

RATONGA WHAKAAETANGA SERVICE AGREEMENT 2022/23



Te Kaporeihana Āwhina Hunga Whara
Accident Compensation Corporation



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Service Agreement

For the year ending 30 June 2023
between the Minister for ACC and the
Accident Compensation Corporation

This Service Agreement¹ is required under the Accident Compensation Act 2001 and also constitutes the annual statement of performance expectations for the purposes of the Crown Entities Act 2004 – both as amended by the Crown Entities Amendment Act 2013.



Hon Carmel Sepuloni
Minister for ACC
Dated 26 June 2022



Hon Steve Maharey CNZM
Board Chair
Dated 17 June 2022



Dr Tracey Batten
Deputy Chair
Dated 16 June 2022

Ratonga Whakaaetanga

Tae noa atu ki te mutunga o te 30 o
Pipiri 2023, ki waenganui i te Minita
o ACC me te Kaporeihana Āwhina
Hunga Whara

He mea whakatū tēnei Ratonga Whakaaetanga² i raro i te Accident Compensation Act 2001. Kei konei hoki te tauākī koronga mahi ā-tau e hāngai ana ki te Crown Entities Act 2004 – kei raro iho ngā mea e rua i ngā whakahoutanga a te Crown Entities Amendment Act 2013.

1. For information on how this Service Agreement aligns with our other accountability documents, refer to **Appendix 1 – Alignment of the Service Agreement**. The conditions of this Service Agreement are disclosed in **Appendix 2 – Conditions of the Service Agreement**.

2. Tirohia **Appendix 1 – Alignment of the Service Agreement** mō ngā kōrero e pā ana ki te hāngaitanga o tēnei Ratonga Whakaaetanga ki ērā atu o ā mātou nei kawenga ā-tuhi. Kei **Appendix 2 – Conditions of the Service Agreement** ngā kōrero mō ngā here o tēnei Ratonga Whakaaetanga.

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



Our strategic and performance environment

Our strategic framework

The Service Agreement is the annual agreement, between the Accident Compensation Corporation (ACC) and the Minister for ACC, setting out the services we will deliver and the expected performance standards for those services.

The basis of the Service Agreement is derived from our Statement of Intent, which summarises our strategic intentions for the next four years. The current Statement of Intent covers the period 2021–2025.

This Service Agreement for 2022/23 is aligned to our current Statement of Intent 2021–2025.

Over the course of 2022 we are reviewing and refreshing ACC’s strategy to be fit for the future. As a result, we plan to publish an updated Statement of Intent in December 2022 for the years 2022–2026.

Next year’s Service Agreement (for 2023/24) will align with the new Statement of Intent for 2022–2026.

Our strategic intentions reflect the areas requiring the most focus during the period of the Statement of Intent (2021–2025). There is a strong alignment between our outcomes and our strategic intentions.

Our strategic intentions represent our commitment to:

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

Injury prevention is critical to the success of ACC.

It all starts before injury, because most injuries are preventable. By preventing injuries or reducing the severity of injuries sustained in the first place, we can reduce overall harm to New Zealanders.

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

Underlying our strategic framework is our commitment to te Tiriti o Waitangi. We recognise this is a founding document of government in New Zealand and established the country as a nation. We aim to support the Crown in its te Tiriti o Waitangi relationships and deliver our services in ways that enable equitable outcomes for Māori.

Additionally, **Whāia Te Tika**, our Māori strategy, aims to create better ACC experiences and outcomes for Māori.

The financing structure of the ACC Scheme is an important part of its strategic framework, ensuring affordability and sustainability for the long term. Key elements of the structure include:

- ACC’s funding policy, which aims to share the costs of accidents fairly across generations to ensure all New Zealanders (and visitors) are cared for into the future
- levy and appropriation revenue, which is collected each year and aims to cover the current and future costs of accidents that occur during that year
- ACC’s investment fund, whose primary purpose is to cover the long-term costs of accidents that have already occurred.

Given the long-term nature of ACC’s liabilities and the limited supply of equivalent assets, ACC’s investment assets can only partially match its liabilities.

Therefore, our investment strategy and claim liability management are key disciplines in ensuring the long-term financial sustainability of the Scheme.

We will continue to transform, contribute to our strategic intentions and respond to the changing needs of our customers. We will achieve this through the delivery of new initiatives to support improved client outcomes, operational resilience and efficiency.

The following page outlines how various elements of our strategic framework relate to each other; they comprise our vision, values, outcomes, intentions and outputs.

Strategic framework outline

Long term (Enduring)	Medium term (Four years)	Short term (One year)
Vision	Intentions	Our outputs
	<p>Our intentions reflect the areas that need the most focus during the four-year period covered by our Statement of Intent. They demonstrate where we intend to concentrate our efforts to deliver our vision, our outcomes and the Government’s priorities for ACC. We have strategic intentions and intentions to improve the organisational health and capability of ACC.</p> <ul style="list-style-type: none"> • 20 key measures for 2022/23 • 59 initiatives for 2022/23 	<p>We aim to achieve the best possible delivery of New Zealand’s unique ACC Scheme through four outputs representing the core activities we deliver and the areas we invest in.</p> <ul style="list-style-type: none"> • 49 performance measures for 2022/23
<p>To create a unique partnership with every New Zealander, improving their quality of life by minimising the incidence and impact of injury.</p>	<p>Our outcomes describe, at a high level, what we are delivering to support a healthy and prosperous New Zealand.</p> <ul style="list-style-type: none"> Reduce the incidence and severity of injury in New Zealand. Rehabilitate injured people in New Zealand more effectively. Ensure that New Zealand has an affordable and sustainable Scheme. 	<p>Injury prevention</p> <p>We aim to reduce the incidence and severity of injury to reduce the economic, social and personal impacts of injury on individuals and to achieve cost-effective reductions in levy rates or government funding.</p>
<p>Values</p> <ul style="list-style-type: none"> Safe Kiwis Good partners Fair and open Responsible stewards People before process. 	<p>Injury prevention</p> <p>Increase the success of our injury prevention activities.</p>	<p>Levy setting and collection</p> <p>In order for us to deliver services we must collect revenue. Through our levy-setting process we calculate our future revenue needs for each Account and recommend levies in line with the full funding requirements of the Scheme.</p>
	<p>Customer outcomes and experiences</p> <p>Improve our customers’ outcomes and experiences.</p>	<p>Investment management</p> <p>Serious injuries will require ongoing expenditure for decades into the future, so a portion of levies collected each year is set aside to provide for future costs. We invest these funds to meet the future costs of claims.</p>
	<p>Sustainability</p> <p>Improve the sustainability of the Scheme.</p>	<p>Claims management</p> <p>We deliver effective, high-quality rehabilitation services so that injured people covered by the Scheme get appropriate medical treatment, social and vocational rehabilitation services and compensation to enable an early return to work, independence or everyday life.</p>
<p>Whāia Te Tika and our underlying commitment to Te Tiriti o Waitangi</p>		

Our key performance measures

Our key performance measures are presented in our Statement of Intent 2021–2025. These measures best reflect the aspects of performance we can control. They are closely aligned with the expectations of the Minister for ACC, as expressed in the Minister’s Letter of Expectations. Together, they provide a view of:

- how we are delivering impact
- the extent to which we are meeting our customer expectations
- the extent to which we are delivering a Scheme in which New Zealanders have trust and confidence
- whether we are delivering a cost-effective Scheme that provides appropriate cover and compensation in return for fair levies.

These key performance measures cover our strategic intentions and extend to providing transparency in the way we deliver our organisational health and capabilities. The targets set for 2022/23 consider current performance with a general principal of continuous improvement thereafter.

This Service Agreement has been developed based on the best available information within the context of the COVID-19 pandemic. ACC continues to experience the impacts of the pandemic and this is expected to continue into 2022/23. This includes the impacts on workforce availability, both within ACC and for our providers in the health sector and business operations. Further information on the impacts of the COVID-19 pandemic are provided in **Statement of performance expectations by output**

Over the course of 2022/23 we will begin to monitor and report on a set of organisational Māori outcomes measures framed by the te ao Māori Outcomes Framework (Te Kāpehu Whetū).

Set out below are our key performance measures, including the performance targets for 2022/23.

TABLE 1 – KEY PERFORMANCE MEASURES – STRATEGIC INTENTIONS

Key measure		Rationale	Actual 2020/21	Mar 2022	Target 2022/23
Injury prevention	Return on investment³ 0- to 20-year programmes	We invest to keep New Zealanders safe from accidental injury by working with others to reduce risks across a range of areas.	\$2.19:\$1	\$2.13:\$1	\$2.12:\$1
	Return on investment workplace programmes ⁴	We take a portfolio approach. This means that overall we expect our injury prevention programmes to deliver positive returns on investment.	New measure	\$1.64:\$1	\$1.65:\$1
	Rate of serious injury 0- to 20-year programmes	Our investment in changing the behaviours of New Zealanders should reduce the severity of injuries sustained in the settings targeted by our investments.	9.4	9.8	8.9
	Rate of serious injury workplace programmes		0.20	0.20	0.18
Customer outcomes and experience	Return to work within 10 weeks	We know that a rapid return to work makes a big difference to people's health and wellbeing while reducing the negative impacts of injury.	63.3%	64.0%	64.6%
	Return to independence for those not in the workforce	Research tells us that, just like work, a rapid return to independence reduces the adverse social and economic impacts of injury.	87.1%	86.8%	87.5%
	Growth rate of the Long-Term Claim Pool ⁵	Getting clients back to independence is positive for them and can make a significant difference to the long-term sustainability of the Scheme.	+8.7%	+7.0%	+6.4%
	Public trust and confidence ⁶	The way the public views ACC is a useful indicator of how effectively we have communicated the value that ACC delivers, and demonstrated this in our interactions with levy payers, clients, providers and stakeholders.	New measure	55%	58%
	Client net trust score	If we get their experiences and outcomes right, our clients will trust us and have confidence in our ability to support their return to independence.	+25.0	+23.0	+28.0
	Client net trust score for Māori		+20.0	+23.0	+27.0
	Provider net trust score	Successful partnering through consistent decision-making, improved engagements and the ease of working with us will increase the trust and confidence health providers have in us.	-25.0	-28.0	-20.0
Business net trust score	As we engage more effectively with business customers and make it easier for them to work with us, they will develop a stronger belief in ACC's purpose and the value of their levies.	-17.0	-27.0	-17.0	

Continued...

- The total return on investment consists of two parts: the historical value of claims saved divided by the cost of the interventions to date, plus the 10-year expected claims saved divided by the likely future costs of the interventions.
- Excluding WorkSafe investment
- In this context, 'long term' refers to clients who have received weekly compensation for more than 365 days.
- From 2022/23 onwards, ACC is moving to a 100% online survey methodology for this measure to better reflect our customer population. Our online results track 10% lower than the current phone results. Our performance expectations remain consistent, and have re-based our targets to reflect the move to an online survey

Key measure	Rationale	Actual		Target	
		2020/21	Mar 2022	2022/23	
Sustainability	Change in treatment cost per injury	We manage treatment and care costs by countering inflationary pressures effectively while delivering effective services to our clients	+6.1%	+2.1%	+12.0% ⁷
	Average care hours per serious injury claim	when needed, supporting the long-term financial sustainability of the Scheme.	1,396	1,399	1,395
	Actuarial movement ⁸	By effectively managing the controllable factors driving the Outstanding Claims Liability (OCL), the long-term sustainability of the Scheme is enhanced.	+1.08%	+1.65% ⁹	Within -3% to +1%
	Investment performance after costs relative to benchmark	The quality of our investment management is an important factor in ensuring we will have sufficient resources in the future, safeguarding the Scheme for future generations.	1.90%	0.06%	0.15%

TABLE 2 – KEY PERFORMANCE MEASURES – ORGANISATIONAL HEALTH AND CAPABILITY

Key measure	Rationale	Actual		Target	
		2020/21	Mar 2022	2022/23	
People	Employee net promoter score	Equipping our people with the right tools and capabilities enables them to be high-performing employees, proud of their organisation.	0	+4	+12
	Total recordable injury frequency rate ¹⁰	We keep people safe, healthy and well, enabling them to arrive home in the same mental and physical condition as when they left for work.	1.7	2.4	<3.5
Information	The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer's privacy matrix)	We deal with confidential and sensitive information for a large number of people and entities. Our customers expect us to protect this information and maintain our progress in reducing privacy breaches.	0	2	<3 category 3 or 4 breaches No category 5 breaches
Information technology	Overall operational system availability	Our systems need to be available so that we can deliver the services our customers expect.	99.9%	99.9%	99.5%

The above key performance measures form part of a broader set of measures detailed in the following sections (including our targets for the next four years). This broader set allows us to track the financial and non-financial measures that represent the many aspects of the Scheme.

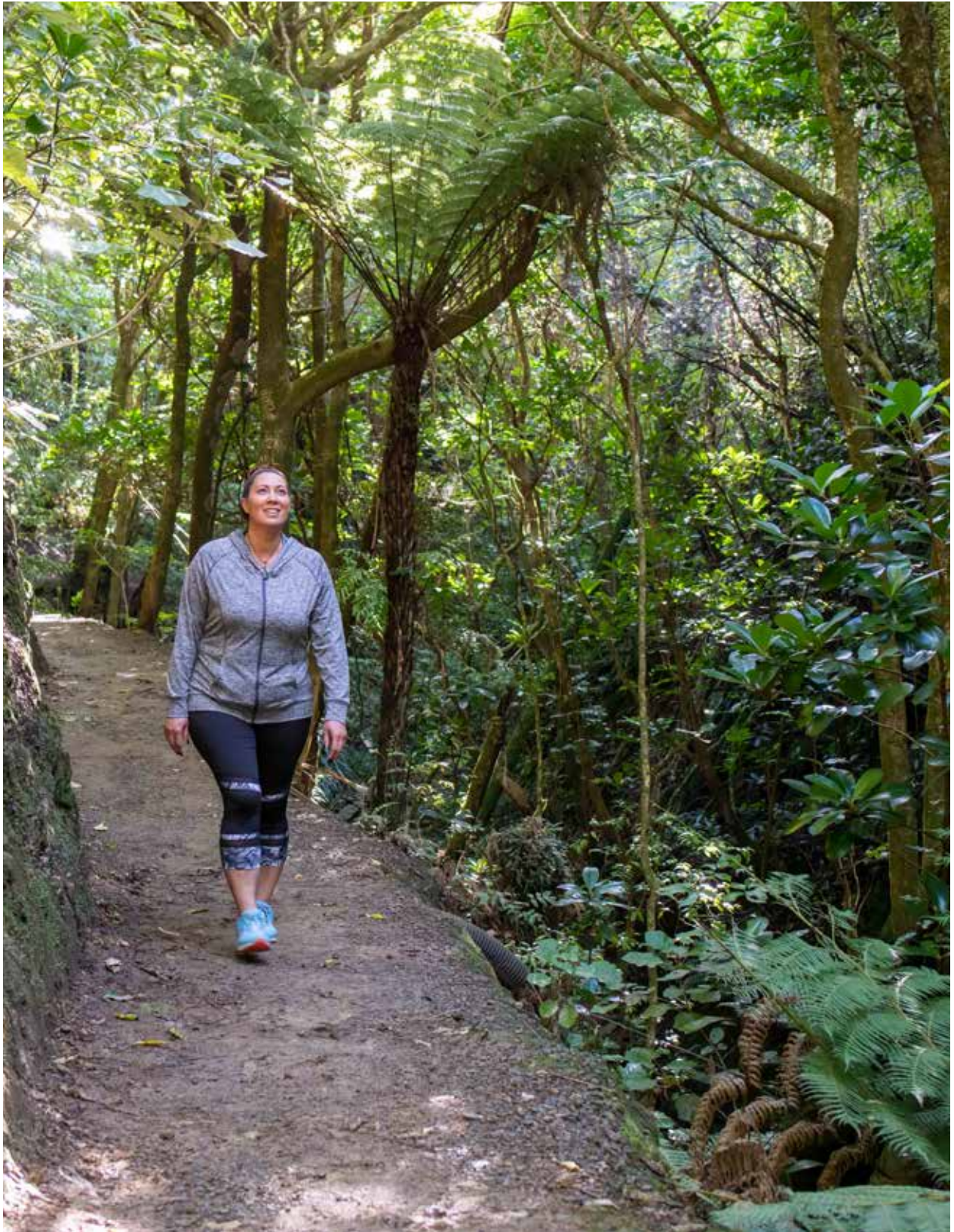
For more information on the full set of measures we use to monitor our performance and manage our organisation, refer to our **Statement of performance expectations by output** and **Other performance measures**.

7. The change in average treatment cost per claim will be distorted by the impacts of COVID-19 on claim costs and volumes in 2021/22.

8. Actuarial movement tells us that claim volumes, types and costs differ from what we expected.

9. As at 31 December 2021.

10. The total recordable injury frequency rate is the number of lost-time incidents, restricted work incidents and medical treatment incidents per million hours worked.



What we will deliver in 2022/23

The Government's key priorities

The Government's key priorities for ACC are outlined in the annual Letter of Expectations from the Minister for ACC.

At a high level, the Government expects ACC will continue to build on the foundations of its transformation programme to develop services that best meet the needs and expectations of New Zealanders.

At a more detailed level, these priorities are represented by seven themes:

- Government priorities and the response to COVID-19 — support the Government in delivering its three overarching objectives of keeping New Zealanders safe from COVID-19, accelerating economic recovery and laying the foundations for a better future.
- Responsible investment – help the Government to deliver a carbon-neutral New Zealand by 2050.
- Recovering and maintaining rehabilitation performance – maintain a strong focus on managing rehabilitation performance, including making the best use of investment and exploring commissioning for outcomes. Be actively involved in the health reform process.
- Customer satisfaction – continue to deliver a customer-centric Scheme that meets the needs and expectations of all New Zealanders. Maintain a high level of confidentiality for all customer information.
- Access and equity for women, Māori, Pacific, ethnic communities and disabled people – ensure the Scheme is seen to be fair, equitable and accessible for all claimants and delivers on its Te Tiriti o Waitangi obligations.

- Being a good employer – provide an environment where employees feel valued and protected, celebrating cultural diversity and inclusiveness.
- Social Unemployment Insurance (New Zealand Income Insurance Scheme) – continue to work constructively and collaboratively in the development and implementation of the social unemployment insurance scheme.

The Minister's specific expectations are documented in the annual Letter of Expectations, presented in **Appendix 3 – Letters of expectations**. The Government also communicates key priorities for ACC as a Crown Financial Institution. These priorities are presented in the Minister of Finance's Letter of Expectations (**Appendix 3 – Letters of expectations**) and are summarised in **Appendix 4 – Investment statement**.

Delivering our strategic intentions in 2022/23

Our strategic intentions reflect the focus areas outlined in our Statement of Intent 2021–2025. They demonstrate where we intend to concentrate our efforts in delivering our vision, our outcomes and the Government’s priorities for ACC. There are three core strategic intentions:

- Injury prevention – increase the success of our injury prevention activities
- Customers’ outcomes and experiences – improve our customers’ outcomes and experience
- Sustainability – improve the sustainability of the Scheme.

In 2022/23 ACC will develop a new strategic direction that will inform a new Statement of Intent from 2023.

Strategic intention: Increase the success of our injury prevention activities

It all starts before injury, because most injuries are preventable. By preventing injuries or reducing the severity of injuries sustained in the first place, we can reduce overall harm to New Zealanders.

But we know we cannot do this important task alone. Our network of partners helps us design and deliver a set of well-integrated injury prevention programmes. This spirit of partnership extends to communities across New Zealand, allowing us to work together to deliver programmes that improve the safety of New Zealanders of all ages and across a wide range of settings.

In 2022/23 we plan to invest \$100 million in injury prevention programmes, of which \$7 million is to be invested in kaupapa Māori programmes. Our injury prevention investment is an increase on the forecast of 2021/22 of \$92 million.

We deliver our injury prevention by focusing on five priorities:

TABLE 3 – INJURY PREVENTION DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2023
We use analytics to target our injury prevention investments and increase the impact of our efforts	We will be using data, insights and evidence to understand the root causes of injury to better target and focus interventions, maximising returns from investment.
	We will be reviewing and exploring appropriate measurement of our injury prevention investment, considering our evolving investment approach.
	We will be continuing to make Treatment Safety information more accessible through the Health Quality and Safety Commission online health system quality dashboard and via other online channels.
We increase injury prevention effectiveness by partnering with capable, like-minded organisations	We will have continued to evolve our existing injury prevention partnerships while developing new partnerships where appropriate. Together with our partners, we will have designed and delivered initiatives in the areas that have the greatest impact on reducing injuries.
	We will have continued to evolve our injury prevention partnership with WorkSafe to design and deliver initiatives that have the greatest impacts on reducing injuries in the New Zealand workplace.
	We will be continuing to work alongside the Joint Venture Business Unit agencies to lead and support the delivery of Te Aorerekura actions in the elimination of family and sexual violence.
	We will be continuing to partner with Oranga Tamariki, and Te Puni Kōkiri to co-invest in the Whānau Ora Commissioning Agency to continue to deliver Ngā Tini Whetū, a whānau-centred early support prototype.
We extend our reach by working closely with communities	We will be continuing to increase our investment in approaches to injury prevention designed by Māori, for Māori that will improve wellbeing outcomes and help reduce the incidence and severity of injury for Māori.
	We will be working with communities to develop and deploy effective injury prevention programmes to a cross-section of the New Zealand population using a broad set of channels.
	We will be continuing to deliver an injury prevention grants and subsidies programme that invests in businesses to stimulate the adoption of initiatives to reduce harm in New Zealand workplaces.
	We will be supporting the Healthy Aging Strategy in Aotearoa with a specific focus on falls' prevention.
Our injury prevention investments contribute to a reduction in the Outstanding Claims Liability	We will be applying an investment approach that balances benefits, costs and risks and, where appropriate, assesses the social and economic returns of our investments.
We design for New Zealanders, creating sustained behaviour changes and large-scale, long-term, sustainable societal change	We will be using Preventable, (our national behaviour-change programme known to the public as 'Have a hmmm') to constructively challenge Aotearoa to take action to avoid injuries and keep themselves and their whānau, friends and community safe and well.
	We will be considering the customer, not just the injury, as the basis for investment. Our investment in prevention will be based on a range of factors that reduce the risk of injury and promote factors that protect against the risk of harm.
	We will have established a Te Tiriti-led primary prevention system to protect the wellbeing of children, tamariki and young people. We will enable community approaches and shifts across the system to influence attitudes and change behaviour at scale.

Strategic intention: Improve our customers’ outcomes and experiences

Once somebody has sustained an injury, we know their health and wellbeing will be significantly improved with a rapid return to independence. This improvement extends to their family, whānau and community.

By connecting closely with providers, we will enable clients to access the right treatment and rehabilitation services at the right time from across the health sector. This enables simple, seamless and effective delivery of treatment and rehabilitation services.

To help all New Zealanders access our services in ways that meet their needs, we are committed to ensuring the delivery of services reflects the rich diversity of our communities.

We will continue to improve our customers’ outcomes and experiences by focusing on four priorities:

TABLE 4 – CUSTOMERS’ OUTCOMES AND EXPERIENCES DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2023
We deliver high-quality and effective treatment and rehabilitation services for our clients to enable a return to independence	We will have implemented the changes required to support the Accident Compensation (Maternal Birth Injury and other Matters) Amendment Bill.
	We will have improved employers’ ability to engage in the recovery of workers by providing access to claim information and resources.
	We will have enhanced customers’ recovery journeys by matching them with teams, individuals, services and pathways based on capability and capacity.
	We will be developing a more sustainable service to support a better experience for victims of sexual violence.
	The Māori Health Outcome and Measurement Framework will be progressing, with the goal of informing and aligning with ACC’s whānau-centred Kaupapa Māori Health Service and delivery.
We partner with providers, businesses, government agencies, iwi, hapū, whānau and communities to enable improved value for our customers	We will have tested the capture of global Patient Reported Outcome Measures (PROMs) and be ready to design for the capture of PROMs at scale for appropriate clients.
	We will have redesigned the Accredited Employer Programme to enable a streamlined experience for participating employers, ensuring improved experience and rehabilitation outcomes for their employees.
	We will have improved the business customer experience through the provision of digital notifications, targeted campaign communications and a focus on recovery at work. We will have transitioned most of our business customer experiences to digital channels, with a focus on customer experience.
	We will be testing and enabling clinical pathways that, at scale, will service most of the medium- to high-complexity clients.
	To deliver better outcomes for patients, providers and ACC we will have engaged with the health sector and increased value for money in our healthcare spend.

Continued...

What we want to achieve

What we will have delivered by 30 June 2023

We actively make it easier for our customers and others to work with us	We will have enabled access for providers to additional functionality through the ProviderHub and continued to integrate with the health system allowing providers to interact with us through their technology of choice.
	We will have delivered the key components (provider portal and provider registry) to enable the transition from our legacy health provider payment system.
	We will have simplified our transactional engagements with businesses to provide more time for them to engage in value-add activities.
	We will have improved access, usage and straight-through automation of MyACC, creating an enhanced digital experience for clients.
	Through public engagement programmes, we will have increased awareness of ACC, built trust, and demonstrated the value we offer to New Zealand and our customers.
	We will have developed and implemented a new organisational strategy that defines our strategic intentions now and into the future that support our decision-making and the way we work with our stakeholders and customers, and it will have been developed and delivered in a manner consistent with the principles of Te Tiriti o Waitangi.
	We will have delivered a high level of service through our Contact Centre, with a focus on first-call resolution and customer experience.
We achieve improved access, experiences and outcomes for Māori	We will be developing a Pacific peoples strategy and implementation plan.
	We will have improved the experience of and outcomes for Māori clients using Hāpai case management.
	We will be monitoring and reporting on a vital set of organisational Māori outcome measures.
	We will be implementing the Māori Outcomes Framework to drive ACC's performance toward achieving equitable outcomes for Māori.
	We will have established Māori client and Pacific peoples knowledge expert panels to enable a customer focus for ACC.
	We will be developing and delivering a strong strategic iwi Māori engagement function externally while maintaining internal relationships to join up other iwi engagement programmes across ACC.
	We will be refreshing Whāia Te Tika to align it with the new organisational strategy being developed, in a manner consistent with the principles of Te Tiriti o Waitangi.

Strategic intention: Improve the sustainability of the Scheme

To ensure the longevity of the Scheme for future generations, we need to be considerate of environmental, social and financial sustainability.

Our careful stewardship of the Scheme will ensure we can continue to provide the high-quality services our clients need, while not simultaneously imposing a burden on future levy payers (including the Government).

We recognise that social, health and economic issues can be interrelated, so we manage the Scheme focused on both financial and non-financial sustainability via environmental, social and governance themes. We consider these themes in the way we operate internally, how we design and deliver our services to customers and how we manage our investments and claim liabilities.

As we support our clients to achieve high-quality rehabilitation and independence outcomes, we must balance our continued improvements in customer experience and outcomes with a financially sustainable Scheme to minimise levy volatility.

We must be mindful of the role we play in maximising intergenerational fairness. Our responsible stewardship of the Scheme will reinforce the fully funded model. This means we can reduce the need for future generations of levy payers to cover the costs of injuries that happened in earlier years.

Some clients with serious injuries will require ongoing support for decades into the future. A portion of the levies collected each year is set aside to provide for these future costs. We invest these funds to meet the future costs of supporting these clients.

The impacts of climate change present current and emerging risks to the Scheme. These risks relate to our financial sustainability and ability to fulfil core functions, as well as our need to meet legal obligations, respond to changing demands, and balance public and stakeholder expectations.

Climate change may have direct impacts on the number of New Zealanders who are injured due to increased rates of climate-change-related accidents and injuries. Climate change may also indirectly impact through a greater strain on the overall health system. We need to support the wider health system to prepare and adapt.

Climate change is also an issue of significance for many of our customers and stakeholders. This includes the Māori perspective on climate change and our commitment to listen to and meet the needs of Māori. Therefore, our actions to manage climate change impacts will align with our commitment to uphold the principles of te Tiriti o Waitangi.

We aim to reduce our corporate emissions by 60% by 2025, and to reduce the carbon intensity of the global equity investment portfolio by 60% by 2025 and 65% by 2030, both compared to 2019 levels.

We will continue to strengthen the sustainability of the Scheme by focusing on four priorities:

TABLE 5 – SUSTAINABILITY DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2023
We carefully consider the costs of the services we offer to achieve the most appropriate client outcomes	We will be continuing to refine our performance management approach to ensure we manage our dual focus on the costs and outcomes of the services we provide and increasing our overall effectiveness.
We manage cost and liability growth	We will be continuing to develop our understanding of the drivers of cost and volume changes we can most influence. This will inform the actions we can take to improve customer and financial outcomes.
We maintain investment performance above benchmarks to reduce the impact on levy payers	We will be continuing to manage our investments, seeking to outperform investment-return benchmarks over the long term while minimising unexpected mismatches between investment income and growth in the OCL. We will be continuing to invest with purpose through the Health and Safety Impact Fund (to improve health, safety and wellbeing in New Zealand) and the Climate Change Impact Fund (supporting New Zealand’s transition to a lower-carbon economy).
We are committed to New Zealand’s environmental goals, including in the net-zero emissions target and achieving carbon neutrality	We will be continuing to deliver on our public commitments to New Zealand’s environmental goals. We will be tracking and reporting on our progress in reducing carbon emissions.

Building organisational health and capability in 2022/23

Delivering our outcomes and our strategic intentions successfully requires high-performing, engaged and diverse teams. These teams must be supported by a suite of modern, reliable and secure systems.

Our organisational health and capability intentions for 2021–2025 are:

- maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes
- improve the way we use, protect and share information
- support our business outcomes with modern, reliable and secure information technology.

Maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes

Supporting injured New Zealanders and delivering our strategic intentions depends on the culture and capabilities of our people.

Our leaders will have the capabilities and motivation to develop and nurture high-performing, customer-focused teams.

Those leaders will champion efforts to make our environments, and those over which we have influence, injury free. In fact we will demonstrate genuine workplace safety leadership as an example for all New Zealand organisations.

New Zealand’s diversity will increasingly be reflected in our own workforce. This will allow us to listen, respond to and anticipate our customers’ needs more effectively.

This will ensure our people are highly engaged and are proud to be part of our organisation.

We will maintain a diverse, high-performing team by focusing on five people priorities:

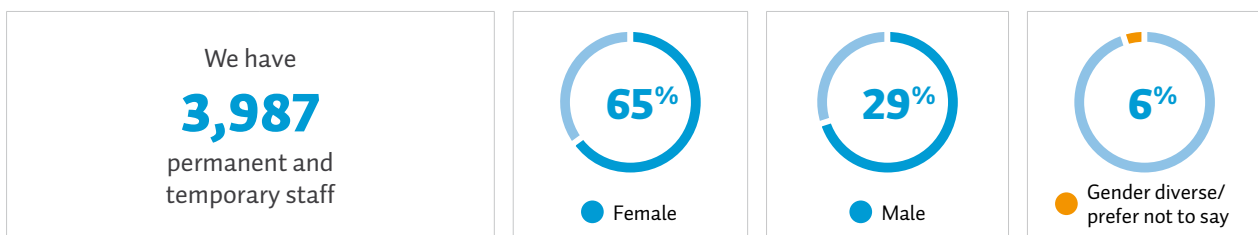
TABLE 6 – PEOPLE DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2023
Our workforce represents New Zealand’s diversity	We will be supporting ACC’s Whāia te Tika strategy through building the cultural capability of our leaders and people and increasing the representation of Māori employees in our workforce. We will have developed and be commencing the implementation of a new five-year strategy and approach for diversity and inclusion at ACC.
We have highly motivated capable leaders	We will have updated our core leadership development suite.
We ensure the work we do and direct is healthy and safe for all involved, and the wellbeing of our people is supported	We will be continuing to mature our health, safety and wellbeing culture by developing and implementing an updated Health, Safety and Wellbeing Strategy.

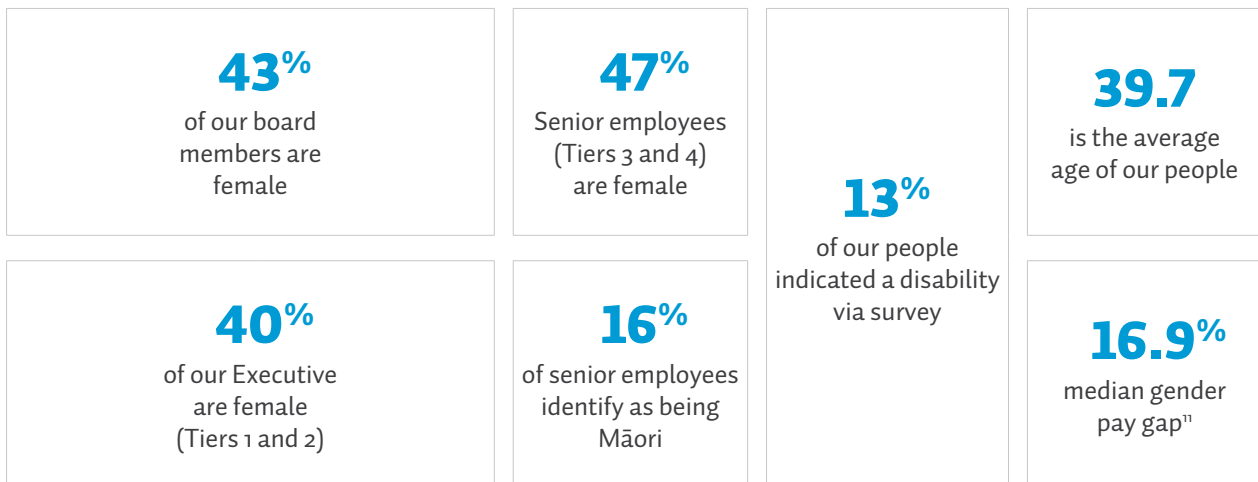
Continued...

What we want to achieve	What we will have delivered by 30 June 2023
Our people are capable and proud to be part of ACC	We will be supporting our people to adopt new capabilities, technology and ways of working to deliver our key organisational initiatives. We will be improving employee engagement through initiatives that reinforce inclusion, development, wellbeing and our ACC Purpose.
Our organisational design and our practices facilitate high performance now and into the future	We will be continuing to implement key components of our new Human Capital Management system to streamline our people processes. We will be continuing to mature our ability to align our change activity with our organisation's change capacity.

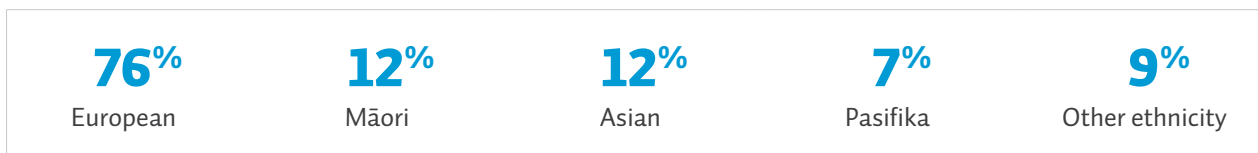
Workforce profile as at 31 March 2022



Our people



Ethnicity profile of our people via survey¹²



11. This result is for 2020/21 and is based on the Ministry for Women's methodology.

12. Ethnicity sums to more than 100% as employees were able to select more than one ethnicity.

Improve the way we use, protect and share information

We collect and use personal, confidential and sensitive information from a large number of people and entities including clients, providers and business customers. Our relationship with this information is complex – some information is compelled by law, some is volunteered, some comes directly from our customers and some comes to us through third parties. We use that information to make decisions on a person’s individual circumstances, and in some cases we need to share it with others. New Zealanders must have confidence that this information is collected appropriately, stored securely and accurately and only disclosed with appropriate authority and that they can access it when they need it.

At the same time, our technology must empower our people by providing them with the tools to deliver positive outcomes for our clients. Part of this empowerment will come through improved data and analytics capabilities and enhancing our culture of data-driven decision-making to create a higher-performing, effective and efficient organisation.

We expect to achieve our intended information objectives through four priorities:

TABLE 7 – INFORMATION DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2023
We are custodians of customer information	We are fair, open and transparent, and committed to making information available under the principles of the Official Information Act 1982, unless there is a good reason to withhold it.
We enable safe and appropriate sharing of information	We will have further protected our customers’ information and privacy by rolling out important updates to our systems, and invested to ensure our systems have the capacity to meet predicted future demands.
We enable the appropriate sharing of information across government	We will have supported and adopted New Zealand government data and technology standards to better enable the flow of data for joined-up services. We will have supported and contributed to open government data standards and be driven to improve access to and the appropriate sharing of information to enrich data and analytics to inform and strengthen decision-making.
We use our organisation-wide analytical strength to make effective investment decisions	We will have generated value from ACC’s cloud data platform to enable enterprise decision-making.

Support ACC business outcomes with modern, reliable and secure information technology

ACC will continue to evolve as an organisation requiring the development of new capabilities to respond to the challenge of offering our customers more choice with less effort when they interact with us.

In this changing environment, we need to ensure our organisation, our clients and our providers are supported by reliable, safe and secure information technology. This technology needs to be flexible to allow us to adapt to changing needs quickly. We will mature and embed a culture of enterprise agility by extending our capabilities in continuous exploration and continuous delivery.

We will achieve our technology intentions by focusing on four priorities:

TABLE 8 – TECHNOLOGY DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2023
We maintain safe, secure and stable information technology	We will have continued to maintain the stability and security of our information technology by implementing an appropriate maintenance and security programme.
Our technology empowers our people	We will have continued to maintain our mobile hardware and software capability to better enable our people to serve our customers with ease and minimal business disruption.
	We will have continued to improve our organisational capability through new modern technologies.
Our technology enables our digital aspirations	<p>We will have continued to enhance our digital environment so it allows us to:</p> <ul style="list-style-type: none"> • automate manual tasks and processes to remove friction and improve the quality and timeliness of payments, data and services • increase the range of self-service options so that our customers can choose the best options to suit their needs • work collaboratively with the health sector to ensure that our solutions integrate seamlessly with its ways of working.
We create and maintain an adaptive technology environment	<p>We will have continued to develop our adaptive technology environment by:</p> <ul style="list-style-type: none"> • implementing a range of modern technologies and innovation, supporting ACC to better manage performance and customer service delivery • reducing legacy and customisation of our core systems to provide more flexibility and agility.

Whāia Te Tika

Whāia te whānuitanga me to hōhonutanga o te mātauranga

Pursue the breadth and depth of knowledge

Ko te Tiriti o Waitangi tētahi o ngā tuhinga taketake a te kāwanatanga o Aotearoa e whakapūmau ana i te kotahitanga o ngā iwi o tēnei whenua. Kei te tautoko mātou i te Karauna me āna hononga i raro i te Tiriti o Waitangi. Ka mātua whai mātou i ngā ara mahi e whakawhiwhia ai te iwi Māori ki ngā hua ōrite i ā mātou ratonga.

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

I te mutunga iho, kei te hiahia mātou ki te kite i ēnei hua:

- kei te heke te nui o ngā wharanga a te Māori
- kei te whakakorengia ngā āhuatanga e haukoti ana i te āhei o te Māori ki te toro atu, ki te whakapāpā atu hoki ki ngā ratonga, kia heke iho ngā rerekētanga, ā, kla piki ake hoki te mana taurite

- kei te whakawhiwhia ngā kiritaki Māori ki ngā mahi tautoko tōtika, kei te tika hoki te whāngaitanga atu o aua mahi ki a rātou ko ō rātou whānau.
- kei te āta rongo atu mātou, kei te mārama ki ngā matea, ki ngā hiahia me ngā wawata o te Māori i te wā e whakapā mai ana rātou ki a ACC, ā, kei te whakautu mātou ki a rātou.
- kei te mahitahi mātou ki a ngāi Māori (arā, ki ngā hapū, ki ngā iwi, ki ngā whakahaere, ki ngā ratonga hauora me ērā atu hinonga) ki te whakahoahoa, ki te tuku atu i ngā rawa me ngā ratonga e āta whakatutuki ana i ngā hiahia o te Māori, e whakapai ake ana hoki i ngā putanga ki a rātou

Kei te arotahi mātou ki ēnei mahi i te tau 2022/23 e tutuki ai ēnei wawata.



Te Arotahi Kiritaki

Kei te mahi mātou ki te whakapai ake i te kuhunga mai o ngā kiritaki, i ā rātou wheako me ngā hua ka whakawhiwhia ki a rātou

Kei te whakahoungia a Whāia Te Tika, kia hāngai ngā kōrero ki te rautaki hou o tēnei whakahaere. Kei te whakawhanakehia te rautaki hou i raro i ngā mātāpono o Te Tiriti o Waitangi.

Ka whakahāngai mātou i ā mātou aroturuki me ngā pūrongo ki ā mātou inenga e pā ana ki ngā putanga ki a ngāi Māori. Ka karapotia tēnei mahi e Te Kāpehu Whetū, waihoki, ko te aroturukinga o ngā putanga ki a ngāi Māori tētahi wāhi ngā mahi a Te Kāpehu Whetū. Ka kōkirihiā ngā mahi a ACC e Te Kāpehu Whetū e kitea ai ngā putanga taurite mā ngā kiritaki Māori o ACC.

Ka whakapau kaha tonu mātou ki te whakapiki ake i te pūtea ki ngā kaupapa nā te Māori i hoahoa mā te Māori, e ārai ana i ngā wharanga, kia piki ake ngā putanga hauora, kia heke iho anō te nui me te kaha o ngā wharanga i waenga i te Māori.

Ka whakatū mātou i ngā kūaha hou, ā, ka whakapiki ake i te nui o ngā ratonga hei whiriwhiri mā ngā whānau Māori, arā:

- ka whakatipuria ake, ka whakawhānuihia ake ngā Ratonga Kaupapa Māori i raro i ngā pātuinga o te hōtaka mahi a Hauora Māori – hei tauira, ko ngā ratonga a ngā takawaenga me ngā rongoā Māori.

- ka whai māramatanga ki ngā whakahaere o te kaupapa o Hāpai, kātahi ka whakahaerehia tētahi wāhanga anō o te kaupapa
- ka whakapiki ake i te mōhiotanga o ngāi Māori ki ngā ratonga o ACC mā ngā kaupapa tauhokohoko e hāngai ana, e āta manaaki ana i te Māori.

Kia Hiranga te Mahi Ngātahi

Kei te arotahi ā mātou mahi ki ngā hononga whaihua, ki ngā pātuinga e whakapiki ake ana i ngā hua

Ka whakawhanake, ka whakarato a ACC i tētahi anga rautaki kaha mō ngā whakawhitinga ki a ngāi Māori hei ārahi i te ACC ki te whai hoamahi Māori nō waho atu o te whare (arā, ko ngā iwi, ko ngā hapū, ko ngā pakihi me ngā ratonga Māori) i a mātou e whakaū ana i tō mātou titiro ki ngā hononga tara ā-whare, hei tūhonohono i ngā kaupapa mā te Māori huri noa i te ACC.

Ka whakatū mātou i ētahi rōpū tohutohu o ngā kiritaki Māori me ērā nō Te Moananui-a-Kiwa, kia hāngai te titiro ki te mana taurite mō te Māori me ngā iwi o Te Moananui-a-Kiwa. Ka noho ēnei rōpū ki te taha o ngā rōpū tohutohu o nāianei, kia rongo te ACC ki ngā reo o ngā kiritaki Māori me ngā iwi o Te Moananui-a-Kiwa i roto i āna whakataunga. Ka whakawhanake hoki mātou i tētahi rautaki mā ngā iwi o Te Moananui-a-Kiwa, kia whakatū te ACC i ngā whaingā tōmua, kia kōkiri hoki mātou i ngā putanga taurite mā ā mātou kiritaki nō Te Moananui-a-Kiwa.

Ka mahitahi tonu te ACC ki a Oranga Tamariki, ki Te Puni Kōkiri anō ki te tuku pūtea ki te whare whakahaere o Whānau Ora kia haere tonu te kaupapa o Ngā Tini Whetū, arā, he tauira tērā e arotahi ana ki ngā tautoko tōmua mā te whānau.

Ka ū tonu ā mātou hononga ki ngā kaiwhakarato me ngā rōpū kaupapa Māori, arā, ko ngā kaiwhakarato o ngā iwi me ngā hapū o Te Tairāwhiti me te rōpū o Tuārai.

Ka whai mātou i ngā whakaritenga mahi o te kaupapa o Hāpai hei whakapiki ake i te pai o ngā wheako me ngā putanga mā ngā kiritaki Māori.

Whakawhanaketia te kaha

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

Ka whakahaere mātou i ngā mahi e whakawhanake tonu ana i te mōhio o ngā kaimahi a ACC ki ngā tikanga, e noho ai te Tiriti ki te pūtahi o ngā mahi. Ka whakapiki ake a ACC i te nui o ngā kaimahi Māori, ā, ka whakatipu ake hoki i te nui o ngā kaiārahi Māori mā ACC Māori Leadership Programme.

Ka whakahaere mātou i ngā whakangungutanga huri noa i te whare i raro i te whakatinanatanga o te Māori Outcomes Framework.

Ka whakahaere mātou i te rautaki reo Māori e hāngai ana ki te Maihi Karauna 2019 – 2023. Mā te rautaki reo a te ACC ka whakawhanake mātou i ngā momo rawa hei āwhina i ngā kaimahi o te ACC ki te whakapiki ake i tō rātou kaha ki te hāpai i ngā tikanga.

Kei te mahitahi mātou ki te mana whenua i runga i te hiahia ki te tuku atu i ngā hōtaka e hāpai ana i ngā tikanga ki ACC.



Whāia Te Tika

Whāia te whānuitanga me to hōhonutanga o te mātauranga

Pursue the breadth and depth of knowledge

We recognise that 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 te Tiriti o Waitangi relationships and deliver our services in ways that enable equitable outcomes for Māori.

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

Ultimately, we want to achieve results that mean:

- Māori New Zealanders are injured less often
- barriers to access and engagement for Māori are removed, reducing disparities and improving equity
- Māori customers receive the right support delivered in the right way for them and their whānau

- we engage with, understand and respond to the needs, expectations and aspirations of Māori when they interact with ACC
- we partner with Māori (hapū, iwi, entities, organisations, health providers and other agencies) to design and deliver products and services that meet Māori customer needs and improve outcomes.

To deliver on these aspirations, we will focus on the following actions in 2022/23.



Te Arotahi Kiritaki – customer focus

Our actions seek to improve customer access, experiences and outcomes

We will be refreshing Whāia Te Tika to align it with the new organisational strategy being developed in a manner consistent with the principles of Te Tiriti o Waitangi.

We will monitor and report on a set of organisational Māori outcome measures framed by the te ao Māori Outcomes Framework (Te Kāpehu Whetū). Monitoring outcomes for Māori across the organisation is part of the implementation of the Māori Outcomes Framework. The Framework will drive ACC's performance toward achieving equitable outcomes for Māori clients of ACC.

We will continue to increase our investment in injury prevention approaches designed by Māori, for Māori that will improve wellbeing outcomes and help reduce the incidence and severity of injury among Māori.

We will create more access opportunities and give whānau Māori more service options through:

- growing and expanding Kaupapa Māori Service offerings as part of the Māori Health programme of work in health partnerships e.g. navigation services and rongoā Māori
- understanding and delivering the next phase of the Hāpai case management approach
- increasing Māori awareness of ACC services through targeted and tailored marketing campaigns.

Kia Hiranga Te Mahi Ngātahi – partnering for excellence

Our actions focus on strategic engagement and partnering to improve outcomes

ACC will develop and deliver a strong strategic Māori engagement framework that will guide ACC to partner externally with Māori (iwi, hapū, Māori businesses and service providers) while maintaining internal oversight across relationships, to join up Māori engagement programmes across ACC.

We will establish Māori client and Pacific peoples expert advisory panels to enable an equity focus for our Māori and Pacific peoples customers. This will complement existing advisor panels to ensure that ACC is being informed by a strong Māori and Pacific customer voice in its decision-making. We will also develop a Pacific peoples strategy for ACC to establish priorities and drive equity of outcomes for our Pacific peoples customers.

ACC will continue to partner with Oranga Tamariki, and Te Puni Kōkiri to co-invest in the Whānau Ora Commissioning Agency to continue to deliver Ngā Tini Whetū, a whānau-centred early support prototype.

We will continue our existing partnerships with kaupapa Māori providers and groups, including Tairāwhiti iwi and hapū providers and the Tuārai local leadership group.

We will be using Hāpai case management to improve experiences and outcomes for Māori clients.

Whakawhanaketia te kaha – developing capability

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

We will deliver a programme of work that will continue to develop ACC into a culturally competent workforce that is Te Tiriti centric. ACC will increase the representation of kaimahi Māori in our workforce as well as grow more Māori leaders through the ACC Māori Leadership Programme.

We will deliver capability uplifts across the organisation as part of the implementation of the Māori Outcomes Framework.

We will deliver the reo Māori strategy that is aligned with the Crown's Strategy for Māori Language Revitalisation 2019 – 2023 Maihi Karauna. Through the ACC reo strategy we will develop a suite of tools to enable the ACC workforce to build its cultural capability.

We are partnering with mana whenua with the aim in delivering programmes that will lift cultural capabilities at ACC.





Statement of performance expectations

Statement of performance expectations by output

This section sets out the outputs that we are funded to provide. Outputs are the actual products and services that ACC provides to its stakeholders.

The information includes:

- the link between our strategic intentions and outputs
- a brief explanation of what is intended to be achieved within each output
- an explanation of how performance under each output will be assessed. These measures evaluate our performance in terms of quality, cost and timeliness
- activity information – this is contextual or service-demand information to provide a greater context for our performance measures. Significant variations in demand can influence the achievement of our performance measures' targets.

We will report quarterly against the wide range of output performance measures to assess whether our activities are making a difference and the extent to which we are achieving our strategic intentions. Each measure has a target for each year from 2022/23 to 2025/26.

The targets set for 2022/23 consider current performance with a general principal of continuous improvement thereafter.

COVID-19 impacts and our performance

This Service Agreement 2022/23 has been developed based on the best available information within the context of the COVID-19 pandemic. ACC continues to experience impacts from the pandemic and this is expected to continue into 2022/23.

Setting targets and objectives through the Service Agreement has been challenging in the context of so much uncertainty and the breadth of impacts from the COVID-19 pandemic on ACC. For example areas of impact include claims volumes, client service delivery, required client support, injury prevention programmes, and the effects of economic factors influencing investment fund performance and the Outstanding Claims Liability.

At the point Service Agreement targets are agreed, we rely upon the most recent and best available information at the time. In general, this means using March actual results from the previous year as a key reference point for the upcoming year. Given the impact of the pandemic on actual results this can then flow through into target setting, e.g. net trust scores. Although the Omicron peak may have passed, we still anticipate further volatility and uncertainty for 2022/23.

Some specific experience impacting client experience includes:

- Decline in new claims: Lockdown restrictions have resulted in immediate declines in new claims. This is due to a sudden decline in exposure to injury risk in the workplace, recreation and in motor vehicles.
- Claim complexity: While new claims growth declined due to lockdown restrictions and social distancing, the severity of new claims increased during these periods. There were proportional increases in fractures or dislocations and burn injuries occurring in the home as opposed to soft tissues injuries which often occur

during recreation activities. Fractures and dislocations tend to have longer rehabilitation timeframes than soft tissue injuries.

- Increased availability in General Practice: Social distancing policies led to a reduction in the spread of seasonal flu and other transmissible viruses. This has contributed to reduced demand for general health services in General Practice which has increased availability of services for clients recovering from musculoskeletal or physical injury. There has been a measurable decrease in timeliness between consultations in General Practice and Urgent Care Clinics.
- Delays accessing secondary care: Social distancing, measures to protect medical professionals and absenteeism due to the spread of the omicron variant has contributed to delays accessing services in secondary care. This includes measurable increases in timeliness to first specialist appointments, to first High Tech Images and to surgery.
- Demand for in-home attendant care services: Lockdown restrictions and vaccination requirements impacted service delivery of attendant care services. This increased delivery of service provided by family members, hours of care and the length of time care services are delivered.

The uncertainty remains a challenge in setting annual performance targets, however ACC remains committed to improving performance. ACC regularly monitors performance, regularly re-forecasts future performance and aims to identify and understand notable trends and variances to expectations on a timely basis.

Breakdown of Budget against output classes

TABLE 9 – 2022/23 BUDGET BY OUTPUT CLASS

2022/23 budget	2022/23 budget		
	Administration	Claims paid	Revenue
\$m			
Output class			
Output 1: Injury prevention	100		
Output 2: Levy setting and collection	18		5,655
Output 3: Investment management	76		2,189
Output 4: Claims management	572	6,495	
Total	766	6,495	7,844
Other operating costs	84		
Total ACC	850	6,495	7,844

Other operating costs include indirect costs allocated to all four outputs by support business groups such as Finance, People and Culture Te Rōpū Pae Ora and Technology and Innovation.

Aligning our strategic intentions with the outputs

Our outputs are related to our three externally focused strategic intentions.

TABLE 10 – ALIGNMENT OF STRATEGIC INTENTIONS WITH OUTPUTS

Increase the success of our injury prevention activities	Output 1 Injury prevention	By developing and delivering the ACC and cross-government injury prevention strategy.
	Output 2 Levy setting and collection	By working closely with our business customers (largely employers and self-employed) to identify appropriate products, to invoice and to collect levies.
Improve our customers' outcomes and experiences	Output 4 Claims management	By working closely with our clients and their families to return them to independence as soon as possible, and by collaborating with our providers to achieve the most appropriate outcomes for our clients.
	Output 1 Injury prevention	By only investing in a portfolio of injury prevention activities that will lead to a positive return on investment.
Improve the sustainability of the Scheme	Output 2 Levy setting and collection	By recommending levies that are sufficient to cover the costs of claims incurred in each year and collecting the levies approved by Cabinet.
	Output 3 Investment management	By investing effectively in order to meet the future costs of claims from injuries already incurred.
	Output 4 Claims management	The costs associated with this output class have the largest bearing on overall Scheme financial performance. To achieve cost stability, we must balance the quality, efficiency and effectiveness of services delivered to clients.

Output 1: Injury prevention

What is intended to be achieved

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

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

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

How will we know we have achieved this

TABLE 11 – OUTPUT 1 PERFORMANCE MEASURES

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Return on investment: 0- to 20-year programmes	We invest to keep New Zealanders safe from accidental injury by working with others to reduce the risks in a range of areas.	\$2.19:\$1	\$2.13:\$1	\$2.12:\$1	\$2.15:\$1	\$2.18:\$1	\$2.20:\$1
Key measure Return on investment: workplace programmes ¹³	We take a portfolio approach. This means that overall we expect our injury prevention programmes to deliver positive returns on investment.	New measure	\$1.64:\$1	\$1.65:\$1	\$1.70:\$1	\$1.75:\$1	\$1.80:\$1
Supporting measure Number of claims avoided through our injury prevention investments		14,240	9,605	16,105	23,000	25,000	35,000
Supporting measure Investment in kaupapa Māori programmes		New measure	\$5.9m	\$7m	\$10m	\$12m	\$15m

Continued...

13. Excluding WorkSafe New Zealand investment

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Rate of serious injury: 0- to 20-year programmes	Our investment in changing the behaviours of New Zealanders should reduce the severity of injuries sustained in the settings targeted by our investments.	9.4	9.8	8.9	8.7	8.5	8.3
Key measure Rate of serious injury: workplace programmes		0.20	0.20	0.18	0.16	0.14	0.12

Output 2: Levy setting and collection

What is intended to be achieved

The Scheme is managed through five Accounts, with each providing cover for a specific grouping of injuries. In order for us to deliver services, we must collect revenue. Through our levy-setting process we calculate our future revenue needs for each Account. We recommend levies that are sufficient to cover the costs of claims incurred in that year. The recommendations are consulted on with levy payers and provided to Cabinet for consideration.

How will we know we have achieved this

TABLE 12 – OUTPUT 2 PERFORMANCE MEASURE

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Actuarial movement	This provides an indicator of the effectiveness of our management of the controllable factors driving the OCL.	+1.08%	+1.65%	Within -3% to +1%	Within -3% to +1%	Within -3% to +1%	Within -3% to +1%

How we are funded

Figure 1 shows our 2022/23 forecasts for the number of funders and the levy and appropriation revenue, and the currently approved levy rates for each Account.

FIGURE 1 – SOURCES OF ACCOUNT FUNDING

Cabinet sets levies at least every three years following public consultation and a recommendation from ACC				Appropriations are sought through the Budget process	
Work Account	Earners' Account	Motor Vehicle Account	Treatment Injury Account	Non-Earners' Account	
Work-related injuries	Non-work injuries to people in employment	Injuries on public roads involving a moving vehicle	Injuries that are caused by, or happen during treatment	Injuries not covered in other Accounts to people not in employment	
Levied from employers and the self-employed	Levied from employees and the self-employed	Levied from registration fees and petrol charges	Levied from employees and the self-employed plus appropriations	Funded through appropriations	
Number of employed and the self-employed 2.45 million	Number of earners 2.83 million	Number of vehicles 4.11 million	Number of non-earners 2.37 million Number of earners 2.83 million	Number of non-earners 2.37 million	
Levy revenue \$879 million	Levy revenue \$2,154 million	Levy revenue \$474 million	Government appropriation \$263 million Levy revenue \$92 million	Government appropriation \$1,793 million	
\$0.63 per \$100 liable earnings	\$1.22 per \$100 liable earnings	\$113.94 per motor vehicle			

Funding ratios

The financial sustainability of each Account is measured by the funding ratio. The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each Account, expressed as a ratio for each Account. The calculation of the applicable assets and liabilities is defined in the funding policy. The current funding policy was published in the *New Zealand Gazette*¹⁴ on 6 April 2021 (Gazette No. 2021-g01226).

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

The Accident Compensation Act 2001 (AC Act) requires the Government to issue a funding policy, setting out the criteria on for fully funding the levied Accounts, including the Earners' portion of the Treatment Injury Account. ACC must make levy rate recommendations in accordance with that funding policy.

TABLE 13 – FUNDING RATIOS

Account	Forecast 2021/22	Budget 2022/23	Funding policy target
Work (including gradual process claims incurred but not yet made)	121.6%	117.1%	100%
Motor Vehicle	109.6%	104.8%	100%
Earners'	98.4%	91.7%	100%
Non-Earners' (fully funded portion)	67.5%	65.5%	100%
Treatment Injury (Earners' portion)	71.0%	69.0%	100%
Treatment Injury (Non-Earners' fully funded portion)	140.9%	137.0%	100%

14. www.gazette.govt.nz

Output 3: Investment management

What is intended to be achieved

Because serious injuries require ongoing expenditure for decades into the future, a portion of levies collected each year is set aside to provide for future costs. We invest these funds to meet the future costs of claims. To achieve this purpose, we tend to favour long-term investments that we expect to deliver relatively certain income streams for long periods of time. Such investments match our long-term cash-flow requirements and provide a partial offset against the risk of declines in interest rates.

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

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

How will we know we have achieved this

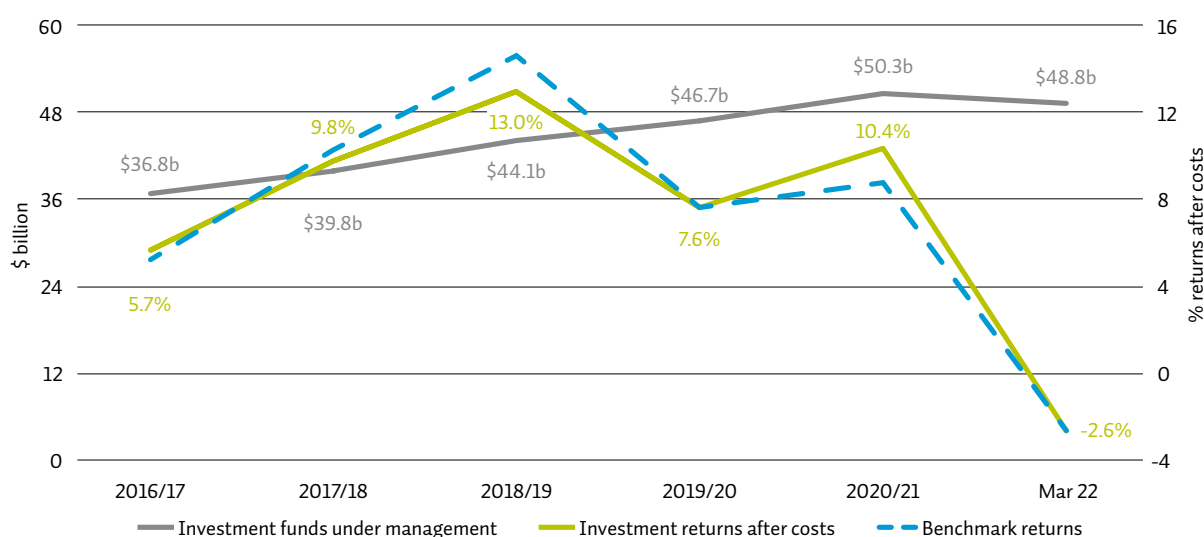
TABLE 14 – OUTPUT 3 PERFORMANCE MEASURES

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Investment performance after costs relative to benchmark	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 provides a comparison with the asset classes in which we have invested.	1.90%	0.06%	0.15%	0.15%	0.15%	0.15%
Supporting measure Investment management costs as a proportion of total funds under management	The efficiency of our investment management is measured by expressing total investment management costs as a proportion of the total funds under management.	0.14%	0.15%	0.17%	0.17%	0.17%	0.17%

Activity information

ACC had \$48.8 billion of investment funds as at the end of March 2022 and had returned -2.6% after costs year-to-date. Market returns can be volatile from year to year, and ACC's investment team aims to add value over the longer term. ACC has outperformed its market benchmarks in 27 of the past 29 years.

FIGURE 2 – HISTORICAL FUNDS UNDER MANAGEMENT AND INVESTMENT RETURNS



Expectations as a Crown Financial Institution

The Government communicates key priorities for ACC as a Crown Financial Institution through the annual Letter of Expectations from the Minister of Finance. These priorities are presented in **Appendix 3 – Letters of expectations** and are summarised in **Appendix 4 – Investment statement**.

Output 4: Claims management

What is intended to be achieved

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

We manage claims from the relatively minor, where clients require only 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.

How will we know we have achieved this

TABLE 15 – OUTPUT 4 PERFORMANCE MEASURES

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Return to work within 10 weeks	Research confirms that when people make rapid returns to independence or work after injury, their overall health and wellbeing is significantly improved.	63.3%	64.0%	64.6%	66.1%	67.6%	68.1%
Supporting measure Return to work within nine months		90.4%	90.1%	91.0%	92.2%	92.7%	93.0%
Supporting measure Average weekly compensation days paid ¹⁵	These measures evaluate how effectively we are supporting our clients to return to work or independence, and whether their returns are sustained.	105.9 days	107.3 days	104.0 days	101.0 days	98.6 days	95.5 days
Key measure Return to independence for those not in the workforce		87.1%	86.8%	87.5%	88.5%	88.5%	88.5%
Key measure Public trust and confidence ¹⁶	The way the public views ACC is a useful indicator of how effectively we have communicated the value that ACC delivers, and demonstrated this in our interactions with levy payers, clients, providers and stakeholders.	New measure	55%	58%	61%	62%	63%

Continued...

15. An increase for this measure would reflect an increase in weekly compensation days paid compared to the benchmark of March 2015. The increases presented reflect the fact that weekly compensation days paid have increased, not reduced. Longer term targets are for a reduction.

16. From 2022/23 onwards, ACC is moving to a 100% online survey methodology for this measure to better reflect our customer population. Our online results track 10% lower than the current phone results. Our performance expectations remain consistent, and have re-based our targets to reflect the move to an online survey

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Client net trust score	If we get their experiences and outcomes right, our clients will trust us and have confidence in our ability to support their returns to independence.	+25.0	+23.0	+28.0	+30.0	+33.0	+35.0
Supporting measure Speed of cover decisions: non-complicated claims		0.9 days	0.9 days	<0.9 days	<0.9 days	<0.9 days	<0.9 days
Supporting measure Speed of cover decisions: complicated claims		66.9 days	73.9 days	<70.0 days	<70.0 days	<70.0 days	<70.0 days
Supporting measure Reviews as a percentage of cover decline decisions		8.5%	7.8%	≤8.5%	≤8.5%	≤8.5%	≤8.5%
Supporting measure Average time to resolution for claims with reviews		New measure	126.3 days	≤130.0 days	≤125.0 days	≤125.0 days	≤125.0 days
Supporting measure Proportion of ACC reviews upheld (in favour of ACC)		90.6%	90.4%	87.0%	88.0%	88.0%	88.0%
Supporting measure ACC focused on the best possible outcomes		77%	75%	78%	79%	80%	81%
Key measure Client net trust score for Māori		+20.0	+23.0	+27.0	+30.0	+33.0	+35
Supporting measure Māori lodgement ratio		0.82	0.81	1% increase on previous year			
Key measure Provider net trust score	Successful partnering through consistent decision-making, improved engagements and the ease of working with us will increase the trust and confidence health providers have in us.	-25.0	-28.0	-20.0	-15.0	-10.0	-5.0
Key measure Business net trust score	As we engage more effectively with business customers and make it easier for them to work with us, they will develop a stronger belief in ACC's purpose and the value of their levies.	-17.0	-27.0	-17.0	-12.0	-7.0	-5.0

Continued...

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Growth rate of the Long-Term Claim Pool ¹⁷	Getting clients back to independence is positive for them and can make a significant difference to the long-term sustainability of the Scheme.	+8.7%	+7.0%	+6.4%	+3.3%	+2.1%	+1.6%
Supporting measure Long-Term Claim Pool returns to independence		4,978	5,278	5,100	5,300	5,600	5,700
Supporting measure Rate of long-term clients in part-time work		12.6%	13.0%	11.5%	12.0%	12.0%	12.0%
Key measure Change in average treatment cost	Managing treatment and care costs means we are effectively countering inflationary pressures while delivering effective services to our clients when needed, supporting the long-term financial sustainability of the Scheme.	+6.1%	+2.1%	+12.0% ¹⁸	+4.1%	+4.8%	+5.0%
Supporting measure Administration costs per active claim		\$2,403	\$2,484	\$2,569	\$2,435	\$2,375	\$2,297
Supporting measure Percentage of total expenditure paid directly to clients or for services to clients		88.3%	87.9%	89.4%	89.9%	90.1%	90.5%
Supporting measure Claims processed per full-time equivalent		580	490	566	579	591	603
Key measure Average care hours per serious injury claim		1,396	1,399	1,395	1,385	1,370	1,370

17. In this context, 'long term' refers to clients who have received weekly compensation for more than 365 days.

18. The change in average treatment cost per claim will be distorted by the impacts of COVID-19 on claim costs and volumes in 2021/22.

Activity information

Claim activity

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** – an increase in the rate of GDP growth will increase the rate of new claim growth.
- **Unemployment** – as unemployment goes up, claim numbers tend to reduce.
- **Distance driven** – motor vehicle claim volumes increase as the total distance travelled increases.

We forecast claim volumes in order to ensure that we can respond to the anticipated demand for our services. If actual claim volumes differ significantly from our forecast claim volumes, our ability to achieve performance targets may be affected.

FIGURE 3 – TOTAL NEW REGISTERED CLAIMS VERSUS RATE OF NEW CLAIM GROWTH, BY YEAR (ACTUAL AND FORECAST)

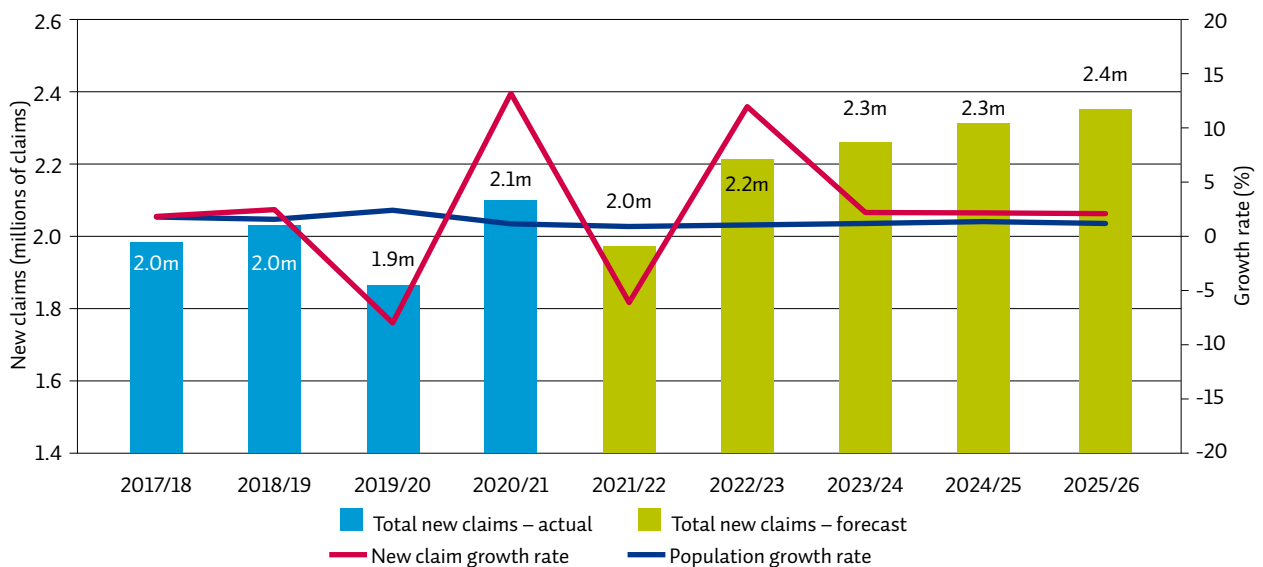


Table 16 shows recent trends in the types of claims that we receive and accept. Claim volumes from 2019/20 to current have been affected by COVID-19 and related lockdowns. This has distorted the growth-rate trends for new claims. The Scheme is based on legislation, and each claim is evaluated to determine 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 types and amounts of services that those who have covered injuries are eligible to receive.

Please note that historical claim activity values in Table 16 below may differ from the values presented in other reports. This is due to the timing of claim lodgements and claim decisions.

TABLE 16 – HISTORICAL CLAIM VOLUMES, BY TYPE

Measure	Definition	2018/19	2019/20	2020/21	Mar 2022 ¹⁹
Registered claims	Total number of registered claims in the period.	2,025,895	1,861,263	2,098,184	1,859,828
Medical fees only claims	Total number of medical fees only claims in the period.	1,728,645	1,583,361	1,788,415	1,109,847
Other entitlement claims	Total number of entitlement claims (all entitlement claims excluding weekly compensation) that receive payments in the period.	138,588	134,182	143,742	90,978
Weekly compensation claims	Total number of weekly compensation claims that receive payments in the period.	126,938	125,376	143,421	118,466
Long-term weekly compensation claims	Number of clients receiving weekly compensation for more than one year as at 30 June.	14,201	15,993	17,388	18,623
New serious injury claims	Total number of new serious injury claims in the period.	337	251	232	221
Fatal claims	Total number of fatal claims in the period.	1,578	1,469	1,424	925

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.

TABLE 17 – EXPENDITURE FOR KEY CLAIM COSTS

\$m	Actual 2020/21	Forecast 2021/22	Budget 2022/23
Weekly compensation	1,722	1,862	2,095
Medical treatment	982	978	1,251
Social rehabilitation	950	1,080	1,243
Public health acute services	578	651	716
Elective surgery (hospital treatment)	443	444	533

19. Registered claims for March 2021 are for the 12 months prior. All other figures as at March 2021 are financial year-to-date.

Other performance measures

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

Our organisational health and capability intentions

TABLE 18 – PERFORMANCE MEASURES – MAINTAIN A DIVERSE, HIGH-PERFORMING WORKFORCE EMPOWERED TO DELIVER GREAT CUSTOMER EXPERIENCES AND OUTCOMES

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Employee net promoter score	Equipping our people with the right tools and capabilities enables them to be high-performing employees, proud of their organisation.	0	+4	+12	+16	+20	+24
Supporting measure Proportion of ACC staff who identify as Māori.		11.4%	11.7%	13.0%	13.5%	14.0%	14.5%
Supporting measure Proportion of ACC staff who identify as having a disability	EEO good employer practices relating to the recruitment and selection, development and retention of all staff. It is also important that our workforce reflects the community we serve.	12.2%	13.2%	15.0%	15.5%	16.0%	16.5%
Key measure Total recordable injury frequency rate	We keep people safe, healthy and well, enabling them to arrive home in the same mental and physical condition as when left for work.	1.7	2.4	<3.5	<3.5	<3.5	<3.5
Supporting measure Lost-time injury frequency rate		1.1	2.1	<2.1	<2.1	<2.1	<2.1

TABLE 19 – PERFORMANCE MEASURE – IMPROVE THE WAY WE USE, PROTECT AND SHARE INFORMATION

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer’s privacy matrix)	We deal with confidential and sensitive information for a large number of people and entities. Our customers expect us to protect this information and maintain our progress in reducing privacy breaches.	0	2	<3 category 3 or 4 breaches per year No category 5 breaches			

TABLE 20 – PERFORMANCE MEASURE – SUPPORT ACC BUSINESS OUTCOMES WITH MODERN, RELIABLE AND SECURE INFORMATION TECHNOLOGY

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
Key measure Overall operational system availability	Our systems need to be available so that we can deliver the services our customers expect.	99.9%	99.9%	99.5%	99.5%	99.5%	99.5%

Asset performance measures

Cabinet Circular CO (19)6: Investment Management and Asset Performance in the State Services sets out expectations for agencies to report on investment performance.

To address this requirement, we selected the following asset performance measures aligned with our two largest asset portfolios: property and information and communications technology (ICT).

TABLE 21 – ASSET PERFORMANCE MEASURES

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
ICT – Utilisation Percentage of ACC staff utilising mobile computer hardware technology	To deliver services to our customers, our computer hardware must have the right functionality and, capacity and be current.	New measure	100%	90%	90%	90%	90%
ICT – Utilisation Percentage of active ACC computer devices that are within the accepted lifecycle target		New measure	83%	75%	75%	75%	75%

Continued...

Measure	Rationale	Actual		Target			
		2020/21	Mar 2022	2022/23	2023/24	2024/25	2025/26
ICT – Condition Percentage of key systems with a condition rating of Good or Excellent	This measure uses supportability as an indicator of the condition of our assets.	100%	83%	>80%	>80%	>80%	>80%
ICT – Condition Number of critical faults for key ACC systems	This measure demonstrates the physical state of our critical ICT assets, representing asset integrity.	3	1	<5	<5	<5	<5
ICT – Functionality Total operational ICT spend per FTE	Measuring ICT cost per FTE demonstrates the efficiency of our ICT expenditure and the value for money achieved. It is able to be compared with that of peer groups to ensure that it is appropriate.	\$22,659	\$25,110	\$30,700	\$30,700	\$30,700	\$30,700
ICT – Availability Percentage of time key applications and networks are available to perform required functions	System availability and stability is crucial in the delivery of services to our customers.	99.9%	99.9%	99.5%	99.5%	99.5%	99.5%
Property – Utilisation Square metres (m ²) of leased area per FTE	This measure is applied across the entire leased property portfolio. Performance can be easily compared year on year and against the Government Property Group's guidelines.	12.8m ²	12.6m ²	12 – 16m ² / FTE	12 – 16m ² / FTE	12 – 16m ² / FTE	12 – 16m ² / FTE
Property – Condition Percentage of total leased area with a current code compliance certificate / building warrant of fitness	This measure offers an independently assessed perspective of property condition. It is also easy to apply consistently to the entire leased property portfolio.	100%	100%	100%	100%	100%	100%
Property – Functionality Percentage of total leased area that meets or exceeds the ACC security standards	We have ACC security standards in line with the WorkSafe Building Security Policy, October 2014 and regularly assess our total leased property portfolio against these standards.	100%	100%	100%	100%	100%	100%



Financial information

Forecast financial information

Introduction

The information below sets out the 2022/23 budgets for the Accident Compensation Corporation (ACC), as prepared for the Budget Economic and Fiscal Update 2022. Comparative information is based on the forecast financial results for the year to 30 June 2022, prepared as at 28 February 2022.

Drivers of the ACC Scheme's financial performance

We will continue to manage the organisation in a way that strikes the right balance between ensuring financial sustainability and delivering our functions in the manner of a publicly administered and delivered social investment scheme, distinct in character from a private insurance company. This means we will deliver the services our customers expect while demonstrating responsible management of the Government's finances and a commitment to delivering the Government's priorities.

To achieve this important balance, we need to have a good understanding of the drivers of financial performance. This understanding allows us to:

- forecast the drivers' potential impacts
- manage the drivers where we have control and influence
- manage the Scheme in a way that mitigates adverse impacts from drivers where we lack control or significant influence.

For the Scheme there are five main drivers of financial performance:

Claim volumes – growth in the number of new claims is driven by a range of factors outside our control: population growth, gross domestic product

growth, the unemployment rate and the total vehicle distance travelled. However, we offset some of the claim volume growth through our injury prevention activities. Our relationships with providers are also important in ensuring that we are responsible for all the injuries covered by the Accident Compensation Act 2001 (AC Act) and that injuries are treated appropriately. We actively monitor the way that treatment and rehabilitation costs change as our claim volumes change, allowing us to understand early cost pressures from claim volume growth.

Economic factors – we employ active strategies to best match our assets and liabilities. As such, we tend to favour long-term investments with relatively certain income streams. Given the size of our balance sheet relative to our underlying costs, small movements in interest rates and investment earnings can have material impacts on the funding ratios of the Scheme.

Inflation – inflation increases the costs of the services we provide. The way we contract for services with providers (such as elective services) mitigates the impacts of inflation on the costs of our services. The nature of the services we purchase exposes us to additional cost inflation that is specific to treatment and rehabilitation services. To make sure that our efforts have an impact, we constantly monitor our average treatment costs.

Service offerings – we change the set of services we offer as new and improved services become available, and to support the rehabilitation of clients who have suffered injuries newly covered by the Scheme. We closely monitor the rehabilitation performance of the services we offer, ensuring the services focus on both client rehabilitation outcomes and financial sustainability. We test this dual focus by monitoring return-to-work rates and the average treatment cost per claim.

Legislative changes – we engage closely with the Ministry of Business, Innovation and Employment and the Treasury to influence proposed changes and predict the impacts of those changes. Additions to the Scheme (such as continued growth in the provision of services for sensitive claims, improved road and air ambulance services, and covering maternal birth injuries) can increase both the number of claims we accept and our overall costs of providing treatment and rehabilitation services.

Statement of comprehensive revenue and expense by Account (Budget)

(\$m)	2022/23 budget						2021/22 forecast
	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	Total ACC	
Income							
Total net levy and other revenue	475	1,793	2,154	879	354	5,655	5,238
Interest, dividend and rental income	283	185	314	234	152	1,168	1,156
Total revenue	758	1,978	2,468	1,113	506	6,823	6,394
Expenditure							
Claims paid	841	1,708	2,419	1,156	371	6,495	5,555
Change in Outstanding Claims Liability	850	714	991	357	595	3,507	3,377
Movement in unexpired risk liability	21	0	52	40	0	114	111
Total claim costs	1,712	2,422	3,462	1,554	966	10,116	9,043
Injury prevention costs	10	34	19	31	6	100	92
Enterprise change costs	6	16	32	22	6	82	107
Investment management costs	23	8	18	18	9	76	79
Operating costs	55	111	233	152	41	592	554
Return from insurance operations	(1,048)	(613)	(1,296)	(664)	(522)	(4,143)	(3,481)
Net gains on investments	317	106	245	236	118	1,022	(1,309)
Net (losses) from changes in discount and inflation rates on Outstanding Claims Liability	0	0	0	0	0	0	(1,692)
Net (losses) from changes in discount and inflation rates on unexpired risk liability	0	0	0	0	0	0	0
Surplus / (deficit)	(731)	(507)	(1,051)	(427)	(404)	(3,121)	(6,482)
Total comprehensive revenue and expense for the year	(731)	(507)	(1,051)	(427)	(404)	(3,121)	(6,482)

Statement of changes in reserves (equity) by Account (Budget)

(\$m)	2022/23 budget					Total ACC	2021/22 forecast
	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account		
Total Account reserves							
Balance at the beginning of the year (deficit)	(766)	(7,852)	(2,524)	1,867	(3,199)	(12,472)	(5,990)
Total comprehensive revenue and expense for the year	(731)	(507)	(1,051)	(427)	(404)	(3,121)	(6,482)
Balance at the end of the year (deficit)	(1,497)	(8,359)	(3,574)	1,440	(3,603)	(15,594)	(12,472)

Statement of financial position (Budget)

As at 30 June (\$m)	2021/22 forecast	2022/23 budget
Assets		
Cash and cash equivalents	190	190
Cash pledged as collateral	0	0
Receivables	111	80
Accrued levy revenue	2,875	3,187
Investments	48,626	49,103
Derivative financial instruments	315	287
Property, plant and equipment and intangible assets	127	109
Total assets	52,244	52,956
Less liabilities		
Cash collateral received	0	0
Payables and accrued liabilities	191	197
Derivative financial instruments	0	0
Provisions	0	0
Unearned levy liability	2,463	2,668
Unearned risk liability	1,609	1,722
Outstanding Claims Liability	60,456	63,963
Total liabilities	64,719	68,550
Net assets (liabilities)	(12,474)	(15,594)

Statement of cash flows (Budget)

(\$m)	2021/22 forecast	2022/23 budget
Cash flows from operating activities		
Cash was provided from:		
Levy revenue	5,448	5,582
Investment income	1,161	1,172
Other revenue	1	1
	6,610	6,755
Cash was applied to:		
Payments to suppliers, employees and injured persons	6,493	7,295
Goods and services tax (net)	(2)	2
	6,491	7,298
Net cash movement from operating activities	119	(542)
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of investments	61,397	61,335
Proceeds from sale of property, plant and equipment and intangible assets	1	0
	61,398	61,335
Cash was applied to:		
Payments for investments	61,448	60,761
Payment for property, plant and equipment and intangible assets	9	32
	61,457	60,793
Net cash movement from investing activities	(60)	542
Net (decrease) increase in cash and cash equivalents	59	0
Cash and equivalents – opening balance	131	190
Cash and equivalents – closing balance	190	190

1. Financial reporting

Reporting and funding by Account

The Accident Compensation Corporation Scheme (as required through the Accident Compensation Act 2001 (AC Act)) comprises five separate Accounts, being the Motor Vehicle, Non-Earners', Earners', Work and Treatment Injury Accounts. Each Account receives individual funding and is maintained for a separate purpose.

Under the AC Act, unless otherwise provided for by that Act, funds held in an Account can only be used to meet costs incurred in the same Account. This means that cross-subsidisation between separate Accounts is not permitted. The Accident Compensation Corporation (ACC) therefore manages and separately reports on the performance and funding of each Account.

Sections 166A and 166B of the AC Act require the Government to issue a funding policy setting out the criteria for fully funding the levied Accounts including the earners' portion of the Treatment Injury Account. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was gazetted on 6 April 2021 (*Gazette No. 2021-g01226*).

The funding policy for the Non-Earners' Account and the non-earners' portion of the Treatment Injury Account is set by the Government (SEC-17-MIN-0028). The lifetime costs of post-2001 claims are fully funded using central estimates. The risk margin, which allows for the relative uncertainty and is included in the outstanding claims estimate, is not funded. Pre-2001 claims are funded on an annual pay-as-you-go basis.

The risk margin included in the Outstanding Claims Liability (OCL) for each levied Account, which allows for the relative uncertainty in liability estimates, is not funded.

The ACC Board recommends sustainable levies to meet the funding policy of the Motor Vehicle, Earners' and Work Accounts, but final levy rates are set by the Government.

The Non-Earners' Account is funded by the Government. The Treatment Injury Account is funded through levies from the Earners' and Non-Earners' Accounts on the basis of whether the treatment injury claims are from earners or non-earners.

Reporting entity

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.

Basis of preparation

The forecast financial statements of ACC have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The forecast financial statements comply with PBE accounting standards and have been prepared in accordance with the AC Act and the Crown Entities Act 2004.

The forecast financial statements have been prepared on an historical cost basis unless otherwise stated. All balances are expressed in New Zealand dollars and rounded to the nearest million dollars (\$m) unless otherwise stated.

2. Critical accounting judgements, estimates and assumptions

Outstanding Claims Liability

PBE IFRS 4 *Insurance Contracts* 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 incurred but not yet reported claims.

The OCL is the central estimate of the present value of expected future payments for claims occurring on or before the balance date, 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 claims and latent claims is in respect of hearing loss and asbestos-related injuries. Section 37 of the AC Act states that a person is considered injured when:

- they first report the incapacity, or
- they first receive medical treatment for the incapacity.

The AC Act effectively defines gradual process claims as being consistent with the 'claims made' policies issued by general insurance entities. That is, clients are covered for specified contract periods, regardless of when the event occurred giving rise to the claim. Under a 'claims made' policy, an insurer only has liability for reported claims.

Accrued levy revenue

Levies required to fund the Work Account are invoiced directly to employers 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. Earner levies of employee earners are collected within the PAYE system and are paid to ACC by Inland Revenue.

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

Going concern assumption

The Budget financial statements have been prepared on a going concern basis.

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. We are particularly mindful that external economic factors can significantly impact the Scheme's financial performance and position. 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 will be inadequate and catch up funding will occur at a later stage. In circumstances where the Crown has elected for a period to not fund the deficit in the Crown funded accounts – the Non-Earners' Account and the Non-Earners' portion of the Treatment Injury Account – and/or not approve levy changes recommended to the Crown by the Board, financial deficits may result. Were this to continue, it would result in ongoing deficits and a deterioration in the funding ratios of the relevant Accounts.

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

Investment assets

ACC holds investment assets to generate investment income that matches the expected future cash flows arising from insurance liabilities. All assets held in the investment portfolios are designated as 'assets backing insurance liabilities'.

All investment assets, other than service concession arrangements, are classified as financial assets and are recognised at fair value through surplus or deficit. The service concession arrangement is carried at cost less accumulated amortisation.

Fair value for investment assets is determined as follows:

- Listed shares and unit trusts are valued at the quoted prices on established markets
- Non-listed equity investments (private equity and venture capital) are valued at fair value, as determined using the most appropriate valuation technique. The valuation techniques include discounted cash flow analysis, capitalisation of earnings and prices observed from recent market transactions associated with the particular investments
- Unlisted unit trust investments are valued based on the exit price (the value ACC would receive if the units were sold)
- Bonds and other fixed-interest investments are valued using quoted yield curves
- ACC uses independent valuations for various investments without active markets or quotable inputs. Fair value is determined using the most appropriate valuation technique. These techniques include: referencing substantially similar investments with quotable prices; discounted cash flow analysis; option pricing models that incorporate as much supportable market data as possible; and keeping judgemental inputs to a minimum
- Investment properties are revalued by independent registered property valuers.

Unexpired risk liability

At each balance date, ACC assesses whether the levy revenue recognised in the current period is sufficient to cover all expected future cash flows relating to future claims incurred in the current period. This assessment is referred to as the liability adequacy test and is performed for each Account.

Gradual process claims are excluded from the liability adequacy test.

If levies are insufficient to cover the expected future claims plus a risk margin, they are deemed to be deficient. The entire deficiency is recognised immediately in surplus or deficit. The deficiency is recorded in the statement of financial position as an unexpired risk liability.

The expected future claims are determined as the present value of the expected future cash flows relating to future claims. ACC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the claims liability.

Investment income

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

- Dividends on equity securities are recorded as revenue on the ex-dividend date (the date when a security starts trading without the value of its next dividend payment)
- Interest income is recognised as it accrues
- Investment gains (losses) represent the realised and unrealised movements in the investment values. Realised gains (losses) occur at the time of disposal of an investment asset and are calculated as the difference between the proceeds received and their carrying value. Unrealised gains (losses) represent the difference between the carrying value of the investment assets and their fair value at year end.

3. Financial risks

As the forecasts are projecting future events, there are risks that the actual results may materially differ from the forecasts.

A major risk is the impact of economic factors that are not controlled by ACC (for example, wage and cost inflation and interest rates) on future claim payments, investment income and the OCL.

The nature, timing and magnitude of expenditure related to planned organisation change projects is decided through our structured prioritisation process. It is important to note that these expenses are estimates only and are subject to the completion of detailed designs and implementation plans.

ACC's performance management framework is designed to identify and monitor risks to the Budget and forecast on a timely basis and to allow management the opportunity to respond appropriately.

4. Levy revenue (including appropriations)

All levy revenue is recognised in the levy period to which it relates. Levy revenue relating to levy periods that have commenced prior to balance date is accrued if not yet invoiced. The accrual is estimated based on expected liable earnings at the applicable levy rate, with the assumption that the levy revenue is earned evenly over the levy period. The calculation of levy rates considers the current funding position of an Account and the lifetime costs of new-year claims, discounted using the expected investment rates of return applicable to each Account. The proportion of levies not earned at the reporting date is recognised in the statement of financial position as unearned levy liability.

Levies

Approved aggregate levy rates (GST exclusive) and funding bases as detailed have been used to prepare the budget.

TABLE 22 – BUDGET LEVY RATES BY LEVY YEAR

Account	2021/22	2022/23
Motor Vehicle	\$113.94 per vehicle through licensing fees and petrol levies	\$113.94 per vehicle through licensing fees and petrol levies
Earners'	\$1.21 per \$100 liable earnings	\$1.22 per \$100 liable earnings
Work	\$0.67 per \$100 liable earnings	\$0.63 per \$100 liable earnings

The \$5,655 million levy revenue for 2022/23 is \$417 million higher than forecast for 2021/22. The budget for levy revenue incorporates:

- Cabinet-approved (December 2021) levy rates for the 2022/23 levy year (including an increase in the Earners' levy rate)
- the Non-Earners' Account appropriation, including the non-earners' portion of the Treatment Injury Account, which has increased by \$143 million to \$2,056 million
- increased liable earnings in 2022/23, by 7.0%
- similar motor vehicle registration forecasts but an increase in petrol consumption forecasts.

Non-Earners' Account appropriation

The Minister purchases from ACC outputs consistent with the provisions of the AC Act in respect of non-earners (other than motor vehicle injury), and includes the funding requirements of the Treatment Injury Account in respect of treatment injuries to non-earners. This funding is appropriated within Vote Labour Market.

TABLE 23 – BUDGET NON-EARNERS' ACCOUNT OUTPUT EXPENSES

(\$m)	2022/23 budget	Relevant ACC activity	Relevant ACC output class
Case management and supporting services	303	Setting, invoicing and collecting levies – the Vote Labour Market appropriation process. Management of investment assets. Lodgement of new claims and making cover decisions. The costs of determining, processing, paying and monitoring payments to treatment and service providers and clients. Also includes the cost to ACC of managing claims with the goal of returning clients to independence. Development and delivery of programmes to reduce the incidence and severity of injury.	2 Levy setting and collection 3 Investment management 4 Claims management 1 Injury prevention
Sexual abuse assessment and treatment	8	Payments to providers for sexual abuse and treatment services, and associated training and accreditation services, to victims of sexual abuse or assault.	4 Claims management
Rehabilitation entitlements and services	1,200	Payments to providers for services including social rehabilitation, medical treatment and vocational rehabilitation.	4 Claims management
Public health acute services	440	Funding via the Ministry of Health to provide services to injured people in hospitals during the acute phase of their treatment.	4 Claims management
Compensation entitlements	105	Direct payments of entitlements to clients, including weekly compensation, independence allowances and lump sum payments.	4 Claims management
Total	2,056		

5. Investment income

Investment income is calculated using forecast returns based on a methodology that provides an estimate of ACC's median returns. The projected changes in rates from year to year reflect market expectations of the returns expected in each of the next 20 years.

Investment income in the 2022/23 year has been calculated by Account. The projected rate of return range in 2022/23 is 2.35% to 5.39% per annum, depending on the Account.

TABLE 24 – BUDGET INVESTMENT INCOME

(\$m)	2021/22 forecast	2022/23 budget
Operational cash portfolio	190	190
Investments	49,429	49,878
Receivables (including unsettled transactions, dividends and interest receivables)	308	308
Payables (unsettled transactions)	(796)	(796)
Investment reserves portfolio	48,941	49,390

6. Claims paid

TABLE 25 – BUDGET CLAIMS PAID

(\$m)	2021/22 forecast	2022/23 budget
Rehabilitation (including treatment) costs		
Medical treatment	978	1,251
Elective surgery	444	533
Public health acute services	651	716
Other treatment	237	295
Vocational rehabilitation	63	83
Social rehabilitation	1,080	1,243
Total rehabilitation (including treatment)	3,453	4,121
Compensation costs		
Income maintenance	1,862	2,095
Other compensation and benefits	194	216
Total compensation	2,057	2,311
Miscellaneous costs	44	63
Total cash cost of claims paid	5,555	6,495

Claim costs are budgeted to increase \$940 million (16.9%) to \$6.5 billion, from the 2021/22 forecast to the 2022/23 Budget. The growth in claim costs is artificially high due to the impacts of the COVID-19 lockdowns in 2021/22. If this were adjusted for the COVID-19 impacts, it would be roughly growth of \$752 million or 13.1%.

Claim costs are derived from the expectation of new registered and new weekly compensation claims growth, the expected rehabilitation duration performance, the labour cost index and average weekly earnings assumptions.

Volume drivers have been applied to some individual services to recognise instances where claim volumes are expected to differ from the global new claim volumes forecast (up and down). These include services that are currently generating, or expect to generate, higher utilisation through targeting or responding to specific client needs, and services where demand is sensitive to various demographic or other factors.

7. Increase in the Outstanding Claims Liability (OCL)

The OCL is 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 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 obligation.

The liability is forecast to increase from \$55,387 million to \$60,456 million in 2021/22, an increase of \$5,069 million. This reflects the 31 December 2021 valuation, with adjustments to reflect economic assumptions as at 28 February 2022. It is estimated that the OCL will have reached \$63,963 million in 2022/23.

TABLE 26 – BUDGET MOVEMENT IN THE OCL

(\$m)	2021/22 forecast	2022/23 budget
OCL opening balance as at 1 July	55,387	60,456
Expected increase in the OCL	1,615	2,983
Impact of change in claims experience and modelling	1,762	524
Impact of change in economic assumptions	1,692	0
Outstanding Claims Liability balance at 30 June	60,456	63,963

8. Increase in unexpired risk liability

At each balance date, ACC assesses whether the levy revenue recognised in the current period is sufficient to cover all expected future cash flows related 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 surplus or deficit. The deficiency is recorded in the statement of financial position as an unexpired risk liability.

TABLE 27 – BUDGET MOVEMENT IN UNEXPIRED RISK LIABILITY

(\$m)	2021/22 forecast	2022/23 budget
Opening balance as at 1 July	1,497	1,609
Movement in unexpired risk liability	112	113
Closing balance at 30 June	1,609	1,722

9. Capital expenditure

TABLE 28 – BUDGET CAPITAL EXPENDITURE

(\$m)	2021/22 forecast	2022/23 budget
Property, plant and equipment		
IT	5	4
Property	5	13
Motor vehicles, equipment	0	0
Total	10	17
Intangible assets		
Intangible assets	13	11
Total capital expenditure	23	28

IT-related costs are for the IT infrastructure expenditure and the cyclical replacement cost of mobile devices. Property spend is the necessary annual spend to ensure that our property is fit for purpose. The higher property spend in 2022/23 is mainly for the fit-out of new office buildings in Hamilton and Dunedin.

10. Summary of other important assumptions

Our financial statements are underpinned by a range of assumptions. In addition to those noted earlier in this section, we adopt a range of forecasts for those indices that drive aspects of our financial performance.

TABLE 29 – IMPORTANT ASSUMPTIONS

Index	Indices (year to 30 June)				
	2022	2023	2024	2025	2026
Claim volume growth	(6.2%)	11.9%	2.2%	2.1%	2.0%
Entitlement claim volume growth	(0.4%)	12.6%	5.5%	5.1%	4.9%
Population growth	0.9%	1.0%	1.2%	1.3%	1.2%
Consumer price index	2.7%	2.4%	2.3%	2.2%	2.1%
Labour cost index	2.9%	2.6%	2.5%	2.4%	2.3%
Average weekly earnings	3.7%	3.4%	3.3%	3.2%	3.1%



Appendices

Appendix 1 – Alignment of the Service Agreement

How the Service Agreement aligns with our other accountability documents

We have three accountability documents; these can all be found at www.acc.co.nz/about-us/corporate.



Purpose of the Statement of Intent

Our Statement of Intent summarises our strategic intentions for the next four years. It includes our medium-term outcomes, our vision, our areas of focus and how we assess our performance overall using a public value measurement approach. Our Statement of Intent also summarises how we maintain our organisational health: our people, our systems and our risk-management framework.

Purpose of the Service Agreement

The Service Agreement (the Agreement) is between the Minister for ACC (the Minister) and the Accident Compensation Corporation (ACC).

The Agreement outlines for the forthcoming year:

- what we will have delivered by 30 June 2023 to demonstrate progress against our strategic intentions
- the quality and quantity of services to be provided by ACC

- the expected cost of delivering those services
- the performance measures, targets and related information necessary for the Minister to assess our performance
- the nature and frequency of the reporting requirements against the Agreement
- how we will deliver our outputs: injury prevention, levy setting and collection, investment management, and claims management.

The Agreement outlines the initiatives and outcomes that ACC will deliver. It does not impose corresponding obligations on the Minister.

Purpose of the Annual Report

Our Annual Report highlights our achievements throughout the year and outlines our financial and non-financial performance. It provides a summary of our results and reports on how we performed against our strategic objectives as set out in our Statement of Intent and Service Agreement.

Appendix 2 – Conditions of the Service Agreement

Roles and responsibilities

The Minister for ACC is the Minister responsible for both the Accident Compensation Scheme (the Scheme) and the Accident Compensation Corporation (ACC). The Minister's roles and responsibilities are to:

- make sure an effective board is in place to govern ACC
- participate in setting the direction of ACC
- monitor and review ACC's performance and results
- manage risks on behalf of the Crown.

The Minister exercises this responsibility through the relationship with the ACC Board (the Board) and, in particular, the Board Chair. This Service Agreement (Agreement) supports that relationship.

The Board is accountable to the Minister for the delivery of the services specified in this Agreement, to the quality and costs specified. ACC remains accountable for the delivery of all outputs, including outputs that have been subcontracted to third parties.

Parties

This Agreement is between the Minister and ACC. Under section 25 of the Crown Entities Act 2004 the Board is responsible for all decisions relating to the operation of ACC. Under section 49 of that Act the Board also has a statutory duty to ensure that ACC acts in a manner consistent with this Agreement.

Term

This Agreement, entered into pursuant to section 271 of the Accident Compensation Act 2001 (AC Act), relates to a one-year period from 1 July 2022 to

30 June 2023. This Agreement revokes the Service Agreement for the period 1 July 2021 to 30 June 2022.

ACC's functions and duties

ACC provides accident insurance cover for all New Zealanders and visitors to New Zealand. We receive approximately two million claims per year.

Our core services are:

- injury prevention – we have a key role in promoting a reduction in the incidence and severity of personal injury. The injury prevention programmes are expected to be cost-effective and to lead to a reduction in levy rates
- rehabilitation – we aim to restore an injured person's independence to the maximum extent practicable. Specific provisions in the AC Act prescribe the entitlements that clients can access
- compensation – the Scheme provides financial compensation to clients for losses owing to personal injury.

The costs of services for each injury are assigned to the Motor Vehicle, Work, Earners', Non-Earners' or Treatment Injury Account depending on who was injured and/or where the injury occurred. The injury prevention costs are also assigned to the relevant Accounts. There is no cross-subsidisation between the Accounts.

ACC complies with procedures, conditions, restrictions and other provisions in the performance of its duties in relation to the management of each Account as set out in the AC Act. ACC is governed in accordance with the provisions of the Crown Entities Act 2004, the Public Service Act 2020, the Public Finance Act 1989 and the Health and Safety at Work Act 2015.

Amendments to this Agreement

This Agreement may be amended with the consent of the Minister and the Board if at any time during its term the work or environment of ACC is materially altered and the contents of this Agreement are no longer appropriate.

Any changes must be signed by the Minister and the Board and attached to this Agreement. Both parties will hold copies of the original and any amendments to this Agreement.

Payment

The Minister, on behalf of the Crown, will pay ACC up to the amount authorised by Parliamentary Appropriations for 2022/23. The Ministry of Business, Innovation and Employment (the Ministry, acting as the administering agency responsible for Vote Labour Market) will action payments to ACC in accordance with the Public Finance Act 1989. Payments will be made monthly by direct credit from the Ministry to ACC, coinciding with the Ministry's receipt of funding from the Treasury.

Interpretation

The appendices to this Agreement form part of this Agreement, as do any amendments to those appendices signed by the Minister and the Board.

The parties agree to discuss and seek to resolve any differences of opinion between them under the Agreement, or any matter not covered by this Agreement relating to the supply of outputs.

Quarterly reporting

ACC will provide quarterly reports on its performance against this Agreement. Quarterly reports are to be read in conjunction with this Agreement and the reports of any preceding quarters to provide a context for the reporting of ongoing performance for the financial year 2022/23.

Each quarterly report will include commentary on performance against the performance targets, progress in implementing key initiatives and, where necessary, an explanation of performance trends, an analysis of those trends, and proposed actions to improve performance. It will also include commentary on our financial performance and an analysis of risks, critical issues, and opportunities arising from our performance to date.

Where our performance does not meet targets, we will provide further information that may include:

- an analysis of causes
- strategies and plans to improve performance and meet the specified targets
- an outlook for full year performance against targets.

As necessary ACC will provide the Minister with:

- any proposals to amend this Agreement due to changed circumstances
- timely advice of any risks that may create a significant exposure for the Crown
- information to support the forecast adjustment process for funding cost pressures in the Non-Earners' Account.

The timeframes for quarterly reporting are:

TABLE 30 – QUARTERLY REPORTING SCHEDULE

Quarterly Report	Timeframe
Quarter one	By 9 November 2022
Quarter two	By 10 February 2023
Quarter three	By 29 April 2023
Quarter four	By 8 August 2023

Our quarterly reports to the Minister will be published on ACC's website.

Appendix 3 – Letters of expectations

Hon Carmel Sepuloni

Minister for Social Development and Employment
Minister for ACC
Minister for Arts, Culture and Heritage
Minister for Disability Issues



- 7 DEC 2021

Hon Steve Maharey
Chair
Accident Compensation Corporation
PO Box 242
WELLINGTON 6410

Tēnā koe Steve

ANNUAL LETTER OF EXPECTATIONS 2022/23

I am writing to summarise my expectations of the Accident Compensation Corporation (ACC) for the 2022/23 year.

First, my thanks go to you, the Board and the wider organisation for the work carried out during the last year. This was made more challenging due to the country's response in managing the effects of the global COVID-19 pandemic.

The implementation of key transformation projects over the past year, for example Next Generation Case Management (NGCM), represent a significant achievement for ACC. It is my expectation that NGCM and other transformation projects now start to deliver the improved Scheme and customer outcomes and experience they were premised upon.

As ACC's organisational transformation enters its next phase, this year presents us with an opportunity to take stock and set the strategic direction for the organisation going forward. 2022 marks 50 years since the passage of the Accident Compensation Act 1972, which set the foundation for the modern accident compensation scheme in New Zealand.

The ACC Scheme was and continues to be world-leading, but it was set up for a very different New Zealand to the one that we live in today. It is my expectation that ACC will continue to build on the foundations of its transformation projects to develop services that best meet the needs and expectations of all New Zealanders in 2022/23.

In particular, it is clear from work I have commissioned from ACC that the Scheme settings are underserving women, Māori, Pacific peoples, disabled people and ethnic communities. I expect addressing inequities in Scheme access and outcomes and between the ACC, health and welfare systems to be a priority for ACC. I look forward to continuing to work with you on these and other strategic developments in the year ahead.

The 2019 letter from the Minister of State Services setting out expectations for all statutory Crown Entities is still in effect. In addition, the Minister of Finance has recently issued an Annual Letter of Expectations with specific expectations for ACC's investment function and we have jointly issued an Enduring Letter of Expectations in relation to responsible investment. My officials at the Ministry of Business, Innovation and Employment (MBIE) and the Treasury are available to work with ACC officials to develop and coordinate any strategic priorities, performance measures and targets that best support government requirements.

Government priorities and the response to COVID-19

New Zealand still faces many social and economic uncertainties from COVID-19. Protecting New Zealand and the lives and livelihoods of New Zealanders has been the urgent and abiding consideration of this Government and it remains so.

However, that does not limit the ambition for what this Government means to do. The Government has set out clear priorities to help secure our recovery and improve the living standards and wellbeing of all New Zealanders. The Government has three overarching objectives:

- To keep New Zealanders safe from COVID-19
- To accelerate our economic recovery
- To lay the foundations for a better future

Problems that are decades in the making are not easily or quickly solved but this Government is committed to pursuing progress. Three of the country's longest-standing and hardest issues demand continued and determined action: affordable housing and homelessness, child poverty, and the global climate crisis.

Responsible Investment

This Government is committed to responsible actions, to optimise the wellbeing of both current and future generations and believes all Crown Financial Institutions must take a leadership role in the provision of responsible investment. I therefore trust that ACC will take all necessary steps to meet the expectations as detailed within the Enduring Letter of Expectations on responsible investment provided by the Minister of Finance and myself.

Recovering and maintaining rehabilitation performance.

Overall, claim costs have continued to increase, at the same time rehabilitation performance has continued to decline, with more New Zealanders out of work for longer periods. Continuation of these trends presents a challenge to the long-term sustainability of the Scheme and impacts negatively on outcomes for claimants, employers and levy payers. It is essential ACC maintains a strong focus on managing these factors to enable an enduring, quality accident compensation scheme for New Zealand.

As the roll out of the Integrated Change Investment Portfolio (ICIP) nears completion, it is important that ACC makes the best use of its investment in new systems and processes to achieve the required improvements in rehabilitation performance and management of costs.

Similarly, it is important the Health Sector Strategy (HSS) is seen to positively contribute to improved rehabilitation performance and client outcomes, including for Māori, Pacific people, disabled people, and people on low incomes. I expect to receive regular updates on the goals of the HSS and progress against them as ACC advances its approach of commissioning for outcomes.

In addition, I expect ACC to be actively involved in the health reform process as New Zealand moves to create a more equitable, accessible, cohesive and people-centred system that will improve the health and wellbeing of all New Zealanders.

Customer satisfaction

ACC achieved high levels of customer satisfaction during 2020-21, scoring especially highly for Public Trust & Confidence. It is important ACC continues to deliver a customer-centric Scheme that meets the needs and expectations of all New Zealanders. I expect you to keep me regularly informed of any trends or themes being seen in ACC's Heartbeat or other customer feedback systems, along with ACC's response to those trends.

A key part of maintaining high customer satisfaction is assuring New Zealanders the culture of ACC is such that it will maintain a high level of confidentiality for all customer information, in line with the Privacy Act and the Health Information Privacy Code. It is my expectation ACC will take steps to ensure information is only accessed where appropriate, and inappropriate access is quickly identified and acted upon.

I look forward to working with the ACC Board on the findings of the independent review into access and use of client information, in particular with regards to sensitive claims.

Access and equity for women, Māori, Pacific, ethnic communities and disabled people

It is essential the Scheme is seen to be fair, equitable and accessible for all claimants and ACC delivers on its Te Tiriti o Waitangi obligations. I would like to see further clarity on how ACC will monitor and report on scheme access to ensure any scheme bias is identified and addressed. I also expect you to keep both myself and the Associate Minister for ACC informed on any initiatives developed that address equitable access.

Development of service for Māori

I was pleased with the inclusion of specific reporting measures in the 2020/21 Service Agreement that address delivering services for Māori and would like to see additional output and outcome measures for Māori introduced at the earliest opportunity. I note a number of initiatives are in progress as part of the Whāia Te Tika strategy which should positively contribute to access for Māori and to their experience of the Scheme. I expect you to keep myself and the Associate Minister for ACC informed on the initiatives being developed under the Whāia Te Tika strategy.

Being a good employer

It is similarly important ACC is a good employer, providing an environment where employees feel valued and protected, celebrating cultural diversity and inclusiveness. I note the recently introduced Māori Leadership Programme, te Hihiri, and ACC's delivery against the Papa Pounamu work programme, and hope ACC will continue to build on these initiatives.

I encourage ACC to continue to work in partnership with staff and unions to foster a supportive working environment, in particular as it continues to imbed significant organisational transformational projects such as NGCM.

Social Unemployment Insurance

I would like to take this opportunity to thank you for your engagement to date on the development of this important income protection scheme, to support New Zealanders who lose their jobs through no fault of their own. I expect ACC to continue to work constructively and collaboratively with my officials in the development and implementation of the social unemployment insurance scheme.

Please continue to keep me informed of any significant events, positive or negative, that could be considered contentious, attract wide public attention and/or affect the financial position of ACC. This extends to the ongoing commitment of ACC to work constructively with advisors from my office, MBIE and the Treasury.

Ngā mihi nui

A handwritten signature in black ink, appearing to be 'C Sepuloni', written in a cursive style.

Hon Carmel Sepuloni
Minister for ACC

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Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing



Hon Steve Maharey
Chair
Accident Compensation Corporation
PO Box 242
WELLINGTON 6410

Dear Steve

ANNUAL LETTER OF EXPECTATIONS

I'd like to thank you, as well as the rest of the Board and staff for all of your work in the last year, particularly the constructive engagement the Crown Financial Institutions (CFIs) have displayed throughout the development of the Crown Responsible Investment Framework.

In conjunction with this letter I am issuing an enduring letter of expectations that sets out the Government's specific expectations in relation to the Crown Responsible Investment Framework. This letter conveys my priorities and expectations of your institution outside of that Framework.

Government priorities and the response to COVID-19

New Zealand still faces many social and economic uncertainties from COVID-19. Protecting New Zealand and the lives and livelihoods of New Zealanders has been the urgent and abiding consideration of this Government and it remains so.

However, that does not limit the ambition for what this Government means to do. The Government has set out clear priorities to help secure our recovery and improve the living standards and wellbeing of all New Zealanders. The Government has three overarching objectives:

- To keep New Zealanders safe from COVID-19
- To accelerate our economic recovery
- To lay the foundations for a better future

Problems that are decades in the making are not easily or quickly solved but this Government is committed to relentlessly pursuing progress. Three of the country's longest-standing and hardest issues demand continued and determined action: affordable housing and homelessness, child poverty, and the global climate crisis.

Your core role is to efficiently and effectively deliver fiscal strategies that supports New Zealanders' financial wellbeing across generations. However, your funds can have significant impacts on human, social and natural capitals also. I encourage you to consider where you could partner within the public or private sectors to develop investment strategies that can also drive positive environmental or social impacts while delivering the long-term investment returns that are so crucial to the funds.

Private Bag 16041, Parliament Buildings, Wellington 6160, New Zealand
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Expectations for All Crown Financial Institutions

Fit for Purpose

I recognise that the ability of all CFIs to deliver on their legislated purpose means that investment returns may vary from year to year. It is my expectation that the Board, acting as the Crown's agent, will continue to focus on the appropriate balance of risk and return to assure the Fund's investment performance is able to meet its long term policy objectives and obligations.

Should investment performance impact your institution's ability to meet its intended purpose, I expect to be informed of this in a timely manner, including any remedial action the Board will take. Such information should include a detailed explanation of risks, financial or otherwise, which may have an impact on the Crown's fiscal position or cause a prejudicial impact on New Zealand's reputation.

Crown Risk

The nature of your mandate is to accept risk, but the Crown must have a good understanding of the potential fiscal implications to the Crown's consolidated balance sheet. To better understand such risks and implications it is my expectation that your organisation will continue to proactively work with the Treasury and collaborate with the other CFIs to build resilience in the New Zealand economy to future financial shocks.

CFIs should be mindful of their fiduciary responsibilities and statutory duties. Where derivative instruments or leverage are employed in your organisation, I expect that their use is aligned with your entity's purpose and the appropriate level of knowledge, skill, transparency and controls are in place throughout your organisation to ensure that negative financial or reputational outcomes do not impact the Crown.

Partnership

Your organisation is an important asset on the Crown's balance sheet and the aggregate size of the CFIs will increase over time. For the Crown to be effective there needs to be a collaborative approach across all of Government (including CFIs and other Crown Entities).

Your institution can play a part in delivering positive outcomes for New Zealanders through active and constructive engagement. This type of engagement, led by the Board, should permeate throughout your organisation, with a focus on collective outcomes for New Zealanders.

The CFI's collaboration on developing a joint response to the Crown Responsible Investment Framework is a good example of the behaviour I expect, driving an increase in capability and ambition across the CFI system.

A successful partnership should be built on openness and trust. I encourage your institution to maintain a policy of transparency in its operations, expenses and communications across all of Government and adheres to the 'no surprises' convention when dealing with officials and my office.

Citizenship

This Government is committed to acting as a responsible citizen. You can play an important part by: adopting, sharing and promoting investment policies and practices with other areas of Government that are not only consistent with your mandate, but help lift New Zealand's reputational standing as a responsible investor in the international community.

To achieve this, it is my expectation that CFIs maintain robust ethical investment policies which are reviewed regularly and reflect best practice standards both here in New Zealand and internationally.

It should be the goal of all CFIs in fulfilling their mandates to give consideration to the part they can play in New Zealand's financial market landscape, helping make the economy more productive, sustainable and inclusive for all New Zealanders.

The CFIs have a unique role in the future of New Zealand, particularly as we look to accelerate an economic recovery. I encourage you to consider where domestic investments can align with your long-term investment strategies to support the goals of the Government, while remaining consistent with your overarching purpose.

Further to this wider arc of responsibility, CFIs must be seen as 'good citizens' in their home markets; and be cognisant of second order effects that can promote, and certainly not hinder, the development of deep capital markets in New Zealand.

Expectations Specific to ACC Investments

Engagement: I expect the Board to develop a culture that positively engages with my officials and recognise where a Crown perspective might be useful in the development of certain strategies. For the avoidance of doubt, this comment is not intended to be at the individual investment level but should consider how the Board can bring all stakeholders on the journey where there is a significant change to investment strategy, policy or philosophy. I expect that you err on the side of openness if in any doubt about how to apply this expectation.

Independent Review: Other CFIs have a statutory requirement that periodic reviews take place to assess how effectively and efficiently the Board and the entity is performing its functions. I consider this to be good practice and I would like you to work with officials to appropriately time and scope an independent review of ACC Investments in the coming years.

If you have any questions or require further clarification on any of my expectations, please contact
at the Treasury on in the first instance.

Yours sincerely



Hon Grant Robertson
Minister of Finance

cc: Mike Tully
Acting Chief Executive Officer
Accident Compensation Corporation

Appendix 4 – Investment statement

The Government's expectations

The Government's expectations for ACC's investment function are outlined in the annual Letter of Expectations to ACC from the Minister of Finance. The expectations of and priority areas for all Crown Financial Institutions are represented by several themes.

Government priorities and response to COVID-19:

- Keep New Zealanders safe from COVID-19
- Accelerate the economic recovery
- Lay the foundations for a better future.

Fit for purpose:

- Performance — focus on the appropriate balance of risk and return to assure performance can meet policy objectives and obligations. Inform Minister of Finance and the Treasury of details of remediation where investment performance could affect ACC's ability to meet its intended purpose.

Crown risk:

- Risk profile — proactively work with the Treasury and collaborate with other CFIs to build resilience in the New Zealand economy to future financial shocks
- Complex products and activities — be mindful of fiduciary responsibilities and statutory duties where derivative instruments are employed.

Partnership:

- Collaborative approach — actively and constructively engage across government to deliver collective positive outcomes for New Zealanders
- No-surprises policy — maintain a policy of transparency in operations, expenses and communications across all of government.

Citizenship:

- Ethical investment — maintain robust ethical investment policies which are reviewed regularly and reflect best practice both in New Zealand and internationally. Adopt the highest standards of responsible investing
- Good citizens — act and be seen as 'good citizens' in home markets and be cognisant of second-order effects that promote the development of deep capital markets.

There are also expectations specific to ACC:

Engagement:

- Develop a culture that positively engages with Treasury officials.

Independent Review:

- Work with Treasury officials to determine an appropriate time and scope for an independent review of ACC's investment function.

Investment context

To reduce the risk that future levy payers may have to pay for past injuries, ACC has built an investment portfolio that is designed to meet the future cost of accidents that have already occurred.

The Scheme was created in 1974 and in 1999 the government legislated the Scheme's accounts to become fully funded. This means ACC needs to collect enough money during each year to fund all future costs of any injuries that occur in that year.

Inter-generational equity is an underlying objective of the Scheme. In essence, this means that each population cohort should bear the costs of accidents that happened during the period when it was paying levies. Unanticipated rising costs, rising incomes and the introduction of effective but expensive new medical treatments could otherwise mean that future levy payers would contribute to the cost of previous years' accidents.

As required by its legislation, ACC invests funds as if it were a trustee. The investment portfolio cannot be used for anything other than meeting the claims of each of the Accounts. One Account cannot cross-subsidise another. If ACC could invest to fully 'match' its liabilities, the changes in value of its assets would offset the valuation changes for its liabilities. In practice, ACC's assets can only partially match its liabilities given their long-term nature and the limited supply of equivalent assets.

ACC is close to being fully funded across all Accounts, but this assessment relies on forecasts of returns achievable on ACC's investment portfolios. If forecasts of returns reduce due to interest rates declining or claim costs rising unexpectedly, catch-up contributions would be required. In such a situation, ACC aims to reduce the impacts that these may have on levy rates and on the contribution that the Government is required to make to the Scheme. Thus, ACC favours long-term investments that are expected to deliver relatively certain income streams for long periods of time. Such investments match the long-term cash flow requirements and tend to provide an offset against the risk of declining interest rates.

ACC's investment objective

ACC invests to meet the future costs of outstanding claims. 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. To this end, ACC aims to:

- achieve a suitable balance between return and risk (being the potential for unexpected declines in the ability of investment assets to meet future liability payments)
- maximise long-term investment returns, for the level of risk taken
- achieve long-term investment returns that exceed the benchmark by 0.15% (15 basis points) after investment-related costs
- mitigate risks through appropriate levels of diversification, effective risk management and a strong and efficient operational control environment
- incorporate the evolving stakeholder themes, such as Environmental, Social and Governance, into investment decision-making
- support the spirit and content of New Zealand's health and safety legislation.

Governance

The ACC Board Investment Committee (BIC) is responsible for ensuring the development of, and approving, our investment strategy, policies and guidelines, and for approving the appointment of any external fund manager, investment consultant or custodian. The BIC reports to the full Board on a regular basis.

The ACC Board determines the membership of the BIC, which consists of members of ACC's Board plus expert external appointees. The BIC operates within the delegated authority and risk appetite provided by the ACC Board. The BIC determines the investment policies, while the implementation of the policies is

undertaken by ACC's in-house investment managers or by external fund managers (within the requirements and constraints of an Investment Management Agreement). In delegating investment decisions to internal investment staff, the BIC seeks to ensure that these investment decisions are made in a manner consistent with ACC's investment objectives by:

- specifying the investment policies that must be complied with by ACC Investment Group staff
- specifying the investment benchmarks that are to be used to measure investment performance
- specifying how the Investment Group should measure and take account of risk when measuring investment performance
- setting various limits and controls governing the scale and nature of the investment decisions
- ensuring there is clear accountability for the various aspects of investment performance
- making sure the Investment Group has a strong control environment to ensure the limits and controls are enforced and conflicts of interest are minimised.

Key decisions the BIC **does not** delegate include the:

- approval of asset-allocation benchmarks and establishing the default allocation between investment markets for each of ACC's Accounts
- approval of policy documents, discussing how we will approach various aspects of our investment operation (such as how we set the Strategic Asset Allocation and the approach that we will take to managing a particular investment portfolio)
- approval of changes to our Investment Guidelines, which specify limits to, and controls of, all aspects of the investment operation
- approval of the Investment Risk Management Policy, which specifies ACC's investment risk tolerance and how investment risk is managed
- appointment of external fund managers or custodians

- approval of any investment transactions that fall outside the limits and controls specified in the Investment Guidelines.

The Chief Investment Officer ensures the investment portfolio is managed relative to the investment risk tolerances set out by the restrictions and limits of the Investment Guidelines and the Investment Risk Management Policy. The Chief Investment Officer reports to the BIC on a regular basis.

Investment strategies and policies

Investment strategy

The highest layer of investment strategy involves the setting and review of the Strategic Asset Allocation, which sets out the asset class allocation percentages for each Account.

Each asset class is described by a market benchmark that is considered the best representation of the risk and return characteristics of the asset class. The asset allocation weightings, together with the asset class benchmarks, are referred to as the Strategic Asset Allocation and are used by the Investment Group as a basis for implementing the investment portfolio. The BIC reviews the asset allocation benchmarks on both an annual and an interim basis.

Management strategy

ACC aims for continued investment success by employing the best investment professionals in the market and encouraging them to manage ACC's investment portfolios in an environment that:

- emphasises individual accountability, but also encourages individuals to work together as a team
- encourages open discussion and debate, without requiring team members to buy in to an artificial 'consensus'
- encourages investment professionals to think about risk as well as long-run returns, and more generally to align their behaviours with ACC's objectives
- empowers investment professionals to make decisions that could add real value for ACC, while recognising that some misjudgement is inevitable.

The Investment Group is focused on ensuring that ACC's investment infrastructure and operational control environments are robust, and that the strategy delivers outcomes that are aligned with our vision and our fiduciary responsibility.

Investing with purpose

In 2020 ACC launched its first impact fund, and shortly thereafter its second impact fund. ACC believes there are opportunities to deliver superior risk-adjusted returns as well as have a measurable positive impact on the lives of New Zealanders.

Health and Safety Impact Fund

The Health and Safety Impact Fund aligns with ACC's core purpose (prevention/care/recovery). The Fund invests in opportunities to improve health, safety and wellbeing in New Zealand.

Climate Change Impact Fund

The Climate Change Impact Fund is designed to invest in opportunities that effect change in supporting New Zealand's transition to a lower-carbon economy.

Risk management

The taking of compensated risk is core to investing. The BIC ensures that the accepted level of risk aligns with the objectives of the investment portfolio and is consistent with the Board's risk appetite. The BIC manages risk through the Investment Risk Management Policy and Investment Guidelines.

The Strategic Asset Allocation is also a primary tool in helping the BIC to manage the risk profile of the investment portfolio. It establishes the financial risk

profile of the investment portfolio through a set of market benchmarks and exposures that best meet the long-term investment objectives of the portfolio while ignoring short-term fluctuations in market conditions. The Investment Guidelines limit how much risk the Investment Group can take by placing constraints on the exposure to different categories of risk. The BIC sets rules to govern the types of investment that can be entered into, the way in which the Investment Group invests and the ways in which the Investment Group manages performance. The Investment Group measures investment risks from a number of perspectives to give as broad a picture of risk as possible. Risk measures are reported to the BIC monthly.

The investment portfolio faces many types of risks by investing in financial markets. The significant risks it faces include, but are not limited to:

- **interest rate risk** — changes in interest rates will affect the value of investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations
- **inflation risk** — inflation impacts the value of investments and the future costs of claims through higher rehabilitation costs and wage prices. The value of fixed income securities in the investment portfolio, particularly those with long durations and fixed cash flows, typically decreases if expected inflation increases interest rates (the mechanism being as described under ‘interest rate risk’ above). The value of other investments, like equity and inflation-linked securities, or property assets, may increase with inflation
- **general market risk** — The value of the investment portfolio will fluctuate as the equity or bond markets fluctuate. The value of the investment portfolio may decline because of economic changes (including but not confined to the specific interest rate risks and inflation risks detailed above) or other changes including developments and trends in any particular industry, the financial condition of issuers of such assets and national and international political events and policy developments
- **counterparty risk** — we enter into derivative contracts with banking counterparties and futures exchanges as part of the investment process. If a counterparty is unable or unwilling to make timely payments to honour its obligations under a contract, ACC may incur a full or partial loss on the derivative. The value of derivative contracts can also change quickly as market conditions change, which in turn means the exposure to counterparties can change quickly. ACC uses cash collateral and margining to offset this exposure
- **liquidity risk** — the investment portfolio requires exposure to liquid assets to both meet the claim costs of the ACC Scheme and take advantage of opportunities in investment markets. Liquidity risk exists when investments are difficult to sell, possibly forcing us to sell at disadvantageous prices. Derivatives involving substantial market risk also tend to involve greater liquidity risk. Liquidity risk can arise from the need to post large amounts of cash collateral or margin to counterparties of derivatives trades as market conditions change, or if sizeable funding activity from the ACC Scheme requires the sale of securities to meet unexpected liquidity requirements
- **climate change risk** — impacts of climate change, such as higher temperatures, rising sea levels, more frequent extreme weather events and adverse health impacts, present current and emerging risks to ACC. ACC’s investment portfolio is exposed to the physical risks that result from climate change and transition risks that arise from attempts to combat climate change.

Active management

Active portfolio management is an integral part of ACC's investment beliefs and is important in achieving ACC's investment objectives. Active portfolio management allows ACC to identify and exploit market opportunities, enhance returns and manage risks.

ACC continues to actively manage all its investment portfolios. The majority of ACC's investments are actively managed by the in-house investment managers. ACC manages most of its Australasian funds internally, and uses external fund managers for all its global investment mandates.

ACC Investments Code of Conduct

The ACC Investments Code of Conduct establishes rules to ensure that the Investment Group complies with the Financial Markets Conduct Act 2013 and that investment staff manage personal investments, conflicts of interest and offers of gifts or hospitality appropriately. The investment portfolio is managed to the highest ethical standards. The Investment Group maintains a culture of compliance that is consistent with its position as a Crown Agent and as a leading investment fund. This means:

- being fully aware of, and complying with, all applicable legal obligations and internal policies and guidelines
- readily identifying and appropriately addressing any instances of non-compliance (actual or potential) to eliminate or minimise ACC's exposure to legal or reputational risk.

Ethical Investment Policy

ACC's Ethical Investment Policy²⁰ requires ACC to consider the ethical implications of ACC's investments as well as ACC's fiduciary responsibilities. ACC seeks to avoid investing in entities involved in activities that would be considered unethical by a substantial

majority of the New Zealand public. ACC uses New Zealand law as a reflection of the principles widely held by the New Zealand public. ACC also draws on international conventions such as the United Nations Global Compact and the Principles for Responsible Investment (PRI). ACC also aims to avoid investing in entities that exhibit corporate behaviour that seriously breaches ethical/responsible investing standards.

The ACC Board provides overall guidance as to the types of activity that are considered unethical. The ACC Board has highlighted activities that are considered unethical. These include tobacco companies, cannabis companies, those involved with the development and/or production of anti-personnel mines, cluster munitions, nuclear explosive devices, automatic or semi-automatic guns for civilian use and the hunting or processing of whales, and companies that generate more than 30% of their revenue from thermal coal.

ACC aims to continue to earn strong investment returns for levy payers in the future and reduce the costs that New Zealanders pay for accident cover, while also meeting our ethical responsibilities.

In 2019 ACC committed to a 50% reduction in the carbon intensity of the global equity portfolio by 2030 compared to 2019 levels.

The ACC Board revised the targets in 2021, committing to a 60% reduction by 2025 and a 65% reduction by 2030.

Significant progress has been made towards these targets, with a commitment to review the targets on an iterative basis.

Principles for Responsible Investment

ACC became a signatory to the PRI in March 2008. These principles provide investors with a framework to incorporate environmental, social and governance issues into their investment decision-making and ownership practices. As a signatory ACC is committed to adopting and implementing the principles where consistent with our fiduciary responsibilities.

20. www.acc.co.nz/assets/corporate-documents/ethical-investment-policy.pdf

Crown Financial Institutions – Responsible Investment Framework

ACC takes into account its role and responsibilities as one of New Zealand’s Crown Financial Institutions. This role was reaffirmed under the Crown Responsible Investment Framework, announced in October 2021.

ACC, alongside the NZ Super Fund, Government Superannuation Fund and National Provident Fund, committed to making reductions in the portfolio carbon footprint in line with achieving net-zero global emissions by 2050, and reporting on these reductions using common metrics.

As part of this, the Crown Financial Institutions will seek to invest in climate solutions consistent with their respective investment strategies and commercial mandates. They will also use their collective influence as asset owners to engage with companies on climate change and emission reductions.

Investment valuations

The ACC Investment Valuations Policy governs how ACC values non-traded investments such as property and private equity, the timeframes for changing valuation managers and the specific requirements in doing so.

ACC manages its financial statements in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and complies with Tier 1 Public Benefit Entity accounting standards. To ensure assets are measured accurately and without bias, ACC maintains independence between those responsible for managing the investments and those responsible for valuing the investments. For material investments where no observable market prices are available, the Investment Group obtains independent third-party valuations. Independent third-party valuers must be managed on a rotation policy. The policy requires ACC to ensure it follows ACC’s Procurement Policy which ensures independence within ACC on the selection of valuers.

Cost management

ACC uses a market-recognised measure – the management expense ratio (MER) – which includes all the investment costs for the management of the portfolios. The BIC monitors ACC’s investment MER on a quarterly basis and reviews it against peer funds and other Crown Financial Institutions.

Measuring performance

The oversight of investment performance is a primary function of the BIC, with independent reporting provided by the Investment Risk and Performance team.

Investment performance should ultimately be evaluated by looking at the extent to which ACC’s investments have achieved the objectives of enhancing returns and reducing risk, and how performance compares with global investment markets’ performance.

The Investment Group measures the performance of each portfolio against a relevant benchmark and measures ACC’s overall investment return against a composite benchmark.

Inherently, most investment decisions involve a considerable degree of uncertainty, and the outcomes of a few investment decisions in a short period of time could be regarded as being due more to luck than skill. But with enough time and enough distinct investment decisions to consider, ACC expects that any unpredictable positive or negative results will average out. Therefore, investment performance over a longer timeframe is more likely to reflect mainly the quality of the investment decisions rather than the ‘noise’ of relatively unpredictable fluctuations in investment markets.

Standards and procedures

The investment strategy and policies are implemented through standards and procedures that sit outside this document. Standards and procedures are monitored and controlled centrally by the ACC Investment Compliance team and are reviewed and reported to the BIC on an ongoing basis.



Glossaries

Glossary of terms

ACC Scheme

New Zealand's no-fault accident insurance scheme that provides cover to all New Zealanders and visitors to our country.

Accident Compensation Act 2001

The major piece of legislation under which ACC is governed.

Business customer

A business that pays a levy under the Scheme.

Client

A person who makes a claim under the Scheme.

Consumer price index

A measure of the price change of goods and services purchased by private New Zealand households.

Crown entity

An organisation in which the Government has a controlling interest.

Customer

A client, provider or business customer.

Earners' Account

The Account for non-work injuries to people in employment that occur outside work (eg at home

or playing sport), that are not motor vehicle or treatment injuries.

Entitlement claim

A claim that has received additional support such as weekly compensation or social or vocational rehabilitation for a covered injury, as well as any funded medical treatment required.

Full-time equivalent

The hours worked by one employee on a full-time basis, generally considered to be 35–40 hours per week.

Funding ratio

The 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 (eg hearing loss).

Gross domestic product (GDP)

The standard measure of the value added through the production of goods and services in a country during a certain period.

Labour cost index

A measure of the increased cost of 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' and Work Accounts.

Long-Term Claim Pool

A Long-Term Claim Pool client has received weekly compensation for more than 365 days.

Motor Vehicle Account

The Account for all road-related injuries.

New claims registered

The total number of new claims registered. Presented as a rolling 12-month result.

Non-Earners' Account

The Account for injuries of people not in the workforce, such as children and retirees.

Outstanding Claims liability (OCL)

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

Pay-as-you-go basis

Funding the costs of injuries as the costs are incurred.

Provider

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

Return on investment

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

Risk margin

ACC has added a risk margin to the central estimate of the discounted future claim payments to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments.

Statement of Intent

A statutory document that covers a four-year period and outlines our medium-term strategic intentions.

Strategic intentions

The areas that ACC has identified as needing the most focus during the period of the Statement of Intent (2021–2025).

Transformation programme

A series of projects that were focused on improving our systems, processes and employee capabilities.

Treatment Injury Account

The Account for injuries arising during medical treatment.

Weekly compensation

Payments to a client who cannot work because of an injury, based on 80% of their weekly income (capped) before the injury occurred.

Whāia Te Tika

Our strategy to pursue what is right for Māori and deliver on our aspirations.

Work Account

The Account for injuries that occur in the workplace.

Glossary of performance measures

ACC is focused on the best possible outcomes for clients given their situations

A measure of the extent to which respondents agree that ACC has focused on achieving the best possible outcomes for them given their situations. Agreement is measured via a five-point scale (strongly agree to strongly disagree), with the reported score reflecting the percent that agree and strongly agree. Presented as a rolling four-quarter result.

Actuarial movement

The percentage growth in the Outstanding Claims Liability (balance at the start of the year) from actuarial gains or losses. Actuarial gains or losses arise from claim volumes, types and costs differing from expectations.

Average administration cost per active claim

The average administration cost per active entitlement claim. Administration costs exclude investment and injury prevention costs. Presented as a year-to-date measure.

Average care hours per serious injury claim

The average annual hours of attendant care, home help and childcare per serious injury claim. Presented as a rolling four-quarter result.

Average time to resolution for claims with reviews

The average time (in calendar days) for the resolution of a review, from review lodgement to review outcome. Presented as a rolling 12-month result.

Average weekly compensation days paid

The average number of weekly compensation days paid when a client exits the Scheme (rolling 12-month basis). Claims with 29 to 365 days of weekly compensation are included.

Change in average treatment cost per injury

The percentage growth in the average cost of medical treatment and elective surgery per claim. Presented as a rolling 12-month result.

Claims processed per full-time equivalent

The average number of new claims registered per full time equivalent (FTE). The number of new claims registered is 12-month rolling and FTE is a point in time.

Employee net promoter score

A measure of how likely our employees are to recommend ACC as a place to work. Respondents rate themselves on an 11-point scale, with 0 being 'not at all likely' and 10 being 'very likely'. The net promoter score is the proportion of 'promoter' respondents (scores 9–10) less the proportion of 'detractor' respondents (scores 0–6). Total scores can range from -100 to +100.

Funding ratio (solvency)

This was previously referred to as solvency. The funding ratio is presented as a percentage and calculated by dividing total assets, less payables, accrued liabilities, provisions and unearned levy liability by the OCL (including an additional liability for work-related gradual process claims not yet made) excluding any risk margin. The funding ratio for the Work Account excludes those claims, and equivalent assets, funded through the Accredited Employer Programme. This is calculated for the fully-funded portions of the Accounts only.

Growth rate of the Long-Term Claim Pool

The percentage growth in the number of Long-Term Claim Pool clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

Investment in kaupapa Māori programmes

The amount invested in kaupapa Māori injury prevention programmes.

Investment management costs as a proportion of total funds under management

Investment costs excluding costs associated with trading as a percentage of average funds under management. Presented as a year-to-date result.

Investment performance after costs relative to benchmark

A measure of ACC's investment performance after costs compared with the industry standard. Measured as the percentage above the blended market average benchmark. Presented as a year-to-date result.

Long-Term Claim Pool returns to independence

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

Lost-time injury frequency rate

The number of lost-time incidents per million hours worked.

Māori lodgement ratio

The ratio between the claim lodgement rate per head of population for Māori, benchmarked against the claim lodgement rate for all New Zealand.

Net trust score

A measure of the extent to which respondents have trust and confidence in ACC on a 0–10 scale grouped into four categories (low trust and confidence, medium trust and confidence, high trust and confidence, and don't know/refused). The net trust score is the proportion of respondents with high trust and confidence (scores 9–10) less the proportion of respondents with low trust and confidence (scores 0–6). Overall scores can range from -100 to +100. Four groups of our customers are included: clients, Māori clients, providers and businesses.

Number of category 3, 4 and 5 privacy breaches and near misses

The year-to-date number of category 3, 4 and 5 privacy breaches and near misses. The category of a breach or near miss is determined using the Government Chief Privacy Officer's definition of a privacy breach.

Number of claims avoided through our injury prevention investments

The number of claims avoided in the areas where we have targeted injury prevention programmes. Presented as a year-to-date result.

Overall operational system availability

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 for clients (claims paid). Investment costs are excluded. Presented as a year-to-date result.

Proportion of ACC reviews upheld

The proportion of all review outcomes where the decisions were in favour of ACC. Reviews in favour of ACC include all reviews dismissed at external review hearings, as well as any reviews that have been withdrawn or settled. Presented as a rolling 12-month percentage.

Proportion of ACC staff who identify as having a disability

The proportion of FTEs who identify as having a disability, self-reported in a six-monthly survey. Presented as a point-in-time result.

Proportion of ACC staff who identify as Māori

The proportion of FTEs who identify as Māori, self-reported in a six-monthly survey. Presented as a point-in-time result.

Public trust and confidence

The proportion of the general public surveyed online (who felt they had a reasonable understanding of ACC) who reported having full trust and confidence in ACC. Presented as a rolling four-quarter result.

Rate of long-term clients in part-time work

The proportion of Long-Term Claim Pool clients with part-time earnings (abated weekly compensation payments). In this context, Long-Term Claim Pool clients are those who have received weekly compensation for more than 365 days. This is a point-in-time measure.

Rate of serious injury

The number of new serious injury and fatal claims where we have injury prevention programmes as a proportion of the New Zealand population. Presented as a rolling 12-month result.

Return on investment (Injury Prevention)

The return on investment from our injury prevention investments in two areas: 0- to 20-year programmes and workplace programmes. This consists of two parts: the historical value of claims saved divided by the costs 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 workplace measure excludes ACC's investment with WorkSafe. Presented as an evaluation of the costs and savings at a point in time.

Return to independence for those not in the workforce

The proportion of clients (who have never received weekly compensation) who have returned to independence (ceased receiving any entitlements) in 12 months. Presented as a rolling 12-month result.

Return to work within 10 weeks

The percentage of clients receiving weekly compensation who return to work within 10 weeks (70 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Return to work within nine months (273 days)

The percentage of clients receiving weekly compensation who return to work within nine months (273 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Reviews as a percentage of decline decisions

The number of client reviews lodged as a percentage of the number of cover and entitlement decline decisions, presented as a rolling 12-month result.

Speed of cover decisions

The average number of calendar days between the lodgement date and time and the date and time of the first cover decision (accept or decline). Measured for non-complicated and complicated claims separately and presented as a rolling 12-month result.

Total recordable injury frequency rate

The number of lost-time incidents, restricted work incidents and medical treatment incidents per million hours worked.



Directory

Directory

Claims

0800 101 996
claims@acc.co.nz

Business

0800 222 776
business@acc.co.nz

Providers

0800 222 070
providerhelp@acc.co.nz

Our three main call centres are open Monday to Friday, 8am to 6pm.

Claims

	0800 101 996	claims@acc.co.nz
From overseas	+64 7 848 7400	claims@acc.co.nz
Sensitive claims	0800 735 566	sensitiveclaims@acc.co.nz Sensitive Claims PO Box 430 Dunedin 9054
Treatment injury centre	0800 735 566	Treatment Injury Centre PO Box 430 Dunedin 9054
Deaf services		deaf@acc.co.nz
Language and cultural services	0800 101 996	

Business and levies

	0800 222 776	business@acc.co.nz
From overseas	+64 7 859 8675	ACC Business Service Centre PO Box 795 Wellington 6140
Injury management (for employers)	0800 101 996	returntowork@acc.co.nz
Collections and recoveries	0800 729 538 +64 4 805 4296	collections@acc.co.nz ACC Collections and Recoveries PO Box 3248 Wellington 6140

Providers

0800 222 070

providerhelp@acc.co.nz

Northern Service Centre
PO Box 90341
Auckland 1142

General questions

04 816 7400

information@acc.co.nz

ACC
PO Box 242
Wellington 6140

Statistics

statistics@acc.co.nz

Complaints and feedback

0800 650 222

customerfeedback@acc.co.nz

+64 7 859 8560

Customer Resolution
Freepost 264
PO Box 892
Hamilton 3240

Media

media@acc.co.nz

More contact information, including branch details, Official Information Act requests and reviews, is available at www.acc.co.nz/contact.



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

www.acc.co.nz

0800 101 996



Te Kāwanatanga o Aotearoa
New Zealand Government

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