurance contract liabilities under PBE IFRS 17 must be derived using a yield curve with similar attributes and liquidity characteristics, risks, and maturities as the future cash flows of the insurance contracts. ACC will apply the bottom-up approach, which uses a risk-free yield curve plus the addition of an illiquidity premium.

Financial impact: Insurance contract liabilities are expected to decrease due to the inclusion of an illiquidity premium in the discount rate.

(d) Level of aggregation

Insurance contracts subject to similar risks and managed together are grouped into the same portfolios under PBE IFRS 17. Public sector entities can apply a portfolio of insurance contracts as the main unit of account. They are not required to further disaggregate portfolios into groups of insurance contracts based on whether they are onerous or non-onerous contracts on initial recognition, or when they are issued.

Financial impact: After initial recognition, ACC's five accounts will be further disaggregated into portfolios for the purpose of assessing onerous contracts and presentation of the insurance contract liabilities.

(e) Onerous contracts

Onerous contracts testing under PBE IFRS 17 is similar to the liability adequacy test under PBE IFRS 4. Contracts that are measured using the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. For ACC the facts and circumstances indicate that all the portfolios have onerous contracts. However, ACC only recognises onerous contract losses in portfolios where the coverage period does not align with the financial year because there is a remaining coverage period at balance date. These are the portfolios funded by levies.

Financial impact: Insurance contract liabilities are expected to increase due to the recognition of onerous contracts for portfolios of insurance contracts that are now required to be recognised under PBE IFRS 17.

(f) Presentation and disclosure of financial statements

The financial statements have new descriptions, terminology, and subtotals. One of these is insurance finance revenue or expenses, which is presented in the statement of comprehensive revenue and expense. This comprises changes in the carrying amounts of a portfolio of insurance contracts arising from the effects of, and changes in, the time value of money and financial risk. Prior to PBE IFRS 17 such changes were recognised in the movements in outstanding claims liability and unexpired risk liability.

In the statement of financial position, insurance contract liability is presented as a single bundle of contractual rights and obligations. Accrued levy revenue, unearned levy liability, unexpired risk liability and outstanding claims liability are no longer presented individually on the face of the statement of financial position. Assets and liabilities related to insurance contracts are now added together to form the insurance contract liabilities.

Impact: The presentation of the statement of comprehensive revenue and expense and statement of financial position will change, and there will be increased disclosures compared with the current requirements under PBE IFRS 4.

(g) Investments

ACC's investment management model and cash flow characteristics have not changed under PBE IFRS 17. However, some investments are reclassified from designated at fair value through surplus or deficit to mandatorily measured at fair value through surplus or deficit because the standard no longer includes requirements for assets backing insurance liabilities.

Impact: This reclassification will affect disclosures only, not the recognition or measurement of investments.

Standards issued and not yet effective and early adopted

There are no standards issued and not yet effective and early adopted.

Comparatives

Certain comparative information has been reclassified to align with the current period's presentation or disclosure. Where material, further disclosure has been included below.

In Note 4 Net investment revenue, change in fair value of financial instruments designated at fair value through surplus or deficit has increased by \$1,463 million, and change in fair value of financial instruments classified as held for trading has decreased by \$1,463 million. These changes are required as some transactions were incorrectly categorised in 2024/25.

1.3 Summary of significant accounting policies

Significant accounting policies are included in the notes that they relate to except for those stated below.

1.4 Account reserves

ACC does not have equity in the form of share capital or ownership interests. As a result, any residual interest in assets after deducting liabilities is classified as Account reserves. Account reserves represent the accumulated surpluses or deficits of ACC and are retained to meet future obligations, rather than to provide returns to owners. Accordingly, amounts that would otherwise be described as equity are presented as Account reserves and/or net liabilities.

2. Significant accounting judgements, estimates and assumptions

ACC makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually re-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 significant accounting judgements, estimates and assumptions are applied are described below.

2.1 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
- 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, policy decisions 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, particularly 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.

2.2 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.

2.3 Sensitive claims

These claims are a result of mental injuries that have been caused by certain criminal acts as set out in Schedule 3 of the AC Act (predominantly serious sexual offences) under the provision in section 21. Prior to 2023/24, ACC interpreted the AC Act such that the date for a mental injury arising from sexual abuse was the date on which the person first received treatment. In December 2023, a Court of Appeal decision ruled that for clients who obtain cover for a mental injury arising from sexual abuse, it is the date of mental injury, rather than the date of first treatment, which should be used to determine if a client is a potential earner under section 6 of the AC Act.

This resulted in a liability having to be held for incurred but not reported claims from the date of the mental injury, rather than from the date of first treatment, in respect of potential claims for sexual offences, in the majority of cases, but not always, where the individual was under 18 when the offence or offences occurred. This also meant that many more clients are likely to be eligible for backdated loss of potential earnings. The change in the liability for policy changes following court decisions in 2025/26 is the result of updating the liabilities to reflect the impact of changes to claims experience and modelling, see Note 6.2 Actuarial result. This is a change in estimate.

2.4 Accrued levy revenue

Levies required to fund the Work Account are invoiced directly to employers, shareholder-employees and self-employed persons based on their respective liable earnings at the applicable levy rates.

Earners' levies of shareholder-employees and the self-employed are also invoiced directly. Earners' levies of employee-earners are collected within the PAYE system and are paid to ACC upon being collected by Inland Revenue.

Accrued levy revenue for the Work and Earners' Accounts is estimated using their respective expected liable earnings and average levy rates.

2.5 Investments

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.

All investments are measured at fair value, including associates and joint ventures. Significant judgement is required in assessing the nature of ACC's interests in other entities. This judgement involves evaluating the extent of ACC's ability to influence or participate in key financial and operating decisions of those entities. Based on this assessment, investments are classified as associates where ACC has significant influence, or as joint ventures where decision making requires unanimous consent with other parties and ACC has rights to the net assets of the joint arrangements. These assessments are based on current information and assumptions about existing arrangements and behaviours, which may change over time.

In certain investments, ACC is required to apply significant judgement in assessing whether it has control. This assessment involves considering factors such as ACC's voting rights, its removal rights over relevant decision-makers, and its economic interest, and evaluating whether these factors, individually or in combination, provide ACC with the ability to direct the investee's relevant activities. For these investments, ACC has determined that it has significant influence rather than control and accordingly classifies them as associates.

Refer to Note 7.5 Investments in associates and joint ventures for ACC's detailed assessment of control of its investments classified as associates.

2.6 Climate change risk

ACC recognises that climate change poses potential risks to its operations and financial performance. ACC is committed to monitoring and reporting on climate related risks and opportunities in its other public disclosures when appropriate. ACC acknowledges that climate change is an ongoing and evolving issue and will continue to take appropriate steps to identify and manage potential impacts on its operations, financial performance and assets. For more information on ACC's climate change risks and opportunities, please refer to ACC's Climate Report, found here: www.acc.co.nz/about-us/corporate-documents

2.7 Going concern assumption

The financial statements have been prepared on a going concern basis, reflecting the Government's ongoing obligation to fund the Scheme and the long-term nature of its funding policy, pursuant to sections 166A and 166B of the AC Act.

The Board continues to monitor and consider the future outlook of the Scheme and the likelihood that this creates uncertainty over the going concern assumption. ACC is particularly mindful that external economic factors can significantly impact the Scheme's financial performance and position. The scope of the Scheme can also change due to judicial interpretations of the provisions in the AC Act. This may require increased levels of funding in order to meet the future costs of current claims. In addition, the regulatory scheme contemplates periods when funding of some Accounts may be inadequate, and catch-up funding may occur at a later stage to address any resulting deficits. In circumstances where the Government has elected for a period to not fund such deficits and/or not approve levy and appropriations changes recommended by the Board, financial deficits may worsen. If future recommended levy and appropriations changes are declined, this would likely lead to a deterioration in the funding ratios of the relevant Accounts.

3. Levy revenue and Government appropriations

Overview

ACC collects the Motor Vehicle levy for people injured on public roads involving a moving vehicle, Work levy to fund cover for injuries that happen at work and Earners' levy for injuries that happen during everyday activities. The remaining revenue comes from Government appropriations for people in New Zealand who do not pay levies but still need ACC support if they are injured.

Accounting policy

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 rates, 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.

Government appropriations are recognised as revenue at the point of entitlement and this is considered to be the start of the appropriations period to which the funding relates.

	2026 \$M	2025 \$M
Levy revenue	4,567	4,314
Fair value effect of credit risk	15	16
Fair value write down of levy receivables	(30)	(33)
Total levy revenue	4,552	4,297
Government appropriations	2,563	2,384
Total levy revenue and Government appropriations	7,115	6,681

4. Net investment revenue

Overview

ACC invests funds received from levies and appropriations to ensure that it can meet its obligations to pay claims. Because serious injuries will require ongoing expenditure for decades into the future, a portion of the levies and appropriations are set aside to provide for future costs. To meet this purpose, ACC favours long-term investments that it expects will deliver relatively certain revenue streams for a long period of time.

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 revenue from each investment portfolio is allocated between the Accounts daily, based on the Accounts' daily proportionate 'ownership'.

Some derivative positions are allocated directly between the Accounts rather than to investment portfolios, with all associated revenue from these positions directly allocated to the relevant Accounts.

Accounting policy

Investment revenue consists of and is recognised on the following basis:

- Dividends on equity securities are recorded as revenue on the ex-dividend dates (the dates on which the securities start trading without the value of their next dividend payments)
- Distributions from unit trusts are recognised when received, and can be in the form of additional units or cash
- Interest revenue is recognised as it accrues, which can be in the form of additional investment units or cash
- Investment gains or losses represent the movement in the fair values of the investments excluding dividends, distributions from unit trusts and interest. Realised gains or losses occur at the time of disposal of the investments and are calculated as the difference between the proceeds received and their carrying values. Unrealised gains or losses represent the difference between the carrying value at the beginning of the year and the carrying value at balance date or where investments were purchased during the year, between the value at initial recognition and its carrying value at balance date.

Foreign currency transactions (including those subject to forward foreign exchange contracts and cross-currency interest rate swaps) are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

	2026 \$M	2025 \$M
Interest, dividend and other revenue		
Interest revenue		
Financial instruments designated at fair value through surplus or deficit	1,311	1,254
Financial instruments classified as held for trading	32	(97)
Financial instruments measured at amortised cost	2	-
	1,345	1,157
Dividend and distribution revenue	476	724
Other revenue		
Rental revenue from investment properties	26	21
Revenue from service concession arrangement	9	8
Other fee revenue	1	-
Gross interest, dividend and other revenue	1,857	1,910
Gains (losses) on investments		
Change in fair value of financial instruments designated at fair value through surplus or deficit	4,067	1,832
Change in fair value of financial instruments classified as held for trading	(636)	702
Change in fair value of investment properties	12	13
Net gains on investments	3,443	2,547
Investment revenue	5,300	4,457
Investment costs		
Direct investment costs		
Foreign withholding tax	12	12
Other direct investment costs	30	21
Total direct investment costs	42	33
Investment management costs	97	74
Total investment costs	139	107
Net investment revenue	5,161	4,350

5. Analysis of operating costs

Overview

ACC's total operating costs, comprising claims handling costs, investment costs, and other underwriting costs are allocated to the five Accounts using an activity-based costing methodology. Our largest areas of spend are on personnel, computer and telecommunication, investment, and various programmes.

Accounting policy

Employee benefits

Employee entitlements to salaries and wages, bonuses, annual leave, long service leave, retirement leave and other similar benefits are recognised as a cost when they accrue to employees. Contributions to ACC's superannuation schemes and KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed as incurred.

Other operating costs

Other operating costs are recognised when goods and services are received.

Operating leases

Payments under an operating lease are recognised as an operating cost on a straight-line basis over the lease term. Lease incentives for premises are recognised evenly over the term of the lease as a reduction in rental costs. The unexpired portion of operating leases is shown in Note 16 Commitments.

5.1 Costs by function

	2026 \$M	2025 \$M
Claims handling costs	728	664
Injury prevention costs	55	68
Investment costs	139	107
Other underwriting costs	84	91
Total operating costs	1,006	930

5.2 Costs by nature

	2026 \$M	2025 \$M
Personnel costs		
Salaries and wages	483	439
Employer contributions to defined contribution schemes	45	41
Contractors and temporary staff	4	3
Termination benefits and other personnel restructuring costs ⁽ⁱ⁾	1	(6)
Other personnel costs	5	13
Total personnel costs	538	490
Other operating costs		
Computer and telecommunication costs	106	96
Consulting and other professional services	9	9
Depreciation, amortisation, impairment and losses (gains) on disposal of property, plant and equipment, and intangibles	32	41
Direct investment costs	42	33
External investment costs	66	46
Programme expenses	50	65
Rental and operating lease costs	26	26
Strategic change programme	76	69
Other costs	61	55
Total other operating costs	468	440
Total operating costs	1,006	930

Note:

- (i) The credit for 2024/25 is due to the net release of the redundancy provision as a result of staff redeployment and resignations.

5.3 Contractors and consultants

ACC uses contractors and consultants to provide backfill for vacant positions or cover short-term demand, where specialist skills or independent external advice are needed (such as specific programmes or projects), and in periods of peak demand. In Note 5.2 Costs by nature, contractor and consultant costs are allocated where appropriate to the cost categories to which the work relates. Of the \$7 million of contractor costs disclosed below, \$4 million is included in personnel costs in Note 5.2 and \$3 million in the strategic change programme.

A contractor is a person who is not considered an employee, providing backfill or extra capacity in a role that exists within ACC or acting as an additional resource for a time-limited piece of work.

A consultant is a person or firm who is not considered a contractor or employee, engaged to perform a piece of work with a clearly defined scope and to provide expertise, in a particular field, not readily available from within ACC.

	2026 \$M	2025 \$M
Operating costs		
Contractors	7	8
Consulting services	8	9
Total operating costs — contractors and consultants	15	17

5.4 Auditor's remuneration

Included in other operating costs are fees paid to ACC's auditor (Ernst & Young) for:

	2026 \$000	2025 \$000
Audit of the financial statements and statement of performance ⁽ⁱ⁾	1,137	1,049
Other non-audit and non-review services:		
Other assurance services		
Greenhouse gas emissions	72	71
Total other assurance services	72	71
Other services		
Purchased remuneration surveys	-	4
Total fees for other non-audit and non-review services	72	75
Total fees incurred for services and goods provided by the audit firm	1,209	1,124

Note:

- (i) The audit of the financial statements and statement of performance includes audit fees in relation to the implementation of PBE IFRS 17.

6. Insurance disclosures

6.1 Claims incurred

Overview

The largest cost for ACC is claims costs. This is the difference between the OCL at the beginning and the end of the year plus claims payments and handling costs 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 (e.g. 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.

	2026			2025		
	Current year \$M	Prior years \$M	Total \$M	Current year \$M	Prior years \$M	Total \$M
Undiscounted	16,715	14,001	30,716	17,849	814	18,663
Discount movement	(7,221)	(9,692)	(16,913)	(7,995)	1,480	(6,515)
Total claims incurred	9,494	4,309	13,803	9,854	2,294	12,148

Claims paid during the year comprised:

	2026 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	Treatment Injury Account \$M	Non- Earners' Account \$M	2025 Total \$M
Rehabilitation (including treatment) costs							
Social rehabilitation	1,513	350	131	261	226	545	1,551
Vocational rehabilitation	115	9	32	68	2	4	96
Medical treatment	1,415	38	142	561	32	642	1,324
Public health acute services	1,028	101	67	209	6	645	974
Hospital treatment	616	34	84	297	52	149	671
Conveyance for treatment	313	52	20	69	5	167	303
Dental treatment	46	2	4	16	1	23	47
	5,046	586	480	1,481	324	2,175	4,966
Compensation costs							
Income maintenance	2,830	262	725	1,485	124	234	2,855
Independence allowances	71	7	8	14	3	39	76
Lump sums	76	10	17	16	19	14	73
Death benefits	108	34	13	40	9	12	113
	3,085	313	763	1,555	155	299	3,117
Other costs	85	8	20	32	14	11	65
Claims paid	8,216	907	1,263	3,068	493	2,485	8,148

6.2 Actuarial result

The actuarial view of the underwriting result is summarised below.

	Note	2026 \$M	2025 \$M
Levy revenue and Government appropriations		7,115	6,681
Claims incurred			
Lifetime cost of new claims anticipated over the year		10,528	9,963
Effect of:			
Payments experience		(224)	541
Discount unwind		1,889	2,841
Risk margin release		(678)	(605)
Model recalibration		-	(71)
Claims experience	20.1	(1,300)	347
Claims modelling and assumptions	20.1	(1,979)	640
Non-influenceable modelling and experience	20.1	(823)	513
Policy changes following court decisions ⁽ⁱ⁾	20.1	3,219	(268)
Changes in inflation assumptions		358	(58)
Changes in discount rates		2,813	(1,695)
Total claims incurred		13,803	12,148
(Decrease) increase in unexpired risk liability		(704)	207
Other underwriting costs		139	159
(Deficit) from underwriting activities		(6,123)	(5,833)

Note:

- (i) In 2026 this purely includes an increase from changes in claim/modelling assumptions of \$3,219 million, (2025: includes a decrease from changes in economic assumptions of \$306 million and an increase from changes in claim/modelling assumptions of \$38 million).

6.3 Outstanding claims

Overview

The OCL is an estimate of the present value of future payments, including claims handling costs, on all claims incurred on or prior to 30 June 2026. It is the estimated amount ACC expects to pay in the future for claims that have already occurred but are not yet fully settled, discounted back to 30 June 2026.

Accounting policy

PBE IFRS 4 requires an OCL 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 OCL 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 OCL 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 claims.

The OCL is the central estimate of the present value of expected future payments, including direct and indirect handling costs, for claims incurred on or before the balance date, 30 June 2026, 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 OCL. 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
- 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 \$814 million as at 30 June 2026 (2025: \$899 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.

Prior to 2023/24, sensitive claims were effectively treated on a 'claims made' basis, with no OCL being held for sensitive claims where clients had not yet sought treatment. Following a Court of Appeal decision in December 2023, ACC now holds a liability for claims incurred but not yet reported from the date of the mental injury, rather than from the date of first treatment, in respect of potential claims for sexual offences, in the majority of cases, but not always, where the individual was under 18 when the offence or offences occurred.

(a) **Outstanding claims liability (discounted)**

Accounting policy

The OCL is measured at the central estimate of future claim payments relating to claims incurred on or prior to the reporting date, including direct and indirect claims handling costs. The gross OCL also includes a risk margin that relates to the inherent uncertainty in the central estimate of the future payments. ACC currently applies a 75% probability of adequacy to the OCL. The future claim payments are brought to present value as at the valuation date using a risk-free discount rate.

	2026 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	Treatment Injury Account \$M	Non- Earners' Account \$M	2025 Total \$M
Central estimate of present value of future claims payments	58,005	10,640	7,393	13,917	7,635	18,420	53,925
Present value of the claims handling costs	2,659	534	570	809	319	427	2,474
	60,664	11,174	7,963	14,726	7,954	18,847	56,399
Risk margin	7,751	1,475	882	1,738	1,130	2,526	7,157
Outstanding claims liability	68,415	12,649	8,845	16,464	9,084	21,373	63,556
As at the beginning of the year	63,556	12,916	9,323	16,906	8,649	15,762	60,220
Movement during the year	4,859	(267)	(478)	(442)	435	5,611	3,336
Current	6,084	713	889	2,405	649	1,428	6,514
Non-current	62,331	11,936	7,956	14,059	8,435	19,945	57,042
Total outstanding claims liability with risk margin	68,415	12,649	8,845	16,464	9,084	21,373	63,556

(b) Reconciliation of movement in discounted outstanding claims liability

Overview

The following table reconciles the year-on-year movement of the actuarially assessed OCL by the key drivers of the movement.

The broad definition of each movement category is:

- (i) Claims anticipated over the year — the expected claim and claims handling costs arising from new accidents in the year to 30 June 2026. The cost is the present value of projected payments post 30 June 2025 plus the expected payments to be made in the year ended 30 June 2026.
- (ii) Payments experience — the difference between actual and projected payments.
- (iii) 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.
- (iv) Risk margin release — the removal of the risk margin on the current year's expected claims payments for non-current claims is termed as the risk margin release.
- (v) Model recalibration — in 2024/25 the actuarial consultancy (Taylor Fry) split the sensitive claims modelling into three different payment types — counselling, weekly compensation and other, and weekly compensation and medical payments were then modelled separately for serious injury claims. A recalibration valuation as at 30 June 2024 was carried out in order to compare the 2024/25 results on a consistent basis and was reflected in the 2024/25 results only.
- (vi) Claims experience — change in future expected payments due to actual claims volumes and payments being different to expected.
- (vii) Modelling and assumptions — 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. Continuance rates are a measure that is used to estimate the proportion of claims in one quarter that continue to the next, including an allowance for any old claims that reactivate in that quarter.
- (viii) Non-influenceable modelling and experience — changes to actuarial assumptions and/or methods to reflect experience or events that are outside the control of ACC.
- (ix) Policy changes following court decisions — changes to the liability held to cover the expected future claim costs arising due to the outcome of Court of Appeal cases against ACC. The nature of this liability is similar to a liability that will arise for claims that have occurred but not been reported yet.
- (x) 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.
- (xi) 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.
- (xii) Claims payments and handling costs — the actual claims paid and the actual claims handling costs incurred during the year ended 30 June 2026.

	2026 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	Treatment Injury Account \$M	Non- Earners' Account \$M	2025 Total \$M
Outstanding claims brought forward	63,556	12,916	9,323	16,906	8,649	15,762	60,220
Claims anticipated over the year	10,528	1,110	1,829	4,334	722	2,533	9,963
Effect of:							
Payments experience	(224)	(45)	(149)	(211)	(23)	204	541
Discount unwind	1,889	392	272	488	261	476	2,841
Risk margin release	(678)	(99)	(119)	(258)	(72)	(130)	(605)
Model recalibration	-	-	-	-	-	-	(71)
Claims experience (refer to Note 20.1)	(1,300)	(301)	(566)	(504)	25	46	347
Modelling and assumptions (refer to Note 20.1)	(1,979)	(677)	(637)	(910)	(203)	448	640
Non-influenceable modelling and experience (refer to Note 20.1)	(823)	(292)	(47)	(85)	(186)	(213)	513
Policy changes following court decisions ⁽ⁱ⁾ (refer to Note 20.1)	3,219	-	(3)	(559)	-	3,781	(268)
Changes in inflation assumptions	358	65	61	113	52	67	(58)
Changes in discount rates	2,813	548	281	531	406	1,047	(1,695)
Incurred claims recognised in the underwriting result	13,803	701	922	2,939	982	8,259	12,148
Claims payments and handling costs	(8,944)	(968)	(1,400)	(3,381)	(547)	(2,648)	(8,812)
Outstanding claims carried forward	68,415	12,649	8,845	16,464	9,084	21,373	63,556

Note:

- (i) In 2026 this only includes the impact from changes in claim/modelling assumptions, with the impact of the changes in the economic assumptions captured elsewhere in the table (2025: includes a decrease from changes in economic assumptions of \$306 million and an increase from changes in claim/modelling assumptions of \$38 million). This relates to a Court of Appeal ruling made in December 2023 (refer to Note 2.3 Sensitive claims).

(c) **Claims development table**

Overview

The following table shows the development of undiscounted claim cost estimates. The claims development table demonstrates the extent to which the original estimate of net ultimate claims payments in any one accident year has subsequently developed favourably (i.e. claims cost estimates have reduced) or unfavourably (i.e. further claims cost has been recognised in subsequent years). This table therefore illustrates the variability and inherent uncertainty in estimating the central estimate each year. The ultimate claims cost for any particular accident year is not known until all claims payments have been made which could be many years into the future.

	Accident year										
	2017 and prior \$M	2018 \$M	2019 \$M	2020 \$M	2021 \$M	2022 \$M	2023 \$M	2024 \$M	2025 \$M	2026 \$M	Total \$M
Estimate of ultimate claim costs:											
At end of accident year		8,038	8,828	8,367	10,684	11,316	13,037	14,569	15,894	14,658	
One year later		7,738	9,137	8,963	11,044	12,335	13,578	14,623	14,781	-	
Two years later		7,655	10,183	9,464	11,882	12,946	13,920	13,944	-	-	
Three years later		8,365	10,396	9,887	12,246	12,880	13,416	-	-	-	
Four years later		8,882	10,805	10,220	12,395	12,227	-	-	-	-	
Five years later		9,038	11,077	10,273	11,619	-	-	-	-	-	
Six years later		9,643	11,310	9,725	-	-	-	-	-	-	
Seven years later		9,819	10,564	-	-	-	-	-	-	-	
Eight years later		9,192	-	-	-	-	-	-	-	-	
Current estimate of cumulative claim costs	134,272	9,192	10,564	9,725	11,619	12,227	13,416	13,944	14,781	14,658	244,398
Cumulative payments made to date	(54,589)	(3,150)	(3,446)	(3,325)	(3,772)	(3,557)	(4,006)	(4,018)	(3,519)	(1,994)	(85,376)
Outstanding claims — undiscounted	79,683	6,042	7,118	6,400	7,847	8,670	9,410	9,926	11,262	12,664	159,022
Discount	(49,551)	(4,017)	(4,694)	(4,068)	(5,013)	(5,583)	(5,912)	(6,227)	(7,024)	(7,027)	(99,116)
Outstanding claims — discounted	30,132	2,025	2,424	2,332	2,834	3,087	3,498	3,699	4,238	5,637	59,906
Liability for policy changes following court decisions											5,478
Claims handling costs											2,991
Short tail outstanding claims											40
Outstanding claims — per statement of financial position											68,415

(d) Key assumptions

Overview

For 2025/26, ACC's Chief Actuary (Ms Nina Herries — Fellow of the New Zealand Society of Actuaries, Fellow of the Institute of Actuaries (UK)) is responsible for recommending the OCL valuation included in ACC's financial statements. To support this process, ACC engaged actuarial consultancy Taylor Fry to provide an independent valuation of the OCL at 30 June 2026. The Taylor Fry actuarial report is signed by Mr Paul Driessen (Fellow of the Actuaries Institute of Australia) and Mr Ross Simmonds (Fellow of the New Zealand Society of Actuaries, Fellow of the Institute of Actuaries (UK)). In determining their actuarial estimate, Taylor Fry has relied on information supplied by ACC. Taylor Fry has indicated they are satisfied as to the nature, sufficiency and accuracy of the information provided. ACC's Chief Actuary has relied on Taylor Fry's valuation report as a key input, while separately reviewing and challenging the key valuation judgements, assumptions, and results. ACC's Chief Actuary is satisfied that no additional adjustments are required and that the data, methods and assumptions are appropriate for assessing ACC's OCL.

The actuarial estimate has been made based on actual experience to 30 June 2026. The calculation of the OCL has been made in accordance with the standards of the New Zealand Society of Actuaries' Professional Standard No. 30: *Valuation of General Insurance Claims* and PBE IFRS 4.

The table in Note 6.3(a) Outstanding claims liability (discounted) shows the actuarial estimate of the present value of the future expenditure relating to accidents that occurred on or prior to balance date, whether or not the claims have been reported to or accepted by ACC. The actual outcome is subject to uncertainty and is likely to fall within a range of probable outcomes.

The following table shows the main long-term assumptions used in the above estimates.

	2026		2025	
	Year 1 % pa	Beyond Year 1 % pa	Year 1 % pa	Beyond Year 1 % pa
Discount rate	2.97%	3.75% to 5.85%	3.14%	3.47% to 5.99%
Inflation rates:				
weekly compensation ⁽ⁱ⁾	1.97%	2.16% to 2.86%	2.90%	2.18% to 2.27%
impairment benefits	3.08%	1.96% to 2.66%	2.53%	1.98% to 2.07%
social rehabilitation benefits	2.90%	2.16% to 2.51%	2.30%	2.18% to 2.22%
hospital rehabilitation benefits	2.50%	2.16% to 2.51%	2.30%	2.18% to 2.22%
short-term medical costs	2.90%	2.16% to 2.51%	2.30%	2.18% to 2.22%
other medical costs	2.90%	2.16% to 2.51%	2.30%	2.18% to 2.22%
Superimposed inflation:				
social rehabilitation benefits (contracted care) ⁽ⁱⁱ⁾	-0.70%	1.00%	-1.65%	1.00%
social rehabilitation benefits (non-contracted care) ⁽ⁱⁱ⁾	-0.50%	1.00%	-1.78%	1.00%
social rehabilitation benefits (residential care) ⁽ⁱⁱ⁾	-0.70%	0.50%	-0.93%	0.50%
social rehabilitation benefits (serious injury capital expenditure) ⁽ⁱⁱⁱ⁾	0.70%	0.80% to 3.40%	0.70%	0.80% to 2.80%
hospital rehabilitation benefits ^(iv)	0.00%	3.00%	3.00%	3.00%
short-term medical costs (general practitioners)	2.00%	2.00%	2.00%	2.00%
short-term medical costs (radiology)	2.00%	2.00%	2.00%	2.00%
short-term medical costs (physiotherapists)	2.00%	2.00%	2.00%	2.00%
other medical costs	1.50%	1.50%	1.50%	1.50%
Weighted average risk margin	12.77%		12.65%	
Weighted average claims handling costs ratio	4.59%		4.85%	

Continuance rates

Continuance rates are also key assumptions used in the valuation, particularly for non-fatal weekly compensation and sensitive claims — counselling. Weekly compensation continuance rates range from 35% (2025: 39%) in the short-term to 97% in the long-term (2025: 97%), and sensitive claims — counselling continuance rates range from 84% in the short-term (2025: 83%) to 100% in the long-term (2025: 100%).

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 effects of clients moving between care providers. In 2025 and 2026 the agreed residential and support worker rates in the upcoming year are lower than LCI so the superimposed inflation is negative in year 1.
- (iii) Capital expenditure: motor vehicle and housing modifications, along with other capital expenditure provided to those seriously disabled due to an accident.
- (iv) Predominantly elective surgery costs.

(i) Process used to determine assumptions

Overview

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 30 years from now. Discount rates beyond 30 years are smoothed over a minimum of 10 years (subject to a maximum slope of 0.05%) to eventually attain the long-term risk-free discount rate of 4.80% (2025: 4.80%). 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 4.98% (2025: 5.15%).

Inflation rates

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 costs 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 cost payments.

(ii) Sensitivity to changes in key assumptions

Overview

The sensitivity analysis below shows the impact of a change in key assumptions at year end with all other variables held constant. Each sensitivity has been calculated in isolation to other changes, so an effect could be compounding.

The effects of the sensitivity on the OCL, investments, net liabilities and net deficit to key assumption changes are in the following table.

One of the more volatile assumptions for the OCL is the interest rate which is used to discount the liabilities. Interest rate movements in the OCL are partially offset through the interest rate exposure of the investment portfolios. Two asset sensitivities are separately calculated for impacts of interest rate changes on fixed and floating interest assets, and impacts of inflation rate changes on index linked bonds. There may also be some impact on equities, property, etc; however, these impacts are indeterminant. The discount rate and inflation rate sensitivity for the OCL and investments and derivatives (collectively referred to as investments) are shown below. The carrying value of the OCL subject to interest rate risk is \$68,415 million (2025: \$63,556 million).

The liability for policy changes following court decisions is included in the sensitivity calculations in the tables below.

		2026			
		OCL \$M	Investments \$M	Net liabilities \$M	Net (deficit) \$M
Actual		68,415	35,400	(14,810)	(961)

		2026			
Assumption	Movement	Increase (decrease) in OCL \$M	Increase (decrease) in Investments \$M	Impact on net liabilities \$M	Impact on net (deficit) \$M
Discount rate	1.00%	(7,962)	(3,275)	4,687	4,687
	-1.00%	10,376	3,416	(6,960)	(6,960)
Inflation rate	1.00%	10,576	1,492	(9,084)	(9,084)
	-1.00%	(8,259)	(1,320)	6,939	6,939
Superimposed inflation (medical and elective surgery)	1.00%	1,123	-	(1,123)	(1,123)
	-1.00%	(861)	-	861	861
Discounted mean term	+1 year	(1,692)	-	1,692	1,692
	-1 year	1,746	-	(1,746)	(1,746)
Superimposed inflation for social rehabilitation for serious injury claims after one year and non-serious non- capital claims	1.00%	3,043	-	(3,043)	(3,043)
	-1.00%	(2,350)	-	2,350	2,350
Long-term continuance rates for non-fatal weekly compensation	1.00%	753	-	(753)	(753)
	-1.00%	(668)	-	668	668
Sensitive claims (counselling) continuance rates	1.00%	298	-	(298)	(298)
	-1.00%	(261)	-	261	261
Sensitive claims (other) continuance rates	1.00%	237	-	(237)	(237)
	-1.00%	(194)	-	194	194
Sensitive claims (weekly compensation) continuance rates	1.00%	454	-	(454)	(454)
	-1.00%	(365)	-	365	365
Sensitive claims (weekly compensation) long-term payments per active claim	10.00%	620	-	(620)	(620)
	-10.00%	(620)	-	620	620

	2025			
	OCL \$M	Investments \$M	Net liabilities \$M	Net (deficit) \$M
Actual	63,556	32,597	(13,849)	(1,482)

2025					
Assumption	Movement	Increase (decrease) in OCL \$M	Increase (decrease) in Investments \$M	Impact on net liabilities \$M	Impact on net (deficit) \$M
Discount rate	1.00%	(7,295)	(2,820)	4,475	4,475
	-1.00%	9,525	3,036	(6,489)	(6,489)
Inflation rate	1.00%	9,726	1,270	(8,456)	(8,456)
	-1.00%	(7,583)	(1,134)	6,449	6,449
Superimposed inflation (medical and elective surgery)	1.00%	1,072	-	(1,072)	(1,072)
	-1.00%	(827)	-	827	827
Discounted mean term	+1 year	(1,691)	-	1,691	1,691
	-1 year	1,745	-	(1,745)	(1,745)
Superimposed inflation for social rehabilitation for serious injury claims after one year and non-serious non- capital claims	1.00%	3,020	-	(3,020)	(3,020)
	-1.00%	(2,324)	-	2,324	2,324
Long-term continuance rates for non-fatal weekly compensation	1.00%	772	-	(772)	(772)
	-1.00%	(684)	-	684	684
Sensitive claims (counselling) continuance rates	1.00%	216	-	(216)	(216)
	-1.00%	(191)	-	191	191
Sensitive claims (other) continuance rates	1.00%	154	-	(154)	(154)
	-1.00%	(129)	-	129	129
Sensitive claims (weekly compensation) continuance rates	1.00%	402	-	(402)	(402)
	-1.00%	(286)	-	286	286
Sensitive claims (weekly compensation) long-term payments per active claim	10.00%	405	-	(405)	(405)
	-10.00%	(405)	-	405	405

6.4 Insurance Contracts – Risk management policies and procedures

Overview

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. ACC's general approach to managing risk is set out in the Enterprise Risk Management and Compliance Policy and includes the application of ACC's Enterprise Risk and Compliance Framework. The general approach applies to the management of all risks, including insurance risk. Note 6.4(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 these 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: A description of how the Scheme is funded is described in the 'Reporting and funding by Account' section. 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 be approved by the Government, 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: The statements of comprehensive revenue and expense and Note 6.2 Actuarial result contain 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 2.1 Outstanding claims liability for the significant judgements, estimates and assumptions applied in calculating the OCL. 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 an assessment of the 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 claims management
- changes to the case management model to deliver improved rehabilitation performance.

(ii) Terms and conditions of accident cover

The terms and conditions of personal injury cover are determined by the AC Act.

(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.

6.5 Unearned levy liability

Overview

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 2026 ACC has recognised unearned levy liabilities for the period 1 July 2026 to 31 March 2027 for both the Earners' and the Work Accounts.

For the Motor Vehicle Account, ACC recognises unearned levy liability for a proportion of vehicle registration levies for vehicle registrations that expire after 30 June 2026, and a proportion of petrol levies that can be expected to be received after 30 June 2026 based on the number and expiry dates of vehicle registrations purchased up to 30 June 2026 but that expire after 30 June 2026.

Accounting policy

Unearned levy is calculated based on the levy period to which it relates, with the assumption that the levy is earned evenly over the levy period.

Unearned levy liability is all current, expected to be settled within 12 months of the balance date.

	2026 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	2025 Total \$M
Opening balance at 1 July	3,253	178	816	2,259	3,080
Unearned levies received in the year	3,474	193	857	2,424	3,253
Levies received in previous years now recognised	(3,253)	(178)	(816)	(2,259)	(3,080)
Closing balance at 30 June	3,474	193	857	2,424	3,253

6.6 Unexpired risk liability

Overview

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.

If levies are insufficient to cover the expected future claims plus a risk margin, they are deemed to be deficient. The entire deficiency is recognised immediately in the surplus or deficit in the statement of comprehensive revenue and expense. 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 6.3(d)(i) Process used to determine assumptions).

Accounting policy

At each balance date, the adequacy of unearned levy revenue is assessed against the present value of the expected future claims cash flows plus an additional risk margin to reflect the inherent uncertainty of the central estimate. The assessment is carried out at the Account level.

Unexpired risk liability is all current, expected to be settled within 12 months of the balance date.

	2026 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	2025 Total \$M
Opening balance at 1 July	1,957	244	585	1,128	1,750
Expected change	(65)	2	6	(73)	27
Effect of changes in economic assumptions	110	12	28	70	18
Other changes	(749)	(43)	(381)	(325)	162
(Decrease) increase in unexpired risk liability	(704)	(29)	(347)	(328)	207
Closing balance at 30 June	1,253	215	238	800	1,957
Calculation of deficiency					
Unearned levy liability as reported in the statement of financial position	3,474	193	857	2,424	3,253
Adjustment ⁽ⁱ⁾	(98)	-	-	(98)	(94)
Adjusted unearned levy liability	3,376	193	857	2,326	3,159
Central estimate of present value of expected future cash flows arising from future claims	4,152	361	993	2,798	4,593
Risk margin ⁽ⁱⁱ⁾	477	47	102	328	523
Present value of expected future cash flows for future claims	4,629	408	1,095	3,126	5,116
Total unexpired risk liability	1,253	215	238	800	1,957

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 2026 for this Account.

7. Investments

Overview

Levies collected are invested to meet ACC's obligations to pay claims and costs. ACC mainly invests with a principal focus on asset-liability risk, which is the net movements between assets and the OCL.

Accounting policy

ACC holds investment assets to generate investment revenue that matches the expected future cash flows arising from insurance liabilities. Assets held in the investment portfolios are 'assets backing insurance liabilities'. All investment assets, other than service concession arrangements and investment properties, are designated at fair value through surplus or deficit on initial recognition under PBE IPSAS 41 *Financial Instruments*.

The service concession arrangement is carried at cost less accumulated amortisation and the investment properties are carried at fair value through surplus or deficit but are not considered financial assets.

Investment assets are initially recognised at fair value (which is their cost) and subsequently measured at fair value (except for the service concession arrangement). Purchases and sales of investments are recognised on a trade date basis, being the dates on which commitments are made to buy or sell the investments.

Investment assets are derecognised when the rights to the contractual cash flows expire or when substantially all the risks and rewards of ownership are transferred.

Fair value for investment assets is determined as follows:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities. These include listed shares and unit trusts, included in New Zealand equities, Australian equities and overseas equities.
- Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). These include:
 - › bonds and other fixed interest investments, included in New Zealand government securities, other New Zealand debt securities and overseas debt securities, valued using quoted yield curves
 - › unit trusts (included in New Zealand equities, Australian equities and overseas equities), deposits at call, derivatives and assets supporting collateral.

- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs). ACC uses independent valuations for various investments without active markets or observable inputs. Fair value is determined using the most appropriate valuation technique. These include:
 - › non-listed equity investments (private equity and venture capital), included in New Zealand equities, Australian equities and overseas equities. The valuation techniques include discounted cash flow analysis, capitalisation of earnings and prices observed from recent market transactions associated with substantially similar investments
 - › unlisted unit trust investments, included in New Zealand equities, Australian equities and overseas equities, valued based on the exit price as quoted by the unit trust manager (the value ACC would receive if the units were sold).

The techniques for all levels include references to substantially similar investments with quotable prices, discounted cash flow analysis and option pricing models that maximise observable market data and keep unobservable inputs to a minimum. Assets subject to these valuations are included in other New Zealand debt securities, New Zealand equities, Australian equities, overseas debt securities and overseas equities.

Investment properties are revalued by independent registered property valuers.

	Note	2026 \$M	2025 \$M
New Zealand deposits at call		290	466
Overseas deposits at call		198	194
New Zealand government securities		26,939	25,262
Other New Zealand debt securities		4,207	3,936
Overseas debt securities		7,236	7,089
New Zealand equities		5,896	5,736
Australian equities		2,372	2,143
Overseas equities		8,485	9,066
Other investments		33	21
Investments	12.1	55,656	53,913
Assets supporting collateral	7.4	81	22
Investments at fair value through surplus or deficit		55,737	53,935
Investment properties	7.1	554	550
Service concession arrangements	7.2	24	27
Total investments		56,315	54,512
Less assets supporting collateral		(81)	(22)
Total investments per statement of financial position		56,234	54,490
Current		1,639	2,242
Non-current		54,595	52,248
Total investments		56,234	54,490

7.1 Investment properties

Overview

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.

Accounting policy

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. Investment properties are carried at fair value through surplus or deficit but are not considered financial assets.

	2026 \$M	2025 \$M
Opening balance as at 1 July	550	537
Disposals/transfers	(8)	-
Net gain from revaluations	12	13
Closing balance as at 30 June	554	550

7.2 Service concession arrangements

Accounting policy

ACC recognises an asset arising from a service concession arrangement where it 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.

	2026 \$M	2025 \$M
Year ended 30 June		
Opening net carrying amount	27	29
Amortisation charge	(3)	(2)
Closing net carrying amount	24	27
At 30 June		
At cost	56	56
Accumulated amortisation	(32)	(29)
Net carrying amount	24	27

7.3 Repurchase agreements

Overview

A repurchase agreement is a contract in which ACC as the seller of securities agrees to buy them back at a later date at a predetermined price. A reverse repurchase agreement is a contract in which ACC as the buyer of securities agrees to sell them back at a later date at a predetermined price.

Accounting policy

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. ACC has determined that it retains substantially all of the risks and rewards of the securities advanced and therefore they are not derecognised. Cash collateral received of \$2,016 million (2025: \$3,414 million) from these transactions is invested. The cash collateral received is recognised as a liability in payables. This is the obligation to repurchase the investments.

Securities purchased under reverse repurchase agreements to resell are not recognised in the statement of financial position because the securities are held in escrow by a third party agent and recourse to those securities is only available in the event of default of the borrower (recipient of the consideration). The consideration paid, including accrued interest, is recognised separately in the statement of financial position as a receivable.

	2026		2025	
	Value of transferred assets not offset \$M	Value of associated liabilities \$M	Value of transferred assets not offset \$M	Value of associated liabilities \$M
New Zealand government securities subject to repurchase agreements	2,023	2,023	3,426	3,426
	2,023	2,023	3,426	3,426

	2026		2025	
	Value of transferred assets not recognised \$M	Value of associated assets \$M	Value of transferred assets not recognised \$M	Value of associated assets \$M
Overseas debt securities subject to reverse repurchase agreements	5	5	28	28
	5	5	28	28

7.4 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.

Assets supporting 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 \$81 million as at 30 June 2026 (2025: \$22 million).

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 \$77 million as at 30 June 2026 (2025: \$357 million).

7.5 Investments in associates and joint ventures

Overview

ACC has investments in associates and joint ventures. An associate is where ACC does not have control but has the ability to significantly influence the associate's decisions. A joint venture is where ACC partners with one or more other entities to carry out an activity, and each party has joint control.

Accounting policy

Investments in associates and joint ventures are measured at fair value through surplus or deficit in accordance with PBE IPSAS 41.

Associates are not individually material and are not material in aggregate. Other than the investments disclosed below, no additional disclosures are required.

Joint ventures are not individually material but are material in aggregate. However, as these investments are measured at fair value through surplus or deficit rather than accounted for using the equity method, the detailed disclosures on the nature, extent and financial effects of interests in joint ventures required by PBE IPSAS 38 *Disclosure of Interests in Other Entities* have not been provided.

ACC has investments totalling \$169 million in the Zealandia Limited Liability Partnerships (the LPs), which are New Zealand incorporated LPs established to invest in Public-Private Partnership infrastructure projects.

ACC has assessed the nature of its interests in the LPs and concluded that, while it has significant rights, it does not control the LPs. ACC has significant influence rather than control, as it does not have the ability to unilaterally direct the LPs' relevant activities. Accordingly, the LPs are classified as associates and the investments are measured at fair value through surplus or deficit. Further information on the judgements applied in making this assessment is in Note 2.5 Investments.

The LPs have a balance date of 31 March 2026 and the net assets of the LPs amounted to \$170 million at this date. ACC has also committed to provide up to \$298 million to the LPs (2025: \$298 million).

7.6 Structured entities

Overview

ACC has investments in structured entities. A structured entity is an entity set up for a specific purpose, with clear rules in place for how it operates.

Accounting policy

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. ACC does not control the structured entities. They are measured at fair value through surplus or deficit in accordance with PBE IPSAS 41.

ACC is principally involved with structured entities through its investments in private equity limited partnerships, collective investment vehicles, asset-backed securities and catastrophe bonds that are issued by structured entities. ACC invests in structured entities to assist with the implementation of its overall investment strategy.

The structured entities in which ACC has invested undertake the following business activities.

Private equity partnerships

Private equity limited partnerships provide a mechanism to share exposure with other investors. ACC makes commitments to, and investments in, these structures and in return is issued with rights to a proportional stake in their net assets. They have a broad range of investment objectives and are managed by unrelated asset managers who apply various investment strategies to achieve their respective investment objectives.

Collective investment vehicles

Collective investment vehicles finance their operations by way of subscription, in which case, ACC subscribes and is issued with redeemable units that entitle it to a proportional stake in the net assets of the investment.

Asset-backed securities

ACC invests in a variety of asset-backed securities, the majority of which have been senior tranches of debt issued by a structured entity. The debt is usually collateralised by an underlying pool of assets. The asset-backed securities take the form of mortgage-backed securities (collateralised by both commercial and residential mortgages), asset-backed securities (collateralised by consumer loans, small business loans and auto loans), collateralised debt obligations (CDO) and collateralised loan obligations (CLO).

Catastrophe bonds

ACC invests in catastrophe bonds which are issued by structured entities. Each bond is linked to an insurance event such as a natural disaster. The bonds transfer particular risks from the insurer to the bond holder.

The following table summarises the carrying values of ACC's investments in structured entities, as well as the maximum exposure to loss. The maximum exposure to loss is determined as follows:

- Investments represent their carrying values in the statement of financial position
- Uncalled capital represents amounts that ACC has committed to invest but has not yet been required to fund. The disclosed amounts represent the notional value of these commitments.

The maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements that ACC has entered into in order to mitigate its exposure to loss.

	2026			2025		
	Investments	Uncalled capital	Maximum exposure to loss	Investments	Uncalled capital	Maximum exposure to loss
	\$M	\$M	\$M	\$M	\$M	\$M
Private equity partnerships	208	158	366	154	193	347
Collective investment vehicles	495	182	677	415	210	625
Asset-backed securities	7,286	-	7,286	6,700	-	6,700
Catastrophe bonds	292	-	292	325	-	325
Total structured entities	8,281	340	8,621	7,594	403	7,997

The carrying values of ACC's investments in structured entities are included in the following investment classifications presented in Note 7 Investments. The related uncalled capital commitments are disclosed in Note 16 Commitments.

	2026			2025		
	Investments	Uncalled capital	Maximum exposure to loss	Investments	Uncalled capital	Maximum exposure to loss
	\$M	\$M	\$M	\$M	\$M	\$M
Other New Zealand debt securities	1,151	-	1,151	1,416	-	1,416
Overseas debt securities	6,427	-	6,427	5,609	-	5,609
New Zealand equities	472	328	800	377	388	765
Australian equities	208	12	220	178	15	193
Overseas equities	23	-	23	14	-	14
Total structured entities	8,281	340	8,621	7,594	403	7,997

8. Derivative financial instruments

Overview

Derivative financial instruments form part of the actively managed investment portfolio. ACC uses various derivative financial instruments, such as forward foreign exchange contracts, interest rate swaps and futures, to manage its exposure to movements in exchange rates, interest rates and equity market prices. Refer to Note 12 Financial risk management 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.

Accounting policy

Derivative financial instruments are classified as held for trading. They are initially recognised at fair value and subsequently recognised at fair value through surplus or deficit. Fair value for derivative financial instruments is determined as follows:

- 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 exchange 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
- 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
- options are valued using option pricing models that maximise observable market data and keep unobservable inputs to a minimum.

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.

For derivatives in an asset position, the derivatives are derecognised when the rights to the contractual cash flows expire or when substantially all the risks and rewards of ownership are transferred.

For derivatives in a liability position, the derivatives are derecognised when the obligation is discharged, cancelled, or expires.

	2026		2025	
	Fair value assets \$M	Fair value liabilities \$M	Fair value assets \$M	Fair value liabilities \$M
Credit default swaps	2	-	1	-
Cross-currency interest rate swaps	144	263	155	73
Forward foreign exchange contracts	130	263	280	246
Futures contracts	20	16	21	21
Interest rate swaps	350	111	344	167
Total derivative instruments	646	653	801	507
Current	151	278	294	261
Non-current	495	375	507	246
Total derivative instruments	646	653	801	507

At balance date, the notional amounts outstanding were:	2026 \$M	2025 \$M
Credit default swaps	76	31
Cross-currency interest rate swaps	16,930	13,113
Forward foreign exchange contracts	15,575	21,776
Futures contracts — long	1,710	1,742
Futures contracts — short	(2,230)	(1,474)
Interest rate swaps	19,541	18,536
Options ⁽ⁱ⁾	3	15

Note:

- (i) The fair value is less than one million dollars.

9. Cash and cash equivalents

Overview

Cash and cash equivalents are ACC's most liquid assets. Cash equivalents are assets that can be readily convertible into cash.

Accounting policy

Cash and cash equivalents are considered to be cash on hand, current accounts with banks and deposits held on call with banks, net of outstanding bank overdrafts. These make up the operational cash balances used to meet operational needs such as paying claims and costs. Cash and cash equivalents exclude items held for investment purposes within the investment reserves portfolio and not used for short-term cash needs.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	2026 \$M	2025 \$M
Cash at bank	15	4
Investment operational cash		
Overnight call deposits	19	24
Deposits at call	50	20
Total cash and cash equivalents	84	48

The effective interest rate at 30 June 2026 on overnight call deposits was 2.25% (2025: 3.25%) and on deposits at call was 2.25% (2025: 3.25%).

10. Receivables

Overview

Levy receivables are amounts owed to ACC by levy customers. Unsettled investment transactions receivables are investments sold or matured but the funds are yet to be received. Reverse repurchase agreements are an obligation to sell investments ACC has purchased at the agreed resell price.

Accounting policy

Receivables include debtors for levy, claimants, unsettled investment transactions, reverse repurchase agreements and taxes. Some of the receivables are contractual statutory arrangements and are non-exchange transactions. Generally non-levy receivables are from exchange transactions.

All receivables are initially recognised at fair value. Levy receivables are subsequently measured at fair value. Fair value is approximated by the undiscounted expected future cash flows. Due to the short-term nature of levy receivables, the effect of discounting is not material. Non-levy receivables are subsequently measured at amortised cost and tested for impairment.

An allowance for impairment is recognised when ACC does not expect to recover the amount owed and there is objective evidence that the receivable is impaired. Receivable impairment is assessed on a collective basis as receivables possess shared credit risk characteristics. For claimant debtors the allowance for impairment loss is based on historical credit loss experience. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include debtor financial hardship. Movements in the impairment allowance are recognised in the statement of comprehensive revenue and expense. Impairment losses can be reversed where there is evidence that the impaired value of the asset has increased.

Receivables are all current, expected to be recovered within 12 months of the balance date.

	2026 \$M	2025 \$M
Levy debtors	226	205
Motor Vehicle levy receivable ⁽ⁱ⁾	21	17
Earners' levy receivable	119	-
Total levy receivables	366	222
Claimant debtors	5	4
Dividends receivable	31	34
Interest receivable	-	3
Other tax receivables	10	16
Prepayments and sundry debtors	25	22
Reverse repurchase agreements	5	28
Unsettled investment transactions	194	394
Total non-levy receivables	270	501
Total receivables	636	723

Credit risk

The credit risk management practices are in the accounting policy within this note. The maximum exposure of receivables to credit risk is the carrying value. The non-levy receivables are short term, and their carrying value represents a reasonable approximation of their fair value.

Note:

- (i) Motor Vehicle levy receivable consists of:
 - › the amount collected by NZ Transport Agency Waka Kotahi 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.

11. Accrued levy revenue

Overview

Accrued levy revenue is a type of revenue that has been earned but not yet collected.

Accounting policy

Levies required to fund the Work Account are invoiced directly to employers, shareholder-employees and self-employed persons based on their respective liable earnings at the applicable levy rates.

Earners' levies of shareholder-employees and the self-employed are also invoiced directly. Earners' levies of employee-earners are collected within the PAYE system and are paid to ACC upon being collected by Inland Revenue.

Accrued levy revenue for the Work and Earners' Accounts is estimated using their respective expected liable earnings and average levy rates.

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 Work and Earners' Accounts and from 1 July to 30 June for the Motor Vehicle Account.

The accrued levy revenue at 30 June 2026 therefore includes revenue for the period 1 July 2026 to 31 March 2027 for the Work and Earners' Accounts as well as uninvoiced revenue for levy periods up to 30 June 2026.

Accrued levy revenue is all current, expected to be recovered within 12 months of the balance date.

	2026 \$M	2025 \$M
Motor Vehicle Account	64	64
Work Account	1,180	1,137
Earners' Account	2,809	2,634
Total accrued levy revenue	4,053	3,835

Sensitivity analysis

The accrued levy revenue for the levy year 1 April 2026 to 31 March 2027 is assessed using Inland Revenue's earnings data, and providing for an uplift on the liable earnings from the previous levy year 1 April 2025 to 31 March 2026, multiplied by the applicable levy rates. The following sensitivity analysis shows the impact on the net deficit if the uplift applied were to change by 6.00%, with all other variables held constant.

Account	Uplift applied range %	Movement %	Impact on net deficit \$M
Work	3.49 to 5.59	+6.00	69
		-6.00	(69)
Earners	3.34 to 5.59	+6.00	194
		-6.00	(194)

12. Financial risk management

Overview

ACC's primary financial instrument risks include market risk (comprising interest rate, foreign currency, and other price risks), as well as credit risk and liquidity risk.

The ACC Investment Guidelines (the Guidelines) set out the investment parameters, providing limits on the authorised investments, restrictions and exposure limits. The Guidelines are approved by the Board Investment Committee (BIC), on the recommendation of the Chief Investment Officer. It is the responsibility of the ACC Investment Risk & Performance to monitor compliance of the investment portfolio with the Guidelines and report non-compliance to the BIC.

12.1 Financial instrument classification

Financial instruments held by ACC are categorised as follows:

	Note	2026 \$M	2025 \$M
Financial assets designated at fair value through surplus or deficit			
Assets supporting collateral	7.4	81	22
Investments	7	55,656	53,913
Financial assets at fair value through surplus or deficit held for trading			
Derivative financial assets	8	646	801
Financial assets at amortised cost			
Cash and cash equivalents	9	84	48
Receivables	10	231	461
Financial liabilities designated at fair value through surplus or deficit			
Collateral received	7.4	77	357
Financial liabilities at fair value through surplus or deficit held for trading			
Derivative financial liabilities	8	653	507
Financial liabilities at amortised cost			
Payables		2,473	3,988

12.2 Financial risk management objectives

The objective of the investments is to meet the future costs of accidents that have already occurred. The investments reduce the risk that future levy payers will have to pay for past injuries.

Each of ACC's five Accounts allocates its investment funds to ACC's short-term operational cash portfolio and its own longer-term investment 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 costs. 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 investment 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 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
- maximum exposure limits to single entities.

Compliance with the investment guidelines is reviewed by ACC Investment Risk & Performance 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.

12.3 Market risk

(a) Interest rate risk

Overview

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose ACC to cash flow interest risk, whereas fixed interest rate instruments expose ACC to fair value interest rate risk.

Cash flow interest rate risk is the risk that future cash flows from interest-bearing assets or liabilities will fluctuate because of changes in market interest rates. It arises primarily from variable-rate instruments, such as floating-rate loans or deposits whose interest resets periodically. When interest rates move, the actual cash paid or received changes, which can affect liquidity, profitability, and the predictability of cash flows. This distinguishes it from fair value interest rate risk, which focuses on changes in the market value of fixed-rate instruments rather than the variability of future cash flows.

Fair value 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 OCL (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. Investment gains or losses exclude interest revenue.

The interest rate exposures of the investment portfolios and the operational cash portfolio are managed through:

- asset allocation between asset classes
- the selection of physical securities within the asset class sub-portfolios
- the use of interest rate swaps within portfolios
- the use of interest rate swaps as an 'asset allocation overlay'.

Cash flow interest rate risk is managed by the application of tactical asset allocation and approved interest rate, foreign exchange and futures overlays.

Other derivative financial instruments may also be used to manage the interest rate exposures of the investment portfolios and the operational cash portfolio.

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

At balance date, 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 net deficit would have moved as per the table below. Any change in the net deficit for the period would result in a corresponding movement in Account reserves/net liabilities.

Interest rate risk	2026 \$M	2025 \$M
Carrying value of investments subject to interest rate risk	35,272	32,535
Carrying value of derivatives subject to interest rate risk	128	62
Impact on net (deficit)		
+1.00% change in interest rate	(3,275)	(2,820)
-1.00% change in interest rate	3,416	3,036

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 6.3(d)(ii) Sensitivity to changes in key assumptions for this sensitivity analysis for investments and the OCL).

(b) Foreign exchange risk

Overview

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 BIC 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 return.

All foreign exchange contracts held by ACC have remaining terms of two years or less. While the cross-currency interest rate swaps have maturities out to twelve years, the floating interest rates on these swaps are reset every three months.

Sensitivity analysis

The following sensitivity analysis shows the impact on the net 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 deficit for the period would result in a corresponding movement in Account reserves/net liabilities.

\$M	2026							
	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Carrying value of investments subject to foreign exchange risk in NZD	8,719	6,162	890	541	367	489	263	968
Carrying value of derivatives subject to foreign exchange risk in NZD	(4,717)	(3,715)	(259)	(113)	(17)	(55)	(145)	(74)
Impact on net (deficit)								
10.00% increase	(364)	(222)	(57)	(39)	(32)	(39)	(11)	(81)
10.00% decrease	445	272	70	48	39	48	13	99

\$M	2025							
	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Carrying value of investments subject to foreign exchange risk in NZD	8,285	6,342	1,012	702	275	578	342	1,064
Carrying value of derivatives subject to foreign exchange risk in NZD	(3,837)	(2,437)	(110)	(58)	3	(48)	(38)	41
Impact on net (deficit)								
10.00% increase	(404)	(355)	(82)	(59)	(25)	(48)	(28)	(100)
10.00% decrease	494	434	100	72	31	59	34	123

(c) Other price risk

Overview

Other price risk is the risk that the fair value of an investment will fluctuate as a result of changes in market prices. 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 revenue reported in ACC's statement of comprehensive revenue and expense.

Sensitivity analysis

The table below details the sensitivity of the net deficit at reporting date to a change of 10% in the market values of listed and unlisted equity investments, with other variables held constant. Any change in the net deficit for the period would result in a corresponding movement in Account reserves/net liabilities.

\$M	2026					
	Overseas equities		New Zealand equities		Australian equities	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Carrying value of investments subject to other price risk in NZD	8,462	23	4,750	1,147	2,164	208
Impact on net (deficit)						
10.00% increase	846	2	475	115	216	21
10.00% decrease	(846)	(2)	(475)	(115)	(216)	(21)

\$M	2025					
	Overseas equities		New Zealand equities		Australian equities	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Carrying value of investments subject to other price risk in NZD	9,050	16	4,658	1,078	1,965	178
Impact on net (deficit)						
10.00% increase	905	2	466	108	196	18
10.00% decrease	(905)	(2)	(466)	(108)	(196)	(18)

12.4 Credit risk

Overview

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 financial assets.

For internally managed portfolios, the BIC 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 balance date 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 12.5 Liquidity risk.

As all financial assets, except for cash and cash equivalents and non-levy receivables, 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 statement of comprehensive revenue and expense, as part of gains or losses on investments.

Given the short-term nature of cash and cash equivalents, no expected credit loss has been recognised. Refer to Note 10 Receivables 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.

\$M	2026						Total
	AAA	AA	A	BBB	Below BBB	Not rated	
Cash and cash equivalents	-	34	50	-	-	-	84
Deposits at call	-	256	232	-	-	-	488
Assets supporting collateral	-	4	52	25	-	-	81
New Zealand government securities	26,939	-	-	-	-	-	26,939
Other New Zealand debt securities	1,583	365	279	986	74	920	4,207
Overseas debt securities	6,108	176	178	393	89	292	7,236
Forward foreign exchange contracts	-	68	26	-	36	-	130
Interest rate swaps and cross currency interest rate swaps	-	297	172	-	24	1	494
Other derivatives	-	-	-	-	-	22	22
Receivables	-	-	231	-	-	-	231
	34,630	1,200	1,220	1,404	223	1,235	39,912

ACC has an additional exposure of \$76 million (2025: \$31 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. ACC recognises 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	2025						Total
	AAA	AA	A	BBB	Below BBB	Not rated	
Cash and cash equivalents	-	48	-	-	-	-	48
Deposits at call	-	309	350	-	-	1	660
Assets supporting collateral	-	3	6	13	-	-	22
New Zealand government securities	25,262	-	-	-	-	-	25,262
Other New Zealand debt securities	1,961	173	80	934	-	788	3,936
Overseas debt securities	5,465	685	190	337	84	328	7,089
Forward foreign exchange contracts	-	173	36	-	71	-	280
Interest rate swaps and cross currency interest rate swaps	-	299	174	-	24	2	499
Other derivatives	-	-	-	-	-	22	22
Receivables	-	-	461	-	-	-	461
	32,688	1,690	1,297	1,284	179	1,141	38,279

12.5 Liquidity risk

Overview

Liquidity risk is the risk that ACC may not be able to raise cash when required and on acceptable terms.

ACC's objective is to hold sufficient liquid assets to meet operational cash requirements, including covering obligations and unforeseen costs. The key elements of this are as follows:

- holding a portfolio of highly liquid assets, diversified by maturity, that can be readily converted into cash to meet cash flows
- matching, to the maximum extent possible, the cash flows of the financial assets with the cash flows of insurance and investment obligations and other financial liabilities.

Regular review and forecasting of cash requirements is carried out to ensure sufficient cash and liquid assets are available to meet cash flows.

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 uncalled investment-related commitments and collateral received.

	2026			
	Less than 1 year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Greater than 5 years \$M
Payables	2,473	-	-	-
Uncalled investment-related commitments	117	86	136	36
Collateral received	77	-	-	-

	2025			
	Less than 1 year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Greater than 5 years \$M
Payables	3,988	-	-	-
Uncalled investment-related commitments	167	112	139	67
Collateral received	357	-	-	-

The table below summarises the cash inflows and outflows for all derivative instruments held by ACC. The amounts disclosed in the table are the contractual undiscounted cash inflows and outflows. The derivatives have been classified based on their settlement terms. The gross-settled derivatives are the forward foreign exchange contracts and cross-currency interest rate swaps. All other derivatives are classified as net settled derivative liabilities.

	2026			
	Less than 1 year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Greater than 5 years \$M
Net settled derivative liabilities — cash inflows	194	186	518	534
Gross-settled derivatives — cash inflows				
Forward foreign exchange contracts	15,440	2	-	-
Cross-currency interest rate swaps	112	86	71	12
Gross-settled derivatives — cash outflows				
Forward foreign exchange contracts	(15,573)	(2)	-	-
Cross-currency interest rate swaps	(42)	(32)	(7)	-

	2025			
	Less than 1 year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Greater than 5 years \$M
Net settled derivative liabilities — cash inflows	63	63	183	160
Gross-settled derivatives — cash inflows				
Forward foreign exchange contracts	21,700	-	-	-
Cross-currency interest rate swaps	119	114	131	28
Gross-settled derivatives — cash outflows				
Forward foreign exchange contracts	(21,666)	-	-	-
Cross-currency interest rate swaps	(35)	(35)	(38)	(38)

12.6 Fair value hierarchy

Overview

Financial instruments measured at fair value are categorised into a three-level hierarchy. The hierarchy presents the significance of observable inputs used in measuring the fair value. The higher the level, the more significant the unobservable inputs.

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.

	2026			
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Financial assets				
Derivative financial instruments				
Credit default swaps	-	2	-	2
Cross-currency interest rate swaps	-	144	-	144
Forward foreign exchange contracts	-	130	-	130
Futures	20	-	-	20
Interest rate swaps	-	350	-	350
	20	626	-	646
Investments				
New Zealand deposits at call	-	290	-	290
Overseas deposits at call	-	198	-	198
Assets supporting collateral	-	81	-	81
New Zealand government securities	-	26,939	-	26,939
New Zealand debt securities	-	3,893	314	4,207
Overseas debt securities	-	7,236	-	7,236
New Zealand equities	4,754	-	1,142	5,896
Australian equities	2,164	-	208	2,372
Overseas equities	8,462	-	23	8,485
Other investments	-	-	33	33
	15,380	38,637	1,720	55,737
Total financial assets	15,400	39,263	1,720	56,383
Financial liabilities				
Derivative financial instruments				
Cross-currency interest rate swaps	-	263	-	263
Forward foreign exchange contracts	-	263	-	263
Futures	16	-	-	16
Interest rate swaps	-	111	-	111
	16	637	-	653
Other Financial liabilities				
Collateral received	-	77	-	77
Total financial liabilities	16	714	-	730

	2025			
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Financial assets				
Derivative financial instruments				
Credit default swaps	-	1	-	1
Cross-currency interest rate swaps	-	155	-	155
Forward foreign exchange contracts	-	280	-	280
Futures	21	-	-	21
Interest rate swaps	-	344	-	344
	21	780	-	801
Investments				
New Zealand deposits at call	-	466	-	466
Overseas deposits at call	-	194	-	194
Assets supporting collateral	-	22	-	22
New Zealand government securities	-	25,262	-	25,262
New Zealand debt securities	-	3,632	304	3,936
Overseas debt securities	1	7,084	4	7,089
New Zealand equities	4,652	-	1,084	5,736
Australian equities	1,965	-	178	2,143
Overseas equities	9,050	-	16	9,066
Other investments	-	-	21	21
	15,668	36,660	1,607	53,935
Total financial assets	15,689	37,440	1,607	54,736
Financial liabilities				
Derivative financial instruments				
Cross-currency interest rate swaps	-	73	-	73
Forward foreign exchange contracts	-	246	-	246
Futures	21	-	-	21
Interest rate swaps	-	167	-	167
	21	486	-	507
Other Financial liabilities				
Collateral received	-	357	-	357
Total financial liabilities	21	843	-	864

Reconciliation of Level 3 fair value movements

	2026 \$M	2025 \$M
Opening balance	1,607	1,423
Total gains (losses) recognised in net deficit ⁽ⁱ⁾	(28)	131
Purchases	219	315
Sales	(78)	(143)
Transfers into Level 3	-	39
Transfers out of Level 3	-	(158)
Closing balance	1,720	1,607
Total gains (losses) stated on Level 3 instruments still held at balance date ⁽ⁱ⁾	(2)	128

Transfers between levels

During the year, there were no transfers out of Level 3 and into Level 2 (2025: transfers out of Level 3 and into Level 2 of \$119 million). There were no significant transfers between Levels 1 and 2.

Note:

- (i) This is included in the change in fair value of financial instruments designated at fair value through net deficit which forms part of investment revenue (refer to Note 4 Net investment revenue).

Level 3 sensitivity analysis

The sensitivity analysis table below shows the impact on the net 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.

						2026		2025	
						Impact on fair value movement		Impact on fair value movement	
	Valuation technique	Significant unobservable inputs	Movement	Input (Range) 2026	Input (Range) 2025	Increase \$M	Decrease \$M	Increase \$M	Decrease \$M
New Zealand fixed interest	DCF Method	Discount rate	+/-50bps	5.70% - 6.25%	5.20% - 6.17%	(9)	10	(7)	7
New Zealand equity	DCF Method	Discount rate	+/-50bps	7.00% - 10.35%	7.30% - 10.50%	(19)	20	(25)	29
		Refinancing margin	+/-20bps	0.80% - 1.15%	0.70% - 1.15%	(1)	1	(1)	1
		Inflation ⁽ⁱ⁾	+/-50bps	2.00%	2.00%	(2)	2	(2)	3
		Price	+/-10%	10.00%	10.00%	(137)	137	(128)	128
Other investments	DCF Method	Discount rate	+/-50bps	7.45% - 9.85%	6.15% - 9.55%	(3)	3	(3)	3
Investment property ⁽ⁱ⁾	DCF Method	Discount rate	+/-50bps	6.50% - 11.50%	7.50% - 11.50%	(8)	8	(12)	11
		Price	+/-10%	Not available	Not available	(55)	55	(55)	55

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.

Note:

- (i) Investment properties are not financial assets but are included in the sensitivity analysis with the other investment assets for completeness.

13. Property, plant and equipment, and intangible assets

Overview

Property, plant and equipment, and intangible assets are used by ACC to carry out its activities and are expected to last for more than one year. Intangible assets are assets with no physical substance and have a theoretical value to ACC. These are primarily software-related assets.

Accounting policy

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 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 and write-offs

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 service 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.

The carrying amounts of all intangible assets are reviewed on an ongoing basis. Any impairment in value is recognised immediately.

Software-as-a-Service arrangements

Software-as-a-Service (SaaS) arrangements are service contracts providing ACC with the right to access a cloud provider's application software over a contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating costs. Costs incurred for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems are recognised as intangible software assets.

Depreciation and amortisation

Depreciation and amortisation are 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:

Computer equipment	3 — 5 years
Intangible software assets	5 — 7 years
Leasehold improvements	Lower of remaining life of lease, or 10 years
Other property, plant and equipment	4 — 5 years

	Computer equipment \$M	Intangible software assets \$M	Leasehold improvements \$M	Other property, plant and equipment \$M	Total \$M
Cost					
As at 30 June 2024	107	663	52	37	859
Additions	5	-	6	3	14
Disposals	(1)	-	-	-	(1)
As at 30 June 2025	111	663	58	40	872
Additions	6	-	2	2	10
Disposals	(81)	(519)	-	(2)	(602)
As at 30 June 2026	36	144	60	40	280
Accumulated depreciation/ amortisation					
As at 30 June 2024	95	610	34	31	770
Depreciation/amortisation charge for the year	6	30	2	3	41
Depreciation on disposals	(1)	-	-	-	(1)
As at 30 June 2025	100	640	36	34	810
Depreciation/amortisation charge for the year	6	(8)	3	3	4
Depreciation on disposals	(81)	(491)	-	(2)	(574)
As at 30 June 2026	25	141	39	35	240
Net carrying value					
As at 30 June 2025	11	23	22	6	62
As at 30 June 2026	11	3	21	5	40

There are no impairment losses recognised in 2026 (2025: \$0.25 million).

14. Payables and accrued liabilities

Overview

Payables and accrued liabilities are amounts owed to suppliers and other creditors for items and/or services received but not paid at balance date. Unsettled investment transactions payables are investments purchased but the funds are yet to be paid. Repurchase agreements are an obligation to buy back investments ACC has sold at the agreed repurchase price.

Accounting policy

Payables and accrued liabilities are initially recognised at fair value and subsequently measured at amortised cost. Due to the short-term nature of payables and accrued liabilities, the effect of discounting is not material and the carrying values represent a reasonable approximation of fair value.

Payables and accrued liabilities are all current, expected to be settled within 12 months of the balance date.

	2026 \$M	2025 \$M
Payables under exchange transactions		
Claims expenditure	22	47
Repurchase agreements	2,023	3,426
Unsettled investment transactions	367	482
Sundry creditors	40	32
Other accrued expenditure	62	45
Total payables under exchange transactions	2,514	4,032
Payables under non-exchange transactions		
Goods and services tax	16	8
PAYE and earnings-related deductions	21	23
Working safer levy collected on behalf of Ministry of Business, Innovation and Employment	30	24
Total payables under non-exchange transactions	67	55
Total payables and accrued liabilities	2,581	4,087

15. Employee entitlements and provisions

Overview

Employee entitlements are the rights and benefits that ACC employees are entitled to as part of their employment. A provision is a liability of uncertain timing or amount.

Accounting policy

Employee entitlements

Employee benefits that are expected to be settled wholly within twelve months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, and annual leave earned to, but not yet taken at balance date.

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

ACC has a performance incentive scheme for Investment employees. The scheme has two components:

- achievement of individual performance criteria over the past financial year; and
- performance of ACC's investments relative to investment benchmarks.

Performance incentives are calculated and paid annually in arrears.

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.

	2026 \$M	2025 \$M
Employee entitlements		
Accrued pay, annual leave and performance incentives	61	56
Long service leave and Retirement leave	37	35
Total employee entitlements	98	91
Provisions		
Employer Reimbursement Agreement	18	14
Other provisions	15	8
Total provisions	33	22
Total employee entitlements and provisions	131	113
Current		
Employee entitlements	66	61
Provisions	29	20
Total current	95	81
Non-current		
Employee entitlements	32	30
Provisions	4	2
Total non-current	36	32
Total employee entitlements and provisions	131	113

16. Commitments

Overview

A commitment is a legal obligation with an external party for ACC to make payments in the future.

Capital commitments

Uncalled capital represents amounts that ACC has committed to invest but has not yet been required to fund. The total uncalled and contributed capital is presented in the table below.

	2026			2025		
	Uncalled capital \$M	Capital contributed \$M	Total \$M	Uncalled capital \$M	Capital contributed \$M	Total \$M
Investment — associates	135	163	298	189	109	298
Investment — joint ventures	24	1	25	4	137	141
Investment — private equities	216	895	1,111	292	709	1,001
Total	375	1,059	1,434	485	955	1,440

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 are subsequently reduced by an offset to rental costs and a corresponding reduction to the liability.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2026 \$M	2025 \$M
Within one year	27	26
After one year but not more than five years	74	53
More than five years	88	95
Total	189	174

ACC has property leases on its investment properties. These lease agreements have varying terms and renewal options.

The future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2026 \$M	2025 \$M
Within one year	28	20
After one year but not more than five years	110	64
More than five years	206	58
Total	344	142

17. Contingent liabilities

Overview

A contingent liability is a potential liability to ACC that is dependent on a future event occurring or not occurring.

Accounting policy

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.

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.

At balance date, ACC was not a party to any material litigation or proceedings (2025: one).

18. Related parties

Overview

A related party transaction is a transfer of money or resource between ACC and a person or other entity that is closely associated with ACC. The association is either through the ability to control or exercise significant influence on ACC.

18.1 Investment in subsidiary

ACC owns 100% (2025: 100%) of Shamrock Superannuation Limited, which acts as the corporate trustee for the mysuper 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 (2025: \$100).

18.2 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, unless the transactions are material by nature.

18.3 Key management personnel

The compensation for key management personnel is set out below:

	2026	2025
ACC Board members		
Remuneration (\$000)	602	477
Number of members	6.9	8.0
Executive team		
Remuneration (\$000)	4,427	4,644
Defined contribution plans (\$000)	397	416
Termination benefits (\$000)	-	-
Full-time equivalent members	9.1	9.4
Total key management personnel remuneration (\$000)	5,426	5,537

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2025: \$nil).

ACC did not provide any compensation to close family members of key management personnel during the year (2025: \$nil). ACC did not provide any loans to key management personnel or their close family members.

The Executive team is led by the Chief Executive and has collective responsibility for the leadership and performance of ACC.

18.4 Investment in joint venture

ACC has a 50% interest in a limited liability partnership (LLP) joint venture. The LLP owns the Ōtepoti Dunedin building, which is leased to ACC on normal terms and conditions.

19. Events after balance sheet date

There were no other significant events after balance date that require separate disclosure.

20. Explanation of significant variances against budget

Overview

This section provides reasons for major variances between the current year actual and budgeted results.

The budget figures are those in ACC's Service Agreement 2025/26, which was prepared based on the preliminary claims valuation as at 31 December 2024, using economic assumptions at 28 February 2025.

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 budget figures approved by the Board are as follows:

20.1 Statement of comprehensive revenue and expense

Levy revenue

Levy revenue is under budget by 4.5% and is mainly the result of decreased revenue in the Work and Earners' Accounts. Both are due to lower liable earnings reflecting reduced workforce participation/employment and reduced growth in salaries and wages.

Investment revenue

Investment revenue can be highly variable as it is dependent on movements in equity, bond and foreign exchange markets. ACC's budget for investment revenue is based on projected year-by-year returns information (such as prevailing interest rates) available at the forecast date.

Investment revenue is higher than budget, driven by strong returns from fixed interest and global equity portfolios.

Revenue from global equities has benefited from resilient corporate earnings and interest in artificial intelligence-related themes, while declining nominal and real bond yields contributed to strong returns from New Zealand fixed income.

Claims paid

Claims costs are \$582m (6.6%) under budget, particularly in areas targeted by initiatives aimed at improving the performance of the Scheme.

Compensation costs are \$265m under budget, with savings from rehabilitation performance partly offset by higher wage inflation and increased backdated payments for clients with sensitive claims now eligible for loss of potential earnings entitlements following the Court of Appeal ruling in December 2023.

Treatment costs are \$180m under budget with lower surgery costs and lower primary care and allied health costs.

Rehabilitation costs are \$148m under budget, with lower costs within non-acute rehabilitation, equipment and training for independence services reflecting initiatives focused on management of social rehabilitation costs.

Outstanding claims liability

The budgeted change in OCL was based on the OCL valuation as at 31 December 2024, using economic assumptions at 28 February 2025. The budget estimated the OCL increase to be \$2.89 billion between June 2025 and June 2026.

The actual OCL increase was \$4.86 billion (\$1.97 billion above budget) based on the June 2026 OCL valuation using economic factors at 30 June 2026. The difference is made up of the following items:

- The expected OCL increase from the June 2025 OCL valuation (with June 2025 economic and claim assumptions) was \$2.57 billion (\$0.32 billion less than the \$2.89 billion budget from February 2025).
- The increase in OCL from economic changes from 30 June 2025 to 30 June 2026 was \$3.17 billion above budget, due to the following:
 - › A decrease in the single effective discount rate of 17 basis points. This increased the OCL by \$2.81 billion
 - › Increases in future inflation over the short term further increased the OCL by \$0.36 billion.

Changes due to claims experience and modelling resulted in a \$0.88 billion decrease in OCL (\$0.88 billion below budget). This comprises an influenceable OCL decrease of \$3.28 billion and a non-influenceable increase of \$2.40 billion.

Key drivers of the influenceable OCL decrease of \$3.28 billion include the following:

- › Improvements in rehabilitation rates over the financial year which meant lower-than-expected active claim numbers for non-sensitive, non-serious weekly compensation. Non-sensitive, non-serious weekly compensation claims have been a key focus of initiatives aimed at improving the performance of the Scheme
- › Lower-than-expected payments across most serious injury payment areas
- › A lower-than-expected price increase from 1 July 2026 for elective surgery, and lower-than-expected claims numbers as a result of fewer surgeries being performed in the last six months of the financial year
- › Partially offset by a higher number of clients accessing sensitive claims counselling and other services for older accidents and an increase in average payments for counselling services.

Key drivers of the non-influenceable OCL increase of \$2.40 billion include:

- › A significant increase in the financial year in the number of new Loss of Potential Earnings (LOPE) claims and the associated backdated payments. These changes primarily relate to the Court of Appeal ruling in December 2023 (refer to Note 2.3 Sensitive Claims)
- › An increase in the IBNR liability relating to changes in the underlying assumptions within the wider sensitive claims payment types described above.

There remains considerable uncertainty regarding the future number of sensitive clients receiving LOPE payments and the speed at which claims continue to emerge following the Court of Appeal ruling in December 2023. Key assumptions required considerable actuarial judgement, particularly regarding the future number of clients receiving LOPE weekly compensation, how long recent growth in claim numbers will continue, and the long-term level of claims once current processing activity stabilises. Lower than expected growth in future new claims volumes will result in a reduction in the OCL. Conversely, if the growth in new claims volumes is higher than expected or the growth continues for longer than expected, it will result in an increase in the OCL.

Unexpired risk liability

The actual unexpired risk liability (URL) movement is \$642 million under budget. The URL is the shortfall, if any, by Account between the levy revenue that ACC will earn for a future period where the rate of levy revenue has been fixed and the actuarially calculated costs of claims arising over the same future period. This is largely driven by rehabilitation performance items that impact the OCL, which in turn impacts the URL.

20.2 Statement of financial position

Accrued levy revenue

The accrued levy revenue is lower than budget due to the decrease in levy revenue in the Work and Earners' Accounts as identified in the "Levy revenue" commentary above.

Net Investments

Investment balances are higher than budget reflecting the investment gains achieved during the year.

Payables and accrued liabilities

The payables and accrued liabilities balance is lower than budgeted. The major movement in payables and accrued liabilities relates to unsettled investment transactions such as the purchase of equities, bonds and bond repurchases.

Unexpired risk liability

The URL is the shortfall between the expected future levy revenue and future costs. The actual URL is lower than budgeted. This is largely driven by rehabilitation performance, particularly for weekly compensation compared to the June 2025 OCL valuation. This impacts the new year cost of claims and, therefore, the URL.

Outstanding claims liability

The actual OCL, based on the June 2026 actuarial valuation of claims liability using economic factors at 30 June 2026 (\$68.41 billion), is higher than the budgeted OCL which is based on the preliminary claims valuation as at 31 December 2024, using economic assumptions as at 28 February 2025 (\$66.35 billion).

This increase in the OCL is driven by both:

- Changes between February 2025 and June 2026: significant OCL strain due to increased LOPE payments for sensitive claims and increases in average payments for counselling and other services for sensitive claims. Inflation and discount related changes also further increased the OCL. This was partially offset by a significant OCL release for non-sensitive, non-serious weekly compensation, serious injury payment areas and elective surgery.
- Changes between June 2025 and June 2026, as identified in the "Outstanding claims liability" commentary in Note 20.1 Statement of comprehensive revenue and expense above.

20.3 Statement of cash flows

Net cash outflows from operating activities was lower than budget due to lower than anticipated claims costs.

Net cash inflows from investing activities was lower than budget due to current market conditions and active management of the investment fund.

Remuneration of employees

The number of employees whose remuneration exceeds \$100,000 is detailed within the specified bands in the table below.

\$000	2026	2025
\$100 — \$110	353	356
\$110 — \$120	412	366
\$120 — \$130	244	177
\$130 — \$140	253	242
\$140 — \$150	162	133
\$150 — \$160	146	131
\$160 — \$170	107	78
\$170 — \$180	77	90
\$180 — \$190	70	55
\$190 — \$200	47	44
\$200 — \$210	35	21
\$210 — \$220	40	36
\$220 — \$230	26	21
\$230 — \$240	10	8
\$240 — \$250	13	16
\$250 — \$260	8	8
\$260 — \$270	6	6
\$270 — \$280	5	6
\$280 — \$290	7	8
\$290 — \$300	4	4
\$300 — \$310	4	3
\$310 — \$320	2	4
\$320 — \$330	4	4
\$330 — \$340	3	2
\$340 — \$350	2	2
\$350 — \$360	2	4
\$360 — \$370	3	1
\$370 — \$380	1	-
\$380 — \$390	-	3
\$390 — \$400	3	1
\$400 — \$410	2	2
\$410 — \$420	3	-
\$420 — \$430	-	1
\$440 — \$450	1	1
\$450 — \$460	1	3
\$460 — \$470	2	1
\$470 — \$480	-	2
\$480 — \$490	2	2

\$000	2026	2025
\$490 — \$500	1	-
\$500 — \$510	2	4
\$510 — \$520	1	-
\$520 — \$530	1	-
\$540 — \$550	1	-
\$560 — \$570	-	1
\$570 — \$580	2	-
\$600 — \$610	-	2
\$610 — \$620	1	1
\$620 — \$630	-	1
\$630 — \$640	-	1
\$640 — \$650	2	-
\$650 — \$660	-	1
\$680 — \$690	2	1
\$690 — \$700	-	1
\$700 — \$710	2	-
\$710 — \$720	1	-
\$720 — \$730	1	1
\$760 — \$770	1	2
\$830 — \$840	1	-
\$840 — \$850	1	1
\$860 — \$870	-	1
\$900 — \$910	-	1
\$1,010 — \$1,020	-	1
\$1,020 — \$1,030	1	-
\$1,030 — \$1,040	1	-
\$1,100 — \$1,110	1	-
	2,083	1,862

28 staff received redundancy payments and/or settlement payments in 2026, totalling \$768,498 (2025: 142 staff totalling \$5,009,835), which is not included in the above table.

The above table reflects all employee remuneration paid during the financial year. This includes performance incentive payments made to employees in ACC's specialist Investment area. Such payments only occur after certain specified performance metrics have been achieved. No other ACC employees receive incentive or bonus payments of any nature.

Independent Auditor's report



Independent Auditor's Report

To the readers of Accident Compensation Corporation's consolidated financial statements and performance information for the year ended 30 June 2026

The Auditor-General is the auditor of Accident Compensation Corporation (the Group). The Auditor-General has appointed me, Simon O'Connor, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements and performance information on his behalf.

Opinion

We have audited:

- the consolidated financial statements of the Group that comprise the consolidated statement of financial position as at 30 June 2026, the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in equity, and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information on pages 63 to 135; and
- the performance information that consists of the statement of performance of the Group for the year ended 30 June 2026 on pages 44 to 57 and the end-of-year performance information for the appropriations for the year ended 30 June 2026 on page 61.

In our opinion:

- The consolidated financial statements of the Group present fairly, in all material respects, its financial position as at 30 June 2026, and its financial performance and cash flows for the year then ended, in accordance with Public Benefit Entity Standards.
- The performance information of the Group is appropriate and meaningful and prepared in accordance with the Group's measurement bases or evaluation methods and Public Benefit Entity Reporting Standards, and presents fairly, in all material respects:
 - the Group's service performance and actual revenue and expenses for each reportable class of outputs for the year ended 30 June 2026 compared to the forecast standards and budgets included in the statement of performance expectations for the year, and
 - what has been achieved with each appropriation, and the actual expenses or capital expenditure incurred in relation to the appropriation for the year ended 30 June 2026.

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, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): *The Audit of Service Performance Information* 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 audit opinion.

Responsibilities of the Board for the consolidated financial statements and the performance information

The Board is responsible on behalf of the Group for preparing consolidated financial statements and performance information that are fairly presented and comply with Public Benefit Entity Reporting Standards. This includes:

- the selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods to enable the presentation of service performance information that is appropriate and meaningful; and
- the preparation of a statement of performance, in accordance with the Group's measurement bases or evaluation methods, that provides an appropriate and meaningful basis to enable readers to assess what has been achieved for the year.

The Board is also responsible for the preparation of end-of-year performance information for an appropriation that is prepared in accordance with the Group's measurement bases or evaluation methods and complies with Public Benefit Entity Reporting Standards and legislative requirements.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare consolidated financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and 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 the Board intends to liquidate the Group or cease operations, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Accident Compensation Act 2001.

Responsibilities of the auditor for the audit of the consolidated financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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.

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 the consolidated financial statements and performance information.

For the budget information reported in the consolidated financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the consolidated 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 consolidated financial statements and 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 obtain an understanding of the process applied by the Group to select its elements/aspects of service performance, performance measures and/or descriptions and the measurement bases or evaluation methods.
- We evaluate whether:
 - the selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods present an appropriate and meaningful assessment of the entity's service performance; and

- the performance information is prepared in accordance with the Group's measurement bases or evaluation methods, and presents fairly, in all material respects in accordance with Public Benefit Entity Reporting Standards, for each class of reportable outputs;
- the actual performance of the Group as compared with the forecast standards of performance included in the Group's statement of performance expectations for the financial year; and
- the actual revenue earned and output expenses incurred as compared to the expected revenues and the proposed output expenses included in the Group's statement of performance expectations for the financial year.
- 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 information we audited 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 consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements and performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information and performance information of the entities or business units within the group as a basis for forming an opinion on the group financial statements and the group performance information. We are responsible for the direction, supervision and review the audit work performed for the purposes 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 all of the information included in the annual report, but does not include the consolidated financial statements, the performance information consisting of the statement of performance and the end-of-year performance information for appropriations, and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated 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 consolidated 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.

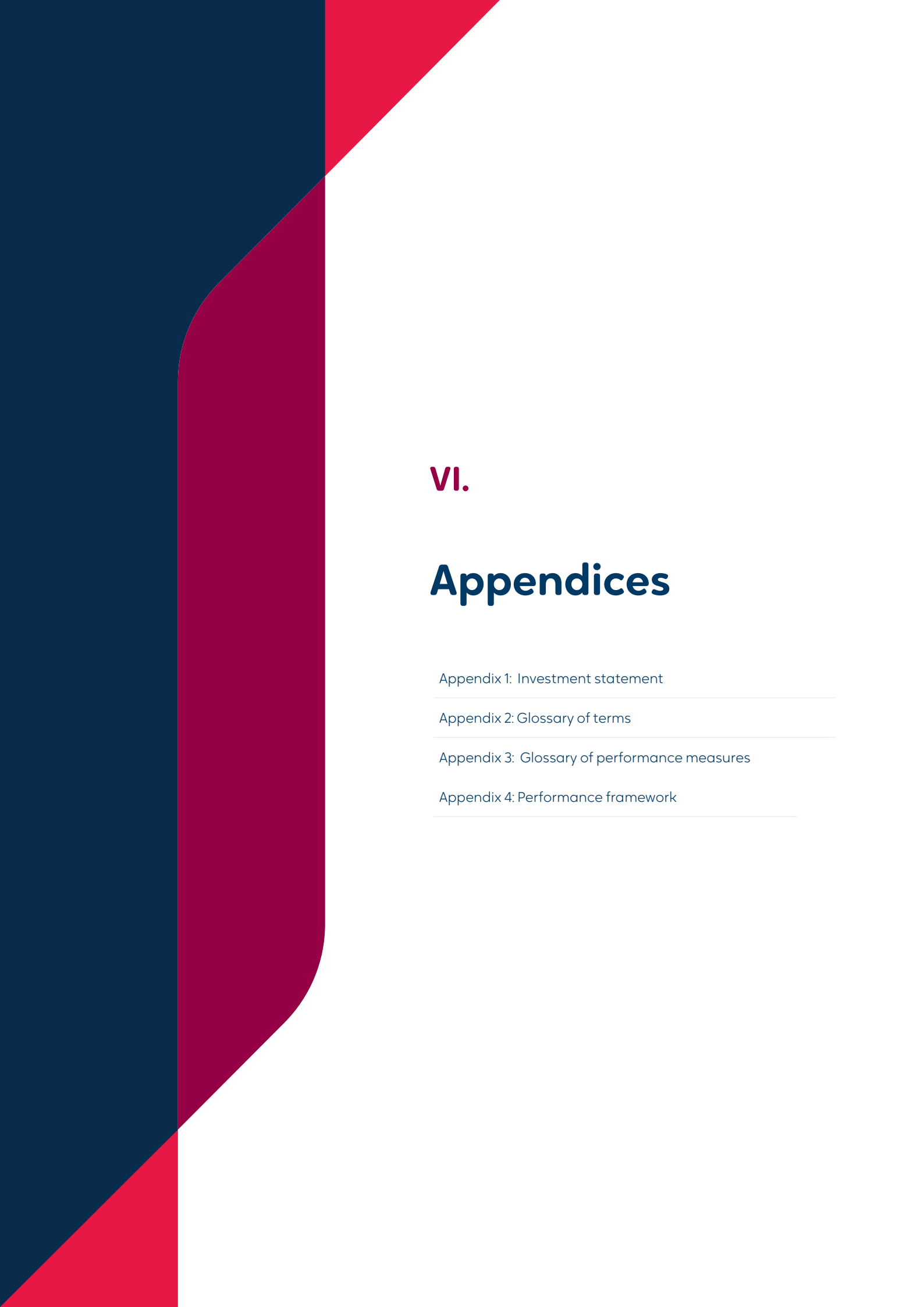
Independence

We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an assurance engagement in the area of Greenhouse Gas Emissions, which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with, or interests in, the Group.



Simon O'Connor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand
21 September 2026



VI.

Appendices

Appendix 1: Investment statement

Appendix 2: Glossary of terms

Appendix 3: Glossary of performance measures

Appendix 4: Performance framework

Appendix 1: Investment statement

About the Fund

ACC's Investment Fund supports intergenerational equity by helping meet the future costs of injuries that have already occurred. While annual levies are intended to cover the lifetime cost of claims arising each year, investment returns help reduce the risk that future levy payers will need to meet any funding shortfalls.

Because ACC's liabilities are long-dated and suitable matching assets are limited, the Fund cannot fully offset movements in liability values. The investment strategy therefore seeks to partially offset liability movements while generating strong long-term risk-adjusted returns.

Governance and oversight

Setting investment risk tolerance

A key responsibility of the ACC Board is setting the Fund's risk tolerance. As higher expected returns require taking risk, this decision has a significant influence on long-term investment outcomes.

The primary consideration is the level of equity market exposure. While equities are expected to deliver higher returns than bonds over time, they also produce greater volatility. The Board seeks to balance the interests of current levy payers with those of future generations who could otherwise bear the cost of investment underperformance.

As a long-term investor with stable cash flows and statutory backing, ACC is well positioned to take measured investment risk to support better long-term outcomes and help moderate levy increases over time.

The most recent Risk Tolerance Review was completed in 2024. Reviews are typically undertaken every five to ten years to support a disciplined long-term investment approach. ACC's Risk Tolerance Statement is available on its [website](#).²¹

Board Investment Committee role

The ACC Board Investment Committee (BIC) plays a key role overseeing investment strategy, policies and guidelines, as well as monitoring Fund performance and management. The BIC includes ACC Board members and external investment experts.

The BIC operates within the authority and risk appetite set by the ACC Board and reports to the Board regularly. The following decisions are reserved for BIC and are not delegated to management:

- Approval of asset allocation benchmarks and the default allocation for each of ACC's accounts
- Approval of policy documents
- Approval of changes to our investment guidelines
- Approval of the investment risk management policy
- Appointment and termination of external fund managers or custodians
- Approval of any investments that fall outside the investment guidelines.

Day-to-day investment decisions are delegated to ACC's in-house investment team and appointed external fund managers. The BIC oversees these decisions to ensure they remain consistent with ACC's investment objectives.

²¹ www.acc.co.nz/about-us/our-investments/investment-risk-tolerance-statement

How ACC's Investments fit into the Scheme

Funding

ACC receives funding for each of the Scheme's five accounts through levies and/or Crown appropriations. Levies are separated by account, and each has its own investment allocation, tailored to reflect the timing and nature of expected claim costs.

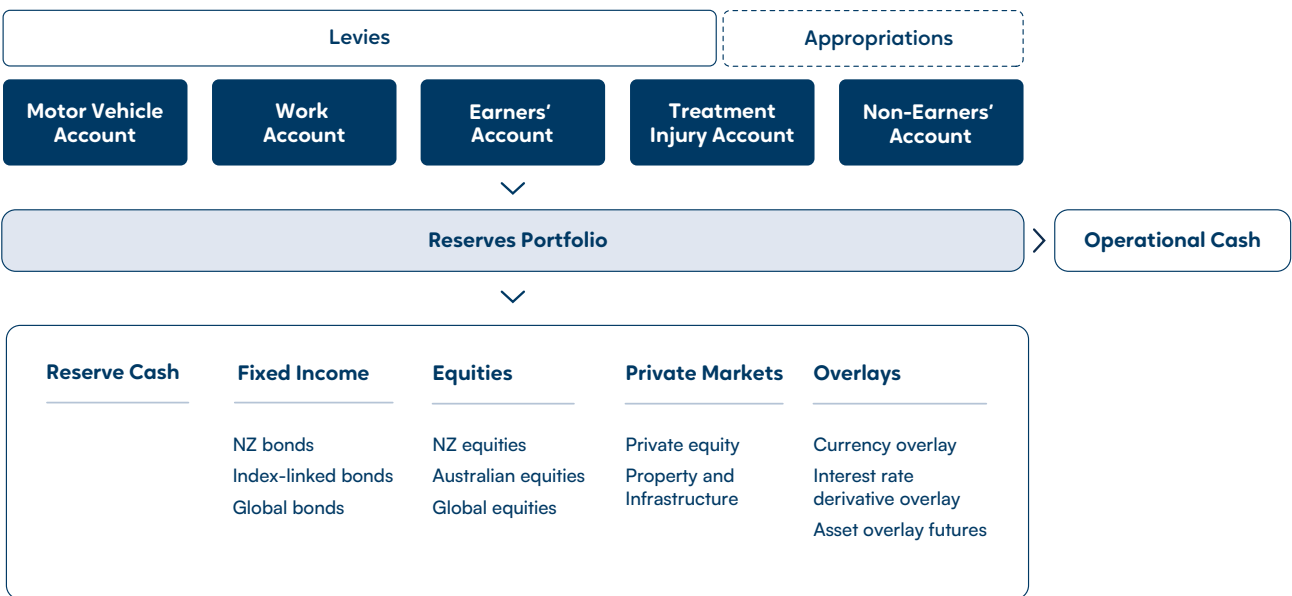
Asset allocation by account

Each account invests in ACC's short-term operational cash portfolio, used to meet near-term expenditure, and in a longer-term Reserves Portfolio, set aside to meet the future costs of existing claims.

Asset allocations determine the proportions of each account invested in different asset classes and is the main driver of overall risk and return. In general, accounts with lower funding ratios hold a higher proportion of equities. This is because equity volatility is less material than liability volatility for these accounts.

Each account invests through a shared pool of portfolios that together make up the overall Investment Fund (called the Reserves Portfolio). These portfolios provide exposure to different domestic and global markets. ACC seeks to add value through both how we allocate funds between different investment assets and active management within each of these asset classes.

Figure 16: High-level overview of the Fund's structure.



How ACC invests

Investment beliefs

ACC's investment beliefs are about how we view investment markets, support our purpose and how we operate.

The investment beliefs also ensure continuity of decision-making over time and contribute to the Fund's long-term performance. They are published on ACC's website²² as part of our commitment to transparency and accountability.

Strategic Asset Allocation

Strategic Asset Allocation (SAA) is ACC's highest-level investment strategy decision. It sets the asset class allocation for each of the five accounts and defines the market benchmarks used to assess the risk and return characteristics of each asset class.

How we allocate across asset classes

ACC seeks to offset components of its liabilities that can be matched with comparable investment assets. A key component that can be hedged (or offset) is the discount-rate effect, which is best matched by assets that move broadly in line with interest rates. This is why we prefer inflation-linked bonds, followed by nominal government bonds.

A mismatch remains because ACC's liabilities are considerably longer term than the duration available in the bond market. Other parts of the liability, such as injury volumes and claim costs, cannot be hedged through investments. Equities can generate higher returns than bonds over time, but they can also increase funding-ratio volatility.

ACC's largest holdings are in government bonds. These long-term investments provide relatively secure cashflows and are the closest available match for ACC's long-term liabilities.

Investing in New Zealand²³

Around 70% of the Reserve Portfolio's assets are invested in New Zealand, because domestic assets provide a better match to ACC's claims liabilities than global markets.

ACC holds a significant share of New Zealand sovereign investment-grade bonds, including over 60% of the inflation-indexed bonds issued by the government.

ACC is also one of the largest investors in New Zealand companies, holding about 2.63% of the New Zealand share market's market capitalisation. This increases to approximately 3.18% when strategic shareholding blocks, such as Crown holdings in electricity generators and retailers, are excluded.

Most of our individual listed company holdings are too small to significantly impact total investment returns. We hold six equity investments that individually represent more than 0.5% of the Reserves Portfolio (that is, greater than \$267 million).

Active management

The investment team actively manages almost all of ACC's New Zealand and Australian investments. We believe active management can enhance returns when undertaken within disciplined risk limits.

External fund managers manage most of ACC's global assets, adding specialist expertise and allowing the in-house team to focus on markets and activities that best align with our strengths and location.

²² www.acc.co.nz/about-us/our-investments/investment-beliefs

²³ Percentages based on asset composition at 30 June 2026

Overlay portfolios

ACC uses overlay strategies to seek outperformance, manage market exposures and hedge specific investment risk. These strategies use instruments such as New Zealand interest rate derivatives, global equity futures, foreign exchange forwards and global bond futures.

ACC aims to use derivatives only when there are no equally effective alternatives or when alternatives would be materially more expensive.

Delivering returns while managing risk

ACC manages investment risk in the context of its overall financial position. The key long-term risk is that investment assets do not sufficiently match the claims liability. ACC also seeks to avoid large swings in levy rates that could otherwise be needed to restore funding ratios after adverse market movements.

For this reason, ACC considers both investment risks and risks that could affect the value of claims liabilities. Economic and financial influences that could affect ACC's net assets include:

- Declines in real long-term interest rates
- Inflation
- Falling equity markets
- Poor investment returns.

Investing ethically

ACC aims to invest in a way that protects New Zealand's reputation as a responsible member of the international community.

ACC is legally required to invest as a trustee, which means seeking an appropriate balance between return and risk. At the same time, we consider the ethical implications of all our investment decisions.

We seek to avoid investments that most New Zealanders would consider unethical. Because ethical viewpoints can vary widely from person to person, ACC uses New Zealand law as the main guide to the principles widely held by Kiwis.

As a Crown Financial Institution, ACC works closely with the Guardians of New Zealand Superannuation and the Government Superannuation Fund Authority on ethical investment matters and is a signatory to the Principles for Responsible Investment.

ACC's ethical investment policy is available on the [website](#).²⁴

Climate change and carbon reduction

ACC recognises the importance of climate change and is committed to responsible action. We report annually on our progress in supporting the transition to a net zero emissions economy by 2050, in line with government policy and the Paris Agreement.

We are on track to achieve our 2030 interim target of a 65% reduction from the June 2019 baseline, consistent with the Climate Change Response (Zero Carbon) Amendment Act 2019.

More information about our climate change commitment can be found in the ACC Climate Report.²⁵

²⁴ www.acc.co.nz/about-us/our-investments/our-ethical-investment-policy

²⁵ www.acc.co.nz/about-us/corporate-documents

Investment performance – short term

	2025/26 financial year			Average last 3 years	
	\$M	Portfolio	Benchmark	Portfolio	Benchmark
Cash Portfolio	741	3.18%	2.82%	4.79%	4.43%
Reserves Portfolios by Asset Class:					
Reserves Cash	1,157	3.07%	2.73%	4.71%	4.36%
New Zealand Inflation Linked Bonds	15,765	8.93%	8.54%	6.17%	6.13%
New Zealand Bonds	16,939	6.60%	5.20%	7.26%	5.87%
New Zealand Equity	3,771	6.50%	7.73%	3.24%	3.99%
Listed Infrastructure & Property	2,075	12.19%	12.20%	5.72%	5.59%
Private Markets*	2,905	9.99%	10.91%	8.63%	7.85%
Australian Equity	1,269	23.03%	20.75%	11.18%	13.34%
Global Bonds	1,091	13.24%	9.63%	10.87%	8.20%
Global Equity	8,517	31.03%	31.60%	22.09%	23.25%
Interest Rate Derivative Overlay ²⁶	124	0.30%	0.33%	0.20%	0.22%
Equity Future Overlay ^{26, 27}	55	-0.06%	0.00%	0.06%	0.00%
Bond Future Overlay ^{26, 27}	15	0.00%	0.00%	0.01%	0.00%
Foreign Currency Overlay ²⁸	-175	-1.57%	-1.35%	-0.65%	-0.64%
Total Reserves	53,510	10.45%	10.07%	9.10%	8.81%
By Funding Account:					
Earners'	12,903	11.22%	10.85%	9.75%	9.50%
Motor Vehicle	16,075	9.21%	8.73%	7.95%	7.58%
Work	11,882	9.96%	9.35%	9.11%	8.62%
Non-Earners'	5,848	13.47%	13.56%	11.09%	11.20%
Treatment Injury	6,803	10.19%	10.02%	8.70%	8.57%
Total Reserves	53,510	10.45%	10.07%	9.10%	8.81%

Please note: For this table, traded investments and performance are valued at the 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 related to the management of specific property investments. However, returns are shown prior to investment management costs of \$96.7 million (including fees paid to external fund managers and the remuneration of ACC's investment staff), which detracted 0.18% from investment returns in 2025/26. 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 0.024%. Actual percentages of total subject to rounding.

²⁶ 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.

²⁷ Benchmark returns are not shown, as there is no benchmark allocation for this asset class.

²⁸ 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.

A summary of each of ACC's key investment areas is presented below:

ACC's key investment areas

New Zealand fixed income	New Zealand government bond yields declined modestly during 2025/26, supporting positive fixed income returns. Active management of ACC's nominal bond portfolio added significant value, with positive contributions from credit positioning, interest rate management and an overweight allocation to government bonds.
New Zealand, Australia equities	New Zealand and Australian equities delivered high single-digit returns in 2025/26, though they underperformed most global markets. Performance across ACC's internally managed portfolios was mixed, with strong results from Australian equities and listed infrastructure. Over the past five years, four of six internal portfolios outperformed their benchmarks, increasing to five portfolios over ten years.
Global markets	Global equity markets delivered strong returns, with ACC's global equity benchmark returning 31.6% (unhedged, NZD). ACC's active global equity portfolio performed slightly below benchmark. Relative returns benefited from sector positioning and stock selection, particularly in industrials, materials and information technology, while an overweight exposure to communication services detracted. Value-oriented managers generally outperformed growth-oriented strategies.
Private markets	ACC's private market portfolio spans property, infrastructure, private equity and debt across Australasia. Key 2025/26 activity included the \$650 million sale of PartsTrader, in which we held an active stake, and ACC's founding investment in Zealandia, a manager focused on public-private partnership infrastructure investments.
Asset allocations	Asset allocation reduced total returns by 0.08% in 2025/26. Tactical positioning contributed positively, but this was more than offset by the impact of portfolio weightings diverging from targets due to rebalancing constraints in illiquid markets. Manager benchmark deviations were broadly neutral overall.

Investment performance – long term

9.27%

return since 1992

\$2,041

growth of \$100 since 1992

ACC has outperformed its benchmark for 32 of the past 34 years. This consistent outperformance is largely due to our longstanding and experienced team and has helped the Reserves Portfolio deliver compound returns of more than 9% per annum for the past 34 years.

Figure 17: ACC financial year returns against benchmark

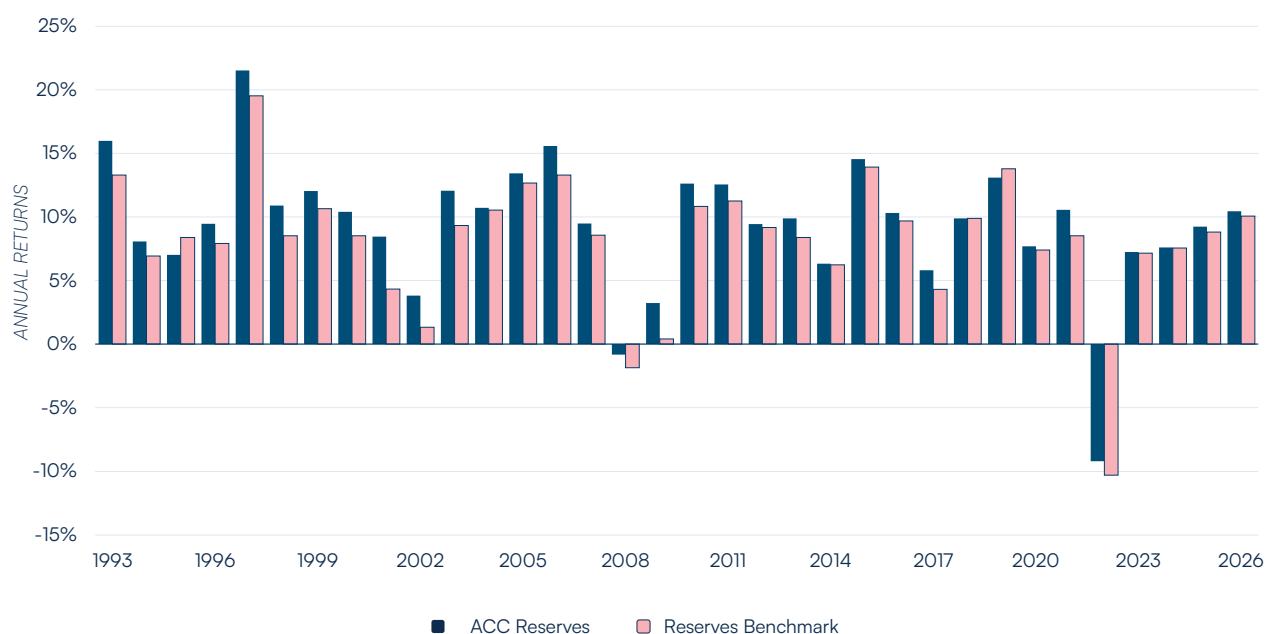


Figure 18: ACC value-added from outperformance

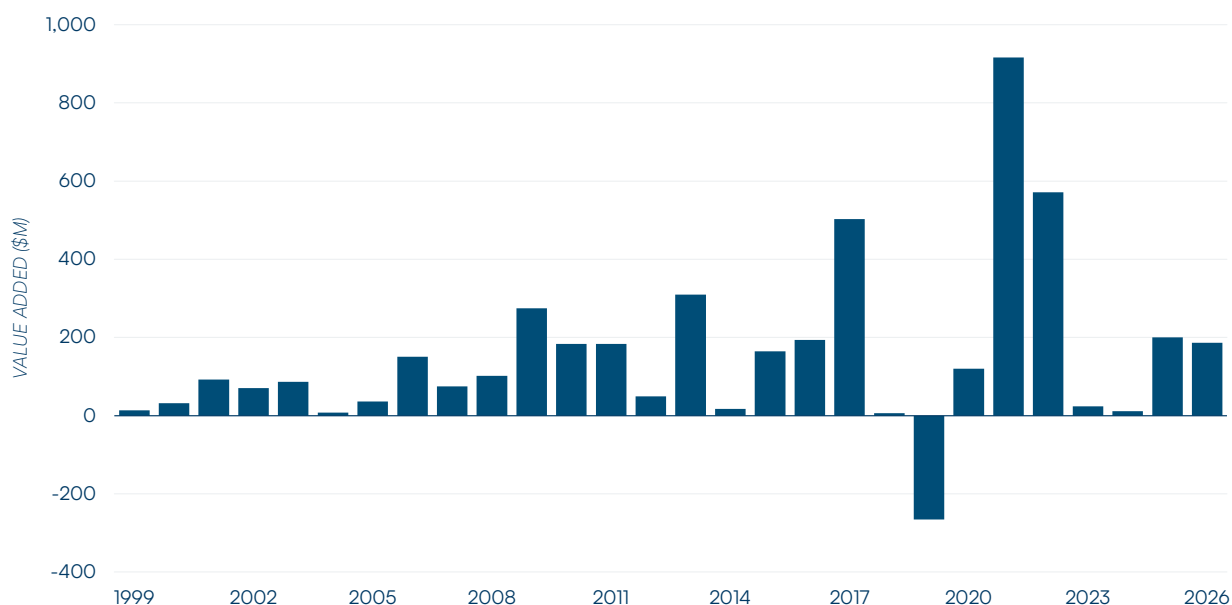


Figure 19: ACC 34-year Reserves Portfolio returns

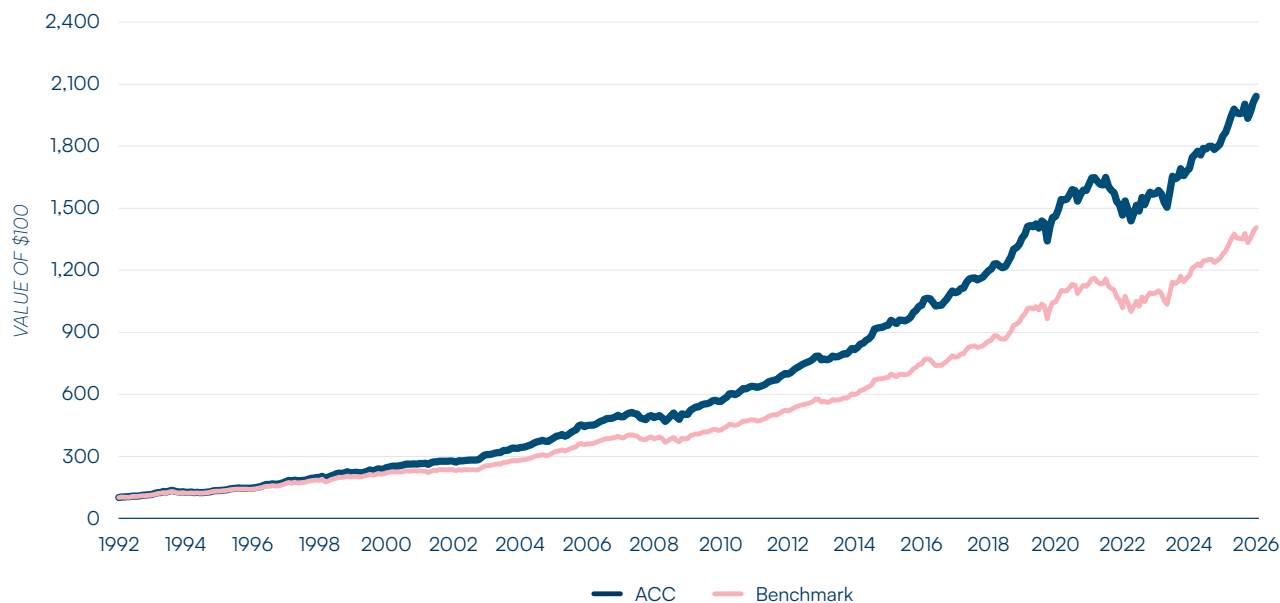
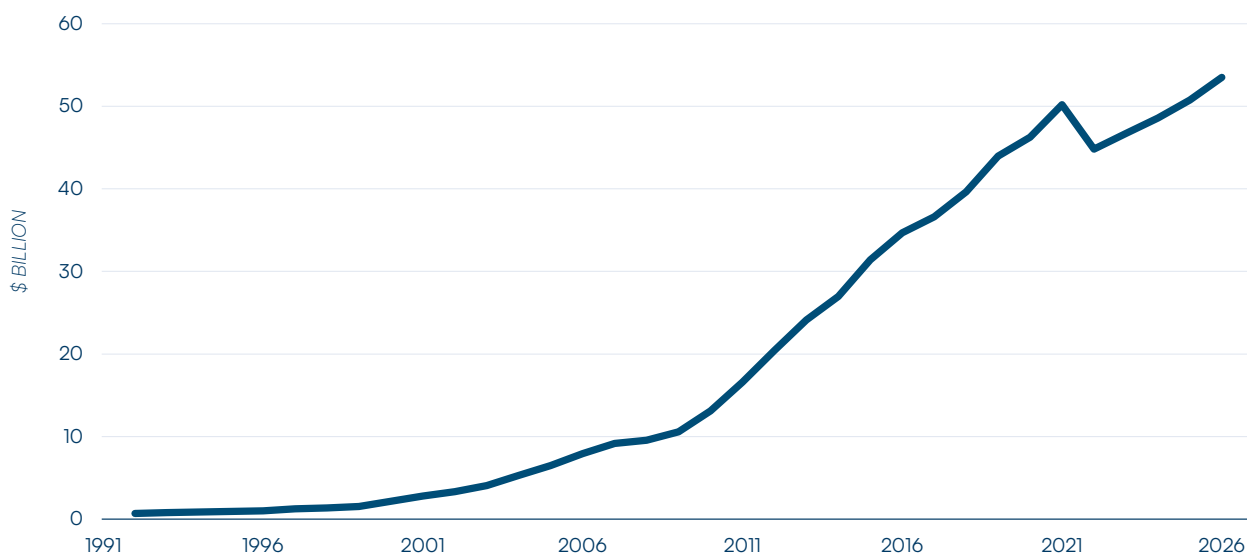


Figure 20: Value of ACC's Reserves Portfolio (\$53.5 billion)

ACC's Reserves Portfolio has increased in value from \$50.8 billion last year to \$53.5 billion²⁹ at the end of June 2026. The increase is the result of strong positive investment returns, offset by withdrawals (\$2.46 billion) for operational cashflow needs.



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)

²⁹ Valuation based on last sale price at 30 June 2026.

Long-run expected investment returns

Future investment returns

Based on historical returns and the current environment, we expect long-run future returns to average around 5%-6% per annum — below the 9.3% achieved historically. This reflects interest rates that are slightly lower than the average level over that historical period and high starting valuations for assets such as equities.

The likelihood of negative returns

ACC has experienced only two years of negative overall investment returns in the 34 years since the Fund was established. However, lower expected future returns are likely to increase the chance of negative return years. We currently expect to experience a negative return approximately once in every five years.

The two primary factors that drive this risk are:

- A potential rise in bond yields, which would reduce the value of fixed income investments. However, rising yields would also reduce the value of the outstanding claims liability by a greater amount, improving ACC's overall financial position.
- A potential decline in equity prices. Based on current asset allocations, a return of approximately -15% across global equities (on a currency-hedged basis) over a year would be sufficient to produce a negative overall return for the Fund.

Appendix 2: Glossary of terms

Accident Compensation Scheme (the 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 primary legislation which sets out the functions of the Scheme and establishes ACC to deliver it.

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

ACC is a Crown entity established under the AC Act and classified as a Crown agent under the Crown Entities Act 2004, responsible for delivering the Scheme. The Government has a controlling interest in ACC.

Earners' Account

The Account for non-work injuries to people in employment that occur outside work (e.g. at home or playing sport), that are not motor vehicle or treatment injuries.

Entitlement claim

A claim that has received support in addition to medical treatment, such as weekly compensation, social, or vocational rehabilitation for a covered injury.

Funding ratio

A 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 resulted in some form of harm (e.g. hearing loss).

Health provider

A person or organisation providing a treatment or rehabilitation service to a client (e.g. a GP or physiotherapist).

Huakina Te Rā

Our previous enterprise strategy, which was superseded by our new organisational strategy (Our Strategy 2026—2029)

Labour cost index

A measure of the changes in salaries and wages paid to workers, commonly expressed as an annual percentage.

Levies

Amounts charged, separate from general taxation, and used to cover the cost of injuries caused by accidents within the Motor Vehicle, Earners', Earners' portion of the Treatment Injury and Work Accounts.

Long-term claims pool

A long-term claim pool client has received weekly compensation for more than 365 days.

Motor Vehicle Account

The Account for all injuries involving a motor vehicle on a public road.

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 employment that are not motor vehicle or treatment injuries, such as children and retirees.

Outstanding claims liability

An estimate of the present value of expected future payments on all existing ACC claims.

Return on investment

The return or benefit obtained from an investment over and above the original investment, commonly expressed as a percentage or ratio.

Serious injury claim

A claim where the injuries include moderate to severe traumatic brain injuries, spinal cord injuries and comparable injuries - this includes injuries that have comparable severity e.g. multiple amputations, brachial plexus avulsion, severe burns and complete blindness.

Sensitive Claims

A claim where the injuries include mental injuries that have been caused by certain criminal acts as set out in Schedule 3 of the AC Act. These predominantly tend to be serious sexual offences under the provision in section 21.

Treatment Injury Account

The Account for injuries arising from medical treatment.

Weekly compensation

Payments to compensate clients for injury-related loss of income from work. Weekly compensation pays up to 80% of a person's pre-incapacity weekly wages, up to a statutory maximum.

Work Account

The Account for injuries arising from paid work.

Appendix 3: Glossary of performance measures

Actuarial movement (influenceable)

The percentage growth in the outstanding claims liability (balance at the start of the year) from actuarial gains or losses, which arise from claim volumes, types, and costs differing from expectations where the drivers are at least partially influenceable by ACC. Presented as a point-in-time measure.

Average time to resolution for claims with a review

The average time (in working days) taken to resolve a dispute on a claim that is under review. Presented as a rolling 12-month result.

Claim lodgement rate for Māori

The percentage of Māori who had an ACC claim, per year. A person is counted as having a claim if they have at least one accepted ACC claim with an injury date during the 12 months measured. From 2025/26 onward, we have adopted a new methodology aligned to ACC's annual Access Report.

Cover decision timeliness: complicated claims

Average number of calendar days between lodgement date and time, and date and time of first cover decision (accept or decline) for complicated claims on rolling 12-month basis.

Cover decision timeliness: non-complicated claims

Average number of calendar days between lodgement date and time, and date and time of first cover decision (accept or decline) for non-complicated claims on rolling 12-month basis.

Employee engagement

Employee engagement is the grand mean (average of averages) of results across 12 questions. The questions cover aspects of engagement on a scale of 1 to 5, including basic needs, management support, teamwork and belonging, and growth. This is measured annually using a survey tool.

Growth rate of the long-term claims pool

The proportional change in the number of clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

Investment performance (after costs) relative to benchmark (rolling 10-year)

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 rolling ten-year result.

Long-term claims pool volume

The number of clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

Long-term claims pool returns to independence

The net number of long-term claims pool clients who have returned to independence (ceased receiving weekly compensation) in 12 months. A long-term claims pool client has received weekly compensation for more than 365 days. Presented as a rolling 12-month result.

New year costs' movement

The annual movements in the expected lifetime costs to ACC of new accidents, excluding the effects of legislation and policy changes and changes in economic conditions. Presented as a point-in-time result.

Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)

The number of privacy breaches notifiable to the Office of the Privacy Commissioner based on criteria for mandatory notification. Presented as a year-to-date result.

Overall operational system availability

The percentage of time in which 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 and administration costs) paid to clients (claims paid). Investment costs are excluded. Presented as a year-to-date result.

Proportion of ACC reviews upheld in favour of ACC (in favour of ACC at hearing or resolved before hearing)

The proportion of all review outcomes where the decision was in favour of ACC at a hearing or was resolved by ACC before a review hearing. Outcomes resolved before a review hearing include overturned, withdrawn, or settled reviews. Presented as a rolling 12-month percentage. Note from 2026/27, this measure has a new methodology, and results will not be comparable.

Public trust and confidence

The proportion of the general public who report feelings of trust or high trust in ACC. Respondents rate their trust and confidence on a scale of 0 to 10. A rating of 7 to 10 corresponds to 'trust/high trust'. Presented as a rolling four-quarter result.

Reduction in corporate emissions

The reduction in our corporate carbon emissions compared to the benchmark year of 2018/19. Our corporate emissions are the tonnes of carbon dioxide equivalent (tCO₂-e) of our corporate-related Scopes 1 and 2 and certain Scope 3 emissions calculated using activity data and the Ministry for the Environment's emissions factors. We currently measure air travel, electricity, electricity transmission and distribution losses, staff commute and ground travel (taxis, rental cars, fleet, private mileage), hotel stays, freight, staff working from home, waste, waste water, and water supply. Presented as a point-in-time result.

Reduction in carbon intensity of the global equity portfolio

The total reduction, compared to the base year of 2018/19, in the total carbon emissions for which our investee companies are directly responsible. Included in the measurement are 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. Presented as a point-in-time result.

Return on investment — injury prevention

The return on investment from our injury prevention investments. 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. The future investment and value of claims saved in the calculation of the return on investment are discounted using our expected investment rate of return. The measure excludes ACC's investment with WorkSafe New Zealand. 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 entitlement payments) in 12 months. Excludes serious injury claims and claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a rolling 12-month result.

Return to work: 28 days

The percentage of clients receiving weekly compensation who return to work within 28 days. A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a 52-week rolling average result.

Return to work: 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. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a 52-week rolling average result.

Return to work: nine months

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. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a 52-week rolling average result.

Return to work: one year

The percentage of clients receiving weekly compensation who return to work within one year (365 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a 52-week rolling average result.

Weekly compensation setup timeliness

The average calendar days from a claim being eligible for weekly compensation until the first weekly compensation payment is made. Presented as a rolling 12-month result.

Appendix 4: Performance framework

Measures: Statement of Intent 2026–2030

Strategic objective			Organisational health and capability
			
Care that leads to lasting recovery	Timely return to work and independence	Efficient organisation, sustainable Scheme	Capable, enabled, empowered people
1 Actuarial movement (influenceable)	2 Return to work: 28 days	8 New year costs' movement	12 Employee engagement
	3 Return to work: 10 weeks	9 Investment performance (after costs) relative to benchmark	13 Number of privacy breaches (notifiable to the OPC)
	4 Return to work: nine months	10 Return on investment — injury prevention	14 Overall operational system availability
	5 Return to work: one year	11 Public trust and confidence	
	6 Return to independence for those not in the workforce		
	7 Proportion of other* claims in the long-term claims pool		

Measures: Amended Service Agreement 2025/26

Levy engagement and collection		Claims management	
1	Actuarial movement (influenceable)	2	Return to work: 28 days
8	New year costs' movement	2.1	Cover decision timeliness: non-complicated claims
Investment management		2.2	Cover decision timeliness: complicated claims
9	Investment performance (after costs) relative to benchmark	2.3	Weekly compensation setup timeliness
Injury prevention		3	Return to work: 10 weeks
10	Return on investment — injury prevention	4	Return to work: nine months
Organisational health and capability		5	Return to work: one year
12	Employee engagement	6	Return to independence for those not in the workforce
13	Number of privacy breaches (notifiable to the OPC)	7a	Long-term claims pool volume
14	Overall operational system availability	11	Public trust and confidence
		11.1	Percentage of total expenditure paid directly to or for services to clients
		11.2	Proportion of reviews upheld in favour of ACC (in favour of ACC at hearing or resolved before hearing)
		11.3	Average time to resolution for claims with a review
		11.4	Claim lodgement rate for Māori

* Other claims include injured people with claims that have not been identified as a serious injury claim, Sensitive Claim or long-term service claim.

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